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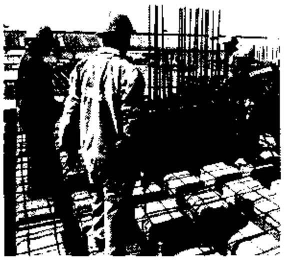
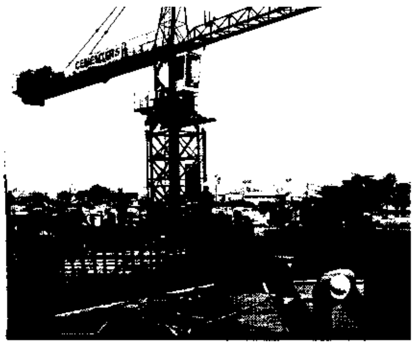
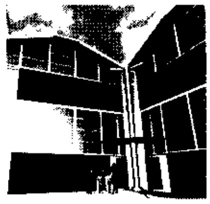
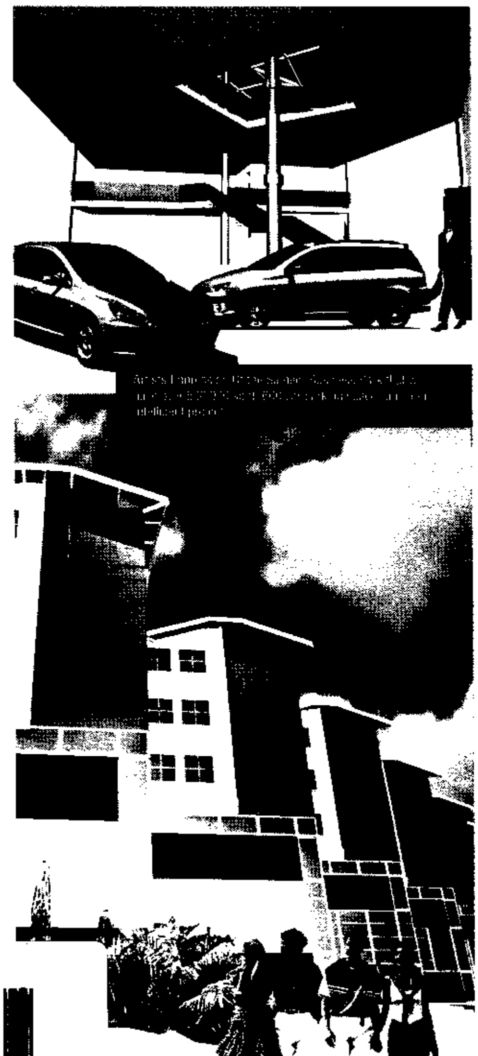








The directors submit their report together with the Audited financi 8, which disclose the state of affairs of the group and of the company.

Vision, Mission And Values

Our Vision:

To be the leading tyre solutions provider in Africa by 2015

Our Mission:

We provide superior tyre solutions through the best range of innovative quality products and efficient responsive processes to the satisfaction of our customers and other stakeholders

Our Core Values:

Customer focus

Meet and exceed internal and external customer expectations

Quality through innovation

Continuous development of new processes, products and technology to deliver superior customer satisfaction

Trust, Integrity and Teamwork

Delivering results as a team through honest effort, open communication and mutual respect.

Investment in people

Commitment to realizing employees' potential through empowerment, training and development.

Good Corporate citizenship

Doing business in compliance with the law and ethical business practices

Environmental protection

Ensuring sustainable and environmentally friendly operations.

2009/1386

Quality through innovation. Strict adherence to World Class quality standards such as ISO TS 16949 in our manufacturing process.

Board of Directors

Mr. N.N. Merali	**Chairman**
Mr. M. M. Karanja	**Managing Director**
Mr. P. M. Gitonga	
Mr. T. D. Owour	
Mr. S. Githiga	
Mr. A. H Butt	
Mr. I. A. Timamy	

Audit Committee

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

Remuneration & Nominations Committee

Mr. N. N. Merali	**Chairman**
Mr. M. M. Karanja	
Mr. I. A. Timamy	

Finance Committee

Mr. A. H. Butt	**Chairman**
Mr. P. M. Gitonga	

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

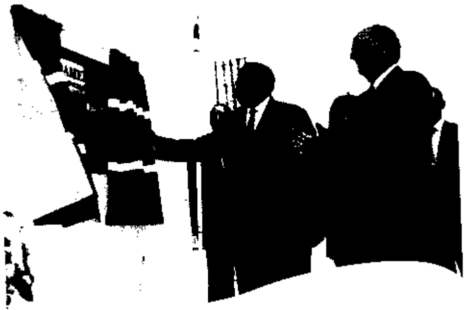
Share Registrars
Custody Registrar Services
Bruce House, Standard Street
P.O. Box 8484, Nairobi

Principal Bankers
NIC Bank 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



H. E. The President, Hon. Mwai Kibaki unveiling the Sameer Business Park to commence the construction work flanked by the Chairman, Mr. N. N. Merali.

The MD, Mr. Michael Karanja explains to Japanese Investors about the opportunities at the EPZ.

Employees at Sameer's Industrial Park Apparel Plant. More than 3,000 Kenyans are employed at the Sameer Industrial Park/ EPZ.

Notice of Annual General Meeting

Notice is hereby given that the 40th Annual General Meeting of the members will be held at the Company's Premises off Mombasa Road, Nairobi on Friday 3rd April 2009 at 11.00 a.m. to conduct the following business:

1. To table the proxies and note the presence of a quorum

2. To read the notice convening the meeting

3. To confirm the minutes of the 39th Annual General Meeting held on 4th April 2008.

4. To receive, consider and if deemed fit, adopt the Financial Statements for the year ended 31st December, 2008 together with the reports thereon of the Directors and the Auditors.

5. To elect Directors:

a) Under Article 94:-
Mr. N. N. Merali and Mr. S. M. Githiga, Directors retiring by rotation, who being eligible, offer themselves for re-election.

b) Under Article 101:-
Mr. A. H. Butt, a Director retiring, who being eligible offers himself for re-election.

6. To approve the Directors' emoluments

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

8. To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board

Issa A. Timamy
Company Secretary
Nairobi

21st February 2009

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 at the end of this report. To be valid, a form of proxy must be duly completed and signed by the member and must either be lodged at the offices of the Company's share registrars, Custody and Registrar Services Limited, 6th Floor, Bruce House, Standard Street, P. O. Box 8484 - 00100 Nairobi or be posted to reach the share registrars not less than 24 hours before the time appointed for holding the meeting.

Issa A. Timamy, Company Secretary

Ilani inatolewa hapa kuwa mkutano mkuu wa arobaini (40) wa kila mwaka wa wanachama utafanyika katika majengo ya Kampuni kando ya barabara ya Mombasa, Nairobi, siku ya Ijumaa, tarehe 3 Aprili mwaka 2009, saa tano asubuhi kuendesha shughuli zifuatazo:

1. Kuwasilisha kura za uwakilishi na kutambua kuwepo kwa idadi ya wanahisa wa kutosha.

2. Kusoma ilani ya kuitisha mkutano huu.

3. Kuthibitisha kumbukumbu za mkutano mkuu wa 39 wa kila mwaka uliofanyika tarehe 4, Aprili 2008.

4. Kupokea, kuchunguza na ikifikiriwa sawa kuidhinisha taarifa za fedha za mwaka uliomalizikia 31 Desemba 2008, pamoja na taarifa za wakurugenzi na za wahasibu.

5. Kuchagua Wakurugenzi:

a) Chini ya Kifungu cha Sheria nambari 94:-
Bw. N. N. Merali na Bw. S. Githiga, Wakurugenzi wanaostaafu kwa zamu ambao kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

b) Chini ya Kifungu cha Sheria nambari 101:-
Bw. A. H. Butt, Mkurugenzi anayestaafu ambaye kwa kuwa anastahili anajitolea kuchaguliwa tena

6. Kuidhinisha malipo ya Wakurugenzi.

7. Kuwateua PriceWaterhouseCoopers kama wahasibu kwa mwaka unaofuata na kuidhinisha Wakurugenzi kuamua malipo ya wahasibu.

8. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika Mkutano Mkuu wa kila Mwaka.

Kwa Amri ya Halmashauri

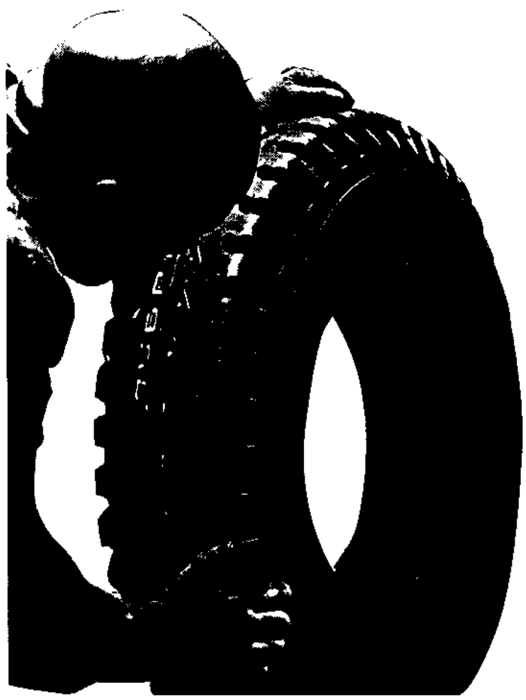
Issa A. Timamy
Katibu wa Kampuni
Nairobi

Februari 21, 2009.

