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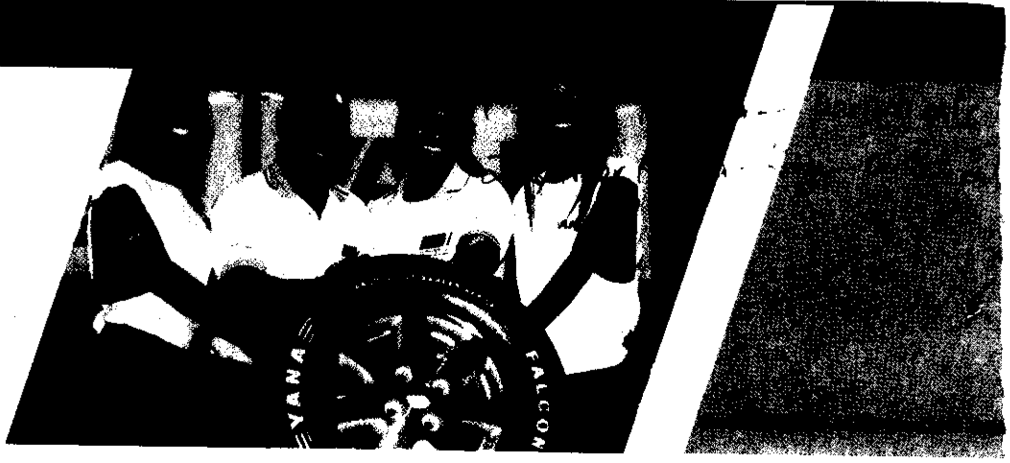
corporate information



BOARD OF DIRECTORS

Mr. N. N. Merali
Chairman

Mr. E. M. Kimani
Managing Director

Mr. T. S. Hariharan
Technical Director

Mr. P. Gitonga
Commercial Director

Mr. M. H. Da Gama-Rose
Mr. S. M. Githiga
Mr. T. D. Owuor
Mr. S. N. Merali
Non-Executive Directors

SECRETARY
Issa Abdalla Timamy

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants
The Rahimtulla Tower, Upper Hill Road
P.O. Box 43963-00100, Nairobi

PRINCIPAL BANKERS
Commercial Bank of Africa Limited
Wabera Street
P.O. Box 30437-00100, Nairobi

Standard Chartered Bank Kenya Limited
Stanbank House, Moi Avenue
P.O. Box 30003, Nairobi

SHARE REGISTRARS
Barclays Advisory and Registrar Services Limited
Bank House, Moi Avenue
P.O. Box 30120, Nairobi

REGISTERED OFFICE
L.R. NO: 12081
Mombasa Road
P.O. Box 30429-00100
Nairobi

notice of meeting
ilani ya mkutano

Notice is hereby given that the 37th Annual General Meeting of the members will be held at the Company's Premises off Mombasa Road, Nairobi on 31st March, 2006 at 11:00am for the following purposes:

1. To confirm the minutes of the 36th Annual General Meeting held on 30th March, 2005.

2. To receive, consider and if deemed fit, adopt the Financial Statements for the year ended 31st December, 2005 together with the reports thereon of the Directors and the Auditors.

3. To confirm the first and final dividend of Shs. 0.50 per share.

4. To elect Directors:-
   (a.) Under article 94-

   Mr. M. H. Da Gama-Rose and Mr. S. M. Githiga, directors retiring by rotation who being eligible, offer themselves for re-election.

   (b.) Under article 101-

   i.) Mr. P. Gitonga, a director retiring who being eligible, offers himself for re-election.

   ii.) Mr. T. S. Hariharan, a director retiring who being eligible, offers himself for re-election.

   iii.) Mr. S. N. Merali, a director retiring who being eligible, offers himself for re-election.

5. To confirm the Directors' emoluments.

Ilani inatolewa hapa kuwa mkutano wa thelathini na saba (37) wa kila mwaka wa wanachama utafanyika katika majengo ya Kampuni kando ya barabara ya Mombasa, Nairobi, siku ya Ijumaa, tarehe 31 Machi 2006, saa tano asubuhi kwa madhumuni yafuatayo:

1 Kuidhinisha yaliosemwa kwenye mkutano mkuu wa 36 wa kila mwaka uliofanyika tarehe 30 Machi 2005.

2. Kupokea, kuchunguza na ikifikiriwa sawa kuidhinisha taarifa za fedha za mwaka uliomalizikia 31 Desemba 2005, pamoja na taarifa za wakurugenzi na za wakaguzi wa hesabu.

3. Kuidhinisha malipo ya mgawo wa mwanzo na mwisho wa faida ya Shs.0.50 kwa kila hisa.

4. Kuchagua wakurugenzi
   a) Chini ya kifungu 94 -

   Bw. M.H. Da Gama-Rose na Bw. S.M. Githiga, wakurugenzi wanaostaafu kwa zamu ambao kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

   b) Chini ya kifungu 101 -

   i) Bw. P. Gitonga, mkurugenzi anayestaafu ambaye kwa kuwa anastahili, anajitolea kuchaguliwa tena.

   ii) Bw. T.S. Hariharan, mkurugenzi anayestaafu ambaye kwa kuwa anastahili, anajitolea kuchaguliwa tena.

   iii) Bw. S. N. Merali, mkurugenzi anayestaafu ambaye kwa kuwa anastahili, anajitolea kuchaguliwa tena.

5. Kuidhinisha malipo ya wakurugenzi.

notice of meeting
ilani ya mkutano

6. To re-appoint PricewaterhouseCoopers as auditors for the ensuing year and authorize the Directors to fix the auditors remuneration.

7. To transact any other business which may be transacted at an Annual General Meeting.

By Order of the Board

Issa Timamy
Company Secretary
Nairobi

20th February, 2006

NOTE:
A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company. The form of proxy is attached on page 39.
The final dividend, will be paid on or about 28th April, 2006 to members on the register at close of business on 5th April, 2006.

6. Kuwateuwa PriceWaterhouseCoopers kama wakaguzi wa vitabu vya hesabu kwa mwaka unaofuata na kuidhinisha wakurugenzi kuamua malipo ya wakaguzi wa vitabu vya hesabu.

7. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.

Kwa amri ya Halmashauri

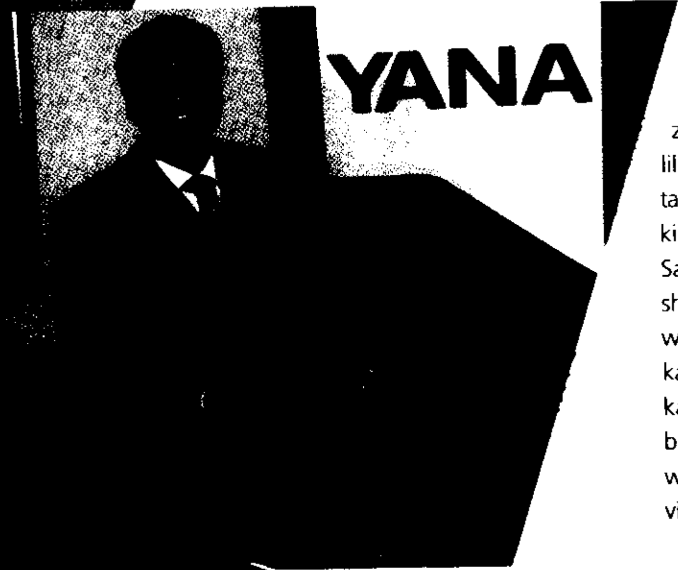
Issa Timamy
Katibu wa Kampuni
Nairobi

20 Februari, 2006.

Maelezo zaidi:
Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu anaweza kuchagua wakala kuhudhuria na kupiga kura kwa niaba yake na wakala huyo si lazima awe mwanachama wa kampuni. Fomu ya wakala imewekwa ukurasa 39.
Malipo ya gawio la faida ya mwisho yatalipwa tarehe 28 Aprili, 2006 kwa wanachama walio katika kitabu cha orodha ya majina kufikia wakati wa kufunga biashara tarehe 5 Aprili 2006.

sameerafrica

chairman's statement
taarifa ya mwenyekiti



Mr. N. N. Merali, Chairman

The year 2005 was indeed a landmark in the history of our Company. It was a year with a lot of exciting moments and numerous challenges. Pursuant to a resolution passed at the last Annual General Meeting held on 30th March 2005, the Company formally changed its name from Firestone East Africa (1969) Ltd to Sameer Africa Ltd and we unveiled our new corporate identity two months later. This was received very well by all our stakeholders. The value of a share on the Nairobi Stock Exchange of your Company, increased by 72% within the year. The factory continued operations without the 36-year old technical support from foreign partners, with excellent results in both production volumes and quality. It was also the year when we brought to the market the first truly African tyre brand - Yana - a real source of pride for all of us.

The East African Community Common External Tariffs (CET) was implemented during the year. With the resultant lowering of the import duty rates on all tyres, there has been an influx of imports into the market. This presented a major challenge to our business.

The overall economic performance was better than that of the previous year. The GDP increased by approximately 5% up from 4.3% in 2004 supported by favourable weather conditions in the earlier part of the year and an upsurge in tourism during the latter part of the year. The Kenya shilling continued to strengthen in the last quarter of the

Mwaka 2005 ulikuwa kweli mwaka muhimu katika historia ya kampuni yetu. Ulikuwa mwaka wenye nyakati za kusisimua na majaribio kadhaa. Kulingana na azimio lililopitishwa katika mkutano mkuu wa mwisho uliofanyika tarehe 30 Machi 2005, kampuni ilibadilisha jina lake kirasmi kutoka Firestone East Africa (1969) Limited kuwa Sameer Africa Limited na tulionyesha sura yetu mpya ya shirika, miezi miwili baadaye. Hii ilipokelewa vyema na washika dau wetu wote. Thamani ya hisa ya kampuni yenu katika soko la hisa la Nairobi iliongezeka kwa asilimia 72 katika mwaka huu. Kiwanda kiliendelea na utendaji kazi bila ya usaidizi wa kiufundi wa miaka 36 kutoka kwa wenzi wa kigeni, kukiwa na matokeo mazuri sana kwa zote viwango vya uzalishaji na ubora.

Ushuru sawa wa forodha wa jumuia ya Afrika Mashariki ulianzishwa katika mwaka. Kutokana na kuteremka kwa viwango vya ushuru wa bidhaa kwenye matairi yote, kumekuwa na kumiminika kwa bidhaa katika soko kutoka nje. Hili lilitoa changamoto kubwa kwa biashara yetu.

Utendaji wa kijumla wa kiuchumi ulikuwa wa afadhali zaidi kuliko ule wa mwaka uliopita. Jumla ya pato liliongezeka kwa kama asilimia 5 juu kutoka asilimia 4.3 katika mwaka 2004 lililosaidiwa na hali nzuri ya hewa katika wakati wa mwanzo wa mwaka na kuongezeka kwa biashara ya utalii katika wakati wa mwisho wa mwaka. Shilingi ya Kenya iliendelea kuimarika katika robo ya mwisho ya mwaka dhidi ya fedha muhimu za kigeni pamoja na shilingi ya Tanzania na Uganda, hivyo kupunguza thamani ya mapato yetu ya usafirishaji bidhaa nje.

