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BOARD OF DIRECTORS

Mr. N. N. Merali-Chairman
Mr. E. M. Kimani - Managing Director
Mr. P. M. Gitonga
Mr. T. D. Owour
Mr. S. Githiga
Mr. S. N. Merali
Mr. I. A. Timamy

AUDIT COMMITTEE

Mr. S. Githiga - Chairman
Mr. T. D. Owour

REMUNERATION & NOMINATIONS COMMITTEE

Mr. N. N. Merali - Chairman
Mr. E. M. Kimani
Mr. I. A. Timamy

FINANCE COMMITTEE

Mr. S. N. Merali - Chairman
Mr. P. M. Gitonga

AUDITORS

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

SHARE REGISTRARS

Custody Registrar Services
Bank House, Moi Avenue
P.O. Box 8484
Nairobi

PRINCIPAL BANKERS

National Industrial Credit Limited
NIC House, Masaba Road
P. O. Box 44599, 00100
Nairobi

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

SECRETARY & COMPANY REGISTERED OFFICE

Mr. I. A. Timamy
Sameer Africa Limited, Mombasa Road
L. R. NO: 12081
Mombasa Road,
P. O. Box 30429, 00100
Nairobi

ADVOCATES

Kipkorir, Titoo & Kiara
Posta Sacco Plaza
P. O. Box 10176, 00100
Nairobi

The new Light Truck Bias tyre assembly machine

Notice of the annual general meeting

Notice is hereby given that the 39th Annual General Meeting of the members will be held at the Company's Premises Off Mombasa Road, Nairobi on Friday 4th April, 2008 at 11.00 a.m. for the following purposes:

1. To confirm the minutes of the 38th Annual General Meeting held on 29th March 2007.

2. To receive, consider and if deemed fit, adopt the Financial Statements for the year ended 31st December, 2007 together with the reports thereon of the Directors and the Auditors.

3. To elect Directors:
   Under article 94-
   Mr. S. N. Merali and Mr. I. A. Timamy, directors retiring by rotation who being eligible, offer themselves for re-election.

4. To confirm the Directors' emoluments

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

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

By Order of the Board

Issa A. Timamy
Company Secretary
Nairobi

21st February 2008

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 43.

Ilani ya mkutano

Ilani inatolewa hapa kuwa mkutano wa thelathini na tisa (39) wa kila mwaka wa wanachama utafanyika katika majengo ya Kampuni kando ya barabara ya Mombasa, Nairobi, siku ya Ijumaa, tarehe 4 Aprili 2008, saa tano asubuhi kwa madhumuni yafuatayo:

1. *Kuidhinisha yaliasemwa kwenye mkutano mkuu wa 38 wa kila mwaka uliofanyika tarehe 29 Machi 2007.*

2. *Kupokea, kuchunguza na ikifikiriwa sawa kuidhinisha taarifa za fedha za mwaka uliomalizikia 31 Desemba 2007, pamoja na taarifa za wakurugenzi na za wakaguzi wa hesabu.*

3. *Kuchagua Wakurugenzi*
   Chini ya kifungu 94 –
   Bw. S.N. Merali na Bw. I.A. Timamy, wakurugenzi wanaostaafu kwa zamu ambao kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

4. *Kuidhinisha malipo ya Wakurugenzi.*

5. *Kuwateuwa PriceWaterhouseCoopers kama wakaguzi wa vitabu vya hesabu kwa mwaka unaofuata na kuidhinisha Wakurugenzi kuamua malipo ya wakaguzi wa vitabu vya hesabu.*

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

Kwa amri ya Halmashauri

Issa A. Timamy
Katibu wa Kampuni
Nairobi

21 Februari, 2008.

Maeleza zaidi:

Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu anaweza kuchagua wakala kuhudhuria na kupiga kura kwa niaba yake na wakala huya si lazima awe mwanachama wa kampuni.

Fomu ya wakala imewekwa ukurasa 43.

Chairman's statement

The year 2007 was a challenging but positive for our Company. We embarked on a change program that was aimed at restructuring our operations, processes and instituted cost reduction measures in order to achieve growth and improved profitability. We note that all these efforts yielded positive results and we are now set on a path that promises a better future for our company.

Our Company's financial performance in 2007 improved compared to the previous year. Turnover grew by 9.4% to Kshs. 3.469 billion. The profit before tax was Kshs. 166.5 million up from a loss of Kshs. 14.9 million the previous year. The improved revenue performance was achieved through growth in our export markets, increased sale of higher value products in the region and the growth in our retail business through the Yana Tyre Centres. The realignment of our production with the changing market demands, staff restructuring, outsourcing of non-core activities and elimination of all non essential expenditure helped in the management of our costs.

The factory continued its operations and was able to complete the development of two new Yana tyre sizes in the Yana Faida and Yana LTC-3 patterns. In addition, the team also managed to complete the development of one new size to be manufactured in our factory and positioned in the fast growing economy tyre segment under the brand name Summit Tyre.

Despite the ongoing importation of lower priced tyres mainly from Asian countries, we continued to command the leading share in the East African Community tyre market with our basket of brands. Two of our brands, Yana and Firestone, are currently the most recognized brands in Kenya.

Kenya's economy performed well in 2007 with the GDP expanding by 6.3% up from 5.8% the previous year. The domestic tyre industry benefitted from the growth in agriculture, tourism, transportation and commerce sectors. However, part of these benefits went to the competing imported tyres which are making up an increasing portion of our market. The Kenya shilling strengthened by approximately 7% against the US dollar with a benefit on our foreign exchange liabilities and a negative impact on the value of our export earnings.

The Company is currently undertaking several initiatives to exploit the regional export markets and further develop the domestic market with a closer contact with our customers throughout the region. Our vision of being the leading tyre solution provider in Africa by 2015 remains our guiding principle and we are confident that our current strategic initiatives will help make this vision a reality.

Taarifa ya mwenyekiti

Mwaka wa 2007 ulikuwa mwaka wenye changamoto lakini wa kujenga kwa Kampuni yetu. Tulianzisha mpango wa mabadiliko uliolengwa kupanga upya shughuli zetu, njia na kuanzisha hatua za kupunguza gharama ili kupata ukuaji na faida ilioongezeka. Tunaona kuwa juhudi hizi zote zimezalisha matokeo ya kusaidia na sasa tuko tayari kwenye njia inayoahidi siku bora za usoni kwa Kampuni yetu.

Utendaji wa kifedha wa Kampuni yetu katika mwaka 2007 uliimarika ukilinganishwa na mwaka uliopita. Mapato na matumizi yalikua kwa asilimia 9.4 kuwa Kshs. Bilioni 3.469. Faida kabla ya kodi iliongezeka kuwa Kshs. Milioni 166.5 kutoka hasara ya Kshs. Milioni 14.9 mwaka uliopita. Utendaji ulioongezeka wa mapato ulifikiwa kwa ukuaji katika masoko yetu ya biasharanje, mauzo yalioongezeka ya bidhaa za thamani ya juu zaidi katika eneo na ukuaji katika biashara yetu ya rejareja katika vituo vya matairi ya Yana. Mfungamano tena wa uzalishaji wetu na mahitaji ya soko yanayobadilika, upangaji upya wa wafanyikazi, kutefuta huduma zisizokuwa muhimu kwengine na kuondoa matumizi yote yasiyokuwa ya lazima kulisaidia katika usimamizi wa gharama zetu.

Kiwanda kiliendeleza shughuli zake na kiliweza kukamilisha maendeleo ya saizi mbili mpya za matairi ya Yana katika ruwaza za Yana Faida na Yana LTC-3. Pamoja na hayo, timu pia iliweza kukamilisha maendeleo ya saizi moja mpya itakayotengenezwa katika kiwanda chetu na kuwekwa katika kitengwa cho matairi kinachokuo horako katika uchumi.

Dhidi ya uingizaji unaoendelea wa matairi ya bei yo chini hasa kutoko nchi za Ueshia, tuliendelea kushikilia hisa kuu na chapa zetu tofauti katika soko la matairi la Jumuia ya Afrika Mashariki. Chapa zetu mbili, Yana na Firestone, ndio kwo sosa chapa zinazotambuliwa zaidi kabisa nchini Kenya.

Uchumi wa Kenya ulifanya vyema katika mwaka 2007 na Jumla ya Pato la Taifa likiongezeka kwa asilimia 6.3 kutoka osilimia 5.8 kotika mwoka uliopito. Viwanda vya matairi nchini vilifaidika kutokana na ukuaji katika sekta za kilimo, utalii, usafirishaji na biashara. Ijapokuwa, baadhi ya faida hizi zilikwenda kwa matairi ya nje yanayoshindana no kuchukua sehemu inayoongezeka ya soko letu. Shilingi yo Kenya iliimarika kwa kama asilimia 7 dhidi ya dola ya kimarekani na faida kwa madeni yetu ya ubadilishanaji fedha za kigeni na athari hasi katika thamani yo mapato yetu ya biasharanje.

Hivi sasa Kampuni inatekeleza jitihada kadhaa kufaidi masoko ya biasharanje yo kieneo na kuendeleza zaidi soko la nchini na mwingiliano wa karibu zaidi na wateja wetu katika eneo lote. Maono yetu ya kuwa mtoaji anayeongoza wa suluhisho lo matairi katika Afrika kufikia 2015 yanabakia kuwa kanuni ya uongozi wetu na tuna imani kuwa jitihada zetu za sasa za kimkakati zitasaidia kufanya moono haya kuwa ukweli.

Chairman's statement

The directors regrettably do not recommend payment of a dividend at this point due to the need to continue investing in the business for growth.

OUT LOOK IN 2008

2008 has started with high levels of uncertainty following the December 2007 elections while the competition is expected to continue in the local and regional market. Consequently, the Company's Board of Directors and Management have put in place strategic measures that will help the Company continue to grow in volumes and profit despite the current challenges.

We shall continue to improve our products and services availability in line with our vision to be the leading tyre solutions provider in Africa and beyond and will leverage our current strategic alliances with major tyre manufacturers internationally.

Finally, I want to thank you, the shareholders, all our customers and business partners, all Board members and each and every member of staff for your support during the last year. Your Board and Management will continue to ensure that our objectives in 2008 are met.

N. N. Merali, CBS
Chairman.

Taarifa ya mwenyekiti

Kwa kusikitika, Wakurugenzi wakati huu hawapendekezi malipa ya mgawo wa faida kutakana na haja ya kuendelea kuekeza katika biashara ili ikue.