Maelezo zaidi:

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

Fomu ya wakala imewekwa kwenye ukurasa wa 39. Ili kuwa halali, fomu ya wakala lazima ijazwe kikamilifu na kutiwa sahihi na mwanachama na lazima ifikishwe katika afisi za wasajili wa hisa za Kampuni, Custody and Registrar Services Limited, gorofa ya 6, Barabara ya Standard, S.L.P. 8484, 00100 Nairobi au kutumwa kwa posta kuwafikia wasajili wa hisa kwa muda usiopungua masaa 24 kabla ya wakati uliochaguliwa kufanywa mkutano.



Gurudumu la YANA PAMDJA EXTRA likichunguzwa kiwandani.

Chairman's Statement

The year 2008 was a year of challenges both locally and at global level. Kenya's economic growth slowed down with the GDP growth rate put at 2.4% compared to 7% in 2007. This was due to business disruptions from the post election violence during the early part of the year, the escalating oil and energy costs that resulted in global crude oil prices increasing to levels never witnessed before. This led to a major increase in the cost of production for most manufacturing entities in Kenya. Tyres having major materials, which are petroleum based, were adversely affected with costs going up faster than the market could take. To compound matters, the third quarter of the year marked the onset of the global financial and economic crisis. The Kenya shilling was also affected by fluctuations in other major world currencies and closed the year at an all time high in recent years of Kshs. 80 to the USD. This also impacted negatively on our costs and affected our foreign tyre and raw material imports. Following the introduction of Common External Tariff for East Africa in 2005, the tariff for Truck and Bus tyres were reduced from 35% to 10 % and there has been an influx of cheaper imports from the East which has also affected our sales.

The performance of most shares quoted at Nairobi Stock Exchange and globally collapsed especially in the second half of 2008. Our share was not spared either and it declined from Kshs. 12.00 in January 2008 to Kshs. 6.00 in December 2008.

On the positive side inspite of the harsh economic environment our factory in Nairobi continued with its operations producing high quality tyres that ensure safety and durability superior to many of the cheaper alternatives while at the same providing employment to a professional workforce of over 550 Kenyans directly and many more indirectly. In 2008, we also completed the development and launch of two new patterns that included the fastest growing Truck and Bus Radial Tubeless Tyre Yana Daima II size 315/80 R 22.5 and our low priced offer brand Summit. The two products were developed by our own local engineers and reaffirm our technical ability to achieve world-class results. The team is working is on more new patterns that will be ready for commercialization in 2009. This product development and innovation process has been instrumental in the sustainance of our production facility.

The Yana brand continued to establish its presence in the market and is now fully established in 9 countries in Eastern Africa region spread from Sudan in the North to Malawi in the South, Eastern DRC in the West to Somali in the East in line with our vision to have Africa riding on Yana Tyres. In 2008, we entered the Southern Sudan market. Our strategy is to grow the export markets and to reach more countries in Africa and beyond as a major source of additional business for our company.

During the year under review we continued to focus on our turnaround strategy in line with our vision of becoming the leading tyre solutions provider in Africa by 2015. We improved our Quality and Environmental Management Systems, which are regularly audited by external auditors who issue certificates of continued conformance. This is in line with our philosophy of environmental sustainability. Our quality standards ensures we design and manufacture tyres to highest international standards in order to supply to our customers and motoring community tyres and other accessories that give maximum safety and comfort in very demanding road and loading conditions found in Africa. The Company also put in place a number of measures to reduce our factory costs, fully integrate the supply process and improve the demand planning system and this has started yielding benefits on productivity. The Company expanded retail outlets-Yana Tyre Centers in Kenya in 2008 and plan setting up two tyre centres in Tanzania in 2009. These centres act as front office for our products and help us to propagate education on tyre safety and care.

The Sameer Industrial Park and Sameer EPZ performed exceptionally well with full occupancy throughout the year. The two EPZs are home to the biggest business process outsourcing facility in the country. The companies hosted at the facility employ more than 3,000 Kenyans.

The various factors set out above had a negative impact on our business resulting in a decline in the Company's turnover from KShs. 3.4 billion in 2007 to close at KShs. 3.02billion in 2008. Measures have been put in place to ensure recovery and growth in 2009.

Consequently, the Company posted a net profit of Kenya shillings 150 million in 2008 which was an improvement over 2007 Kenya shillings 118.6 million net profit. The Board of Directors recommend non payment of dividends for the year 2008.

OUT LOOK FOR 2009

Our plans for 2009 are firmly in place and despite the gloomy global economic outlook, we are going for growth over 2008. We will continue to improve on processes and will implement measures to reduce costs and make the operations more efficient. Sameer Africa Limited will continue to focus on defending our market share in Kenya, growth in the export markets, productivity improvement, and maintain the valuable relationship with our customers, suppliers of finished goods and raw materials. We value our partnership with Bridgestone Japan both as one of our shareholders and as their distributor in East Africa for their world famous Bridgestone tyres.

The development of the Sameer Africa Business Park is proceeding well after the foundation stone laying ceremony presided by H.E the President Hon. Mwai Kibaki in October 2008. Completion is planned for December 2009.

I would like to express my sincere gratitude to you, the Shareholders, our business partners and all our esteemed customers for the continued support. To the Members of the Board, Management and the Members of staff, I appreciate the dedicated contribution to our company's achievements in 2008 despite harsh economic environment. We all look forward with confidence to a better year, 2009.

N. N. Merali, CBS
Chairman.

Mheshimiwa Rais Mwai Kibaki akiweka jiwe la msingi wakati wa uzindulizi wa ujenzi wa Sameer Business Park, mwezi Oktoba 2008. Pamoja naye ni Mwenyekiti, Bwana N. N. Merali na Mkurugenzi Mkuu, Bwana Michael Karanja

Taarifa ya Mwenyekiti

Mwaka 2008 ulikuwa mwaka wa changamoto humu nchini na katika kiwango cha ulimwengu. Ukuaji wa kiuchumi wa Kenya ulipungua, na pato la kitaifa likiwa asilimia 2.4 ikilinganishwa na asilimia 7 katika mwaka 2007. Hili lilisababishwa na kutatizwa kwa biashara kutokana na vurugu za baada ya uchaguzi zilizotokea mapema katika mwaka, gharama zilizoongezeka za mafuta na kawi zilizosababisha kuongezeka kwa bei za kimataifa za mafuta ghafi kwa viwango ambavyo havijashuhudiwa mbeleni. Hili lilisababisha ongezeko kubwa katika gharama za uzalishaji kwa kampuni nyingi za utengenezaji nchini Kenya. Utengenezaji wa magurudumu ukitumia vitu muhimu ambavyo vina msingi wa petroli uliathiriwa vibaya na gharama zilizoongezeka kwa kasi kuliko soko lilivyoweza kuhimili. Kuongezea mambo, robo ya tatu ya mwaka iliashiria kuanza kwa msukosuko wa kifedha na kiuchumi wa kilimwengu. Shilingi ya Kenya pia iliathiriwa na kubadilika kwa mara kwa mara kwa sarafu kuu za u limwengu na kumaliza mwaka katika kiwango cha juu sana katika miaka ya karibuni cha Kshs. 80 kwa dola ya Kimarekani. Hili pia liliathiri vibaya gharama zetu na kuathiri magurudumu ya kigeni na malighafi tunayoagiza kutoka nje. Kufuatia kuanzishwa kwa utozaji ushuru uliosawa Afrika Mashariki katika mwaka 2005, ushuru wa magurudumu ya malori na mabasi ulipunguzwa kutoka asilimia 35 hadi asilimia 10 na kumekuwepo na ongezeko kubwa la magurudumu ya rahisi kutoka Mashariki ya Mbali ambayo pia yameathiri mauzo yetu.

Utendaji wa hisa karibu zote zinazoorodheshwa katika Soko la Hisa la Nairobi na ulimwengu uliporomoka hasa katika nusu ya pili ya 2008. Hisa yetu haikusalimika na ilishuka kutoka Kshs. 12 mwezi Januari 2008 hadi Kshs. 6.00 mwezi Desemba 2008.

Dhidi ya hali ngumu ya kiuchumi, kiwanda chetu kilipiga hatua na kuendelea na shughuli zake kikitengeneza magurudumu ya ubora wa hali ya juu yanayohakikisha usalama na udumifu bora dhidi ya mengine ya rahisi na wakati huo huo kikitoa ajira kwa zaidi ya wafanyikazi 550 wa Kenya moja kwa moja na wengi zaidi kwa njia isiyokuwa ya moja kwa moja. Katika mwaka 2008, pia tulikamilisha uendelezi na uzinduzi wa aina mbili mpya zikijumuisha gurudumu lisilo na chubu la lori na basi linaloimarika kwa haraka sana la Yana Daima II kipimo 315/80 R 22.5 na lile letu la bei ya chini la aina ya Summit. Bidhaa hizi mbili ziliendelezwa na wahandisi wetu wenyewe wa nchini na zinathibitisha uwezo wetu wa kiufundi kupata matokeo ya kiwango cha ulimwengu. Timu hii inatengeneza bidhaa aina mpya ambazo zitakuwa tayari kuuzwa mwaka 2009. Utaratibu huu hii wa kuendeleza na kuvumbua bidhaa umekuwa muhimu katika kuendeleza utengenezaji wetu.