Dhidi ya majaribio yaliokabiliwa katika mwaka, mapato na matumizi ya kampuni katika mwaka 2005 yaliongezeka kwa asilimia 2.6% kuwa Kshs milioni 3,359. Mauzo hasa yalisaidiwa na utendaji mzuri ulioendelea katika mauzo ya bidhaa za kusafirisha nje yaliongezeka kwa asilimia 90 kupita mwaka uliopita. Katika soko la nchini tuliweza kuongeza mauzo yetu ya moja moja na kudhibiti hisa yetu ya jumla ya soko.

Ijapokuwa, ndani ya nchi hatua zilichukuliwa kupunguza athari za vipengele vikuu vya kiuchumi vya nje, faida baada ya ushuru ilipungua kwa asilimia 25.6 kuwa Kshs Milioni 204 ikilinganishwa na Kshs Milioni 275 katika mwaka

Yana 786 the new TBR TAM at work

continued

year against all major currencies including the Tanzania and Uganda shilling, consequently reducing the value of our export earnings.

Despite the challenges faced during the year, the Company's turnover in 2005 increased by 2.6% to Kshs. 3,359 Million. The sales were supported mainly by our continued good performance in export sales, which grew by 90% over the previous year. In the domestic market we managed to grow our unit sales and maintained our overall share of the market.

Although, internal measures were taken to mitigate the effects of the external macroeconomic factors, the profit after tax declined by 25.6% to Kshs. 204 Million compared to KShs. 275 Million in 2004. This was mainly due to increase in advertising expenditure on the launching of the new corporate identity and the Yana brand, adverse effects arising from the implementation of CET, depreciation of the Kenya shilling against major currencies, and a substantial increase in the cost of raw materials due to the increase in international oil prices. Due to the instability in the Market caused by the CET, it was not possible to adjust our selling prices to cater for the increased cost of production.

However, your Board of Directors, recommends a first and final dividend for the year 2005 of 10% or Kshs. 0.50 per share.

The following is a brief review of the performance and activities of the various areas of our operations:

MANUFACTURING

The volume of production increased by 12% over the previous year. A capital investment of Kshs. 101 Million was made to meet the anticipated growth. Kshs. 32.3 Million was spent on modification of the tyre molds for the production of our own brand, Yana. This process involved very skilled work by our engineers and external experts. I am also happy to report that our TBR -TAM machine is now operational, with great improvement in the TBR product quality. Further investment will be required in the current year to acquire additional accessories that will enable us use all the capabilities of our new state-of-the-art machine.

2004. Hili hasa lilitokana na kuongezeka kwa gharama za utangazaji kutokana na uanzishi wa sura mpya ya Shirika na chapa ya Yana, athari mbaya zinazotokana na utekelezaji wa ushuru sawa wa forodha, kupungua kwa thamani ya shilingi ya Kenya dhidi ya fedha muhimu za kigeni, na ongezeko kuu katika gharama za malighafi kutokana na ongezeko katika bei za mafuta za kimataifa. Kutokana na kutotengemaa katika soko kulikosababishwa na ushuru sawa wa forodha, haikuwezekana kurekebisha bei zetu za mauzo kufidia gharama zilioongezeka za uzalishaji.

Hata hivyo, Halmashauri yenu ya Wakurugenzi inapendekeza gawio la faida la mwanzo na la mwisho la mwaka 2005 la asilimia 10 au Kshs. 0.50 kwa kila hisa. Inayofuata ni muhtasari mfupi wa utendaji wa shughuli za maeneo tofauti ya utendaji kazi wetu.

UTENGENEZAJI

Kiwango cha uzalishaji kiliongezeka kwa asilimia 12 kupita cha mwaka uliopita. Uekezaji uchumi wa rasilimali wa Kshs. Milioni 101 ulifanywa kufikia ukuaji unaotarajiwa. Kshs. Milioni 32.3 zilitumiwa kurekebisha vielezo vya matairi kwa uzalishaji wa chapa yetu ya Yana. Jambo hili lilihusisha kazi ya kiufundi sana na wahandisi wetu na wajuzi wa nje. Pia ninafuraha kuripoti kuwa mtambo wetu wa TBR – TAM sasa unafanya kazi ukiwa na maendeleo makubwa katika ubora wa bidhaa za TBR. Uekezaji uchumi zaidi utahitajika katika mwaka uliopo kununua vifuasi zaidi vitakavyotuwezesha kutumia uwezo wote wa mashine yetu mpya ya kisasa.

Pia ningependa kuhakikisha kuwa mifumo yetu yote imehifadhi hati za usimamizi ubora ISO-9001:2000 na usimamizi wa mazingira ya ISO:140001 chini ya jina letu jipya la Kampuni Sameer Afica Limited. Pamoja na haya yaliotajwa hapa juu, pia tumeanzisha mkakati wa kufuata hati ya ISO/TS 16949 ambayo ndiyo kiwango cha dhahabu cha ulimwengu cha biashara ya magari ya kimataifa. Tarehe ya shabaha yetu ya kupata hati hii ya fahari kuu ni Juni 2006. Hati ya ISO/TS 16949 itaongeza mauzo yetu na hasa kwa watengenezaji vifaa halisi. Pia tuko katika hali ya kuinua hati yetu ya usimamizi wa mazingira kwa kiwango kipya – ISO-14001: 2004 kufikia Mei 2006.

chairman's statement
taarifa ya mwenyekiti

I also wish to confirm that all our systems have retained the ISO 9001:2000 Quality Management and the ISO 14001 Environment Management Certifications under our new Company name Sameer Africa Limited. In addition to the above, we have already started the process of pursuing ISO/TS 16949 Certification, which is the global gold standard for the international automobile industry. Our target date for this prestigious certification is June 2006. ISO/TS 16949 Certification will increase our sales, and in particular to the Original Equipment Manufacturers. We are also in the process of upgrading our Environment Management Certification to a new level - ISO 14001: 2004, by May 2006.

SALES AND MARKETING

Our sales were 2.6% higher than the previous year in spite of the huge influx of imported tyres following the introduction of the CET in January 2005. Our export sales grew by 90% over the previous year. We achieved growth in Rwanda and Burundi and new regional export markets such as Malawi, Madagascar, Zambia, Mozambique, Sudan and Somalia.

NEW CORPORATE IDENTITY

We changed our Company name from Firestone East Africa (1969) Limited to Sameer Africa Limited and announced our new corporate direction with emphasis on independent management of our Company, penetration into the regional export markets and a wider range of global strategic tyre industry partners. We also unveiled our new corporate logo, colours and our new slogan 'We'll Take You There' – our promise to all our stakeholders. All these were received extremely well by all our stakeholders as confirmed by the increased levels of trading and the growth of the Sameer Africa Limited's share price on the Nairobi Stock Exchange, since the announcement in May 2005.

THE YANA BRAND

In November 2005, our Company unveiled for the first time, ever, a new truly African tyre brand manufactured for driving conditions in Africa. Yana Tyres shall be Sameer Africa Limited's flag ship brand with representation in all the major tyre categories relevant to Africa. I am pleased with the level of acceptance of the brand by our business

MAUZO NA UUZAJI

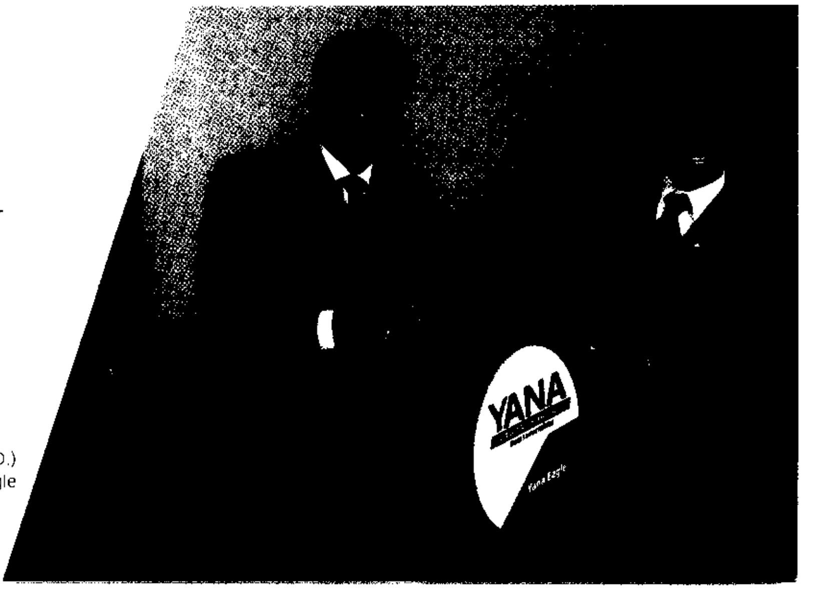
Mauzo yetu yalikuwa juu kwa asilimia 2.6% kuliko mwaka uliopita dhidi ya kumiminika kwingi kwa matairi ya kutoka nje kutokana na kuanzishwa kwa ushuru sawa wa forodha kutokea Januari 2005. Mauzo yetu ya usafirishaji nje yaliongezeka kwa asilimia 90 kushinda mwaka uliopita. Tulipata kuongeza nchini Rwanda na Burundi na pia masoko mapya ya kieneo ya usafirishaji nje kama Malawi, Madagascar, Zambia, Mozambique, Sudan na Somalia.