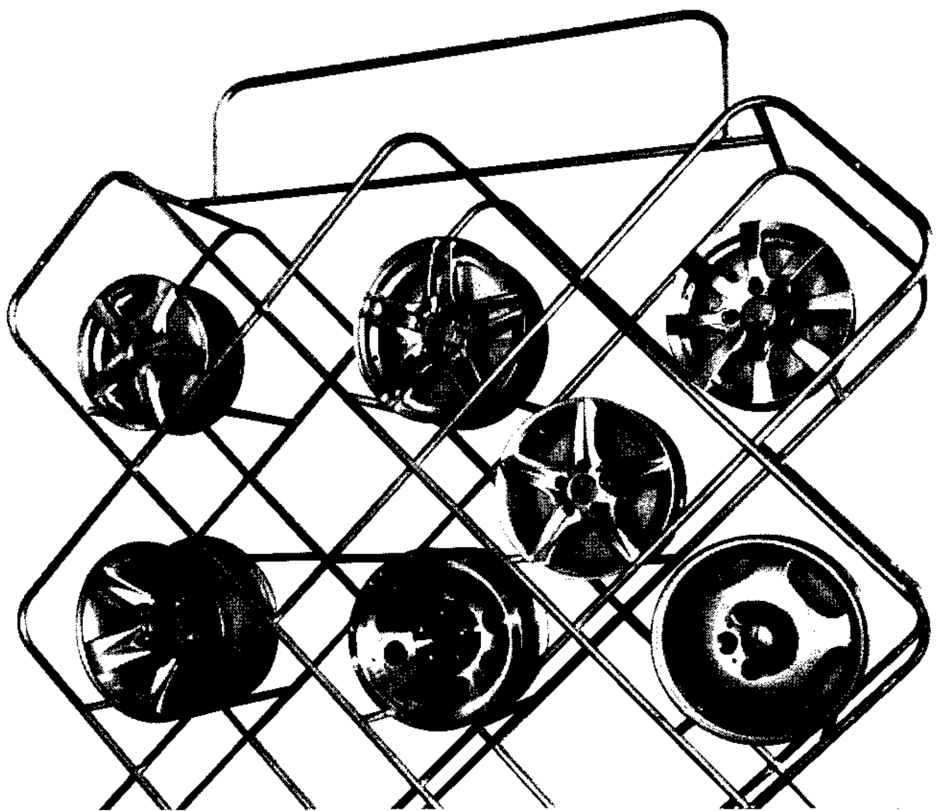
MTAZAMO WA 2008

Mwaka 2008 umeanza na viwanga vikubwa vya kutokuwa na uhakika kufuatia kura za Desemba 2007 wakati ushindani unatarajiwa kuendelea katika soko la nchini na la kieneo. Kwa hivyo, Halmashauri ya Wakurugenzi wa Kampuni na Usimamizi imechukua hatua za kimkakati zitakazasaidia Kampuni kuendelea kukua katika wingi na faida dhidi ya changamoto za sasa.

Tutaendelea kuimarisha upatikanaji wa bidhaa na huduma zetu kufuatana na maono yetu kuwa mtoaji anayeongaza wa masuluhisha ya matairi Afrika na kwengineka na tutatilia nguvu ushirikiano wetu wa kimkakati wa sasa na watengenezaji wakuu wa matairi kimataifa.

Mwishawe, ninataka kuwashukuru, wanahisa, wateja wetu wate, wenzi wa kibiashara, wanachama wa Halmashauri na kila mmoja wa wafanyikazi kwa usaidizi wenu katika mwaka uliapita. Halmashauri yenu na Usimamizi wataendelea kuhakikisha kuwa malenga yetu yanatimizwa katika mwaka 2008.

N. N. Merali, CBS
Mwenyekiti



Managing director's remarks

Our overall performance showed a marked improvement over the previous year. We successfully started implementing our renewed five-year strategic plan and saw positive results in our business. Our revenue grew 9.4% from Ksh. 3.171 billion in 2006 to Ksh. 3.469 billion. The profit before tax was Ksh. 166.5 million up from a loss of Ksh. 14.9 million the previous year. The following is a brief review of the performance and activities of the various areas of our operations in the year 2007 and highlights of our plans for the future.

MANUFACTURING

Our factory's production volume went up **6.7%** in line with the growth in demand of tyres in the market. We made capital investments of Kshs. 91.9 million in the factory to upgrade and modernize the critical machines in the plant and also to increase its capacity for strategic tyre sizes and improve the plant's efficiency. The conversion cost was maintained at the same level and the direct materials' cost went up 6.6% in line with the increased production volume. This was achieved against a background of continued raw materials' price hikes in the international markets occasioned by increased global demand, reflecting improved efficiency in the factory.

The new ISO Certification: ISO / TS 16949:2002

Our latest ISO certification, the ISO/TS 16949:2002 which is specific to the automotive industry has now been established as our quality benchmark. A surveillance audit on our systems carried out within the year confirmed our adherence to the standards. We have also maintained our ISO 9001:2000 Quality Management and ISO 14001:2004 Environmental Management Systems' certifications. These systems continue to increase the level of confidence in our products among the Original Equipment Manufacturers such as General Motors East Africa, in the domestic market as well as the regional export markets.

SALES AND MARKETING

Our overall sales volumes increased with the best growth coming from the Government Channel, the Yana Tyre Centres and Export Sales at 56%, 46% and 22% respectively. The export sales were supported by significant volume growth in Somalia, Rwanda, Malawi and Tanzania.

A Tyre Solution Provider

Our current status as an independent tyre producer has enabled us to offer a wider range of tyre solutions to our customers across the different market segments. We have expanded the range and improved the supply of Bridgestone tyres for the premium segment, and also maintained Yana and Dunlop for the next level. We continued to sell Hankook tyres as a more affordable option and completed the development of a new 'value for money brand' to be manufactured locally for the lower priced segment starting the first quarter of the current year.

Maoni ya mkurugenzi msimamamizi

Utendaji wetu wa kijumla ulioonyesha maendeleo ya wazi katika mwaka uliopita. Tulianza kwa mafanikio kutekeleza mpango wetu wa kimkakati wa miaka mitano uliotengenezwa upya na kuona matokeo mazuri katika biashara yetu. Mapato yetu yalikua kwa asilimia 9.4 kutoka Kshs Bilioni 3.171 katika 2006 hadi Kshs. Bilioni 3.469. Faida kabla kodi iliongezeka kuwa Kshs. Milioni 166.5 kutoka hasara ya Kshs. Milioni 14.9 katika mwaka uliotangulia. Ifuatayo ni mapitio mafupi ya utendaji na shughuli za maeneo mbalimbali ya uendeshaji wetu katika mwaka 2007 na mambo muhimu ya mipango yetu ya siku za usoni.

UTENGENEZAJI

*Wingi wa uzalishaji wa kiwanda chetu uliongezeka kwa asilimia 6.7 kulingana na ukuaji katika mahitaji ya matairi katika soko. Tuliekeza katika kiwanda rasilimali ya Kshs. Milioni 91.9 kustawisha na kufanya kuwa za kisasa mashine muhimu katika kiwanda na pia kuongeza uwezo wake wa saizi za matairi za kimkakati na kuangeza ufanisi wa kiwanda. Gharama za ubadilishi zilidhibitiwa katika kiwango sawa na gharama za malighafi ya moja kwa moja ziliongezeka kwa **asilimia 6.6** kulingana na wingi wa uzalishaji ulioongezeka. Hili lilifikiwa dhidi ya usuli wa maongezeko ya bei za malighafi yaliyaendelea katika masoko ya kimataifa yaliyosababishwa na mahitaji yalioongezeka ya ulimwengu, yakionyesha ufanisi uliaimarika katika kiwanda.*

Uthibitishaji mpya wa ISO: ISO/TS 16949:2002

Uthibitishaji wetu wa karibu zaidi, ISO/TS 16949:2002 ambaa ni maalum kwa viwanda vya kujiendesha sasa umeanzishwa kama alama teule ya ubora wetu. Ukaguzi wa kichunguzi katika mifuma yetu uliofanywa katika mwaka ulithibitisha ufuataji wetu wa viwango. Pia tumedhibiti uthibitishaji wetu wa ISO 9001:2000 Usimamizi wa Ubora na ISO 14001:2001 Mifumo ya Usimamizi wa Mazingira. Mifumo hii inaendelea kuangeza kiwango cha imani katika bidhaa zetu miongoni mwa watengenezaji wa vifaa asili kama vile General Motors East Africa, katika soko la nchini na pia masoka ya kieneo ya biasharanje.

MAUZO NA UUZAJI

Wingi wa mauzo yetu ya kijumla uliongezeka na ukuaji mzuri kabisa ukitokana kwa njia ya Serikali, vitua vya matairi ya Yana na mauzo ya biasharanje yakiwa asilimia 56, 46 na 22 mtawalia. Mauzo ya biasharanje yalisaidiwa na ukuaji wa wingi wa kimaana nchini Somalia, Rwanda, Malawi na Tanzania.

Mtoaji wa Suluhisho la Matairi

Hadhi yetu ya sasa kama mtoaji huru wa matairi imetuwezesha kutoa masuluhisho anuai zaidi ya matairi kwa wateja wetu katika vitengwa tafauti vya soko. Tumepanua aina na kuendeleza ugavi wa matairi ya Bridgestone kwa kitengwa cha thamani ya juu, na pia tumehifadhi Yana na Dunlop kwa kiwango kifuatacho. Tuliendelea kuuza matairi ya Hankook kama uchaguzi unaowezekana kifedha na tulikamilisha maendeleo ya chapa mpya ya 'thamani kwa pesa' itakayotengenezwa nchini kwa kitengwa cha bei ya chini kuanzia roba ya kwanza ya mwaka huu.

Managing director's remarks

The Yana Brand

Yana has now established itself as a leading brand not only in Kenya but also in our export markets. The brand enjoys high recognition and preference and has built a reputation of good performance on the challenging African road conditions. The brand is also the most widely distributed and available in the local market.

Yana Tyre Centres

These company managed retail outlets have continued to grow in outlet numbers and sales volumes. In 2007, two new Yana Tyre Centres started operations in Nairobi: one along Thika road and the other along Langata road both equipped with ultra modern tyre service equipment. Our plan is to open three more tyre centres across the country within the current year to enable us reach more of our customers directly.