Magurudumu ya aina ya Yana yaliendelea kutumika katika Soko la na sasa yanapatikana katika nchi 9 za eneo la Afrika ya Mashariki kutokea Sudan kaskazini hadi Malawi kusini, DRC Mashariki upande wa Magharibi hadi Somalia upande wa Mashariki kulingana na Muono wetu wa Afrika kuendeshwa na magurudumu ya Yana. Mwaka 2008, tuliingia soko la Sudan ya Kusini. Mkakati wetu ni kukuza masoko ya biashara nje na kuzifikia nchi nyingi zaidi Afrika na kwengine kama njia kuu ya biashara ya ziada kwa kampuni yetu.
Katika mwaka unaochunguzwa tuliendelea kulenga katika mkakati wetu wa mageuzi kufuatana na Muono wetu wa kuwa mtoaji anayeongoza wa suluhisho la magurudumu barani Afrika kufikia mwaka 2015. Tuliimarisha mifumo yetu ya usimamizi wa ubora na mazingira, ambayo inakaguliwa mara kwa mara na wakaguzi wa nje wanaotoa vyeti vya ulinganifu unaoendelea. Hili linalingana na falsafa yetu ya kuendeleza mazingira. Viwango vyetu vya ubora vinahakikisha tunaunda na kutengeneza magurudumu yanayofikia viwango vya juu kabisa vya kimataifa ili kuwapatia wateja wetu na jamii ya waendeshaji magari magurudumu na vifuasi vingine vinavyotoa usalama wa hali ya juu kabisa na starehe katika barabara inayohitaji uangalifu mkubwa na hali za kupakia zipatikanazo Afrika. Kampuni pia ilichukua hatua kadhaa kupunguza gharama zetu za kiwanda, kujumuisha kikamilifu utaratibu wa ugavi na kuimarisha mfumo wa upangaji wa mahitaji na hili limeanza kutoa faida katika uzalishaji. Kampuni ilipanua vituo vya uuzaji rejareja – Vituo vya Magurudumu ya Yana nchini Kenya mwaka wa 2008 na inapanga kuanzisha vituo viwili vya magurudumu nchini Tanzania mwaka 2009. Vituo hivi hutumika kama afisi za bidhaa zetu na hutusaidia kusambaza elimu kuhusu usalama na utunzi wa magurudumu.

Sameer Industrial Park na Sameer EPZ zilitenda vizuri sana zikiwa na wapangaji mwaka mzima. Maeneo haya mawili ya utengenezaji wa bidhaanje ni makazi kwa biashara kubwa zaidi nchini. Kampuni zinazopangishwa katika eneo hili zinaajiri zaidi ya wakenya 3,000.

Taarifa Ya Mwenyekiti Ya Matumizi Ya Fedha Ya Mwaka 2008 (kiendelezo)

Vipengele tofauti vilivyoelezwa hapa juu vilikuwa na athari hasa katika biashara yetu vikisababisha kupungua kwa mapato ya kampuni kutoka bilioni 3.4 katika 2007 hadi bilioni Kshs. 3.02 mwaka 2008. Hatua zimechukuliwa kuhakikisha kuongezeka kwa mapato na ukuaji katika 2009.

Jumla ya hayo, Kampuni ilipata faida ya Kenya shilingi milioni 150 katika 2008 ambayo ni ongezeko dhidi ya faida ya Kenya shilingi milioni 118.6 katika mwaka 2007. Halmashauri ya Wakurugenzi yapendekeza kutolipa mgao wa faida kwa 2008.

MTAZAMO WA 2009

Mipango yetu ya mwaka 2009 inatekelezwa tayari na dhidi ya mtazamo wa kutovutia wa kiuchumi wa ulimwengu, tutaendeleza ukuaji zaidi ya mwaka wa 2008. Tutaendelea kuimarisha taratibu na tutachukua hatua za kupunguza gharama na kufanya shughuli fanisi zaidi.

Sameer Africa Limited itaendelea kulenga kutetea hisa yetu ya Soko nchini Kenya, ukuaji katika masoko ya biashara nje, uimarishaji wa uzalishaji na kudumisha uhusiano wa thamani na wateja wetu, wagavi wa bidhaa zilizokamilika na malighafi. Tunathamini ubia wetu na Bridgestone Japan kama mmojawapo wa wanahisa wetu na kama mgawanyaji wao Afrika Mashariki wa magurudumu yao ya Bridgestone yajulikanayo ulimwengu wote.
Ujenzi wa Sameer Africa Business Park unaendelea vyema baada ya sherehe ya uwekaji jiwe la msingi iliyoongozwa na Mheshimiwa Rais Mwai Kibaki mwezi Oktoba 2008. Kukamilika kumepangwa Desemba 2009.

Ningependa kutoa shukrani zangu za dhati kwenu, wanahisa, wabia wetu wa kibiashara, na wateja wetu wote watukufu kwa usaidizi unaoendelea. Kwa wanachama wa Halmashauri, Usimamizi na Wafanyikazi, ninathamini mchango wa kujitolea kwa ufanisi wa mwaka 2008 dhidi ya mazingira magumu ya kiuchumi. Sisi sote tunatazamia kwa imani mwaka mzuri zaidi wa 2009.

N.N.Merali, CBS
Mwenyekiti.

Mheshimiwa Rais Kibaki akipanda mti kusherehekea kuwekwa kwa jiwe la msingi wa Sameer Business Park mwaka jana.

Wawekezaji wa rasilimali kutoka Japan wakizuru Sameer Industrial Park/ EPZ.

MANAGING DIRECTOR'S REMARKS

Year 2008 was characterized by many local and global challenges, which had a major influence on the business environment in Kenya and the neighbouring countries. Following the escalation of crude oil prices and accompanying inflation, the purchasing power of most motorists was under pressure.

The following are the key highlights from our various functions:

MARKETING

The market remained very competitive with lower priced brands entering the market from the Far East. The Yana Brand continued to position itself in the market as a truly durable and reliable tyre for the Africa roads. The product performed well and offered great value to the customers. We will continue to emphasize its value proposition. As part of our range expansion, we introduced into the market the Bridgestone MY 01 passenger tyre, expanded the 4 x 4 range, launched Yana DAIMA II and Summit brands in the Truck and Bus Radial (TBR) category in 2008.

SALES AND EXPORTS

In the Kenya market, we continued to sell our products widely and commenced programme to re-engineer our distribution channels and improve on customer service.

Export volumes grew in both units and value. Our brands are now available in 9 countries that include Malawi, Somalia, Rwanda, Burundi, Sudan, DR Congo and Zambia among others. Plans are underway to expand our reach in 2009 to other markets in Eastern and Southern Africa as part of our drive to extend the Yana Tyres brand in Africa.

TYRE MANUFACTURING

In the tyre factory, we continued to invest in measures that were aimed at the reduction of costs, improvement of efficiency, new product innovations and employee capacity development.

The company was able to sustain international Quality and Environmental certification including the ISO 9001:2000 Quality Management System, ISO 14001:2004 Environmental Management Systems and the most comprehensive international automotive industry standard, the ISD/TS 16949:2002 Certification. All these Standards went through successful audits in 2008 by both local and international auditors. This has underpinned our desire to continuously meet our customer satisfaction and corporate social responsibility.

PROCUREMENT, PLANNING AND LOGISTICS

In 2008, measures were taken to realign our procurement, planning and logistics in line with best practices in supply chain management. The new supply and demand planning framework is fully in place aimed at improving product and materials availability and optimization.

HUMAN RESOURCES AND DEVELOPMENT

During the year, the human resources department implemented a number of measures aimed at improving the employee productivity and the reduction in operation costs. HIV awareness programmes were undertaken for both employees and their children.

SUBSIDIARY COMPANIES

YANA TYRE CENTER LIMITED

The new Yana Tyre Centre on Langata road was launched in 2008 and is operational. Three more tyre centres are planned in 2009. All our tyre centers are equipped with ultra modern tyre service equipments for the whole range of vehicles available in the market.

SAMEER AFRICA TANZANIA LIMITED

We continued to make good progress in Tanzania. We implemented the territory based sales management and opened the southern part of the country where our products were not available. The subsidiary company currently commands a market share of about 20% in that market and is set to grow in the coming years.

SAMEER AFRICA UGANDA LIMITED

As a result of the disruptions experienced in Kenya at the beginning of 2008, our supplies to Uganda were constrained in the first quarter of 2008. We currently command a share of about 25% in Uganda. Increased competition from copycat brands from the Far East were a major challenge in Uganda. As a way forward, we have reviewed our supply process and customer service to support profitable growth drive in Uganda.