SURA MPYA YA SHIRIKA

Badiliko la jina letu la kampuni kutoka Firestone East Africa (1969) Limited kuwa Sameer Africa Limited, lilitangaza mwelekeo wetu mpya wa shirika wenye msisitizo kwenye usimamizi huru wa Kampuni yetu, kupenya ndani katika masoko ya usafirishaji nje ya kieneo na wenzi wengi zaidi wa mikakati ya biashara ya matairi wa kilimwengu. Pia tulionyesha chapa yetu mpya ya shirika, rangi na wito wetu mpya wa "Tutakupeleka huko" – ahadi yetu kwa washika dau wetu wote. Yote haya yalipokelewa vizuri sana na washika dau wetu wote kama ilivyothibitishwa na ongezeko la viwango vya biashara na ongezeko katika bei ya hisa ya Sameer Africa katika soko la hisa la Nairobi, kutokea kutangazwa mwaka 2005

CHAPA YA YANA

Katika mwezi wa Novemba 2005, Kampuni yetu ilionyesha kwa mara yake ya kwanza kabisa, chapa mpya ya kweli ya tairi la kiafrika lililotengenezwa kwa hali za uendeshaji za Afrika. Matairi ya Yana yatakuwa chapa ya kupamba bendera ya Sameer Africa ikiwakilishwa katika kategoria zote muhimu za matairi yafaayo Afrika. Nina furaha na kiwango cha upokezi wa chapa na wenzi wetu wa kibiashara na soko. Matayarisho yako katika hatua ya mbali



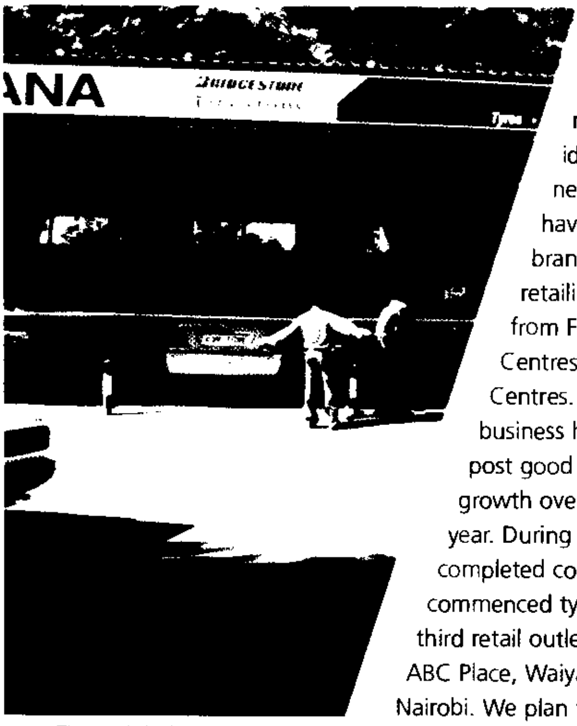
N. N. Merali and E. M. Kimani (M.D.) examine Yana Eagle

YANA

chairman's statement
taarifa ya mwenyekiti

continued

partners and the Market. Arrangements are at an advanced stage to launch the brand within the East African region and beyond.



The newly built Yana Tyre Centre ABC Place, Nairobi

YANA TYRE CENTRES

In line with our new corporate identity and our new brand, we have also re-branded our retailing business from Firestone Tyre Centres to Yana Tyre Centres. This arm of our business has continued to post good results and growth over the previous year. During the year, we completed construction and commenced tyre sales at our third retail outlet located at ABC Place, Waiyaki Way, Nairobi. We plan to open the fourth Yana Tyre Centre on Ngong Road, Nairobi by April 2006.

SAMEER INDUSTRIAL PARK AND SAMEER EPZ LIMITED

Both Sameer Industrial Park Limited and Sameer EPZ Limited continued to facilitate export oriented production for a number of companies operating within the export-processing zone. Sameer EPZ Limited, inaugurated in December 2004, is host to among others; Kencall EPZ Limited, Kenya's first call center that currently employs hundreds of young talented Kenyans who serve their clients based mainly in the USA and UK.

CORPORATE SOCIAL RESPONSIBILITY

During the year 2005, your Company continued to demonstrate its firm commitment to being a responsible corporate citizen. The Company donated tyres worth Kshs 500,000 to support the activities of Association of the Physically Disabled of Kenya. Your Company is a member of the Imara Daima Estate Neighbourhood Association and

kuanzisha chapa hii katika maeneo ya Afrika Mashariki na pande nyingine.

VITUO VYA MATAIRI YA YANA

Kulingana na sura yetu mpya ya shirika na chapa yetu mpya, pia tumebadilisha biashara yetu ya rejareja kutoka vituo vya matairi ya Firestone kuwa vituo vya matairi ya Yana. Sehemu hii ya biashara yetu imeendelea kutoa matokeo mazuri na ukuaji zaidi ya mwaka uliopita. Katika mwaka, tulikamilisha ujenzi na kuanzisha mauzo ya matairi katika kituo chetu cha tatu cha mauzo ya reja reja kilichopo ABC Place, barabara ya Waiyaki Nairobi. Tunapanga kufungua kituo cha nne cha matairi ya Yana kwenye barabara ya Ngong kufikia Aprili 2006.

SAMEER INDUSTRIAL PARK NA SAMEER EPZ LIMITED

Zote, eneo la utengenezaji bidhaa nje la Sameer na kampuni ya Sameer EPZ zinaendelea kurahisisha uzalishaji wenye mwelekeo wa usafirishaji nje kwa idadi fulani ya kampuni zinazotenda kazi katika eneo hilo la utengenezaji bidhaa nje. Kampuni ya Sameer EPZ ilioanzishwa Desemba 2004 ni mwenyeji wa miongoni mwa nyingine, Kencall EPZ Limited, kituo cha kwanza cha upigaji simu cha Kenya ambacho hivi sasa kinaandika mamia ya vijana Wakenya wenye vipawa wanaowahudumia wateja wao waliopo hasa Amerika na Uingereza.

WAJIBU WA KIJAMII WA SHIRIKA

Katika mwaka wa 2005, kampuni yenu iliendelea kuonyesha msimamo wake thabiti wa kuwa raia mwaminifu wa kishirika. Kampuni ilitoa mchango wa matairi ya thamani ya Kshs 500,00 kusaidia shughuli za chama cha Walemavu wa Kimwili cha Kenya. Kampuni yenu ni mwanachama wa Chama cha Ujirani wa mtaa wa Imara Daima na ilitoa mchango wa matairi kusaidia mradi wa usimamizi wa jamii kwa ushirika na Polisi wa Kenya.

Sameer Africa inaendelea kuwa mchangizi mkuu kwa wizara ya fedha tena ilipokea tunzo la heshima ya walipaji ushuru wa mwaka 2005 ya shirika la ukusanyaji mapato.

MTAZAMO KATIKA MWAKA 2006

Tunatazamia siku za usoni na matumaini mema mapya. Halmashauri yenu itaendelea kusimamia kwa makini zaidi kubakiza na kuendeleza zaidi ustadi wa matairi wa nchini

chairman's statement
taarifa ya mwenyekiti

made a donation of tyres to facilitate Community Policing Project in partnership with the Kenya Police.

Sameer Africa Limited continues to be a major contributor to the exchequer and once again received the Kenya Revenue Authority Commissioner General's Commendation in 2005.

OUT LOOK IN 2006

We look forward to the future with renewed optimism. Your Board will continue to pay keen attention to retaining and further developing local tyre expertise in our factory to further strengthen our technological capability. Your Board will build more strategic alliances with other tyre multinationals to increase our capacity to meet all tyre demands in our region and become a real one-stop-shop for tyre solutions. Sameer Africa Limited shall continue to consolidate its leadership position in Kenya and increase its share of the regional tyre market to a dominant position. Our product development shall continue to comply with the highest international standards and also ensure that our products respond to the unique African driving conditions.

Finally, I would like to thank you, the shareholders, all our customers and business partners, all Board members and each and every member of staff for the dedicated contribution to our company's great achievements in 2005. I look forward to 2006 with a great sense of pride, optimism and your continued support.

N. N. Merali, CBS
Chairman.

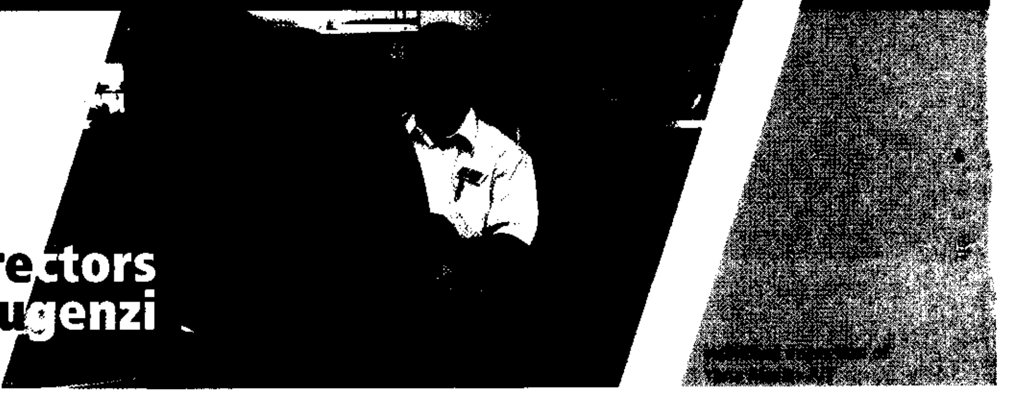
katika kiwanda chetu kuimarisha zaidi uwezo wetu wa kiteknolojia. Halmashauri yenu itaanzisha ushirikiano muhimu zaidi wa matairi na mashirika mengine ya kimataifa kuongeza uwezo wetu kukidhi mahitaji yote ya matairi katika eneo letu na kuwa hasa duka la mahitaji yote kwa mahitaji ya matairi. Sameer Africa itaendelea kuimarisha uongozi hapa Kenya na kuongeza hisa yake katika soko la matairi kwenye eneo kuwa nafasi ya mbele. Maendelezo ya bidhaa zetu yataendelea kukubaliana na viwango vya juu kabisa vya kimataifa na pia kuhakikisha kuwa bidhaa zetu zinaitikia hali za kipekee za uendeshaji za Afrika.

Mwishowe, ningependa kuwashukuru, wana hisa, wateja wetu wote na wenzi wa kibiashara, wanachama wa Halmashauri na kila mfanyikazi kwa mchango wa kujitolea kwa mafanikio makuu ya kampuni katika mwaka 2005. Ninautazamia mwaka 2006 na hali kubwa ya fahari, matazamio mazuri na msaada wenu unaoendelea.

N. N. Merali, CBS
Mwenyekiti

Chairman and Managing Director discuss the 2005 results

report of the directors
repoti ya wakurugenzi



The directors submit their report together with the audited financial statements for the year ended 31st December 2005, which disclose the state of affairs of the group and company.

COUNTRY OF INCORPORATION
The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

PRINCIPAL ACTIVITIES
The principal activities of the group remain the manufacturer, importation and sales of tyres and tubes and letting of premises in an Export Processing Zone.

RESULTS AND DIVIDEND
The net profit for the year of KShs. 204,678,000 (2004: KShs. 275, 171,000) has been added to retained earnings.

During the year no dividend was paid (2004: KShs. 139, 171,200). The directors recommend the approval of a final dividend of KShs. 139, 171,200 (2004: KShs. 139, 171,200)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
The group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt market prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The group has policies in place to ensure that sales are made to customers with an appropriate credit history.

DIRECTORS
Directors who held office during the year and to the date of this report were:

Mr. N. N. Merali	Chairman
Mr. E. M. Kimani	Managing Director (appointed on 6th December, 2005)
Dr. S. K. Chatterji	Managing Director (resigned on 6th December, 2005)
Mr. M. H. Da Gama-Rose	
Mr. 5. M. Githiga	
Mr. T. D. Owuor	
Mr. P. Gitonga	(appointed on 2nd August, 2005)
Mr. T. S. Hariharan	(appointed on 16th November, 2005)
Mr. A. S. Ghaffari	(resigned on 16th November, 2005)
Mr. S. N. Merali	(appointed on 20th February, 2006)

In accordance with Article 94 of the Articles of Association, Mr. M. H. Da Gama-Rose and Mr. S. M. Githiga retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Articles of Association, Mr. P. Gitonga, Mr. T. S. Hariharan and Mr. S. N. Merali having been appointed in the year, retire and being eligible, offer themselves for election.