SAMEER INDUSTRIAL PARK AND SAMEER EPZ LIMITED

We maintained full occupancy of the twenty factory buildings through our nine tenants at the Sameer Industrial Park and Sameer EPZ Limited through out the year. These Export Processing Zone subsidiaries continue to facilitate export oriented production and have remained profitable. We expect all the current tenants to continue their occupancy.

CORPORATE SOCIAL RESPONSIBILITY

Sameer Africa continued to pay attention to the social needs of the employees and the community in general. We have established a 12 member HIV/AIDS at Workplace Committee to spearhead peer education. The company held a sensitization training session for the entire management team with the assistance of the Federation of Kenya Employers. The staff also got a chance to participate in a voluntary testing and counseling exercise during the National AIDS week. For the surrounding community, our staff members participated in various social activities, for example, the sponsorship of Miss. Mukuru Kayaba Beauty Contest of December 2007 where Sameer Africa peer educators talked to the youth on the prevention of HIV / AIDS and the dangers of drug abuse. The impact of these activities will be felt both internally and in the wider society.

HUMAN RESOURCES & RESTRUCTURING

We completed the first two phases of our staff restructuring project involving right sizing and culture change. We also started the third and more comprehensive phase involving performance management. We have experienced savings on staff costs and have started seeing improved performance following the staff training programs that accompanied the restructuring project. The benefits from outsourcing of non core activities such as transport and cafeteria services are also evident. We also consolidated our office space let out extra space to other tenants, thereby creating additional rental income.

Maoni ya mkurugenzi msimamamizi

Chapa Ya Yana

Sasa Yana imejiweka kama chapa inayoongaza sia tu nchini Kenya bali pia katika masaka ya biasharanje. Chapa hii inafaidi utambuzi mkuu na upendelewaji na imejenga sifa ya utendaji mzuri kwenye hali za barabara za Afrika zenye changamoto. Pia chapa hii ndiyo inayasambazwa zaidi na inayopatikana katika soka la nchini..

Vituo Vya Matairi Ya Yana

Vituo hivi vya rejareja vinavyosimamiwa na Kampuni vimeendelea kukua katika idadi ya vituo na ukubwa wa mauzo. Katika mwaka 2007, vituo viwili vipya vya matairi ya Yana vilianza shughuli mjini Nairobi. Kimaja kwenye barabara ya Thika na kingine kwenye barabara ya Langata, vyate vikiwa na vifaa vya huduma za kisasa. Mpango wetu ni kufungua vitua vitatu zaidi vya matairi kote nchini katika mwaka huu kutuwezesha kufikia zaidi wateja wetu maja kwa maja.

SAMEER INDUSTRIAL PARK NA SAMEER EPZ LIMITED

Tulikuwa na umiliki kamili wa majengo ishirini ya viwanda katika mwaka wate kupitia wapangaji wetu tisa katika Sameer Industrial Park na Sameer EPZ Limited. Kampuni hizi tanzu za eneo la utengenezaji biasharanje zinaendelea kurahisisha uzalishaji wa biasharanje na zimebakia za faida. Tunataraji wapangaji wate wa sasa wataendelea umiliki wao.

WAJIBU WA KIJAMII WA SHIRIKA

Sameer Africa iliendelea kutilia maanani mahitaji ya kijamii ya wafanyikazi na jamii kwa ujumla. Tumeanzisha kamati ya wanachama 12 ya HIV/UKIMWI katika mahali pa kazi kuangoza elimu ya wenzi. Kampuni kwa usaidizi wa shirikisho la waajiri wa Kenya ilikuwa na kikaa cha mafunzo ya kuarifu timu yate ya usimamizi. Wafanyikazi pia walipata nafasi ya kushiriki katika upimaji na ushauri nasaha wa hiari katika wiki ya kitaifa ya Ukimwi. Kwa jamii iliyazunguka, wafanyikazi wetu walishiriki katika shughuli mbalimbali za kijamii, kwa mfano, udhamini wa mashindana ya urembo ya Bi. Mukuru Kayaba ya Desemba 2007 ambapo waelimishaji wenzi wa Sameer Africa walizungumza na vijana kuhusu uzuiaji wa HIV/UKIMWI na hatari ya utumizi mbaya wa mihadharati. Athari ya shughuli hizi zitahisika kate ndani na katika jamii pana.

RASILIMALI ZA KIBINADAMU NA UPANGAJI UPYA

Tulikamilisha awamu mbili za mwanzo za mradi wa upangaji upya wa wafanyikazi ukihusisha kufanya idadi sawa na mabadilika ya utamaduni. Pia tulianzisha awamu ya tatu na yenye upana zaidi inayohusisha utendaji wa Usimamizi. Tumeokoa gharama za wafanyikazi na tumeanza kuona utendaji ulioimarika kufuatia mipanga ya kufundisha wafanyikazi iliyoandamana na mradi wa upangaji upya. Faida za kutafuta nje shughuli zisizokuwa muhimu kama vile huduma za usafiri na uandazi pia zinaonekana. Pia tuliunganisha nafasi za afisi zetu, tulikodisha nafasi za ziada kwa wapangaji wengine, hivya kupata mapato ya kodi ya ziada.

Managing director's remarks

THE 5 - YEAR STRATEGIC PLAN

The implementation of our renewed 5-year strategic plan aimed at establishing Sameer Africa as the leading tyre solution provider in Africa by 2015 remained on course. Our main strategic pillars of expansion, right sizing and strategic alliances have been strengthened and the various functional areas have played their respective parts as highlighted below:

Sales & Marketing:
Aiming to defend and grow our share of the COMESA tyre market to at least 6% over the next few years, we made good strides in entering new export markets and achieved 22% growth in our regional export sales. At this rate of growth, our target of doubling the volumes over the next 4 years will be possible. We also started selling two new brands imported from Asia to the lower price segments of the Kenyan market with remarkable success.

Operations:
In line with the rationalization of our product portfolio, we have invested in strategic segments where we are able to achieve fast growth. For example, we officially inaugurated the new light truck tyre assembly machine which has increased our production capacity for this strategic category by 2,700 tyres per month. We have also invested in machinery and equipment that have improved our operational efficiency.

Finance:
Focused on our target of posting a profit after tax of at least Ksh. 690 Million by 2011, we continued our initiatives aimed at improving the management of our working capital and reducing our costs.

Human Resources:
We started the process of implementing performance management through out the organization. All members of staff received training on the principles and implementation of performance management. Performance contracts have now been drafted and are being signed throughout the organization in line with the five-year strategic plan.

Growth and Innovation:
We continued to leverage the benefits of ICT. We installed and started using E - procurement, a web based procurement software that enables efficient processing, tracking and approval of our procurement requisitions electronically. To give the staff the necessary skills for the 21st century, we also carried out a company wide computer training on all the commonly used softwares at the basic, intermediate and advanced levels.

In conclusion, my team and I would like to assure you of our commitment to achieving even better results in the future now that we have managed to turn around the company. We appeal to you for continued support as we go into the future. We are confident of being the leading tyre solution provider in Africa by 2015.

Eric Kimani
Managing Director.

Maoni ya mkurugenzi msimamamizi

MPANGO WA KIMKAKATI WA MIAKA 5

Utekelezaji wa mpango wetu wa miaka 5 uliopangwa upya uliolenga kuweka Sameer Africa kama mtoaji anayeongoza wa masuluhisho ya matairi Afrika kufikia 2015 uliendelea sawa. Vigezo vyetu vikuu vya kimkakati vya upanuzi, kufanya idadi ya sawa na ushirikiano wa kimkakati vimeimarishwa na maeneo mbalimbali ya kufaa yametenda wajibu wake kama inavyaanyeshwa hapa chini:

Mauzo na Uuzaji:
Tukilenga kutetea na kukuza hisa yetu ya soko la matairi la COMESA kwa angalau asilimia 6 katika miaka michache ijaya, tumepiga hatua nzuri katika kuingia katika masoko mapya ya biasharanje na tulipata ukuaji wa asilimia 22 katika mauzo ya kieneo ya biasharanje. Katika kiwango hiki cha ukuaji, shabaha yetu ya kufanya wingi mara mbili katika miaka 4 ijayo itawezekana. Pia tulianza kuuza chapa mbili mpya zilizoingizwa kutoka Asia kwa kitengwa cha bei ya chini ya soko la Kenya kwa ufaulu wa kusifika.

Uendeshaji:
Kufuatana na utazamaji kimantiki wa aradha yetu ya bidhaa, tumeekeza katika vitengwa vya kimkakati ambapo tunaweza kupata ukuaji wa haraka. Kwa mfano, tulizindua rasmi mashine ya kuunga matairi ya malori madogo ambayo imeangeza uwezo wa uzalishaji wetu kwa kiwango hiki cha kimkakati kwa matairi 2,700 kwa mwezi. Tumeekeza pia katika mitambo na vifaa ambavyo vimeongeza ufanisi wetu wa uendeshaji.

Mambo ya Kifedha:
Tukilenga shabaha yetu ya kupata faida ya baada kodi ya angalau Kshs. Milioni 690 kufikia 2011, tuliendelea na jitihada zetu zilizolenga kuendeleza usimamizi wa fedha zetu za kufanyia kazi na kupunguza gharama zetu.

Rasilimali za Kibinadamu:
Tulianzisha mfuatano wa kutekeleza usimamizi wa utendaji katika shirika lote. Wafanyikazi wote walipata mafunzo juu ya kanuni na utekelezaji wa usimamizi wa utendaji. Mikataba ya utendaji imetayarishwa na inatiwa sahihi katika shirika lote kufuatana na mpango wa kimkakati wa miaka mitano.

Ukuaji na Uvumbuzi:
Tuliendelea kutumia nguvu za faida za teknolajia ya habari. Tulisimika na kuanzisha utumizi wa ununuzi wa kielektraniki, programu yenye msingi wa wavuti inayowezesha utengenezaji wa ufanisi, ufuatilizi na upitishaji wa ununuzi wa mahitaji yetu kielektroniki. Kuwapatia wafanyikazi mbinu zinazohitajika katika karne ya 21, pia tulitekeleza mafunzo mapana ya kompyuta ya programu zote zinazotumiwa zaidi katika viwango vya kimsingi, vya kati na vya juu.

Kwa kuhitimisha, timu yangu na mimi tungependa kuwahakikishia kujitolea kwetu ili kupata matakeo mazuri zaidi katika siku za usoni kwa vile sasa tumeweza kuigeuza Kampuni. Tunawaomba usaidizi wa kuendelea tunavyokwenda katika siku za usoni. Tuna imani ya kuwa mtoaji anayeongoza wa masuluhisho ya matairi Afrika kufikia 2015.