SAMEER INDUSTRIAL PARK AND SAMEER EPZ LIMITED

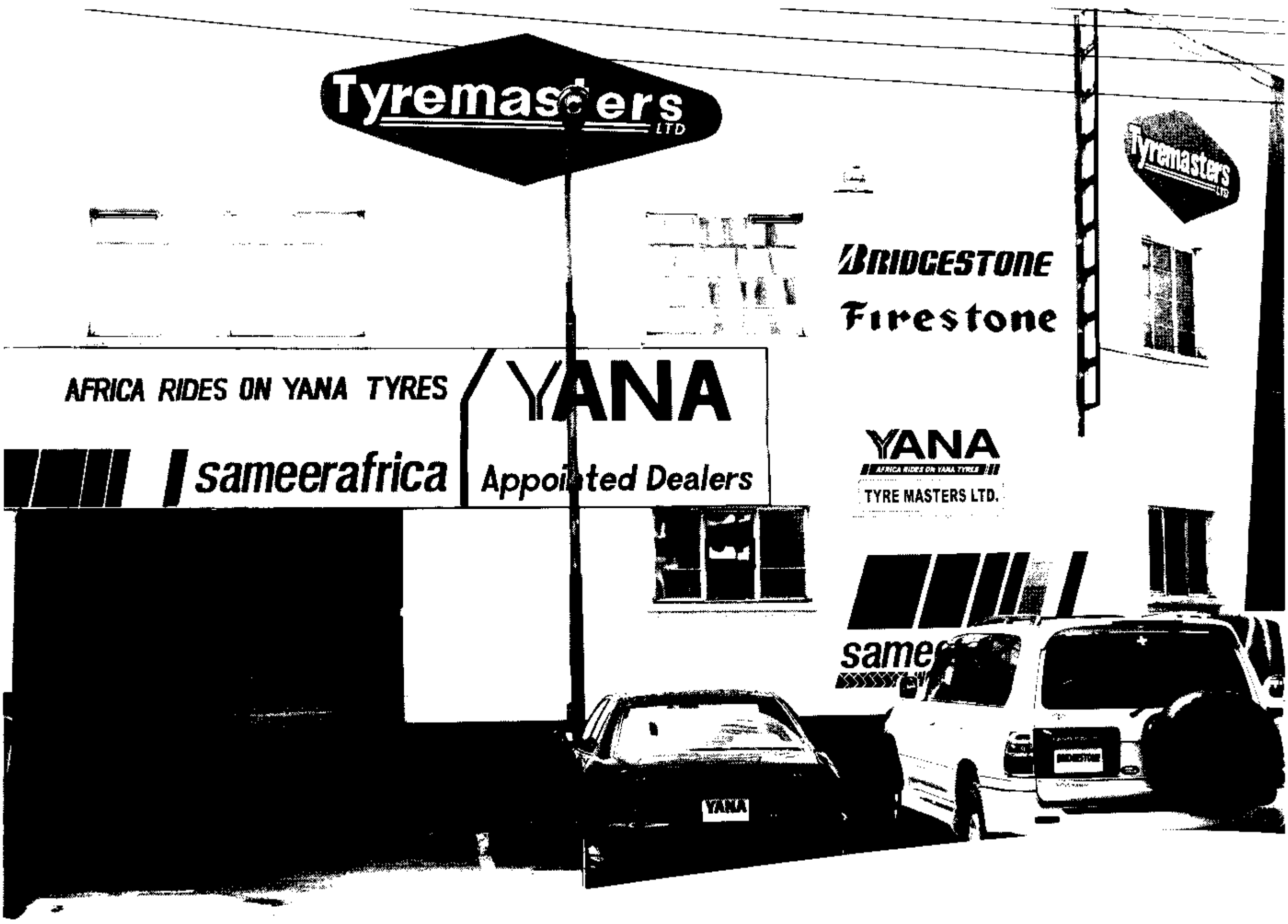
These two subsidiary companies provided facilities for manufacturing and other activities under Export Processing Zones geared towards the promotion of exports. The premises have continued to be preferred by companies seeking spacious and secure business environment. We have had full occupancy in 2008 and is envisaged that this will be maintained in 2009. There was a fire incident during the year in one bay and it is currently under restoration through our insurance.

CORPDRATE SDCIAL RESPDNSIBILITY

Sameer Africa continued with its support to various corporate social responsibility programmes. These included the ongoing HIV awareness and training for the staff and their families that was a joint effort between Sameer Africa Limited and Hope Worldwide. The company contributed to a number of worthy programmes in 2008 and committed to operating as a good corporate citizen. In view of the diversity of many qualities and makes of tyres in the market, SAL carried out programmes in partnership with Bridgestone Japan to educate the public and motorists on tyre safety and care as a way of reducing road carnage attributed to tyre bursts and other related problems.

In conclusion, the management team is fully committed to achieving a profitable growth in 2009 and beyond.

Michael M. Karanja
Managing Director



One of the Branded Sameer Africa's Trade Channel Partner - **Tyre Masters**, on Baricho Road, Nairobi.

RIPOTI YA MKURUGENZI MKUU

Mwaka 2008 ulishuhudia changamoto nyingi nchini na ulimwengu mzima, ambazo zilikuwa na athari kubwa katika mazingira ya biashara nchini Kenya na nchi za jirani. Kufuatia kuongezeka sana kwa bei za mafuta ghafi ikiambatana na mfumko wa bei, uwezo wa ununuzi wa waendeshaji magari wengi uliathirika.

Yafuatayo ni mambo muhimu ya shughuli zetu mbalimbali:

MFUMO WA WAUZAJI NA WANUNUZI

Soko liliendelea kuwa na ushindani mkubwa huku aina za magurudumu ya bei za chini yakiingizwa katika soko kutoka Mashariki ya Mbali. Magurudumu ya Yana yaliendelea kujitokeza mbele katika soko kama gurudumu linalodumu kweli na la kutegemeka kwa barabara za Afrika. Bidhaa hii iliuza vizuri na ilitoa thamani kubwa kwa wateja. Tutaendelea kusisitiza suala la thamani. Kama sehemu ya upunuzi wetu wa bidhaa katika mwaka 2008, tuliingiza katika soko gurudumu la abiria la Bridgestone MY OI, tulipanua aina ya 4x4, tulizindua aina za Yana DAIMA II na Summit katika kiwango cha muundo wa lori na basi (TBR).

MAUZO NA BIASHARA NJE

Tuliendelea kuuza bidhaa zetu kwingi katika soko la Kenya na kuanzisha mpango wa kuendeleza njia zetu za usambazaji na kuimarisha huduma kwa wateja.

Viwango vya biashara nje viliongezeka kwa wingi na thamani. Magurudumu yetu sasa yanapatikana katika nchi tisa zikiwemo Malawi, Somalia, Rwanda, Burundi, Sudan, DR Congo na Zambia miongoni mwa zingine. Mipango inafanywa kupanua soko letu mwaka 2009 hadi masoko mengine ya Afrika Mashariki na Kusini kama sehemu ya juhudi zetu za kupanua aina za magurudumu ya Yana barani Afrika.

UTENGENEZAJI WA MAGURUDUMU

Katika kiwanda cha magurudumu, tuliendelea kuekeza katika hatua zilizolengwa kupunguza gharama, kuimarisha ufanisi, uvumbuzi wa bidhaa mpya na kuendeleza uwezo wa wafanyikazi.

Kampuni iliweza kutimiza uthibitishaji wa kiwango cha kimataifa cha ubora na usimamizi wa mazingira pamoja na Mfumo wa ISO 9001: 2000 wa Usimamizi Bora, Mifumo ya ISO 14001: 2004 ya Usimamizi wa Mazingira na kiwango cha kiwanda kipana zaidi kinachojiendesha katika sekta ya bidhaa za magari ISO/TS 16949: 2002. Viwango hivi vyote vilikaguliwa kwa ufaulu katika mwaka 2008 na wote wakaguzi wa nchini na wa kimataifa. Hili limeongeza hamu ya kuendelea kuhudumia wateja wetu kikamilifu na kutekeleza wajibu wa kijamii wa shirika.

UKUWAOI, UPANGAJI NA UTARATIBU

Katika mwaka 2008 hatua zilichukuliwa kupangilia upya ukuwadi wetu, upangaji na utaratibu kufuatana na matendo mazuri zaidi ya usimamizi wa mfululizo wa ugavi. Mfumo mpya wa upangaji wa ugavi na mahitaji unaendelezwa kikamilifu ukilenga kuimarisha upatikanaji wa bidhaa na malighaji na hali bora kabisa.

WAFANYI KAZI NA MAENDELED

Katika kipindi hiki cha mwaka, idara ya Wafanyikazi ilichukua hatua kadhaa zilizolenga kuimarisha utendakazi wa wafanyikazi na upunguzi wa gharama za shughuli. Mipango ya kuhamasisha kuhusu virusi vya ukimwi inatekelezwa kwa wote wafanyikazi na watoto wao.

KAMPUNI TANZU

YANA TYRE CENTER LIMITED

Kituo kipya cha Magurudumu ya Yana katika barabara ya Langata kilifunguliwa mwaka 2008 na kinafanya kazi. Vituo vitatu zaidi vya magurudumu vimepangwa mwaka 2009. Vituo vyetu vyote vya magurudumu vina vifaa vya kisasa vya huduma za magurudumu ya magari ya aina zote yapatikanayo katika soko.

SAMEER AFRICA TANZANIA LIMITED

Tuliendelea vizuri nchini Tanzania. Tulitekeleza usimamizi wa mauzo baina ya mipaka na kufungua eneo la kusini la nchi hiyo ambalo bidhaa zilikuwa hazipatikani. Kampuni hii tanzu sasa yashikilia kama asilimia 20 ya mauzo katika Soko hilo na inatarajiwa kuongezeka miaka ijayo.

SAMEER AFRICA UGANDA LIMITED

Kutokana na matatizo yaliyotokea nchini Kenya mwanzoni mwa mwaka 2008, ugavi wetu nchini Uganda ulitatizwa katika robo ya kwanza ya mwaka 2008. Hivi sasa twashikilia mauzo ya kama asilimia 25 nchini Uganda. Ushindani uliongezeka kutoka kwa aina zinazotuiga kutoka Mashariki ya Mbali ulikuwa chamgamoto kuu nchini Uganda. Kama juhudi za siku za usoni, tumebadilisha mfumo wetu wa ugavi na huduma za wateja kuimarisha ukuaji wa faida nchini Uganda.

SAMEER INDUSTRIAL PARK NA SAMEER EPZ

Kampuni hizi mbili tanzu, zilitoa nafasi za utengenezaji na shughuli nyingine chini ya maeneo ya utengenezaji bidhaanje kuimarisha mauzo ya biashara nje. Majengo yameendelea kupendelewa na kampuni zinazotafuta mazingira ya biashara ya nafasi na ya usalama. Tumekuwa na upangaji uliojaa katika mwaka 2008 na inatarajiwa kuwa hili litadumishwa katika mwaka 2009. Katika mwaka unaopitiwa, kulikuwa na tukio la moto katika mojawapo ya sehemu hii na hivi sasa inarekebishwa kupitia bima yetu.