AUDIT COMMITTEE
In accordance with the requirements for companies listed on the Nairobi Stock Exchange, the Company has an Audit Committee

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka ulioishia tarehe 31 Desemba 2005, ambayo inaarifu hali ya shughuli za kundi na kampuni.

NCHI ILIKOANDIKISHWA
Kampuni imeandikishwa nchini Kenya chini ya Sheria za Makampuni na ina maskani Kenya.

SHUGHULI KUU ZA KAMPUNI
Shughuli kuu za kundi zinabakia utengenezaji, uingizaji wa bidhaa kutoka nje na uuzaji wa matairi na tyubu na ukodishaji wa majengo katika eneo la Utengenezaji Bidhaa Nje.

MATOKEO NA FAIDA
Faida ya jumla ya mwaka ya KShs. 204,678,000 (2004: KShs.275,171,000) imeongezwa kwenye mapato yaliobakishwa.

Katika mwaka hakukulipwa mgawo wa faida ya muda (2004: KShs.139,171,200). Wakurugenzi wapendekeza idhini ya mgawo wa faida ya mwisho ya KShs 139,171,200 (2004: KShs.139,171,200).

MALENGO NA SERA ZA USIMAMIZI WA HATARI YA KIFEDHA
Shughuli za kundi zinaiacha kampuni wazi kwa hatari tofauti za kifedha, pamoja na hatari za mkopo na athari za mabadiliko katika deni la bei za soko, viwango vya ubadilishaji wa fedha za kigeni na viwango vya riba . Mpango wa jumla wa kundi wa usimamizi wa hatari unalenga kwenye kutotabirika kwa masoko ya kifedha na unajitahidi kupunguza athari mbaya zinazoweza kutokea kwenye utendaji wake wa kifedha.

Kundi limeunda sera za kuhakikisha kuwa mauzo yanauzwa kwa wateja wenye historia ya mkopo ifaayo.

WAKURUGENZI
Wakurugenzi walioshikilia afisi katika mwaka na mpaka tarehe ya ripoti hii walikuwa:

Bw. N. N. Merali	Mwenyekiti
Bw. E. M. Kimani	Mkurugenzi Msimamizi (alichaguliwa tarehe 6 Desemba, 2005)
Bw. S. K Chatterji	Mkurugenzi Msimamizi (alijiuzulu tarehe 6 Desemba 2005)
Bw. M. H. Da Gama-Rose	
Bw. S. M. Githiga	
Bw. T.D. Owuor	
Bw. P. Gitonga	(alichaguliwa tarehe 2 Agosti, 2005)
Bw. T. S. Hariharan	(alichaguliwa tarehe 16 Novemba,2005)
Bw. A. S. Ghaffari	(alijiuzulu tarehe 16 Novemba, 2005)
Bw. 5. N. Merali	(alichaguliwa tarehe 20 Februari 2006)

Kulingana na kifungu cha 94 cha Masharti na Kanuni za Kampuni, Bw. M. H. Da Gama-Rose na Bw.5.M Githiga wanastaafu kwa zamu na, kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

Kulingana na kifungu cha 101 cha Masharti na Kanuni za Kampuni, Bw. P. Gitonga, Bw. T.S. Hariharan na Bw. 5. Merali kwa kuwa wamechaguliwa mwaka huu, wanastaafu na kwa kuwa wanastahili, wanajitolea kwa uchaguzi.

KAMATI YA UKAGUZI
Kulingana na mahitaji ya makampuni yalioorodheshwa katika

report of the directors
repoti ya wakurugenzi

comprising non-executive members of the Board and other professionals, who are independent of the day to day management of the company's operations.

The Audit Committee deals with all matters relating to the financial statements and internal control systems of the company including dealing with the independent auditors.

DIRECTORS' CONFLICT OF INTEREST
Directors are required to disclose all areas of conflict of interest to the Board and are excluded from voting on such areas. They are sensitized on the rules of insider trading and are required to report and register regularly any changes in their shareholding.

AUDITORS
The company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

By Order of the Board

Issa A. Timamy
Company Secretary.

20 February 2006

Soko la Hisa la Nairobi, kampuni ina kamati ya ukaguzi yenye wanachama wasiokuwa watendaji wa Halmashauri na weledi wengine ambao wako huru na usimamizi wa shughuli za kampuni za siku kwa siku.

Kamati ya ukaguzi inashughulikia mambo yote yanayohusiana na taarifa za kifedha na mifumo ya udhibiti wa ndani ya kampuni pamoja na kushughulika na wakaguzi huru wa fedha.

MGONGANO WA MASLAHI YA WAKURUGENZI
Wakurugenzi wanahitajika kutaja maeneo yote ya mgongano wa maslahi kwa Halmashauri na wanatengwa katika kupiga kura kwenye maeneo hayo. Wanafahamishwa sheria za ufanyaji biashara wakihusika na wanahitajika kuripoti na kwa kawaida kuandikisha mabadiliko yoyote katika umiliki wa hisa zao.

WAKAGUZI WA FEDHA
Wakaguzi wa hesabu wa kampuni, PriceWaterhouseCoopers, wanaendelea kuwa wakaguzi kuambatana na sehemu 159 (2) ya Sheria za Makampuni.

Kwa amri ya Halmashauri

Issa A. Timamy
Katibu wa Kampuni

20 Februari 2006

The Directors from left to right: T. D. Dwuor, P. Gitonga, S. N. Merali, E. M. Kimani (Managing), N. N. Merali (Chairman), T. S. Hariharan, Mr. M. H. Da Gama Rose and S. M. Githiga.

corporate governance

Sameer Africa Limited is committed to the standards of Corporate Governance set by the Capital Market Authority. The Board of Directors is responsible for the long-term growth and profitability of the company, whilst being accountable to the shareholders for compliance with the law and maintaining the highest standards of corporate governance and business ethics.

THE BOARD OF DIRECTORS

The Board is made up of a substantial majority of independent, non-executive Directors, including the Chairman. The Directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial, operational and compliance issues.

Whilst the day to day running of the business of the company is delegated to the Managing Director and Chief Executive Officer, the Board is responsible for establishing and Maintaining the Company's system of internal controls so that its objectives for increased growth in the profitability and shareholder value are realised.

BOARD MEETINGS

The Board of Directors meet every quarter in order to monitor the company's planned strategy and review it in conjunction with its financial performance. Specific reviews are also undertaken of management performance, operational issues and future planning.

BOARD COMMITTEES

There are two principle committees that meet regularly under the terms of reference set by the Board.

a) Audit Committee

In accordance with the requirements for companies listed on the Nairobi Stock Exchange, the company has an Audit Committee comprising non-executive members of the Board and other professionals, who are independent of the day to day management of the company's operations.
The Audit Committee deals with all matters relating to the financial statements and internal control systems of the company including dealing with the independent auditors.

b) Finance Committee

The finance committee of the company meets four times a year and it is responsible for ensuring that the systems of financial control are effectively administered, and that key financial reports are properly reviewed prior to circulation to the Board.

The Board appoints other committees as and when required.

COMMUNICATION WITH SHAREHOLDERS

The company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is usually done through the distribution of the company's Annual Report and the release of notices in the national press of its half-yearly and annual results.
In this regard, the company complies with its obligations contained in the Nairobi Stock Exchange's Listing Rules and the Capital Markets Authority Act applicable in Kenya.

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amount of emoluments paid to Directors for services rendered is disclosed in Note 26 to the financial statements.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the company is a party, whereby Directors might acquire benefits by means of the acquisition of the company's shares.

There were no Directors loans at any time during the year.

Directors' interests in the shares of the company, the distribution of the company's shareholding and analysis of the ten largest shareholders as at 31st December, 2005 were as follows:

DIRECTOR INTERESTS

There were no director's interests in the shares of the company.

DISTRIBUTION OF SHAREHOLDING

Share range	Number of shareholders	Number of shares	% Shareholding
0 - 500	4,826	1,846,678	0.66
500 – 5,000	4,801	7,641,987	2.75
5,001 – 10,000	430	3,316,136	1.19
10,001 – 100,000	420	12,234,385	4.40
100,001 – 1,000,000	66	21,816,728	7.84
Over 1,000,000	11	231,486,486	83.16
Total	10,554	278,342,400	100

LIST OF 10 LARGEST SHAREHOLDERS

No.	Names	Number of Shares	% Shareholding
1	Sameer Investments Limited	165,641,426	59.50
2	Bridgestone Corporation	41,485,056	14.90
3	National Social Security Fund Trustees	8,047,450	2.89
4	The Jubilee Insurance Company Limited	6,369,787	2.28
5	Karim Jamal	2,000,000	0.71
6	Swani Coffee Estate Limited	1,942,760	0.69
7	Barclays (Kenya) Nominees Limited A/c 9203	1,500,000	0.53
8	Banque Paribas (Suisse) S A A/c No. 3	1,500,000	0.53
9	Banque Paribas (Suisse) S A A/c No. 2	1,500,000	0.53
10	Banque Paribas (Suisse) S A A/c No. 1	1,500,000	0.53

SOCIAL AND ENVIRONMENTAL ISSUES

Sameer Africa Limited is committed to our environment in line with our policies and social responsibility to our community. To this end, we achieved the ISO14001: Environmental Management System Certification in the year 2004.

statement of directors' responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least twelve months from the date of this statement.

Mr. S. M. Githiga
Director

Mr. E. M. Kimani
Managing Director

20 February 2006

report of the independent auditors

to the members of Sameer Africa Limited (formerly Firestone East Africa (1969) Limted).

We have audited the consolidated financial statements of Sameer Africa Limited (the company) and its subsidiaries (together, the group) for the year ended 31 December 2005 set out on pages 16 to 37 and the accompanying balance sheet of the company standing alone as at 31 December 2005 (the financial statements).

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements, as described on page 14. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and we believe our audit provides a reasonable basis for our opinion.

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31 December 2005 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act. The balance sheet of the company is in agreement with its books of account.