Eric Kimani
Mkurugenzi Msimamizi.

Report of the directors

The Directors submit their report together with the audited financial statements for the year ended 31st December 2007, which disclose the state of affairs of the Group and of the 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 manufacture, importation and sale of tyres and tubes, and letting of premises in an Export Processing Zone.

RESULTS AND DIVIDEND
The net profit for the year of Kshs. 118 million has been added to retained earnings.

During the year no dividend was paid. The directors do not recommend payment of a dividend.

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)

Mr. S. M. Githiga
Mr. T. D. Owuor
Mr. P. Gitonga
Mr. S. N. Merali
Mr. I. A. Timamy

In accordance with Article 94 of the Articles of Association, Mr S. N. Merali and Mr. I. A. Timamy retire by rotation and being eligible, offer themselves for re-election.

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

By Order of the Board

Issa Timamy
Company Secretary

21st February 2008

Ripoti ya wakurugenzi

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka ulioishia tarehe 31 Desemba 2007, ambaza zinaarifu 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 ukadishaji wa majengo katika eneo la Utengenezaji Bidhaa Nje.

MATOKEO NA FAIDA
Faida ya jumla ya mwaka ya Kshs. Milioni 118 imeongezwa kwenye mapato yaliobakishwa.

Katika mwaka hakukulipwa gawia la faida. Wakurugenzi hawapendekezi malipo ya gawio.

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 soka, viwango vya ubadilishaji wa fedha za kigeni na viwango vya riba. Mpango wa jumla wa kundi wa usimamizi wa hatari unalenga kwenye kutotabirika kwa masako ya kifedha na unajitahidi kupunguza athari mbaya zinazoweza kutakea 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 ripati hii walikuwa:

Bw. N. N. Merali (Mwenyekiti)
Bw. E.M Kimani (Mkurugenzi Msimamizi)

Bw. S. M Githiga
Bw. T. D Owuor
Bw. P. Gitonga
Bw. S. N. Merali
Bw. I. A. Timamy

Kulingana na kifungu cha 94 cha Masharti na Kanuni za Kampuni, Bw. S.N. Merali na Bw. I.A. Timamy wanastaafu kwa zamu na, kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

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 Timamy
Katibu wa Kampuni

21 Februari 2008

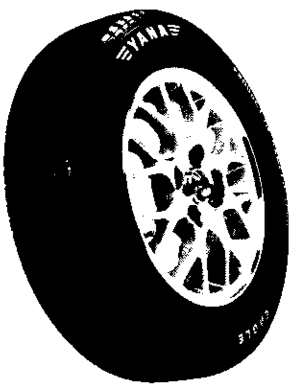
Board of directors

Mr. N. N. Merali
Chairman

Mr. E. M. Kimani
Managing Director

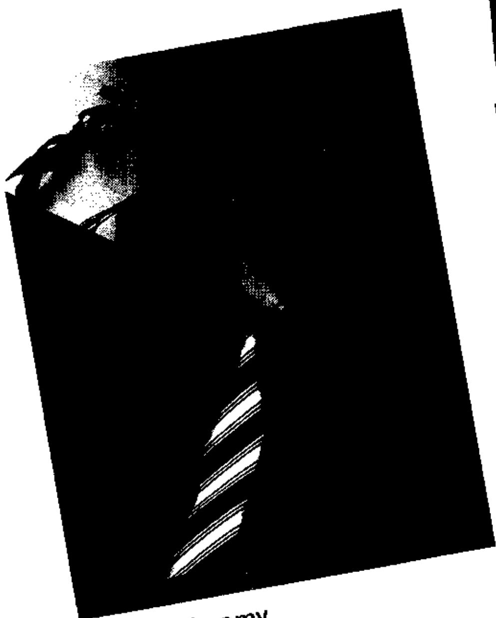
Mr. S. M. Githiga

Mr. T. D. Owour



Mr. P. M. Gitonga

Mr. S. N. Merali



Mr. I. A. Timamy

Corporate governance

Sameer Africa Limited is committed to the standards of Corporate Governance set by the Capital Markets 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 realized.

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 three principle committees all of which are guided by clear terms of reference. The Committees are instrumental in monitoring Company operations, systems and internal controls.

The Committees are as follows:

a) **Audit Committee**
The members of this Committee are all non-executive Directors and professionals who are independent of the day to day management of the company's operations. The Committee meets four times in a year and the General Manager Finance, the Internal Auditor and the External Auditors attend most meetings of the Committee. The Committee deals with the review of interim and annual financial statements to ensure compliance with Accounting Standards, the review of Company's system of accounting and internal controls, liaising with External Auditors and defining the scope and responsibilities of the Internal Auditors.

b) **Finance Committee**
The Committee comprises two non-executive Directors, Managing Director and the General Manager - Finance and attend all meetings of this Committee. The Committee is chaired by a non-executive Director. The role of the Committee includes monitoring and reviewing the operational and financial performance of the Company, reviewing the Company's investment plans and ensuring that the system of financial controls are effectively implemented.

c) **Remuneration and Nominations Committee**
The Committee comprises two non – executive Directors and the Managing Director. The role of the Committee is to assist the Board in addressing issues pertaining to remuneration levels, employee development and motivation. The Committee is also responsible in identifying and proposing to the Board appointment of new Directors and appointment to Board Committees.

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 the shareholding.

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. The Company also responds to letters from shareholders and interested parties. In this regard, the company complies with its obligations contained in the Nairobi Stock Exchange's Listing Rules and the Capital Markets Authority Act as applicable in Kenya.

DIRECTORS' EMOLUMENTS AND LOANS
The remuneration of non-executive Directors consists of fee and sitting allowances for their services in connection with Board and Committee meetings.
Neither at the end of the year, nor at any time during the year did there exist any arrangement to which the Company is party, where by Directors might acquire benefits by means of the acquisition of the Company's shares. There were no Directors loans at anytime during the period.
The aggregate amount of emoluments paid to Directors for services rendered during the financial year ended December 31st 2007 is disclosed in Note 27 to financial statements.

SOCIAL AND ENVIRONMENTAL ISSUES
Sameer Africa remains a committed the protection and management of our environment as well as the humanitarian needs of our society. To this end, we have maintained our ISO 14001-2004 Environmental Management Systems Certification. We have also continued to take part in the fight against HIV / AIDS and to make donations in cash and kind to various social causes such as famine relief, education of needy children and blood donations.

Principal Shareholders And Share Distribution

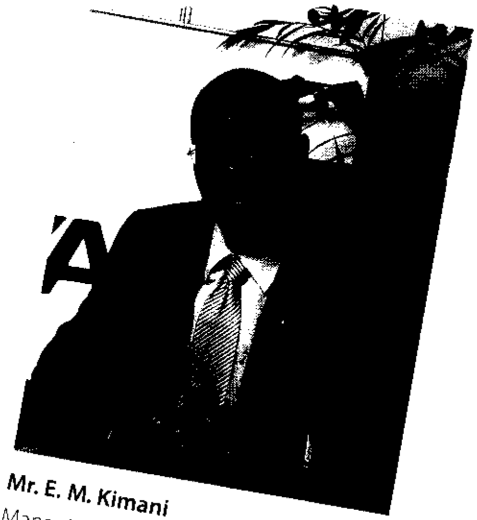
DISTRIBUTION OF SHAREHOLDING

Share range	Number of shareholders	Number of shares	%
1 – 500	7,787	2,339,002	0.84
501 – 5,000	5,762	9,153,304	3.29
5,001 – 10,000	504	3,897,891	1.40
10,001 – 100,000	490	14,481,226	5.20
100,001 – 1,000,000	73	26,984,012	9.69
Over 1,000,000	10	221,486,958	79.53
Total	14,626	278,342,393	100.00

LIST OF 10 LARGEST SHAREHOLDERS
The ten major shareholders of the company as at December 31st 2007 were as follows:

No.	Name	Number of Shares	%
1	Sameer Investments Limited	159,332,926	57.23
2	Bridgestone Corporation	41,485,056	14.90
3	National Social Security Fund Trustees	5,677,550	2.03
4	BNP Paribas (Suisse) SA	4,417,600	1.58
5	Karim Jamal	4,372,600	1.57
6	Swani Coffee Estate Limited	1,942,760	0.69
7	Kamlesh Raichand Shah	1,732,966	0.62
8	Barclays (Kenya) Nominees Limited A/c 9203	1,500,000	0.53
9	Vijay Kantaria	1,025,500	0.36
10	Craysell Investment Limited	1,000,000	0.35

Executive committee



Mr. E. M. Kimani
Managing Director

Mr. P. Gitonga
Commerial Director

Mr. S. Karima
GM, Sales & Marketing

Mr. J. Gatundu
GM, Finance

Mrs. H. Ndegwa
Head of Human Resources

Mr. J. Kabare
GM, Manufacturing

Mr. S. Saraf
Head of ICT

Management team

STANDING LEFT TO RIGHT

E. Ochieng • S. Kandie • W. Biketi • J. Mala • H. Ithiami • J. Gatigi • R. Chadha • D. Adede • N. Chemekeki • A. Kariuki • J. Siage

SEATED LEFT TO RIGHT

J. Njoroge • A. Kuira • J. Gatundu • H. Ndegwa • J. Kabare • S. Karima • J. Kesui • S. Saraf

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.