WAJIBU WA KIJAMII WA SHIRIKA

Sameer Africa iliendelea na usaidizi wake wa mipango tofauti ya wajibu wa kijamii wa shirika. Hii ni pamoja na uhamasishaji wa virusi vya ukimwi unaoendelea na mafunzo kwa wafanyikazi na familia zao yaliotekelezwa kwa juhudi ya pamoja baina ya Sameer Africa Limited na Hope Worldwide. Kampuni ilichangia miradi mingine kadhaa ifaayo katika mwaka 2008 na kujitolea kutenda kazi kama raia mwema wa shirika. Kutokana na kuwepo kwa aina nyingi tofauti za magurudumu na ubora katika soko, SAL iliendesha miradi na ushirikiano na Bridgestone Japan kuelimisha umma na waendeshaji magari kuhusu usalama na utunzi wa magurudumu kama njia ya kupunguza ajali barabarani zinazotokana na kupasuka kwa magurudumu na matatizo mengine yanayohusiana.

Kwa kuhitimisha, wasimamizi wanajitolea kikamilifu katika kuhakikisha ukuaji wa faida katika mwaka 2009 na miaka ijayo.

Michael M. Karanja
Msimamizi Mkuu.

Signage at the Sameer Business Park construction site displaying Sameer Africa Limited and soon to be completed Sameer Business Park.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2008, which disclose the state of affairs of the group and of the company.

Principal activities

The principal activities of the group are the manufacture, importation and sale of tyre products and letting of premises in an Export Processing Zone.

Results and dividend

The net profit for the year of Shs 150,848,000 has been added to retained earnings. The Directors do not recommend the payment of a dividend.

Directors

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

N. N. Merali	Chairman
M. M. Karanja	Managing Director
S. M. Githiga	
T. D. Dwuor	
P. M. Gitonga	
A. H. Butt	
I. A. Timamy	

Auditors

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

By order of the Board

Issa Timamy

Company Secretary

21st February 2009

Board of Directors

Mr. N. N. Merali, CBS
CHAIRMAN

Mr. Michael M. Karanj
MANAGING DIRECTOR

Mr. Akif Butt
DIRECTOR

Mr. S. M. Githiga
DIRECTOR

Mr. T. D. Owuor
DIRECTOR

Mr. P. M. Gitonga
DIRECTOR

Mr. Issa Timamy
COMPANY SECRETARY

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, 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 meets 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. The Managing Director and the General Manager Finance 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 ensure that the system of financial controls are effectively implemented.

c) Remuneration 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 appointments 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-year 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 fees and sitting allowances for their services in connection with Board and Committee meetings.

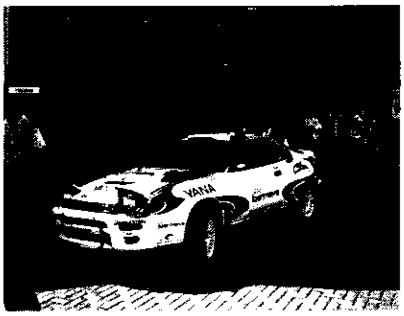
Neither at the end of the year, nor at any time during the year did there exist any arrangement to which the Company is party, where by Directors might acquire benefits by means of the acquisition of the Company's shares. There were no Directors loans at anytime during the period.

The aggregate amount of emoluments paid to Directors for services rendered during the financial year ended December 31st 2008 is disclosed in Note 27 to financial statements.

Social and environmental issues
Sameer Africa remains committed to the protection and management of our environment as well as the humanitarian needs of our society. As part of our contribution to the health and safety wellbeing of our people, we have continued to take part in the fight against HIV and AIDS and to support, both financially and in kind to various social causes such as famine relief, education of the needy and blood donation. In 2008 in conjunction with Hope Worldwide, we were involved in HIV / AIDS awareness and support initiatives at Mukuru Kayaba Slums.

Corporate Social Responsibility

Sameer Africa Limited invests in Fleet and Trade Channel capacity building on tyre care and maintainance to benefit customers.



YANA - Sponsored Rally car driven by Chana Team in the KCB Rally.

City Clock advertisement about tyre safety to motorists in a bid to reduce road carnage due to tyre related problems.

Motorists recieving tyre safety education during the tyre safety campaign organised by Bridgestone in conjunction with Sameer Africa.

Principal shareholders and share contribution

The ten major shareholders of the company as at December 31st 2008 were as follows:

No.	Name	Number of Shares	%
1	Sameer Investments Limited	159,332,926	57.24
2	Bridgestone Corporation	41,485,056	14.90
3	National Social Security Fund Trustees	5,677,550	2.04
4	BNP Paribasa (Suisse) SA	4,417,600	1.59
5	Karim Jamal	4,372,600	1.57
6	Swani Coffee Estate Limited	1,942,760	0.70
7	Kamlesh Raichand Shah	1,583,066	0.57
8	Barclays (Kenya) Nominees Limited A/c 9203	1,500,000	0.54
9	Vijay Kantaria	1,025,500	0.37
10	Rayshian Holdings Limited	990,000	0.36
	Total	**222,327,058**	**79.88**
	Less Rayshian Holdings Limited (< 1M)	**221,337,058**	**79.52**

Distribution of shareholders

Share range	Number of shareholders	Number of shares	%
0 - 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**

YANA
AFRICA RIDES ON YANA TYRES

HANKOOK

YANA
TYRE CENTRE
All About Tyres

DUNLOP

BRIDGESTONE

Firestone

The Management Team

Mr. Michael M. Karanja
Managing Director

Mr. Romulus Omondi
Head of Supply, Planning & Procurement

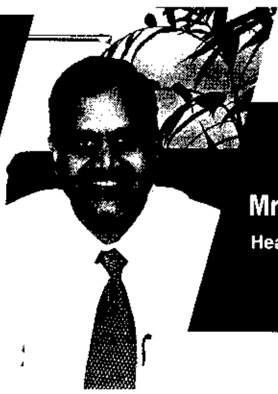
Mr. Jomo Gatundu
General Manager, Finance

Mr. Steven Mwenda
General Manager, Marketing

Mr. Geoffrey Nyankabaria
Country Manager, Tanzania

Mr.Alex Mutisya
Country Manager, Uganda

Mr. John Kabare
General Manager, Manufacturing



Mr. Shishir Saraf
Head of ICT

Mrs. Hannah Ndegwa
Head of Human Resources

Mr. Samuel Karima
General Manager, Sales & Exports

Statement Of Director's Responsibilities

The Kenyan 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 of loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

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

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

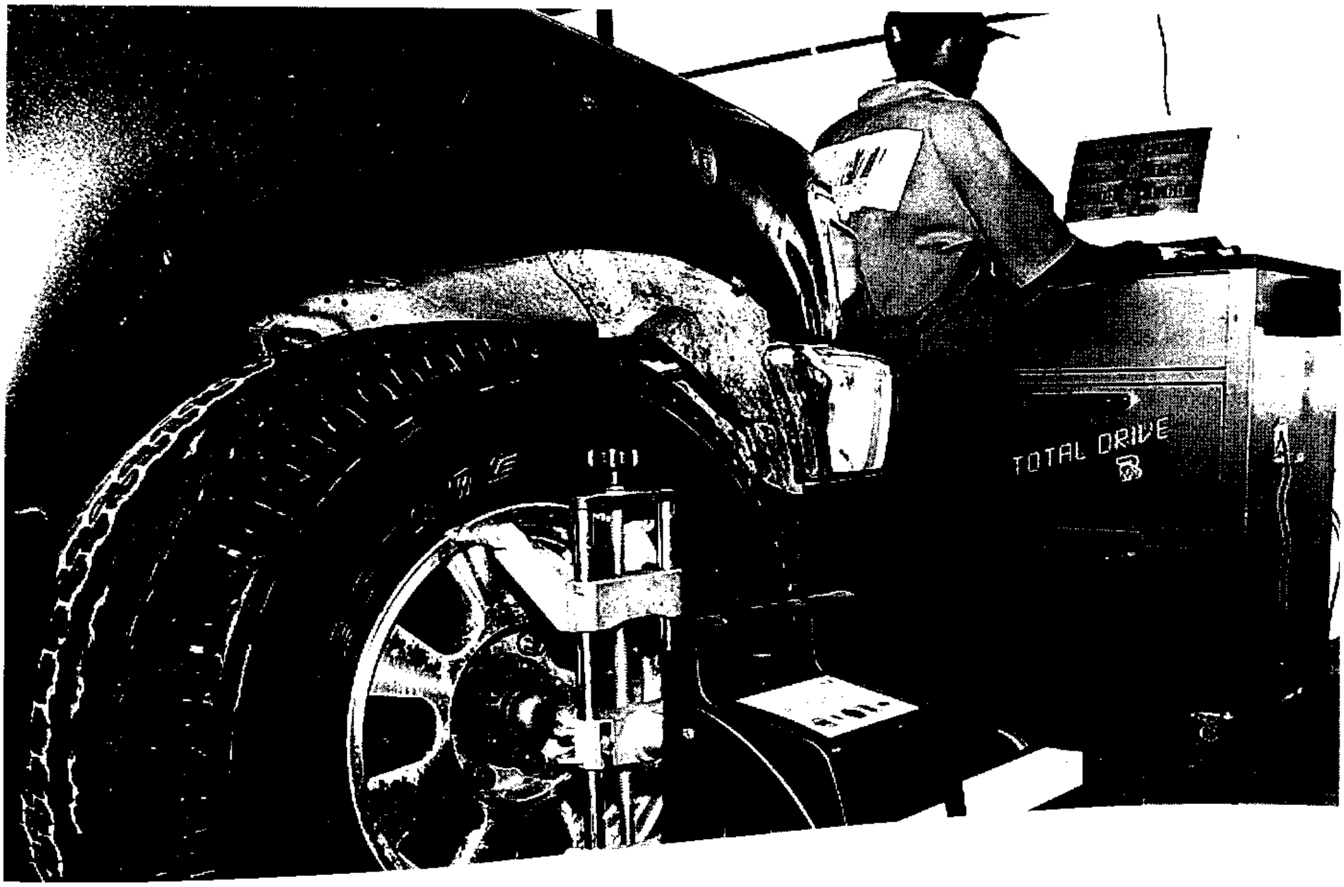
Mr. S.M. Githiga

Director

February 21st 2009

Mr. M. M. Karanja

Managing Director



YANA Tyre Centre Langata located Opposite Carnivore Rd junction near Uchumi

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 23 to 49. These financial statements comprise the consolidated balance sheet at 31 December 2008 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 2008 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient 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 2008 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 2009