PricewaterhouseCoopers
Certified Public Accountants
Nairobi

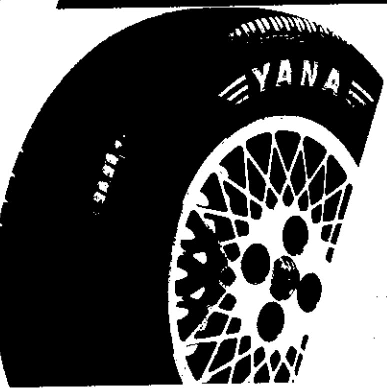
20 February 2006

consolidated profit and loss account

year ended 31st december 2005

	Notes	2005 Shs'000	2004 Shs'000
Sales	5	3,359,010	3,270,254
Cost of sales		(2,428,311)	(2,311,010)
Gross profit		930,699	959,244
Other operating income		95,088	66,940
Distribution costs		(53,714)	(49,822)
Administrative expenses		(225,317)	(163,804)
Other operating expenses		(426,515)	(391,249)
Operating profit	6	320,241	421,309
Finance costs	8	(25,988)	(20,836)
Profit before income tax		294,253	400,473
Income tax expense	9	(89,575)	(125,302)
Profit for the year		204,678	275,171
Earnings per share for profit attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	10	0.74	0.99
Dividends:			
Interim dividends – paid in the year	11	Nil	139,171
Proposed final dividend for the year	11	139,171	139,171
		139,171	278,342

sameerafrica
WE'LL TAKE YOU THERE



r 2005

consolidated balance sheet

	Notes	2005 Shs'000	2004 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	12	1,391,712	1,391,712
Retained earnings		530,689	465,182
Translation reserve		(33,102)	16,225
Proposed dividends	11	139,171	139,171
Total equity		2,028,470	2,012,290
Non-current liabilities			
Bank borrowings	13	28,900	-
Deferred income tax	14	10,374	16,851
Retirement benefit obligations	15	106,750	96,732
Total non-current liabilities		146,024	113,583
Total equity and non-current liabilities		2,174,494	2,125,873
Non-current assets			
Property, plant and equipment	16	738,110	772,064
Investment property	17	231,242	237,172
Prepaid operating lease rentals	18	1,917	1,939
		971,269	1,011,175
Current assets			
Inventories	20	1,404,877	1,165,260
Receivables and prepayments	21	651,119	585,097
Current income tax recoverable		34,296	-
Cash and cash equivalents	22	142,969	224,912
		2,233,261	1,975,269
Current liabilities			
Payables and accrued expenses	23	674,364	615,144
Current income tax		659	2,896
Borrowings	13	348,237	235,755
Unclaimed dividends		6,776	6,776
		1,030,036	860,571
Net current assets		1,203,225	1,114,698
		2,174,494	2,125,873

The financial statements on pages 16 to 37 were approved for issue by the board of directors on 20 February 2006 and signed on its behalf by:

S. M. Githiga - Director

E. M. Kimani - Director

company balance sheet

	Notes	2005 Shs'000	2004 Shs'000
Equity			
Share capital	12	1,391,712	1,391,712
Retained earnings		215,666	261,981
Proposed dividends	11	139,171	139,171
Total equity		1,746,549	1,792,864
Non-current liabilities			
Deferred income tax liability	14	19,877	17,407
Retirement benefit obligations	15	106,750	96,732
Total non-current liabilities		126,627	114,139
Total equity and non-current liabilities		1,873,176	1,907,003
Non-current assets			
Property, plant and equipment	16	691,564	726,470
Prepaid operating lease rentals	18	880	890
Investment in subsidiaries	19	146,686	156,706
Non-current receivables	21	45,651	-
		884,781	884,066
Current assets			
Inventories	20	1,253,921	977,462
Receivables and prepayments	21	617,849	688,950
Current income tax recoverable		28,636	965
Cash and cash equivalents	22	59,313	136,533
		1,959,719	1,803,910
Current liabilities			
Payables and accrued expenses	23	627,411	538,442
Unclaimed dividends		6,776	6,776
Short term borrowings	13	337,137	235,755
		971,324	780,973
Net current assets		988,395	1,022,937
		1,873,176	1,907,003

The financial statements on pages 16 to 37 were approved for issue by the board of directors on 20 February 2006 and signed on its behalf by:

S. M. Githiga - Director

E. M. Kimani - Director

sameerafrica

consolidated statement of changes in equity

	Notes	Share capital Shs'000	Retained earnings Shs'000	Translation reserve Shs'000	Proposed dividends Shs'000	Total equity Shs'000
		Attributable to equity holders of the company				
Year ended 31 December 2004						
At start of year		1,391,712	468,353	(20,070)	69,586	1,909,581
Currency translation differences		-	-	36,295	-	36,295
Profit for the year		-	275,171	-	-	275,171
Total recognised income for 2004		-	275,171	36,295	-	311,466
Dividends:						
- Final for 2003		-		-	(69,586)	(69,586)
- Interim for 2004	11	-	(139,171)	-	-	(139,171)
- proposed final for 2004	11	-	(139,171)	-	139,171	-
At end of year		1,391,712	465,182	16,225	139,171	2,012,290
Year ended 31 December 2005						
At start of year		1,391,712	465,182	16,225	139,171	2,012,290
Currency translation differences		-	-	(49,327)	-	(49,327)
Profit for the year		-	204,678	-	-	204,678
Total recognised income for 2005		-	204,678	(49,327)	-	155,351
Dividends:						
- Final for 2004	11	-	-	-	(139,171)	(139,171)
- Proposed final for 2005	11	-	(139,171)	-	139,171	-
At end of year		1,391,712	530,689	(33,102)	139,171	2,028,470

company statement of changes in equity

as at 31st december 2005

	Notes	Share capital Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000
Year ended 31 December 2004					
At start of year		1,391,712	349,373	69,586	1,810,671
Profit for the year		-	190,950	-	190,950
Dividends:					
- Final for 2003		-	-	(69,586)	(69,586)
- Interim for 2004	11	-	(139,171)	-	(139,171)
- Final for 2004	11	-	(139,171)	139,171	-
At end of year		1,391,712	261,981	139,171	1,792,864
Year ended 31 December 2005					
At start of year		1,391,712	261,981	139,171	1,792,864
Profit for the year		-	92,856	-	92,856
Dividends:					
- Final for 2004	11	-	-	(139,171)	(139,171)
- Proposed final for 2005	11	-	(139,171)	139,171	-
At end of year		1,391,712	215,666	139,171	1,746,549

consolidated cash flow statement

	Notes	2005 Shs'000	2004 Shs'000
Operating activities			
Cash generated from operations	24	194,842	276,217
Interest received		1,309	626
Interest paid		(23,772)	(5,945)
Income tax paid		(132,585)	(160,509)
Net cash generated from operating activities		39,794	110,389
Investing activities			
Purchase of property, plant and equipment	16	(132,223)	(201,249)
Purchase of investment property	17	(347)	-
Rental income received		57,949	52,527
Proceeds from disposal of property, plant and equipment		-	2,552
Net cash used in investing activities		(74,621)	(146,170)
Financing activities			
Dividends paid		(139,171)	(208,757)
Repayment of bank borrowings		-	(7,750)
Proceeds from long-term borrowings		28,900	-
Proceeds from short-term borrowings		112,482	235,755
Net cash generated from financing activities		2,211	19,248
Net decrease in cash and cash equivalents		(32,616)	(16,533)
Movement in cash and cash equivalents			
At start of year		224,912	205,150
Decrease		(32,616)	(16,533)
Exchange Difference			
Translation of net investment in foreign subsidiaries		(49,327)	36,295
At end of year	22	142,969	224,912

notes forming part of the financial statements

1 General information

The company changed its name to Sameer Africa Limited (previously known as Firestone East Africa (1969) Limited) as from 30 March 2005. The company is incorporated in Kenya under the Companies Act as a public limited liability company, and is domiciled in Kenya. The address of its registered office is:

LR No: 12081
Mombasa Road
P O Box 30429-00100
Nairobi

The company's shares are listed on the Nairobi Stock Exchange.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings (Shs), rounded to the nearest thousand, and prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Adoption of new and revised standards

In 2005, the following new and revised IFRS became effective for the first time and have been adopted by the Group where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

IAS 1 (revised 2003) Presentation of Financial Statements
IAS 2 (revised 2003) Inventories
IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003) Events after the Balance Sheet Date
IAS 16 (revised 2003) Property, Plant and Equipment
IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003) Related Party Disclosures
IAS 27 (revised 2003) Consolidated and Separate Financial Statements
IAS 33 (revised 2003) Earnings per Share
IAS 36 (revised 2004) Impairment of Assets

The adoption of IAS 2, 8, 16, 21, 27, 33 and 36 (all revised 2003) had no material effect on the Group's accounting policies or disclosures.

IAS 24 (revised 2003) has affected the identification of related parties and some other related party disclosures.

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards. Most of the new and revised standards require retrospective application.

(b) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

(b) Consolidation *(continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kenya Shillings, which is the Company's functional and presentation currency.

(ii) Transactions and balances in group entities

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(iii) Consolidation of group entities

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

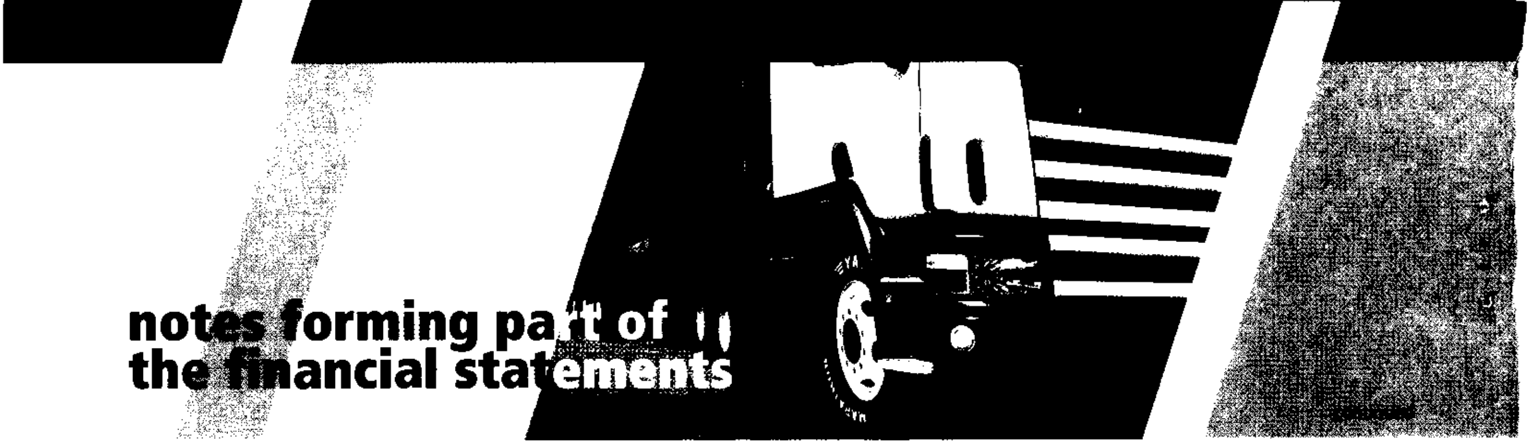
(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Revenue recognition

Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the group delivers products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.



(e) Revenue recognition *(continued)*

(ii) Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and are carried at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost to their residual values over their estimated useful lives, as follows:

Factory and office buildings	25 years
Machinery and equipment	8 years
Moulds, computers and Software development costs	3 years
Motor vehicles	4 years
Office furniture and fixtures	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in the profit and loss account.