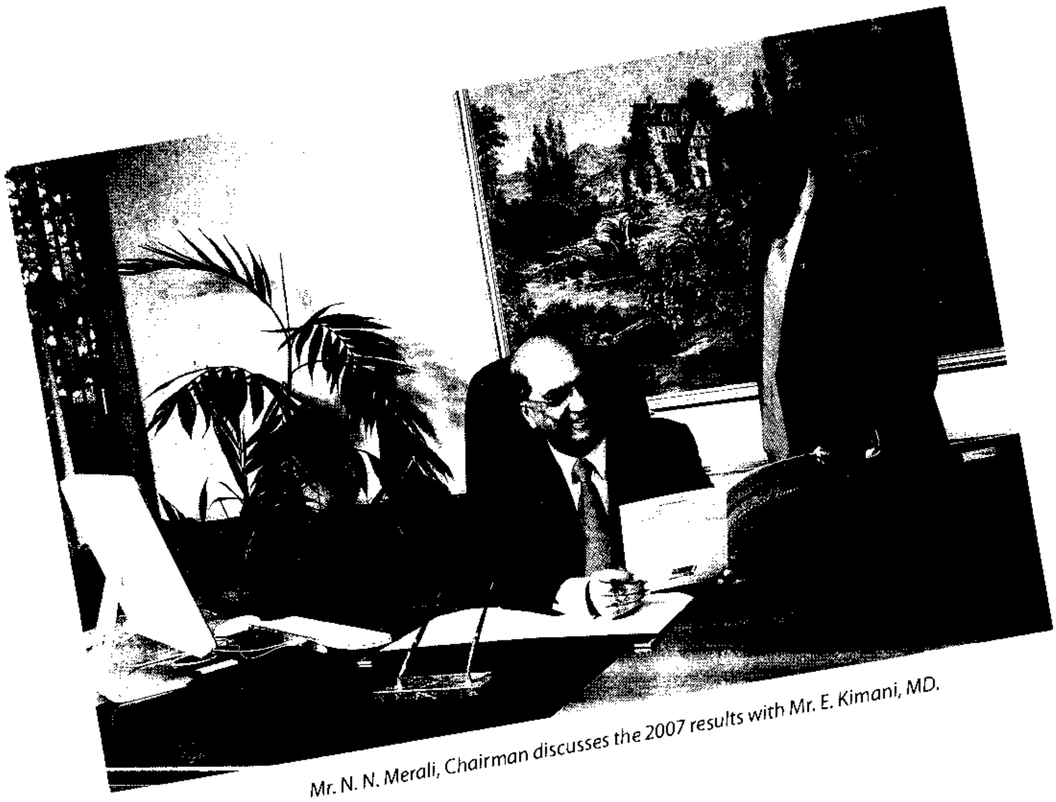
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the 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 in accordance with International Financial Reporting Standards. 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material missstatement.

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 these statements.

Mr. S. M. Githiga
Director

Mr. E. M. Kimani
Managing Director

February 21st 2008



Mr. N. N. Merali, Chairman discusses the 2007 results with Mr. E. Kimani, MD.

Report of the independent auditor to the members of Sameer Africa Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sameer Africa Limited (the company) and its subsidiaries (together, the group), as set out on pages 15 to 41. These financial statements comprise the consolidated balance sheet at 31 December 2007 and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the company standing alone as at 31 December 2007 and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's udgement, including the assessment of the risks of material nisstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers nternal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not or the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes valuating the appropriateness of accounting policies used nd the reasonableness of accounting estimates made by the irectors, as well as evaluating the overall presentation of the nancial statements.

/e believe that the audit evidence we have obtained is ufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying 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 2007 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.

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

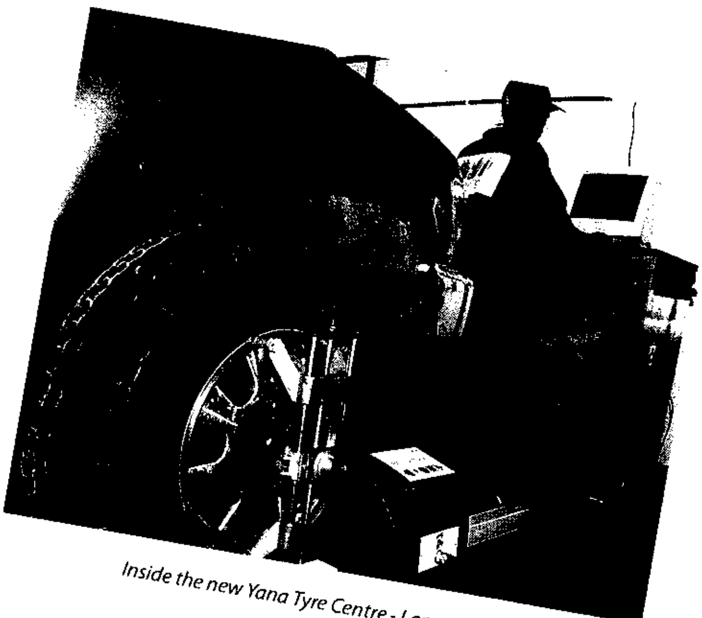
i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;

iii) the company's balance sheet is in agreement with the books of account.

PricewaterhouseCoopers
Certified Public Accountants
Nairobi

February 21st 2008



Inside the new Yana Tyre Centre - Langata road

Consolidated profit & loss account

√

	Notes	Year ended 31 Dec 2007 Shs'000	Year ended 31 Dec 2006 Shs'000
Revenue		3,469,283	3,171,049
Cost of sales		(2,678,525)	(2,376,788)
Gross profit		790,758	794,261
Other operating income		104,744	86,119
Distribution costs		(54,266)	(59,060)
Administrative expenses		(246,324)	(233,863)
Other operating expenses		(367,280)	(520,219)
Operating profit	6	227,632	67,238
Finance costs	8	(61,112)	(82,103)
Profit/ (loss) before income tax		166,520	(14,865)
Income tax expense	9	(47,905)	(7,423)
Profit/ (loss) after income tax		118,615	(22,288)
Earnings / (loss) per share		**2007 Shs**	**2006 Shs**
Basic and diluted	10	0.43	(0.08)
Dividends:			
Interim dividends – paid in the year	11	-	-
Proposed final dividend for the year	11	-	-
		-	-

Consolidated & company balance sheets

	Notes	At 31 December Group 2007 Shs'000	At 31 December Group 2006 Shs'000	At 31 December Company 2007 Shs'000	At 31 December Company 2006 Shs'000
CAPITAL EMPLOYED					
Share capital	12	**1,391,712**	1,391,712	**1,391,712**	1,391,712
Retained earnings		**627,016**	508,401	**117,128**	106,349
Translation reserve		**(56,806)**	(49,127)	-	-
Proposed dividends	11	-	_	-	-
Total equity		**1,961,922**	1,850,986	**1,508,840**	1,498,061
Non-current liabilities					
Borrowings	13	**23,387**	94,890	**5,304**	64,855
Deferred income tax	14	**16,687**	8,991	**13,103**	4,896
Retirement benefit obligations	15	**111,873**	97,948	**111,873**	97,948
Total non-current liabilities		**151,947**	201,829	**130,280**	167,699
		2,113,869	2,052,815	**1,639,120**	1,665,760
Non-current assets					
Property, plant and equipment	16	**697,499**	745,900	**640,280**	667,149
Investment property	17	**218,684**	224,963	-	-
Investment in subsidiaries	19	-	-	**146,686**	181,686
Prepaid operating lease rentals	18	**859**	1,897	**859**	869
Deferred income tax	14	**19,313**	12,927	-	-
		936,355	985,687	**787,825**	849,704
Current assets					
Inventories	21	**1,140,904**	1,248,594	**946,328**	1,074,139
Receivables and prepayments	22	**894,272**	839,549	**792,814**	739,085
Current income tax		**26,632**	42,597	**24,767**	33,228
Cash and cash equivalents	23	**163,720**	193,639	**81,057**	82,272
		2,225,528	2,324,379	**1,844,966**	1,928,724
Current liabilities					
Payables and accrued expenses	24	**337,255**	716,520	**323,126**	648,357
Current income tax		**4,393**	2,242	-	-
Borrowings	13	**699,590**	531,713	**663,769**	457,535
Unclaimed dividends		**6,776**	6,776	**6,776**	6,776
		1,048,014	1,257,251	**993,671**	1,112,668
Net current assets		**1,177,514**	1,067,128	**851,295**	816,056
		2,113,869	2,052,815	**1,639,120**	1,665,760

The financial statements on pages 15 to 41 were approved for issue by the board of directors on February 21st 2008 and signed on its behalf by:

E. M. Kimani
Director

S. M. Githiga
Director

Consolidated statement of changes in equity

	Share capital Shs.'000	Retained earnings Shs.'000	Translation reserve Shs.'000	Proposed dividends Shs.'000	Total Shs.'000
Year ended 31 December 2006					
At start of year	1,391,712	530,689	(33,102)	139,171	2,028,470
Currency translation differences	-	-	(16,025)	-	(16,025)
Loss for the year	-	(22,288)	-	-	(22,288)
Dividends:					
- Final for 2005 paid	-	-	-	(139,171)	(139,171)
At end of year	1,391,712	508,401	(49,127)	-	1,850,986
Year ended 31 December 2007					
At start of year	1,391,712	508,401	(49,127)	-	1,850,986
Currency translation differences	-	-	(7,679)	-	(7,679)
Profit for the year	-	118,615	-	-	118,615
At end of year	1,391,712	627,016	(56,806)	-	1,961,922

Company statement of changes in equity

	Share capital Shs.'000	Retained earnings Shs.'000	Proposed dividends Shs.'000	Total Shs.'000
Year ended 31 December 2006				
At start of year	1,391,712	215,666	139,171	1,746,549
Loss for the year	-	(109,317)	-	(109,317)
Dividends:				
- Final for 2005 paid	-	-	(139,171)	(139,171)
At end of year	1,391,712	106,349	-	1,498,061
Year ended 31 December 2007				
At start of year	1,391,712	106,349	-	1,498,061
Profit for the year	-	10,779	-	10,779
At end of year	1,391,712	117,128	-	1,508,840

Consolidated cash flow statement

	Notes	Year ended 31 December 2007 Shs'000	2006 Shs'000
Operating activities			
Cash generated from operations	25	8,783	136,073
Interest received	8	448	530
Interest paid	8	(80,438)	(70,114)
Income tax paid		(28,604)	(28,495)
Net cash (absorbed by) / generated from operating activities		(99,811)	37,994
Investing activities			
Purchase of property, plant and equipment	16	(125,136)	(161,902)
Rental income received	6	65,871	62,343
Proceeds from disposal of property, plant and equipment		32,991	7,147
Proceeds from disposal of prepaid operating lease rentals		6,494	-
Net cash used in investing activities		(19,780)	(92,412)
Financing activities			
Dividends paid		-	(139,171)
Proceeds from borrowings		66,325	349,466
Repayment of borrowings		(305,011)	(184,518)
Net cash (absorbed by) / generated from financing activities		(238,686)	25,777
Decrease in cash and cash equivalents		(358,277)	(28,641)
Movement in cash and cash equivalents			
At start of year		31,981	65,832
Decrease		(358,277)	(28,641)
Effects of exchange rate changes on cash and cash equivalents		(6,702)	(5,210)
At end of year	23	(332,998)	31,981

General Information

1 General information

Sameer Africa Limited 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 measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

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 2007, the following new and revised standards and interpretations 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 Amendment, Capital Disclosures
The amendment to IAS 1 introduces disclosures about the level of the Group's capital and how it manages capital

IFRS 7, Financial Instruments: Disclosures
IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification or measurement of the Group's financial instruments.