Consolidated profit and loss account

Year ended 31 December

	Notes	2008 Shs'000	2007 Shs'000
Revenue		3,026,747	3,469,283
Cost of sales		(2,282,782)	(2,678,525)
Gross profit		**743,965**	**790,758**
Other operating income		240,629	104,744
Distribution costs		(38,162)	(54,266)
Administrative expenses		(226,945)	(246,324)
Other operating expenses		(416,670)	(367,280)
Operating profit	**6**	**302,817**	**227,632**
Finance costs	8	(137,295)	(61,112)
Profit before income tax		165,522	166,520
Income tax expense	9	(14,674)	(47,905)
Profit after income tax		**150,848**	**118,615**

Earnings per share		**2008 Shs**	**2007 Shs**
- basic and diluted	10	0.54	0.43
Dividends:			
Interim dividends – paid in the year	11	-	-
Proposed final dividend for the year	11	-	-
		-	-

Consolidated and company balance sheets

At 31 December

	Notes	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Equity					
Share capital	12	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings		777,864	627,016	222,465	117,128
Translation reserve		(34,010)	(56,806)	-	-
Total equity		**2,135,566**	**1,961,922**	**1,614,177**	**1,508,840**
Non-current liabilities					
Borrowings	13	8,359	23,387	-	5,304
Deferred income tax	14	4,132	16,687	-	13,103
Retirement benefit obligations	15	116,037	111,873	116,037	111,873
Total non-current liabilities		**128,528**	**151,947**	**116,037**	**130,280**
		2,264,094	**2,113,869**	**1,730,214**	**1,639,120**
Non-current assets					
Property, plant and equipment	16	618,155	697,499	536,695	640,280
Investment property	17	212,405	218,684	-	-
Investment in subsidiaries	19	-	-	146,686	146,686
Investment in associate	20	137,026	-	137,026	-
Prepaid operating lease rentals	18	770	859	770	859
Deferred income tax	14	40,852	19,313	15,641	-
		1,009,208	**936,355**	**836,818**	**787,825**
Current assets					
Inventories	21	1,113,387	1,140,904	986,962	946,328
Receivables and prepayments	22	857,772	894,272	633,852	792,814
Current income tax		24,395	26,632	24,765	24,767
Cash and cash equivalents	23	71,386	163,720	29,238	81,057
		2,066,940	**2,225,528**	**1,674,817**	**1,844,966**
Current liabilities					
Payables and accrued expenses	24	240,297	337,255	232,275	323,126
Current income tax		12,986	4,393	-	-
Borrowings	13	551,995	699,590	542,370	663,769
Unclaimed dividends		6,776	6,776	6,776	6,776
		812,054	**1,048,014**	**781,421**	**993,671**
Net current assets		**1,254,886**	**1,177,514**	**893,396**	**851,295**
		2,264,094	**2,113,869**	**1,730,214**	**1,639,120**

The financial statements on pages 23 to 49 were approved for issue by the board of directors on 2009 and signed on its behalf by:

Mr. M. M. Karanja
Managing Director

Mr. S. M. Githiga
Director

Consolidated statement of changes in equity

Year ended 31 December 2007

	Share capital Shs'000	Retained earnings Shs'000	Translation reserve Shs'000	Total Shs'000
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**

Year ended 31 December 2008

At start of year	1,391,712	627,016	(56,806)	1,961,922
Profit for the year	-	150,848	-	150,848
Currency translation differences	-	-	22,796	22,796
At end of year	**1,391,712**	**777,864**	**(34,010)**	**2,135,566**

Company statement of changes in equity

	Share capital Shs'000	Retained earnings Shs'000	Total Shs'000
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**

	Share capital Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 31 December 2008			
At start of year	**1,391,712**	**117,128**	**1,508,840**
Profit for the year	-	105,337	105,337
At end of year	**1,391,712**	**222,465**	**1,614,177**

Consolidated cash flow statement

	Notes	Year ended 31 December 2008 Shs'000	2007 Shs'000
Operating activities			
Cash generated from operations	25	163,461	8,783
Interest received	8	1,451	448
Interest paid	8	(77,049)	(80,438)
Income tax paid		**(37,157)**	**(28,604)**
Net cash generated from / (absorbed by) operating activities		**50,706**	**(99,811)**
Investing activities			
Purchase of property, plant and equipment	16	(68,416)	(125,136)
Rental income received	6	63,223	65,871
Proceeds from disposal of property, plant and equipment		3,654	32,991
Proceeds from disposal of prepaid operating lease rentals*		-	6,494
Net cash used in investing activities		**(1,539)**	**(19,780)**
Financing activities			
Proceeds from borrowings		-	66,325
Repayment of borrowings		(183,520)	(305,011)
Net cash absorbed by financing activities		**(183,520)**	**(238,686)**
Decrease in cash and cash equivalents		**(134,353)**	**(358,277)**
Movement in cash and cash equivalents			
At start of year		(332,998)	31,981
Decrease		(134,353)	(358,277)
Effects of exchange rate changes on cash and cash equivalents		21,122	(6,702)
At end of year	**23**	**(446,229)**	**(332,998)**

*** Non-cash transaction: The acquisition of the associate was financed through proceeds of disposal of prepaid operating lease rentals of Shs 140 million.**

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.

Interpretations effective in 2008

In 2008, the following new interpretations became effective for the first time but have not had an impact on the company's financial statements:

- IFRIC 11 – IFRS 2 - Group and treasury share transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 – IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 – Reclassification of financial assets.

Standards, interpretations and amendments to published standards that are not yet effective

One new standard (IFRS 8 – Operating Segments) and numerous amendments to existing standards and new interpretations have been published and will be effective for the company's accounting periods beginning on or after 1 January 2009, but the company has not early adopted any of them

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 and the amendments to IAS 1 - Presentation of Financial Statements, which will require non-owner changes in equity to be presented in a 'Comprehensive Statement of Income'.

(b) Consolidation

(i) 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.

2. Summary of significant accounting policies (continued)

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 20).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other (losses)/gains – net'.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

(iii) Consolidation of group entities

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Segment reporting

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

2. Summary of significant accounting policies (continued)

(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.

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 of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the profit and loss account over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset.

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.

2. Summary of significant accounting policies (continued)

(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) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Receivables

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

(l) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(n) 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.

(o) 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 receive 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

2. Summary of significant accounting policies (continued)

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.

(p) 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. Tax is recognised in the profit and loss account unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

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 recognised, 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 is not accounted for if it 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. Deferred income tax is determined using tax rates and laws that have been 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.

(q) 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.

(r) 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.

(s) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in current year.

3. Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3. Critical accounting estimates and judgements (continued)

Income taxes

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

Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment. The rates used are set out in Note 2(f) above.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables.

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

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

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

4. Financial risk management

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, 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 recognised 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 2008 would have had on the translation reserve are shown below:

Uganda

At 31 December 2008, if the Ugandan Shilling had weakened/strengthened by 3% (2007: 6%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the consolidated translation reserve would have been Shs 6,136,000 (2007: Shs 7,647,000) higher/lower.

Tanzania

At 31 December 2008, if the Tanzanian Shilling had weakened/strengthened by 3% (2007: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the consolidated translation reserve would have been Shs 6,533,000 (2007: Shs 4,812,000) higher/lower.

Group Exchange Risk from recognised financial assets and liabilities

At 31 December 2008, 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 5,569,000 (2007: Shs 1,987,000) higher/lower, mainly as a result of US dollar receivables and bank balances.

4. Financial risk management (continued)

At 31 December 2008, 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 13,812,000 (2007: Shs 11,165,000) 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 2008, 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 2,093,000 (2007: Shs 5,542,000) higher/lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2008, 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 11,536,000 (2007: Shs 9,952,000) 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 at a 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 2008, an increase/decrease of 100 basis points for the local currency borrowings and increase/decrease of 100 basis points for the foreign currency borrowings would have resulted in an decrease/increase in consolidated post tax profit of Shs 1,259,000 (2007: Shs 2,694,000), mainly as a result of higher/lower interest charges on variable rate borrowings.

Company

At 31 December 2008, an increase/decrease of 100 basis points for the local currency borrowings and increase/decrease of 100 basis points for the foreign currency borrowings would have resulted in an decrease/increase in company post tax profit of Shs 1,163,000 (2007: Shs 2,474,000), mainly as a result of higher/lower interest charges on variable rate borrowings.