(g) Investment property

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property under non-current assets. Investment property is carried at cost. Depreciation is charged on the investment property at the rate of 2.5% per annum.

On disposal of investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

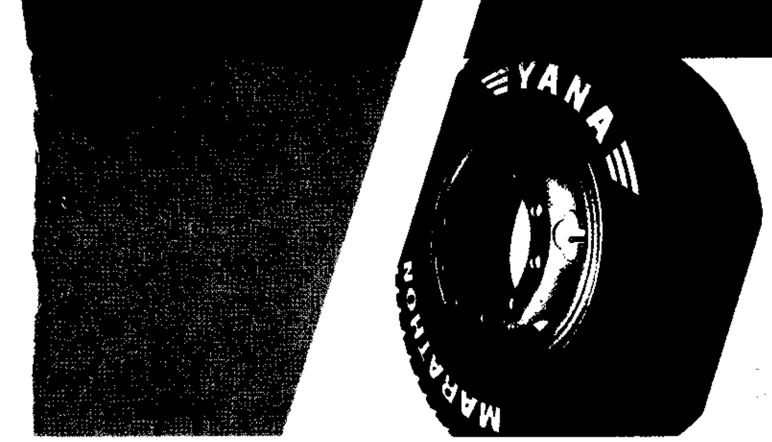
(h) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).



(i) Accounting for leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(j) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined by the average cost of purchases and production for the last six months. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(k) Receivables
Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(l) Employee benefits
(i) Retirement benefit obligations
The Group operates defined contribution retirement benefit scheme for all its employees. The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the appropriate national Social Security Fund, which are defined contribution schemes.

The Group's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

(ii) Other entitlements
Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

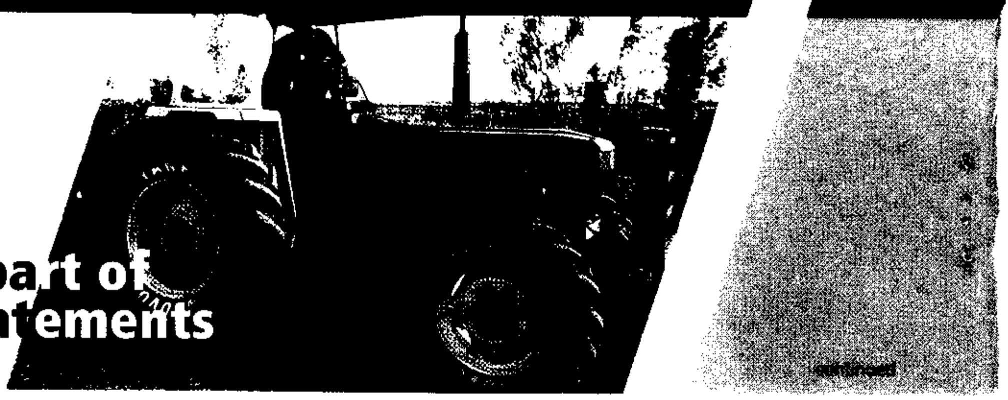
(m) Income tax
Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.



(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(p) Investments in subsidiaries

Investments in subsidiaries are carried in the company's balance sheet at cost less provision for impairment losses. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

3 Financial risk management

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance department identifies, evaluates and hedges financial risks The Board provides principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

Market risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Japanese Yen, US dollar and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using forward contracts, but has not designated any derivative instruments as hedging instruments.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group also has policies that limit the amount of credit exposure to any financial institution.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Critical accounting estimates and judgements *(continued)*

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether land and buildings meet the criteria to be classified as investment property
- whether assets are impaired
- estimated useful lives and residual values of assets.

5 Segment information

The directors consider the group to comprise of one business segment in terms of products and service, which is the manufacture and sale of tyres and tubes by the parent company, Sameer Africa Limited, with distribution extensions through wholly owned subsidiaries in Uganda and Tanzania.

The directors also consider the East Afrcan Community as one geographical segment due to the following reasons;

- there are no special risks affecting the tyre business in the three countries
- there are common customer characteristics and
- there are similar economic, fiscal and political conditions, currency risks and exchange control regimes

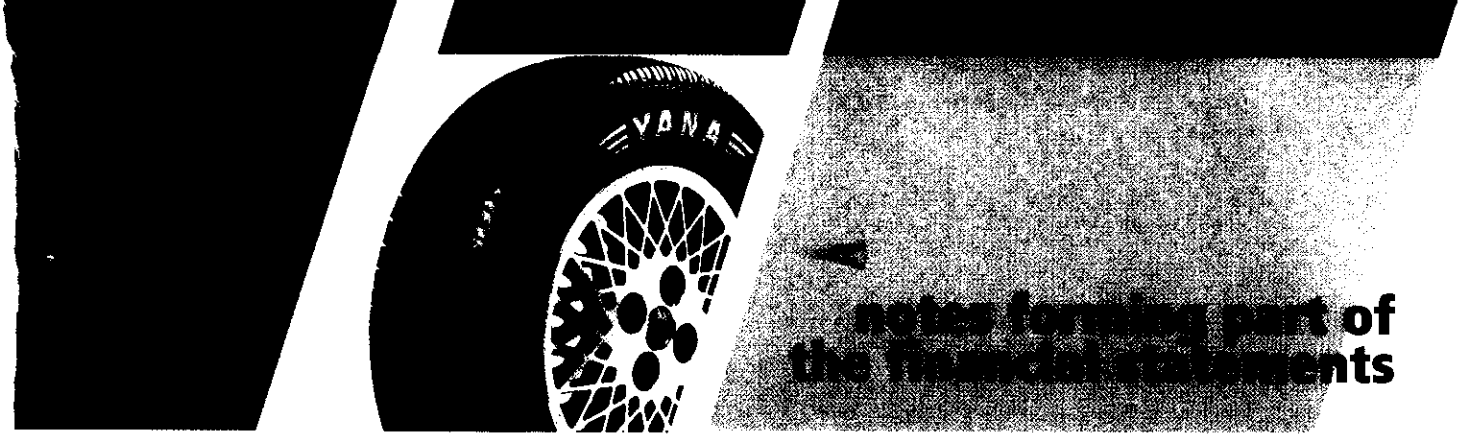
Analysis of sales by category

	2005 Shs'000	2004 Shs'000
Sales of tyres	3,080,140	3,010,155
Sale of tubes	258,554	250,693
Sale of services	20,316	9,406
	3,359,010	3,270,254

6 Operating profit

The following items have been charged/ (credited) in arriving at operating profit:

	Group	
	2005 Shs'000	2004 Shs'000
Depreciation on property, plant and equipment (Note 16)	166,177	185,077
Depreciation on investment property (Note 17)	6,277	6,264
Investment property:		
- rental income	57,949	52,524
- operating expenses	21,624	17,509
Net foreign exchange losses (Note 8)	3,525	15,517
Receivables – provision for impairment losses	7,560	(1,286)
Repairs and maintenance	57,261	61,459
Write-down of inventories	(1,970)	20,223
Employee benefits expense (Note 7)	437,094	408,507
Retirement benefit obligation	13,007	17,316
Auditors' remuneration	3,279	2,915



9 Income tax expense *(continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows

	2005 Shs'000	2004 Shs'000
Profit before income tax	**294,253**	400,473
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2004 - 30%)	**88,276**	120,142
Tax effect of:		
Income not subject to tax	**(3,397)**	(3,798)
Expenses not deductible for tax purposes	**4,911**	11,666
Under/ (over) provision of current tax in prior years	**18,210**	(2,708)
Overprovision of deferred tax in prior year	**(18,425)**	-
Income tax expense	**89,575**	125,302

10 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
Profit attributable to equity holders of the Company (Shs thousands)	**204,678**	275,171
Weighted average number of ordinary shares in issue (thousands)	**278,342**	278,342
Basic earnings per share (Shs)	**0.74**	0.99

There were no potentially dilutive shares outstanding at 31 December 2005 or 2004. Diluted earnings per share are therefore the same as basic earnings per share.

11 Dividends per share

At the annual general meeting to be held on 31 March 2006, a final dividend in respect of the year ended 31 December 2005 of Shs 0.50 per share amounting to a total of Shs 139,171,200 is to be proposed. During the year no interim dividend was paid. The total dividend for the year is therefore Shs 0.50 per share (2004: Shs 1.00), amounting to a total of Shs 139,171,200 (2004: Shs 278,342,400).

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

12 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January 2004, 1 January 2005 and 31 December 2005	278,342	1,391,712

The total authorised number of ordinary shares is 300,000,000 with a par value of Shs 5.00 per share. All issued shares are fully paid.

13 Borrowings

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
The borrowings are made up as follows:				
Non-current				
Barclays Bank Kenya Limited	28,900	-	-	-
	28,900	-	-	-
Current				
Standard Chartered Bank Limited	188,685	153,000	188,685	153,000
Commercial Bank of Africa Limited	148,452	82,755	148,452	82,755
Barclays Bank Kenya Limited	11,100	-	-	-
	348,237	235,755	337,137	235,755
Total borrowings	377,137	235,755	337,137	235,755

The bank borrowings of the company are secured by way of a negative pledge. Borrowings of the subsidiary are secured by the value of land and buildings of that subsidiary.

Weighted average effective interest rates at the year end were:	2005 %	2004 %
- bank overdrafts	9.50	11.56
- bank borrowings	12.50	11.00

In the opinion of the directors, the carrying amounts of short-term borrowings and lease obligations approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the balance sheet date.

In the opinion of the directors, it is impracticable to assign fair values to the Group's long term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

Maturity of non-current borrowings (excluding operating lease liabilities):

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
Between 1 and 2 years	14,450	-	-	-
Between 2 and 5 years	14,450	-	-	-
	28,900	-	-	-

14 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2004: 30%). The movement on the deferred income tax account is as follows:

	Group	
	2005 Shs'000	**2004 Shs'000**
At start of year	16,851	33,200
Credit to profit and loss account (Note 9)	11,948	(16,349)
Overprovision of deferred income tax in prior year (Note 9)	(18,425)	-
At end of year	10,374	16,851

Consolidated deferred income tax assets and liabilities and deferred income tax charge/(credit) in the profit and loss account, are attributable to the following items:

	1.1.2005 Shs'000	**Charged/ (credited) to P/L Shs'000**	**31.12.2005 Shs,000**
Deferred income tax liabilities			
Property, plant and equipment	61,350	5,086	66,436
Other deductible temporary differences	7,617	(7,403)	214
	68,967	(2,317)	66,650
Deferred income tax assets			
Provisions	(40,333)	(3,722)	(44,055)
Unrealised exchange losses	-	(286)	(286)
Tax losses carried forward	(11,783)	(152)	(11,935)
	(52,116)	(4,160)	(56,276)
Net deferred income tax liability	16,851	(6,477)	10,374

A deferred tax asset of Shs11,630,000 has been recognised in a subsidiary as there is evidence of probable future profitability following the closing of a loss making division in that subsidiary.