Standards, interpretations and amendments to published standards that are not yet effective
The following amendment to an existing standard and new standard and interpretations will be mandatory for the Group's accounting periods beginning on or after 1 January 2008, but which the Group has not early adopted:
- IFRIC 11 – Group and Treasury Share Transactions – from 1 January 2008
- IFRIC 12 – Service Concession Arrangements – from 1 January 2008
- IFRS 8 – Operating segments – from 1 January 2009
- IAS 23 – Borrowing costs (revised) – from 1 January 2009.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group, other than IFRS 8, which will result in changes to the reportable segments and the information disclosed in respect of those segments.

(b) Consolidation of subsidiaries

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.

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.

Mr. M.Bakari (Transport Mgr) receives the 2nd lot of leased vehicles for SAL Area Sales Operations.

2 Summary of significant accounting policies (continued)

(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:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- 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
- all resulting exchange differences are recognised as a separate component of equity (translation reserve).

(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 risk and return that are different from those of segments operating in other economic environments.

(e) Income recognition

Revenue
Revenue represents the fair value of the consideration receivable for sales of goods (comprising tyres and tubes) and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Group. 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.

Other income
Rental income is recognised in the period in which it is earned.

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 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.

Depreciation on assets is calculated using the straight line method to write down their cost to their residual values over their estimated useful lives, as follows:

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.

Yana Tyre Centre - Langata Road

2 Summary of significant accounting policies (continued)

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 historical cost. Depreciation is charged at the rate of 2.5% per annum.

(h) Accounting for leases

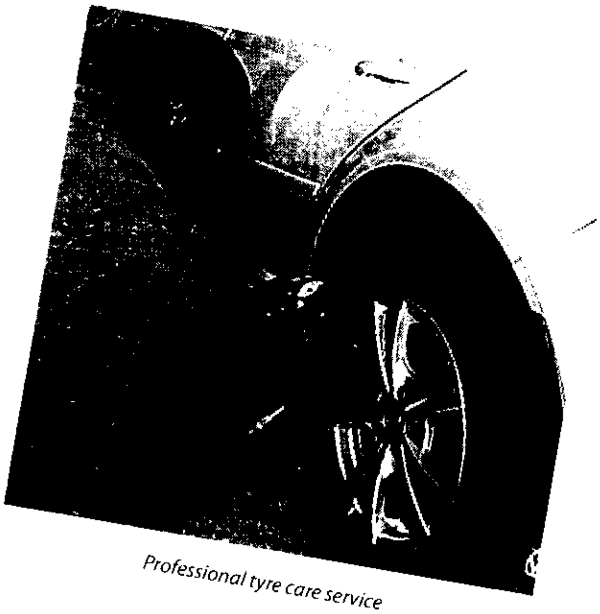
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. 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.

(j) 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.



Professional tyre care service

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Employee benefits

(i) Retirement benefit obligations

The Group operates defined contribution retirement benefit schemes for all its non-unionised employees and a defined benefit scheme (gratuity scheme) for its unionised employees.

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For unionised employees, the group has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who retire on reaching the retirement age fixed by the group or on grounds of ill health received twenty one days basic wage for less than six years of service per completed year of service. For six years of service or more, employees receive twenty eight days basic wage per completed year of service resigning. The provision for liability recognised in the balance sheet is the estimated entitlement as a result of services rendered by employees up to the balance sheet date. Any increase or decrease in the provision is taken to the profit and loss account.

The assets of the defined contribution retirement benefit scheme are held in separate trustee administered funds, which are funded by contributions from both the Group and employees. The defined benefit scheme is unfunded. The Group and all its employees also contribute to the appropriate National Social Security Funds, 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 in the year 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 subsidiories

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.

(q) Restructuring provisions

Restructuring provisions mainly comprise employee termination payments and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after both an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and numbers of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance.

Variety offered at the Yana Tyre Centres

3 Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and foreign currency exchange rates and interest rates.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from recognized foreign currency assets and liabilities and net investments in foreign operations.

Exchange Risk from Net Investments in Foreign Operations

The Group has subsidiaries in Uganda and Tanzania. Therefore, the net investments in these subsidiaries are exposed to foreign exchange risk upon consolidation of the financial statements and are charged to the translation reserve. The effect the changes in the exchange rates as at 31 December 2007 would have had on the translation reserve are shown below:

UGANDA

At 31 December 2007, if the Ugandan Shilling had weakened/strengthened by 6% (2006: 5%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the consolidated translation reserve would have been Shs 7,647,000 (2006: Shs 6,078,000).

TANZANIA

At 31 December 2007, if the Tanzanian Shilling had weakened/strengthened by 3% (2006: 7%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the consolidated translation reserve would have been would have been Shs 4,812,000 (2006: Shs 8,779,000).

Group Exchange Risk from recognised financial assets and liabilities

At 31 December 2007, if the Kenya Shilling had weakened/strengthened by 7% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 1,987,000 (2006: Shs 2,428,000) higher/lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2007, if the Kenya Shilling had weakened/strengthened by 7% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 11,165,000(2006: Shs 9,052,000) lower/higher, mainly as a result of US dollar denominated trade payables and borrowings.

Company Exchange Risk from recognised financial assets and liabilities

At 31 December 2007, if the Kenya Shilling had weakened/strengthened by 7% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 5,542,000 (2006: Shs 5,208,000) higher/lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2007, if the Kenya Shilling had weakened/strengthened by 7% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 9,952,000(2006: Shs 8,395,000) lower/higher, mainly as a result of US dollar denominated trade payables and borrowings.

(ii) Cash flow and fair value interest rate risk

GROUP

The Group's only interest bearing assets are Fixed Deposits, all of which are fixed rate. The group also has borrowings at fixed rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing

At 31 December 2007, an increase/decrease of 100 basis points for the local currency borrowings and increase/decrease of 10 basis points for the foreign currency borrowings would have resulted in an decrease/increase in consolidated post tax profit of Shs 2,694,000 (2006: Shs 2,312,000), mainly as a result of higher/lower interest charges on variable rate borrowings.

COMPANY

At 31 December 2007, an increase/decrease of 100 basis points for the local currency borrowings and increase/decrease of 10 basis points for the foreign currency borrowings would have resulted in an decrease/increase in company post tax profit of Shs 2,474,000 (2006: Shs 2,015,000), mainly as a result of higher/lower interest charges on variable rate borrowings.

M. Mpeirwe (2nd right) of Mujo Holdings, Kampala and the Sameer Africa (U) Ltd team after producing the Top Prize Winner in the Yana Win a Kigege promotion.

2 Financial risk management (continued)

Credit risk

Credit Risk is managed on a group basis. Credit risk arises mainly on trade & other receivables. The General Manager-Finance assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December 2007 is made up as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Cash and cash equivalents	163,720	193,639	81,057	82,272
Trade receivables	718,009	604,433	480,768	370,130
Less: Collateral held	(67,612)	(77,472)	(67,612)	(77,472)
Net trade receivables	650,397	526,961	413,156	292,658
Other receivables	176,263	235,116	312,046	368,955
	990,380	955,716	806,259	743,885

The collateral held comprises of customer refundable deposits and bank guarantees. None of the above assets are past due or impaired except for the following amounts in trade receivables:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Past due but not impaired:				
- by up to 30 days	186,445	133,520	125,577	75,235
- by 31 to 60 days	132,600	52,186	101,000	49,740
- by 61 to 90 days	68,524	36,637	45,453	13,101
- by 91 to 120 days	24,098	33,792	15,996	18,162
- by 121 to 180 days	42,534	28,560	34,798	15,047
- over 181 days	71,773	50,117	51,487	35,376
Total past due but not impaired	525,974	334,812	374,311	206,661
Impaired	89,262	69,195	51,023	47,800

2 Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Management maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year Shs'000	**Between 1 and 2 years Shs'000**	**Between 2 and 5 years Shs'000**	**Over 5 years Shs'000**
(a) Group				
At 31 December 2007:				
- borrowings	202,872	23,387	-	-
- bank overdrafts	496,718	-	-	-
- unclaimed dividends	6,776	-	-	-
- trade and other payables	337,255	-	-	-
- income tax payable	4,393	-	-	-
At 31 December 2006:				
- borrowings	370,055	87,067	7,823	-
- bank overdrafts	161,658	-	-	-
- unclaimed dividends	6,776	-	-	-
- trade and other payables	716,520	-	-	-
- income tax payable	2,242	-		
(b) Company				
At 31 December 2007:				
- borrowings	167,051	5,304	-	-
- bank overdrafts	496,718	-	-	-
- unclaimed dividends	6,776	-	-	-
- trade and other payables	323,126	-	-	-
At 31 December 2006:				
- borrowings	332,765	59,550	5,305	-
- bank overdrafts	124,770	-	-	-
- unclaimed dividends	6,776	-	-	-
- trade and other payables	648,357	-	-	-

2 Financial risk management (continued)

Capital risk management

The Group's objective when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The gearing ratios at 31 December 2007 and 2006 were as follows:

Group

	2007 Shs'000	2006 Shs'000
Total borrowings	722,977	626,603
Less: cash and cash equivalents	(163,720)	(193,639)
Net debt	559,257	432,964
Total equity	1,961,922	1,850,986
Total capital	2,521,179	2,283,950
Gearing ratio	22.2%	19.0%

Company

	2007 Shs'000	2006 Shs'000
Total borrowings	669,073	522,390
Less: cash and cash equivalents	(81,057)	(82,272)
Net debt	588,016	440,118
Total equity	1,508,840	1,498,061
Total capital	2,096,856	1,938,179
Gearing ratio	28.0%	22.7%

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.