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 2008 is made up as follows:

	Group		Company	
	2008 Shs'000	**2007 Shs'000**	**2008 Shs'000**	**2007 Shs'000**
Cash equivalents	71,386	163,720	29,238	81,057
Trade receivables	618,596	718,009	386,227	480,768
Less: Collateral held	(54,251)	(67,612)	(54,251)	(67,612)
Net trade receivables	564,345	650,397	331,976	413,156
Other receivables	227,583	163,884	237,989	302,544
	863,314	**978,001**	**599,203**	**806,259**

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:

4. Financial risk management (continued)

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Past due but not impaired:				
- by up to 30 days	101,946	186,445	48,322	125,577
- by 31 to 60 days	97,146	132,600	60,249	101,000
- by 61 to 90 days	56,582	68,524	46,111	45,453
- by 91 to 120 days	27,792	24,098	17,395	15,996
- by 121 to 180 days	31,052	42,534	25,392	34,798
- over 181 days	94,854	71,773	60,908	51,487
Total past due but not impaired	**409,372**	525,974	**258,377**	374,311
Impaired	**136,610**	89,262	**87,524**	51,023

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 2008:				
- borrowings	34,380	8,359	-	-
- bank overdrafts	517,615	-	-	-
- unclaimed dividends	6,776	-	-	-
- trade and other payables	240,297	-	-	-
- income tax payable	12,986	-	-	-
	812,054	**8,359**	-	-
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	-	-	-
	1,048,014	**23,387**	-	-
(b) Company				
At 31 December 2008:				
- borrowings	24,755	-	-	-
- bank overdrafts	517,615	-	-	-
- unclaimed dividends	6,776	-	-	-
- trade and other payables	232,275	-	-	-
	781,421	-	-	-

4. Financial risk management (continued)

At 31 December 2007:

- borrowings	167,051	5,304	-	-
- bank overdrafts	496,718	-	-	-
- unclaimed dividends	6,776	-	-	-
- trade and other payables	323,126	-	-	-
	993,671	**5,304**	-	-

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 2008 and 2007 were as follows:

Group

	2008 Shs'000	**2007 Shs'000**
Total borrowings	560,354	722,977
Less: cash and cash equivalents	(71,386)	(163,720)
Net debt	488,968	559,257
Total equity	2,135,566	1,961,922
Total capital	**2,624,534**	**2,521,179**
Gearing ratio	**18.6%**	**22.2%**

Company

Total borrowings	542,370	669,073
Less: cash and cash equivalents	(29,238)	(81,057)
Net debt	513,132	588,016
Total equity	1,614,177	1,508,840
Total capital	**2,127,309**	**2,096,856**
Gearing ratio	**24.1%**	**28.0%**

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:	2008 Shs'000	2007 Shs'000
Depreciation on property, plant and equipment (Note 16)	147,474	156,409
Depreciation on investment property (Note 17)	6,279	6,279
Investment property:		
- rental income	(63,223)	(65,871)
- operating expense	20,700	23,634
Provision for impairment losses:		
- receivables	51,180	20,398
- inventory	3,479	42,815
Repairs and maintenance	28,694	76,122
Employee benefits expense (Note 7)	438,749	484,983
Auditors' remuneration	4,500	3,736

7. Group employee benefits expense

The following items are included within employee benefits expense:	2008 Shs'000	2007 Shs'000
Retirement benefits costs:		
- Defined contribution scheme	8,259	9,662
- National Social Security Fund	1,121	1,913
- Defined benefit scheme (Note 15)	11,325	26,223

8. Group finance costs

	2008 Shs'000	2007 Shs'000
Interest expense on bank borrowings	77,049	80,438
Interest income	(1,451)	(448)
Net foreign exchange losses / (gains)	61,197	(18,878)
Net finance costs	**137,295**	**61,112**

9. Group income tax expense

	2008 Shs'000	2007 Shs'000
Current income tax	47,987	46,720
Deferred income tax (credit)/charge - (Note 14)	(33,313)	1,185
Income tax expense	**14,674**	**47,905**

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:

	2008 Shs'000	2007 Shs'000
Profit before income tax	165,522	166,520
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2007 - 30%)	49,657	49,956
Tax effect of:		
Income not subject to income tax	(42,263)	(314)
Expenses not deductible for income tax purposes	9,694	3,643
Under provision of current income tax in prior years	-	1,151
Under / (over) provision of deferred income tax in prior years	1,753	(3,823)
Deferred tax asset not recognised	2,070	2,196
Effect of different income tax rate for Sameer Industrial Park Limited and Sameer EPZ Limited	(6,237)	(4,904)
Income tax expense	**14,674**	**47,905**

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.

	2008	2007
Profit attributable to equity holders of the Company (Shs '000)	150,848	118,615
Weighted average number of ordinary shares in issue ('000)	278,342	278,342
Basic earnings per share (Shs)	0.54	0.43

There were no potentially dilutive shares outstanding at 31 December 2008 or 2007. 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 2008. During the year no interim dividend was paid.

12. Share capital

	Number of shares	Ordinary shares Shs'000
Balance at 1 January 2007, 31 December 2007 and 31 December 2008	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	
	2008 Shs'000	**2007 Shs'000**	**2008 Shs'000**	**2007 Shs'000**
Non-current				
Bank borrowings	8,359	23,387	-	5,304
Current				
Bank borrowings	34,380	202,872	24,755	167,051
Bank overdraft	517,615	496,718	517,615	496,718
	551,995	**699,590**	**542,370**	**663,769**
Total borrowings	**560,354**	722,977	**542,370**	**669,073**

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:

	2008 %	**2007 %**
– bank overdrafts	11.00	9.72
– bank borrowings	16.28	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	
	2008 Shs'000	**2007 Shs'000**	**2008 Shs'000**	**2007 Shs'000**
Between 1 and 2 years	8,359	23,387	-	5,304

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	2008 Shs'000	2007 Shs'000
At start of year	(2,626)	(3,936)
(Credit) / charge to profit and loss account (Note 9)	(33,313)	1,185
Currency translation difference	(781)	125
At end of year	(36,720)	(2,626)
As disclosed on the balance sheet:		
Deferred income tax assets	(40,852)	(19,313)
Deferred income tax liabilities	4,132	16,687
	(36,720)	(2,626)

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:

Year ended 31 December 2008

	1.1.2008 Shs'000	Charged / (credited) to P/L Shs'000	Exchange differences Shs'000	31.12.2008 Shs'000
Property, plant and equipment	76,597	(12,905)	49	63,741
Investment property	3,490	(35)	-	3,455
Provisions and other deductible temporary differences	(72,911)	(26,249)	(830)	(99,990)
Tax losses	(11,998)	3,806	-	(8,192)
Net deferred income tax asset	(4,822)	(35,383)	(781)	(40,986)
Deferred income tax asset not recognised	2,196	2,070	-	4,266
Deferred income tax asset recognised	(2,626)	(33,313)	(781)	(36,720)

14. Deferred income tax (continued)

Year ended 31 December 2007

	1.1.2007 Shs'000	Charged / (credited) to P/L 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 asset not recognised	-	2,196	-	2,196
Deferred income tax asset recognised	**(3,936)**	**1,185**	125	(2,626)

A deferred income tax of Kshs 4,266,000 (2007 Shs 2,196,000) relating to accumulated tax losses arising in Taqwa Trading Ltd has not been recognized since the company has ceased operations and it is not probable that it will generate future taxable profits against which the assets can be utilized.

Company

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

	2008 Shs'000	2007 Shs'000
Property, plant and equipment	61,957	74,440
Provisions and other deductible temporary differences	(74,219)	(61,337)
Income tax losses	(3,379)	-
Net deferred income tax (asset) / liability	(15,641)	13,103

15. Retirement benefit obligations – Group and company

	2008 Shs'000	2007 Shs'000
At start of year	111,873	97,948
Charged to income statement (Note 7)	11,325	26,223
Utilised during year	(7,161)	(12,298)
At end of year	**116,037**	**111,873**

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.

16. Property, plant and equipment

(a) Group

	Buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'00	Total Shs'000
At 1 January 2007					
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

	Buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'00	Total Shs'000
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)
Reclassifications	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**

Year ended 31 December 2008

	Buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'00	Total Shs'000
Opening net book amount	170,736	439,753	62,723	24,287	697,499
Currency translation	-	-	893	-	893
Additions	-	11,367	2,251	54,798	68,416
Transfers	3,659	41,890	5,941	(51,490)	-
Disposals	-				
-cost	-	-	(30,198)	-	(30,198)
-accum depreciation	-	-	29,019	-	29,019
Depreciation charge	(11,905)	(112,167)	(23,402)	-	(147,474)
Closing net book amount	**162,490**	**380,843**	**47,227**	**27,595**	**618,155**
At 31 December 2008					
Cost	328,420	2,294,697	277,278	27,595	2,927,990
Accumulated depreciation	(165,930)	(1,913,854)	(230,051)	-	(2,309,835)
Net book amount	**162,490**	**380,843**	**47,227**	**27,595**	**618,155**

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

16. Property, plant and equipment (continued)

(b) Company

	Buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'00	Total Shs'000
At 1 January 2007					
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)	-
Disposal	-	-	(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	321,545	24,287	2,854,223
Accumulated depreciation	(145,521)	(1,791,389)	(277,033)	-	(2,213,943)
Net book amount	**167,655**	**403,826**	**44,512**	**24,287**	**640,280**
Year ended 31 December 2008					
Opening net book amount	167,655	403,826	44,512	24,287	640,280
Additions	-	-	-	31,254	31,254
Transfers	3,659	41,890	5,941	(51,490)	-
Disposals					
-cost	-	-	(25,315)	-	(25,315)
-accum depreciation			25,315	-	25,315
Depreciation charge	(11,136)	(107,006)	(16,697)	-	(134,839)
Closing net book amount	**160,178**	**338,710**	**33,756**	**4,051**	**536,695**
At 31 December 2008					
Cost	316,835	2,237,105	302,171	4,051	2,860,162
Accumulated depreciation	(156,657)	(1,898,395)	(268,415)	-	(2,323,467)
Net book amount	**160,178**	**338,710**	**33,756**	**4,051**	**536,695**

17. Investment property

Group	2008 Shs'000	2007 Shs'000
At start of year	218,684	224,963
Depreciation	(6,279)	(6,279)
At end of year	**212,405**	**218,684**
Comprising		
Cost	250,941	250,941
Accumulated depreciation	(38,536)	(32,257)
At end of year	**212,405**	**218,684**

The directors' estimate of the fair value of investment property is Shs 400 million (2007: Shs 364 million).