Company deferred income tax assets and liabilities are attributable to the following items:

	2005 Shs'000	**2004 Shs'000**
Deferred income tax liabilities		
Property, plant and equipment	62,303	56,910
Other deductible temporary differences	165	7,523
Total deferred income tax liabilities	62,468	64,433
Deferred income tax assets		
Provisions	(42,280)	(38,032)
Other deductible temporary differences	(311)	(8,994)
Total deferred income tax assets	(42,591)	(47,026)
Net deferred income tax liability	19,877	17,407

15 Retirement benefit obligations

Group and company	2005 Shs'000	2004 Shs'000
At start of year	96,732	80,775
Charged to income statement	13,007	17,316
Utilised during year	(2,989)	(1,359)
At end of year	106,750	96,732

The group provides post retirement benefits to unionised employees. The retirees are entitled to these benefits on retirement based on the number of years worked and current salary. The expected cost of these benefits is accrued over the period of employment.

16 Property, plant and equipment

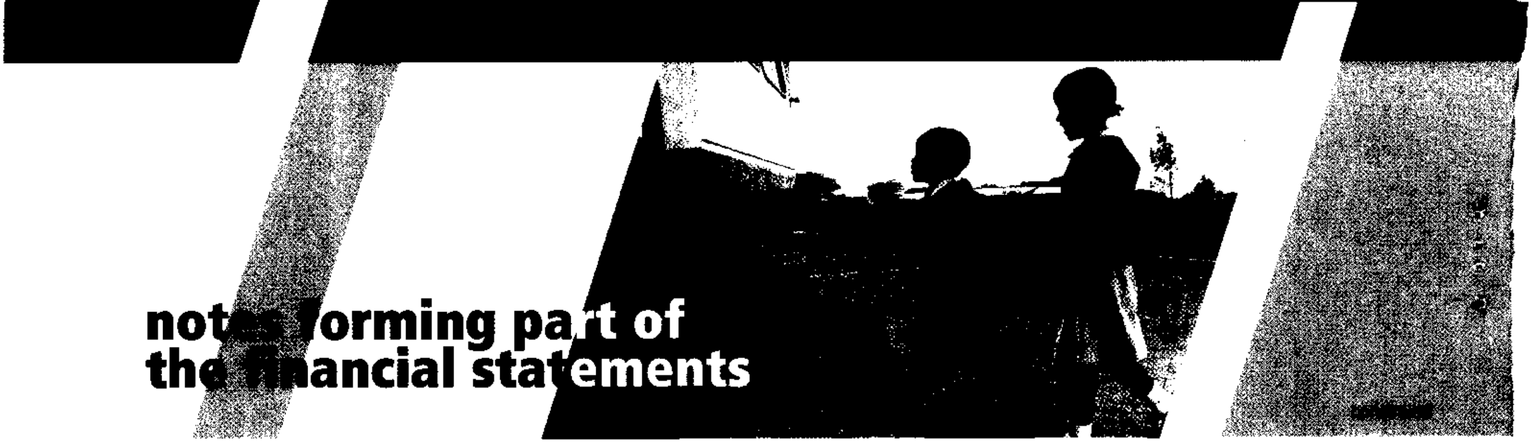
(a) Group	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2004					
Cost or valuation	315,804	1,732,591	305,828	41,322	2,395,545
Accumulated depreciation	(107,752)	(1,278,783)	(252,204)	-	(1,638,739)
Net book amount	208,052	453,808	53,624	41,322	756,806
Year ended 31 December 2004					
Opening net book amount	208,052	453,808	53,624	41,322	756,806
Additions	-	17,449	14,978	168,822	201,249
Transfers	4,874	164,442	-	(169,316)	-
Disposals	-	-	(6,534)	-	(6,534)
Depreciation charge	(11,416)	(149,370)	(24,291)	-	(185,077)
Depreciation on disposals	-	-	5,620	-	5,620
Closing net book amount	201,510	486,329	43,397	40,828	772,064
At 31 December 2004					
Cost or valuation	320,678	1,914,482	314,272	40,828	2,590,260
Accumulated depreciation	(119,168)	(1,428,153)	(270,875)	-	(1,818,196)
Net book amount	201,510	486,329	43,397	40,828	772,064
Year ended 31 December 2005					
Opening net book amount	201,510	486,329	43,397	40,828	772,064
Additions	-	3,376	3,825	125,022	132,223
Transfers	7,517	106,434	14,786	(128,737)	-
Depreciation charge	(11,471)	(133,194)	(21,512)	-	(166,177)
Closing net book amount	197,556	462,945	40,496	37,113	738,110
At 31 December 2005					
Cost or valuation	328,195	2,024,292	332,883	37,113	2,722,483
Accumulated depreciation	(130,639)	(1,561,347)	(292,387)	-	(1,984,373)
Net book amount	197,556	462,945	40,496	37,113	738,110

16 Property, plant and equipment *(continued)*

(b) Company	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2004					
Cost or valuation	285,916	1,732,388	286,570	41,322	2,346,196
Accumulated depreciation	(103,184)	(1,275,072)	(239,779)	-	(1,618,035)
Net book amount	182,732	457,316	46,791	41,322	728,161
Year ended 31 December 2004					
Opening net book amount	182,732	457,316	46,791	41,322	728,161
Additions	-	-	10,132	168,822	178,954
Disposals	-	-	(6,534)	-	(6,534)
Transfers	4,874	164,442	-	(169,316)	-
Depreciation charge	(10,382)	(148,054)	(21,295)	-	(179,731)
Depreciation on disposals	-	-	5,620	-	5,620
Closing net book amount	177,224	473,704	34,714	40,828	726,470
At 31 December 2004					
Cost or valuation	290,790	1,896,830	290,168	40,828	2,518,616
Accumulated depreciation	(113,566)	(1,423,126)	(255,454)	-	(1,792,146)
Net book amount	177,224	473,704	34,714	40,828	726,470
Year ended 31 December 2005					
Opening net book amount	177,224	473,704	34,714	40,828	726,470
Additions	-	-	-	125,022	125,022
Transfers	7,517	106,434	14,786	(128,737)	-
Depreciation charge	(10,516)	(130,884)	(18,528)	-	(159,928)
Closing net book amount	174,225	449,254	30,972	37,113	691,564
At 31 December 2005					
Cost or valuation	298,307	2,003,264	304,954	37,113	2,643,638
Accumulated depreciation	(124,082)	(1,554,010)	(273,982)	-	(1,952,074)
Net book amount	174,225	449,254	30,972	37,113	691,564

17 Investment property

	Group	
	2005 Shs'000	**2004 Shs'000**
At start of year	237,172	243,386
Additions	347	50
Depreciation	(6,277)	(6,264)
At end of year	231,242	237,172
Cost	250,941	250,594
Accumulated depreciation	(19,699)	(13,422)
At end of year	231,242	237,172



18 Prepaid operating lease rentals

	Group 2005 Shs'000	Group 2004 Shs'000	Company 2005 Shs'000	Company 2004 Shs'000
At start of year	1939	1961	890	900
Amortisation charge for the year	(22)	(22)	(10)	(10)
At end of year	1,917	1,939	880	890

19 Investment in subsidiaries (at cost)

The Group's interest in its subsidiaries, all of which are unlisted and all of which have the same year end as the company, were as follows:

	Country of incorporation	Group % interest held	Company 2005 Shs'000	Company 2004 Shs'000
Sameer Industrial Park Limited	Kenya	100	120,000	120,000
Sameer Africa (Uganda) Limited	Uganda	100	26,612	26,612
Sameer Africa (Tanzania) Limited	Tanzania	100	74	94
Yana Tyre Centre Limited	Kenya	100	10,000	10,000
			156,686	156,706
Less: provision for impairment			(10,000)	-
			146,686	156,706

20 Inventories

	Group 2005 Shs'000	Group 2004 Shs'000	Company 2005 Shs'000	Company 2004 Shs'000
Raw materials	701,809	620,379	701,809	620,379
Stores and Supplies	114,323	94,594	114,323	94,594
Work in progress	55,809	36,148	55,809	36,147
Finished goods	532,936	414,139	381,980	226,342
	1,404,877	1,165,260	1,253,921	977,462

21 Receivables and repayments

	Group 2005 Shs'000	Group 2004 Shs'000	Company 2005 Shs'000	Company 2004 Shs'000
Non current				
Receivables from Yana Tyre Centre Limited	-	-	45,651	-
Current				
Trade receivables	596,027	543,725	402,601	374,305
Less: Provision for impairment losses	(42,856)	(36,379)	(37,062)	(33,509)
	553,171	507,346	365,539	340,796
Prepayments	54,461	52,071	46,534	41,866
Receivables from related companies (Note 26)	3,115	5,959	3,115	5,959
Other receivables	40,372	19,721	97,907	42,621
Receivables from subsidiaries	-	-	131,534	257,708
Less: Provision for impairment	-	-	(26,780)	-
Net receivable from subsidiaries	-	-	104,754	257,708
	651,119	585,097	617,849	688,950
	651,119	585,097	663,500	688,950

22 Cash and cash equivalents

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
Cash at bank and in hand	142,969	224,912	59,313	136,533

23 Payables and accrued expenses

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
Trade payables	475,809	386,997	475,308	362,971
Amounts due to related companies (Note 26)	151,130	134,143	124,891	134,143
Accrued expenses	47,425	94,004	27,212	41,328
	674,364	615,144	627,411	538,442

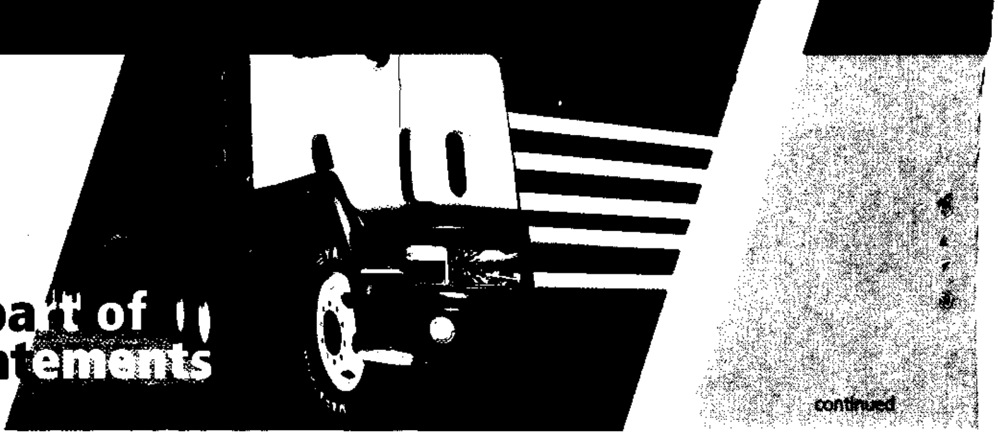
24 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	Group	
	2005 Shs'000	2004 Shs'000
Profit before income tax	294,253	400,473
Adjustments for:		
Interest income (Note 8)	(1,309)	(626)
Rental income	(57,949)	(52,527)
Interest expense (Note 8)	23,772	5,945
Profit on sale of property plant and equipment	-	(1,637)
Depreciation on property plant and equipment (Note 16)	166,177	185,077
Depreciation on investment property (Note 17)	6,277	6,264
Amortisation of prepaid operating lease rentals (Note 18)	22	22
Changes in working capital		
- receivables and prepayments	(66,022)	(195,834)
- inventories	(239,617)	(278,993)
- payables and accrued expenses	59,220	192,096
- provisions for retirement benefit obligations	10,018	15,957
Cash generated from operations	194,842	276,217

25 Contingent liabilities

The Company received an assessment from the Kenya Revenue Authority in the prior year. The Company has disputed the assessment. After taking advice, the directors are of the opinion that no material liability will crystallise when the assessment is finalised.