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:

- whether assets are impaired
- estimated useful lives and residual values of assets
- valuation of retirement benefits obligation

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 African 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

6 Group operating profit

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

	2007 Shs'000	2006 Shs'000
Depreciation on property, plant and equipment (Note 16)	156,409	153,422
Depreciation on investment property (Note 17)	6,279	6,279
Investment property:		
- rental income	(65,871)	(62,343)
- operating expense	23,634	26;274
Provision for impairment losses:		
- receivables	20,398	26,339
- inventory	42,815	6,019
Repairs and maintenance	76,122	69,036
Restructuring costs	-	65,780
Employee benefits expense (Note 7)	484,983	466,099
Auditors' remuneration	3,736	3,597

7 Group employee benefits expense

The following items are included within employee benefits expense:

	2007 Shs'000	2006 Shs'000
Retirement benefits costs:		
- Defined contribution scheme	9,662	4,722
- National Social Security Fund	1,913	1,736
- Defined benefit scheme (Note 15)	26,223	13,269

8 Group finance costs

	2007 Shs'000	2006 Shs'000
Interest expense on bank borrowings	80,438	70,114
Interest income	(448)	(530)
Net foreign exchange (gains) / losses	(18,878)	12,519
Net finance costs	61,112	82,103

9 Group income tax expense

Current income tax	46,720	21,862
Deferred income tax charge / (credit) - (Note 14)	1,185	(14,439)
Income tax expense	47,905	7,423

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:

	2007 Shs'000	2006 Shs'000
Profit /(loss) before income tax	166,520	(14,865)
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2006 - 30%)	49,956	(4,460)
Tax effect of:		
Income not subject to income tax	(314)	(1,459)
Expenses not deductible for income tax purposes	3,643	12,169
Under provision of current income tax in prior years	1,151	-
(Over) / under provision of deferred income tax in prior years	(3,823)	2,616
Deferred tax asset not recognised	2,196	-
Effect of different income tax rate for Sameer Industrial Park Limited and Sameer EPZ Limited	(4,904)	(1,443)
Income tax expense	47,905	7,423

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.

	2007	2006
Profit/(loss) attributable to equity holders of the Company (Shs '000)	118,615	(22,288)
Weighted average number of ordinary shares in issue ('000)	278,342	278,342
Basic earnings / (loss) per share (Shs)	0.43	(0.08)

There were no potentially dilutive shares outstanding at 31 December 2007 or 2006. Diluted earnings per share are therefore the same as basic earnings per share.

11 Dividends per share

At the next annual general meeting, the directors will not be proposing the payment of a dividend in respect of the year ended 31 December 2007. During the year no interim dividend was paid.

12 Share capital

	Number of shares Shs'000	Ordinary shares Shs'000
Balance at 1 January 2006, 31 December 2006 and 31 December 2007	278,342,400	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

The borrowings are made up as follows:

	Group		Company	
	2007 Shs'000	2006 Shs'000	2007 Shs'000	2006 Shs'000
Non-current				
Bank borrowings	23,387	94,890	5,304	64,855
Current				
Bank borrowings	202,872	370,055	167,051	332,765
Bank overdraft	496,718	161,658	496,718	124,770
	699,590	531,713	663,769	457,535
Total borrowings	722,977	626,603	669,073	522,390

13 Borrowings (continued)

Borrowings are secured by way of a negative pledge and certain of the group's land and buildings of that subsidiary.

Weighted average effective interest rates at the year end were:

	2007	2006
	%	%
- bank overdrafts	9.72	9.72
- bank borrowings	12.50	12.50

In the opinion of the directors, the carrying amounts of borrowings approximate to their fair values. 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.

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

	Group		Company	
	2007	2006	2007	2006
	Shs'000	Shs'000	Shs'000	Shs'000
Between 1 and 2 years	23,387	87,067	5,304	59,550
Between 2 and 5 years	-	7,823	-	5,305
	23,387	94,890	5,304	64,855

14 Deferred income tax

Deferred income tax is calculated using the enacted income tax rates of 25% and 30% that apply to the different group companies. The movement on the deferred income tax account is as follows:

Group	2007	2006
	Shs'000	Shs'000
At start of year	(3,936)	10,374
Charge/(credit) to profit and loss account (Note 9)	1,185	(14,439)
Currency translation differences	125	129
At end of year	(2,626)	(3,936)

As disclosed on the balance sheet:

	2007	2006
Deferred income tax assets	(19,313)	(12,927)
Deferred income tax liabilities	16,687	8,991
	(2,626)	(3,936)

14 Deferred income tax (continued)

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:

	1.1.2007 Shs'000	Charged (credited) Shs'000	Exchange differences Shs'000	31.12.2007 Shs'000
Property, plant and equipment	66,334	10,282	(19)	76,597
Investment property	3,493	(3)	-	3,490
Provisions and other deductible temporary differences	(47,559)	(25,496)	144	(72,911)
Tax losses	(26,204)	14,206	-	(11,998)
Net deferred income tax asset	(3,936)	(1,011)	125	(4,822)
Deferred income tax liability not recognised	-	2,196	-	2,196
Deferred income tax asset recognised	(3,936)	1,185	125	(2,626)

Company

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

	2007 Shs'000	2006 Shs'000
Property, plant and equipment	74,440	64,381
Provisions and other deductible temporary differences	(61,337)	(46,092)
Income tax losses	-	(13,393)
Net deferred income tax liability	13,103	4,896

15 Retirement benefit obligations – Group and company

At start of year	97,948	106,750
Charged to income statement (Note 7)	26,223	13,269
Utilised during year	(12,298)	(22,071)
At end of year	111,873	97,948

In the opinion of the directors, the valuation of the retirement benefit is fairly stated although no actuarial valuation has been applied on the liability. Fair values are determined using the projected unit credit method.

16 Property, plant and equipment

(a) Group

	Buildings Shs'000	Plant and machinery Shs'000	Vehicles and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2006					
Cost	322,170	2,027,283	331,828	37,113	2,718,394
Accumulated depreciation	(129,769)	(1,557,838)	(292,677)	-	(1,980,284)
Net book amount	192,401	469,445	39,151	37,113	738,110
Year ended 31 December 2006					
Opening net book amount	192,401	469,445	39,151	37,113	738,110
Currency translation	51	-	(414)	-	(363)
Additions	4,615	23,752	16,457	117,078	161,902
Transfers	(625)	75,281	25,396	(100,052)	-
Disposals	-	-	(327)	-	(327)
Depreciation charge	(12,423)	(127,898)	(13,101)	-	(153,422)
Closing net book amount	184,019	440,580	67,162	54,139	745,900
At 31 December 2006					
Cost	326,211	2,123,324	348,737	54,139	2,852,411
Accumulated depreciation	(142,192)	(1,682,744)	(281,575)	-	(2,106,511)
Net book amount	184,019	440,580	67,162	54,139	745,900
Year ended 31 December 2007					
Opening net book amount	184,019	440,580	67,162	54,139	745,900
Currency translation	(347)	-	(397)	-	(744)
Additions	-	1,446	5,653	118,037	125,136
Transfers	15,494	116,670	15,725	(147,889)	-
Disposals	(16,059)	-	(325)	-	(16,384)
Reclassification of buildings	78	-	(78)	-	-
Depreciation charge	(12,449)	(118,943)	(25,017)	-	(156,409)
Closing net book amount	170,736	439,753	62,723	24,287	697,499
At 31 December 2007					
Cost	324,761	2,241,440	296,592	24,287	2,887,080
Accumulated depreciation	(154,025)	(1,801,687)	(233,869)	-	(2,189,581)
Net book amount	170,736	439,753	62,723	24,287	697,499

In the opinion of the directors, there is no impairment of property, plant and equipment.

16 Property, plant and equipment (continued)

(a) Company

	Buildings Shs'000	Plant and machinery Shs'000	Vehicles and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2006					
Cost	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
Year ended 31 December 2006					
Opening net book amount	174,225	449,254	30,972	37,113	691,564
Additions	-	-	-	117,078	117,078
Transfers	(625)	75,281	25,396	(100,052)	-
Disposal	-	-	(327)	-	(327)
Depreciation charge	(10,697)	(122,186)	(8,283)	-	(141,166)
Closing net book amount	162,903	402,349	47,758	54,139	667,149
At 31 December 2006					
Cost	297,682	2,078,545	305,820	54,139	2,736,186
Accumulated depreciation	(134,779)	(1,676,196)	(258,062)	-	(2,069,037)
Net book amount	162,903	402,349	47,758	54,139	667,149
Year ended 31 December 2007					
Opening net book amount	**162,903**	**402,349**	**47,758**	**54,139**	**667,149**
Additions	**-**	**-**	**-**	**118,037**	**118,037**
Transfers	**15,494**	**116,670**	**15,725**	**(147,889)**	**-**
Disposals	**-**	**-**	**(325)**	**-**	**(325)**
Depreciation charge	**(10,742)**	**(115,193)**	**(18,646)**	**-**	**(144,581)**
Closing net book amount	**167,655**	**403,826**	**44,512**	**24,287**	**640,280**
At 31 December 2007					
Cost	**313,176**	**2,195,215**	**249,923**	**24,287**	**2,782,601**
Accumulated depreciation	**(145,521)**	**(1,791,389)**	**(205,411)**	**-**	**(2,142,321)**
Net book amount	**167,655**	**403,826**	**44,512**	**24,287**	**640,280**

In the opinion of the directors, there is no impairment of property, plant and equipment.

17 Investment property

	Group	
	2007	**2006**
	Shs'000	**Shs'000**
At start of year	224,963	231,242
Depreciation	(6,279)	(6,279)
At end of year	218,684	224,963
Comprising		
Cost	250,941	250,941
Accumulated depreciation	(32,257)	(25,978)
At end of year	218,684	224,963

The directors' estimate of the fair value of investment property is Shs 364 million (2006: Shs 330 million).

18 Prepaid operating lease rentals

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	1,897	1,917	869	880
Amortisation charge for the year	(21)	(22)	(10)	(11)
Currency translation	(108)	2	-	-
Disposals	(909)	-	-	-
At end of year	859	1,897	859	869

19 Investment in subsidiaries - company

The company'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	% interest held	2007 Shs'000	2006 Shs'000
Sameer Africa (Uganda) Limited	Uganda	100	26,612	26,612
Sameer Africa (Tanzania) Limited	Tanzania	100	74	74
Yana Tyre Centre Limited	Kenya	100	10,000	10,000
Sameer Industrial Park Limited	Kenya	100	120,000	120,000
Taqwa Trading Limited	Kenya	100	35,000	35,000
			191,686	191,686
Less: provision for impairment			(45,000)	(10,000)
			146,686	181,686

20 Discontinued operations

During the year the directors wound up Taqwa Trading Limited with effect from 1st January 2007. The company ceased trading and it will be wound up after all stocks have been transferred to the parent company Sameer Africa Limited, other assets realised and all other liabilities settled.