18. Prepaid operating lease rentals

	Notes	Group		Company	
		2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
At start of year		859	1,897	859	869
Amortisation charge for the year		(10)	(21)	(10)	(10)
Currency translation		-	(108)	-	-
Disposals		(79)	(909)	(79)	-
At end of year		**770**	**859**	**770**	**859**

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	2008 Shs'000	2007 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)	(45,000)
			146,686	**146,686**

20. Investment in associates

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
At start of year	-	-	-	-
Acquisition	140,000	-	140,000	-
Share of loss	(2,974)	-	(2,974)	-
At end of year	**137,026**	-	**137,026**	-

The Group's interest in its principal associates, all of which are unlisted, were as follows:

	Country of incorporation	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	Loss Shs'000
2008						
Sameer Business Park Limited	Kenya	25	718,556	170,452	-	(11,896)

The associate is currently not trading.

21. Inventories

	Notes	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Raw materials		428,300	264,512	428,300	264,512
Stores and supplies		130,484	149,557	130,484	149,557
Work in progress		35,515	49,418	35,515	49,418
Finished goods		519,088	677,417	392,663	482,841
		1,113,387	1,140,904	986,962	946,328

22. Receivables and prepayments

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Trade receivables	755,206	807,271	473,751	531,791
Less: Provision for impairment	(136,610)	(89,262)	(87,524)	(51,023)
	618,596	718,009	386,227	480,768
Prepayments	11,593	12,379	9,636	9,502
Amounts due from related companies (Note 27)	7,468	15,249	7,468	15,249
Other receivables	220,115	148,635	190,355	127,662
Receivables from subsidiaries (Note 27):				
Gross	-	-	40,166	186,413
Less: Provision for impairment	-	-	-	(26,780)
Net receivable from subsidiaries	-	-	40,166	159,633
	857,772	894,272	633,852	792,814

23. Cash and cash equivalents

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

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Cash at bank and in hand	71,386	163,720	29,238	81,057
Bank overdraft (Note 13)	(517,615)	(496,718)	(517,615)	(496,718)
	(446,229)	(332,998)	(488,377)	(415,661)

Included in the balances above are Shs 75,647 held with related parties

24. Payables and accrued expenses

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Trade payables	132,210	212,678	93,737	189,024
Amounts due to related companies (Note 27)	2,101	4,412	2,101	4,412
Amounts due to subsidiaries (Note 27)	-	-	101,346	65,970
Restructuring costs	-	-		-
Accrued expenses and other payables	105,986	120,165	35,091	63,720
	240,297	337,255	232,275	323,126

25. Cash generated from operations

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

	2008 Shs'000	2007 Shs'000
Profit before income tax	165,522	166,520
Adjustments for:		
Interest income (Note 8)	(1,451)	(448)
Rental income	(63,223)	(65,871)
Interest expense (Note 8)	77,049	80,438
Share of loss in associate (Note 20)	2,974	-
Profit on sale of property plant and equipment	(2,475)	(16,607)
Profit on sale of prepaid operating lease rentals	(139,921)	(5,585)
Depreciation on property plant and equipment (Note 16)	147,474	156,409
Depreciation on investment property (Note 17)	6,279	6,279
Amortisation of prepaid operating lease rentals (Note 18)	10	21
Changes in working capital:		
- receivables and prepayments	36,500	(54,723)
- inventories	27,517	107,690
- payables and accrued expenses	(96,958)	(379,265)
- provisions for retirement benefit obligations	4,164	13,925
Cash generated from operations	**163,461**	**8,783**

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 is not expected to 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:

	2008 Shs'000	2007 Shs'000
i) Sale of goods and services		
Ryce East Africa Limited	11,032	14,514
H. Young (EA) Limited	38,775	51,638
Swift Global Kenya Limited	68	136
	49,875	**66,288**

27. Related party transactions (continued)

	2008 Shs'000	2007 Shs'000
ii) Purchase of goods and services		
Ryce East Africa Limited	17,902	8,260
Celtel Kenya Limited	4,885	5,180
Swift Global Kenya Limited	5,273	7,378
	28,060	**20,818**
iii) Key management compensation		
Salaries and other short-term employment benefits	36,754	37,963

iv) Outstanding balances

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
a) Amounts due from:				
Subsidiaries:				
Sameer Africa (Uganda) Limited	-	-	-	384
Sameer Africa (Tanzania) Limited	-	-	-	110,263
Yana Tyre Centre Limited	-	-	11,866	45,054
Taqwa Trading Limited	-	-	28,300	30,712
	-	-	**40,166**	**186,413**
Other related companies:				
Ryce East Africa Limited	4,330	3,768	4,330	3,768
H Young (EA) Limited	2,966	11,481	2,966	11,481
Swift Global Kenya Limited	-	-	-	-
Yansam Motors (Tanzania) Limited	-	-	-	-
Eveready Batteries (K) Ltd	172	-	172	-
	7,468	**15,249**	**7,468**	**15,249**
b) Amounts due to:				
Subsidiaries:				
Sameer Industrial Park Limited	-	-	26,633	65,970
Taqwa Trading Limited	-	-	-	-
Sameer Africa (Uganda) Ltd	-	-	68,119	-
Sameer Africa (Tanzania) Ltd	-	-	6,594	-
	-	-	**101,346**	**65,970**
Other related companies:				
Bridgestone Americas Holdings, Inc.		-		-
Ryce East Africa Limited	485	3,070	485	3,070
Swift Global Kenya Limited	1,616	1,342	1,616	1,342
Dimensions Data Limited	-	-	-	-
	2,101	**4,412**	**2,101**	**4,412**

27. Related party transactions (continued)

v) Directors' remuneration

Company

	2008 Shs'000	2007 Shs'000
Fees for services as a director	4,545	4,320
Other emoluments (included in key management compensation above)	23,464	25,834
Total remuneration of directors of the Company	28,009	30,154

28. Commitments

Capital commitments

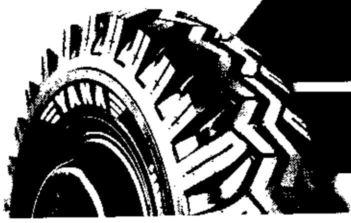
Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Property, plant and equipment	38,393	50,336	38,393	50,336

Operating lease commitments

Payments due under lease hire of motor vehicles are as follows

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Not later than 1 year	2,132	459	2,132	459
Later than 1 year and not later than 5 years	1,911	-	1,911	-
	4,043	**459**	**4,043**	**459**
Not later than 1 year	23,019	15,267	2,861	730
Later than 1 year and not later than 5 years	79,114	15,267	2,270	2,189
Later than 5 years	21,992	5,588	-	-
	124,125	**36,122**	**5,131**	**2,919**



Group five year financial record

	2004 Shs'000	2005 Shs'000	2006 Shs'000	2007 Shs'000	2008 Shs'000
Turnover	3,270,254	3,359,010	3,171,049	3,469,283	3,026,747
Group profit before tax	400,473	294,253	(14,865)	166,520	165,522
Taxation	(125,302)	(89,575)	(7,423)	(47,905)	(14,674)
Profit after taxation	275,171	204,678	(22,288)	118,615	150,848
Dividends (gross)	(278,342)	(139,171)	-	-	-
Retained profit transferred to/(from)					
Revenue reserve	(3,171)	65,507	(22,288)	118,615	150,848
Earnings per share (Shs)	0.99	0.74	(0.08)	0.43	0.54
Dividend per share (Shs)	1.00	0.50	-	-	-
Shares in issue (000s)	278,342	278,342	278,342	278,342	278,342
Consolidated balance sheet summary					
Fixed assets	772,064	738,110	745,900	697,499	618,155
Prepaid operating lease rentals	1,939	1,917	1,897	859	770
Investment property	237,172	231,242	224,963	218,684	212,405
Investment in associate	-	-	-	-	137,026
Deferred Income tax	-	-	12,927	19,313	40,852
	1,011,175	971,269	985,687	936,355	1,009,208
Current assets:					
Inventories	1,165,260	1,404,877	1,248,594	1,140,904	1,113,387
Receivables and prepayments	585,097	651,119	839,549	894,272	857,772
Bank balances and cash	224,912	142,969	193,639	163,720	24,395
Tax recoverable	-	34,296	42,597	26,632	71,386
	1,975,269	2,233,261	2,324,379	2,225,528	2,066,940
Current liabilities:					
Borrowings	235,755	348,237	531,713	699,590	551,995
Payables and accrued expenses & unclaimed dividends	621,920	681,140	723,296	344,031	247,073
Taxation	2,896	659	2,242	4,393	12,986
	860,571	1,030,036	1,257,271	1,048,014	812,054
Net current assets	1,114,698	1,203,225	1,067,128	1,177,514	1,254,886
Non current liabilities:					
Bank borrowings	-	(28,900)	(94,890)	(23,387)	(8,359)
Deferred taxation	(16,851)	(10,374)	(8,991)	(16,687)	(4,132)
Retirement benefit obligations charges	(96,732)	(106,750)	(97,948)	(111,873)	(116,037)
	(113,583)	(146,024)	(201,829)	(151,947)	(128,528)
Net assets	**2,012,290**	**2,028,470**	**1,850,986**	**1,961,922**	**2,135,566**
Financed by:					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings	465,182	530,689	508,401	627,016	777,864
Translation reserve	16,225	(33,102)	(49,127)	(56,806)	(34,010)
Proposed dividend	139,171	(139,171)	-	-	-
Shareholders' funds	**2,012,290**	**2,028,470**	**1,850,986**	**1,961,922**	**2,135,566**