26 Related party transactions

The Group is controlled by Sameer Investments Limited incorporated in Kenya. There are other companies that are related to Sameer Africa Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

i) Sale of goods and services

	Group	
	2005 Shs'000	**2004 Shs'000**
Ryce Motors Limited	24,247	54,297
H Young Limited	25,121	12,625
	49,368	66,922

ii) Purchase of goods and services

	2005 Shs'000	**2004 Shs'000**
Bridgestone Americas Holdings Inc.	387,160	450,987
Ryce Motors Limited	8,992	10,538
Celtel Kenya Limited	4,794	2,578
H Young Limited	18,651	2,948
ICL EA Limited	2,901	4,413
Swift Global Kenya Limited	6,436	6,118
	428,934	477,582

iii) Key management compensation

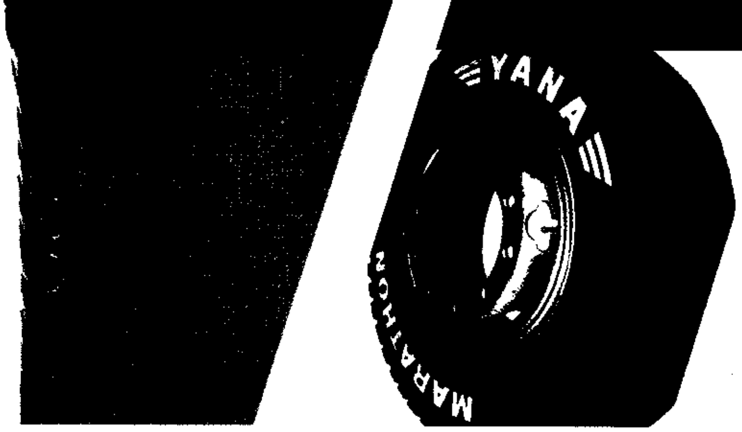
	2005 Shs'000	**2004 Shs'000**
Salaries and other short-term employment benefits	28,332	41,360

iv) Directors' remuneration

	2005 Shs'000	**2004 Shs'000**
Fees for services as a director	3,829	3,060
Other emoluments (included in key management compensation above)	20,810	32,772
Total remuneration of directors of the Company	24,639	35,832

v) Dutstanding balances arising from sale and purchase of goods/services

	2005 Shs'000	**2004 Shs'000**
Receivables from:		
Ryce motors Limited	3,115	5,959
Payables to:		
Bridgestone Americas Holdings, Inc.	139,705	132,552
Ryce Motors Limited	6,169	116
Yansam Motors (Tanzania) Limited	4,075	1,475
Swift Global Kenya Limited	149	-
ICL EA Limited	1,032	-
	151,130	134,143



27 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group		Company	
	2005 Shs'000	2004 Shs'000	**2005 Shs'000**	2004 Shs'000
Property, plant and equipment	**59,178**	59,369	**59,178**	59,369

Lease commitments

Payments under lease hire of motor vehicles are as follows

	Group		Company	
	2005 Shs'000	2004 Shs'000	**2005 Shs'000**	2004 Shs'000
Not later than 1 year	2,777	2,754	2,461	2,461
Later than 1 year and not later than 5 years	3,239	6,036	2,871	5,333
Future charges on operating leases	6,016	8,790	5,332	7,794

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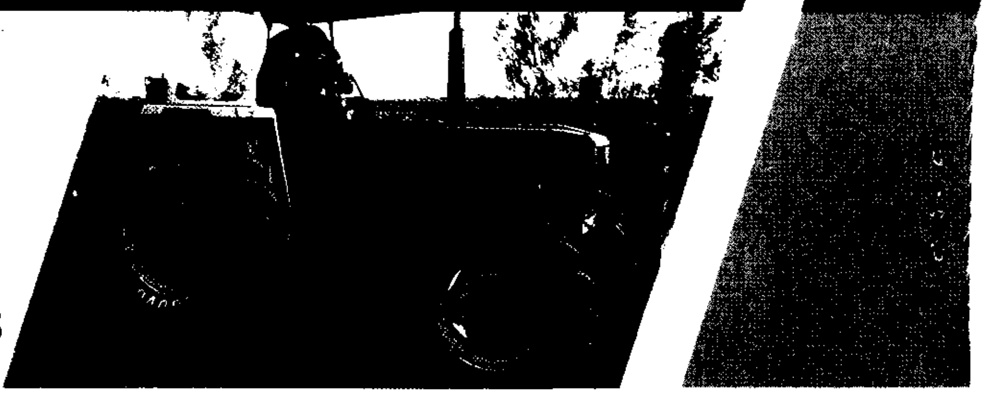
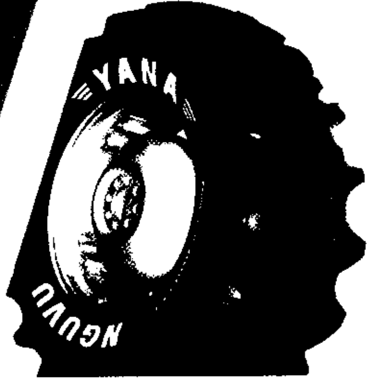


group 5 year financial results

	2001 Shs'000	2002 Shs'000	2003 Shs'000	2004 Shs'000	**2005** **Shs'000**
Turnover	3,073,773	2,736,539	2,538,316	3,270,254	3,359,010
Group profit before tax	448,879	310,834	255,709	400,473	294,253
Taxation	(115,279)	(79,427)	(98,515)	(125,302)	(89,575)
Profit after taxation	333,600	231,407	157,194	275,171	204,678
Dividends (gross)	(278,342)	(278,342)	(139,172)	(278,342)	(139,171)
Retained profit transferred to/(from) Revenue reserve	55,258	(46,935)	18,022	(3,171)	65,507
Earnings per share (Shs)	1.20	0.83	0.56	0.99	0.74
Dividend per share (Shs)	1.00	1.00	0.50	1.00	0.50
Shares in issue (000s)	278,342	278,342	278,342	278,342	278,342
Consolidated balance sheet summary					
Fixed assets	951,472	991,185	756,806	772,064	738,110
Prepaid operating lease rentals	2,042	1,983	1,961	1,939	1,917
Investment property	95,440	90,668	243,386	237,172	231,242
	1,090,574	1,048,954	1,002,153	1,011,175	971,269
Current assets:					
Inventories	1,123,516	1,249,131	886,267	1,165,260	1,404,877
Receivables and prepayments	392,671	387,892	389,263	585,097	651,119
Bank balances and cash	133,5[illegible]7	126,863	205,150	224,912	142,969
Tax recoverable	-	11,512	-	-	34,296
	1,649,734	1,775,398	1,480,680	1,975,269	2,233,261
Current liabilities:					
Borrowings	20,000	8,630	7,750	235,755	348,237
Payables and unclaimed dividends	550,205	618,418	429,824	621,920	681,140
Taxation	19,662	-	21,703	2,896	659
	589,867	627,048	459,277	860,571	1,030,036
Net current assets	1,059,867	1,148,350	1,021,403	1,114,698	1,203,225
Non current liabilities:					
Bank borrowings	-	-	-	-	(28,900)
Deferred taxation	(77,108)	(79,309)	(33,200)	(16,851)	(10,374)
Retirement benefit obligations	(52,144)	(63,485)	(80,775)	(96,732)	(106,750)
	(129,252)	(142,794)	(113,975)	(113,583)	(146,024)
Net assets	2,021,189	2,054,510	1,909,581	2,012,290	2,028,470
Financed by:					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings	492,353	547,611	468,353	465,182	530,689
Translation reserve	(2,047)	(23,984)	(20,070)	16,225	(33,102)
Proposed dividend	139,171	139,171	69,586	139,171	139,171
Shareholders' funds	2,021,189	2,054,510	1,909,581	2,012,290	2,028,470

sameerafrica
WE'LL TAKE YOU THERE



form of proxy
fomu ya uwakilishi

I/we ____

of ____

being (a) member/s of Sameer Africa Limited, do hereby appoint ______________________
or failing him/her, the duly appointed Chairman of the meeting to be my/our proxy, to vote for me/us at the Annual General Meeting of the Company to be held at the Company's premises off Mombasa Road, Nairobi, on Friday 31st March, 2006 and at any adjournment thereof.

As witness my/our hands(s) this ____________________ day of ________________ 2006.

____
Signature

Unless otherwise indicated, the proxy will vote as he/she thinks fit.

Notes:
1. To be valid this proxy must be deposited at the Registered office of the Company not less than 24 hours before the time appointed for holding the meeting.
2. If the appointer is a corporation, the proxy must be executed under its common seal or under the hands of an officer or attorney duly authorized in writing.

Mimi/sisi ____

wa ____

nikiwa/tukiwa mwanachama/wanachama wa Sameer Africa Limited, namchagua/twamchagua ______________

______________________________ au akikosa yeye, mwenyekiti wa mkutano aliyechaguliwa kuwa kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa Mwaka wa Kampuni utakaofanyika katika majengo ya kampuni, kando ya Mombasa Road, Nairobi, siku ya Ijumaa tarehe 31 Machi 2006 na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu hii siku ya ________________ mwezi ________________ wa 2006.

____
Sahihi

Isipokuwa ikishauriwa vingine, mwakilishi atapiga kura anavyofikiria mwenyewe.

Maelezo:
1. Ili kuwa halali, fomu hii ya uakilishi lazima ifikishwe kwenye afisi ilioandikishwa ya kampuni kwa muda usiopungua masaa ishirini na nne kabla ya wakati uliochaguliwa kufanya mkutano.
2. Ikiwa mwanachama ni shirika, uwakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanasheria alioidhinishwa kwa maandishi.

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The Company Secretary
Sameer Africa Limited (formerly Firestone East Africa (1969) Limited)
P. O. Box 30429 - 00100
Nairobi, Kenya

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