The performance of the Taqwa Trading Limited as at 31st December 2007 included revenue of KSh. 10,811,000, expenses of KSh. 20,394,000 and a pre-tax loss of KSh. 9,583,000. A deferred tax credit was recognized in the profit and loss account amounting to KSh. 679,000. Net cash generated from operations of the entity amounted to KSh. 39,465,000.

21 Inventories

	Group		Company	
	2007 Shs'000	2006 Shs'000	2007 Shs'000	2006 Shs'000
Raw materials	264,512	466,970	264,512	466,970
Stores and supplies	149,557	132,222	149,557	132,222
Work in progress	49,418	35,923	49,418	35,923
Finished goods	677,417	613,479	482,841	439,024
	1,140,904	1,248,594	946,328	1,074,139

22 Receivables and repayments

	Group		Company	
	2007	2006	2007	2006
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	807,271	673,628	531,791	417,930
Less: Provision for impairment	(89,262)	(69,195)	(51,023)	(47,800)
	718,009	604,433	480,768	370,130
Prepayments	12,379	19,926	9,502	17,238
Amounts due from related companies (Note 27)	15,249	24,385	15,249	23,442
Other receivables	148,635	190,805	127,662	138,798
Receivables from subsidiaries (Note 27):				
Gross	-	-	186,413	216,257
Less: Provision for impairment	-	-	(26,780)	(26,780)
Net receivable from subsidiaries	-	-	159,633	189,477
	894,272	839,549	792,814	739,085

23 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2007	2006	2007	2006
	Shs'000	Shs'000	Shs'000	Shs'000
Cash at bank and in hand	163,720	193,639	81,057	82,272
Bank overdraft (Note 13)	(496,718)	(161,658)	(496,718)	(124,770)
	[illegible]	(31,981)	(415,661)	(42,498)

Included in the balances above are Shs 15,287,000 held with related parties

24 Payables and accrued expenses

	Group		Company	
	[illegible]	2006	[illegible]	2006
	[illegible]	Shs'000	[illegible]	Shs'000
Trade payables	[illegible]	489,056	[illegible]	387,695
Amounts due to related companies (Note 27)	[illegible]	7,086	[illegible]	7,086
Amounts due to subsidiaries (Note 27)	[illegible]	-	[illegible]	105,114
Restructuring costs	[illegible]	51,460	[illegible]	51,460
Accrued expenses and other payables	[illegible]	168,918	[illegible]	97,002
	[illegible]	716,520	[illegible]	648,357

25 Cash generated from operations

Reconciliation of profit/(loss) before income tax to cash generated from operations:

	Group	
	2007	2006
	Shs'000	Shs'000
Profit/(loss) before income tax	166,520	(14,865)
Adjustments for:		
Interest income (Note 8)	(448)	(530)
Rental income	(65,871)	(62,343)
Interest expense (Note 8)	80,438	70,114
Profit on sale of property plant and equipment	(16,607)	(6,820)
Profit on sale of prepaid operating lease rentals	(5,585)	-
Depreciation on property plant and equipment (Note 16)	156,409	153,422
Depreciation on investment property (Note 17)	6,279	6,279
Amortisation of prepaid operating lease rentals (Note 18)	21	22
Changes in working capital		
- receivables and prepayments	(54,723)	(201,051)
- inventories	107,690	145,786
- payables and accrued expenses	(379,265)	54,861
- provisions for retirement benefit obligations	13,925	(8,802)
Cash generated from operations	8,783	136,073

26 Contingent liabilities

There are various pending tax matters relating to assessments by the revenue authorities in the three countries that the Group operates in. The Group has disputed these assessments. In the opinion of the directors, the outcome of these matters will not have a material effect on the financial position or profits of the Group.

27 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.

Group:

The following transactions were carried out with related parties:

	2007	2006
	Shs'000	Shs'000
i) Sale of goods and services		
Ryce East Africa Limited	14,514	16,818
H Young (EA) Limited	51,638	34,468
Swift Global Kenya Limited	136	61
	66,288	51,347

27 Related party transactions (continued)

	2007 Shs'000	2006 Shs'000
ii) Purchase of goods and services		
Bridgestone Americas Holdings Inc.	-	37,018
Ryce East Africa Limited	8,260	2,539
Celtel Kenya Limited	5,180	5,114
Dimensions Data Limited	-	3,421
Swift Global Kenya Limited	7,378	6,455
	20,818	54,547

iii) Key management compensation

	2007 Shs'000	2006 Shs'000
Salaries and other short-term employment benefits	37,963	44,178

iv) Outstanding balances

	Group		Company	
	2007 Shs'000	2006 Shs'000	2007 Shs'000	2006 Shs'000
a) Amounts due from:				
Subsidiaries:				
Sameer Africa (Uganda) Limited	-	-	384	37,443
Sameer Africa (Tanzania) Limited	-	-	110,263	119,736
Yana Tyre Centre Limited	-	-	45,054	59,078
Taqwa Trading Limited	-	-	30,712	-
	-	-	186,413	216,257
Other related companies:				
Ryce East Africa Limited	3,768	11,479	3,768	11,479
H Young (EA) Limited	11,481	11,939	11,481	11,939
Swift Global Kenya Limited	-	24	-	24
Yansam Motors (Tanzania) Limited	-	943	-	-
	15,249	24,385	15,249	23,442
b) Amounts due to:				
Subsidiaries:				
Sameer Industrial Park Limited	-	-	65,970	65,817
Taqwa Trading Limited	-	-	-	39,297
	-	-	65,970	105,114

27 Related party transactions (continued)

Other realated companies

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Bridgestone Americas Holdings, Inc.	-	5,091	-	5,091
Ryce East Africa Limited	3,070	617	3,070	617
Swift Global Kenya Limited	1,342	1,012	1,342	1,012
Dimensions Data Limited	-	366	-	366
	4,412	7,086	4,412	7,086

Company:

	2007	**2006**
	Shs'000	**Shs'000**
v) Directors' remuneration		
Fees for services as a director	4,320	4,320
Other emoluments (included in key management compensation above)	25,834	28,255
Total remuneration of directors of the Company	30,154	32,575

!8 Commitments

Capital commitments

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Property, plant and equipment	**50,336**	65,539	**50,336**	65,539

Operating lease commitments

Payments due under lease hire of motor vehicles are as follows

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Not later than 1 year	**459**	2,754	**459**	2,754
Later than 1 year and not later than 5 years	-	459	-	459
	459	3,213	**459**	3,213

Operating lease commitments

Payments due under lease rentals

Not later than 1 year	15,267	23,082	730	730
Later than 1 year and not later than 5 years	15,267	89,247	**2,189**	2,918
Later than 5 years	5,588	40,891	-	-
	36,122	153,220	**2,919**	3,648

Group five year financial record

Consolidated profit and loss account summary

	2003 Shs'000	2004 Shs'000	2005 Shs'000	2006 Shs'000	2007 Shs'000
Turnover	2,538,316	3,270,254	3,359,010	3,171,049	3,469,283
Group profit before tax	255,709	400,473	294,253	(14,865)	166,520
Taxation	(98,515)	(125,302)	(89,575)	(7,423)	(47,905)
Profit after taxation	157,194	275,171	204,678	(22,288)	118,615
Dividends (gross)	(139,172)	(278,342)	(139,171)	-	-
Retained profit transferred to/(from) Revenue reserve	18,022	(3,171)	65,507	(22,288)	118,615
Earnings per share (Shs)	0.56	0.99	0.74	(0.08)	0.43
Dividend per share (Shs)	0.50	1.00	0.50	-	-
Shares in issue (000s)	278,342	278,342	278,342	278,342	278,342

Consolidated balance sheet summary

	2003 Shs'000	2004 Shs'000	2005 Shs'000	2006 Shs'000	2007 Shs'000
Property, plant and equipment	756,806	772,064	738,110	745,900	697,499
Prepaid operating lease rentals	1,961	1,939	1,917	1,897	859
Investment property	243,386	237,172	231,242	224,963	218,684
Deferred Income tax	-	-	-	12,927	19,313
	1,002,153	1,011,175	971,269	985,687	936,355
Current assets:					
Inventories	886,267	1,165,260	1,404,877	1,248,594	1,140,904
Receivables and prepayments	389,263	585,097	651,119	839,549	894,272
Bank balances and cash	205,150	224,912	142,969	193,639	163,720
Current income tax	-	-	34,296	42,597	26,632
	1,480,680	1,975,269	2,233,261	2,324,379	2,225,528
Current liabilities:					
Borrowings	7,750	235,755	348,237	531,713	699,590
Payables accrued expenses and unclaimed dividends	429,824	621,920	681,140	723,296	344,031
Current income tax	21,703	2,896	659	2,242	4,393
	459,277	860,571	1,030,036	1,257,271	1,048,014
Net current assets	1,021,403	1,114,698	1,203,225	1,067,128	1,177,514
Non current liabilities:					
Borrowings	-	-	(28,900)	(94,890)	(23,387)
Deferred taxation	(33,200)	(16,851)	(10,374)	(8,991)	(16,687)
Retirement benefit obligations charges	(80,775)	(96,732)	106,750)	(97,948)	(111,873)
	(113,975)	(113,583)	(146,024)	(201,829)	(151,947)
Net assets	**1,909,581**	**2,012,290**	**2,028,470**	**1,850,986**	**1,961,922**
Financed by:					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings	518,698	465,182	530,689	508,401	627,016
Translation reserve	(70,415)	16,225	(33,102	(49,127)	(56,806)
Proposed dividend	69,586		139,171	-	-
Shareholders' funds	**1,909,581**	**2,012,290**	**2,028,470**	**1,850,986**	**1,961,922**

Form of proxy

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 4th April, 2008, at 11.00 a.m. and any adjournment thereof.

As witness my/our hand(s) this ____________ day of ______________2008.

____

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 meetin.*
2. *If the oppointer 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.*

Fomu ya uwakilishi

Mimi / Sisi ____

wa ____

nikiwa /tukiwa mwanachama/wanachama wa Sameer Africa Limited, namchagua/tunamchagua ______________________ 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 tarehe 4 Aprili 2008 saa tano asubuhi na kwenye uahishwaji wake wowote.

Kama ushaidi wangu/wetu hii siku ya ____________ mwezi wa ____________ 2008

____

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 aliodhinishwa kwa maandishi.

FOLD

The Company Secretary
Sameer Africa Limited
P. O. Box 30429 - 00100
Nairobi, Kenya

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