

2010 Annual Report and Financial Statements

Getting there together





Eng. Mwongera, Chairman, Sameer Africa Limited, speaks to staff after receiving state-of-the-art welfare bus donated to Sameer Africa staff by former Chairman Mr. Naushad Merali and his wife, Mrs. Zarin Merali.

YANA
AFRICA RIDES ON YANA TYRES

BRIDGESTONE

YANA
TYRE CENTRE
All About Tyres

Hankook



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Yana Jumbo 315/80 R 22.5
Trailer position Radial truck tyre



Corporate information

BOARD OF DIRECTORS

Eng. E. K. Mwongera
Mr. N.N. Merali
Mr. M. M. Karanja
Mr. P. M. Gitonga
Mr. T. D. Owour
Mr. S. Githiga
Mr. A. H. Butt
Mr. I. A. Timamy

Chairman
Chairman
Managing Director

Appointed July 23rd 2010
Resigned July 23rd 2010

AUDIT COMMITTEE

Mr. S. Githiga
Mr. T. D. Owour

Chairman

NOMINATIONS & REMUNERATION COMMITTEE

Eng. E. K. Mwongera
Mr. M. M. Karanja
Mr. I. A. Timamy

Chairman

FINANCE COMMITTEE

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

Chairman

AUDITORS

KPMG Kenya
Certified Public Accountants
16th Floor Lonrho House, Standard Street
P.O. Box 40612-00100, Nairobi

SHARE REGISTRARS

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

PRINCIPAL BANKERS

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

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

SECRETARY & COMPANY REGISTERED OFFICE

Mr. I. A. Timamy
Sameer Africa Limited, Mombasa Road
L.R. NO: 12081/9
Mombasa Road, P. O. Box 30429, 00100 Nairobi



Bridgestone Dueler

Notice to the annual general meeting



Notice is hereby given that the 42nd Annual General Meeting of the Members will be held at the Company's Premises off Mombasa Road, Nairobi on Friday April 29th 2011 at 11.30 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 41st Annual General Meeting held on 16th April 2010
4. To receive, consider and if deemed fit, adopt the Financial Statements for the year ended 31 December, 2010 together with the reports thereon of the Directors and the Auditors.
5. To elect Directors
 - i). Under Article 94
Mr. A. H. Butt and Mr. I. A. Timamy Directors retiring by rotation who being eligible, offer themselves for re-election
 - ii) Under Article 101
Eng. E. K. Mwangera a Director who was appointed on 23rd July 2010 to hold office until conclusion of this Annual General Meeting retires and being eligible offers himself for re-election
6. To confirm the Directors' emoluments
7. To appoint KPMG as auditors in accordance with the provisions of Sec. 159 (2) of the Companies Act and to authorize the Directors to fix their remuneration for the ensuing financial year.
8. Special Business
To consider and if thought fit, pass the following resolution, as a special resolution

"That the Articles of Association of the Company be and are hereby amended by deleting Articles 125 and 133 in their entirety and adopting new Articles 125 and 133 as follows:-

Dividends and Reserves

125. (a) Any dividend, interest or other sum payable in cash to the holder of shares may be paid by:-

- i) Direct debit, bank transfer or other automated system of bank transfer, electronic or mobile money transfer system transmitted to such bank or electronic or mobile telephone address as shown in the share register of the Company or;

- ii) By cheque or warrant payable at such place of business as the Company shall specify in writing, sent by post to the address of the member or person entitled to it as shown in the share register of the Company or if two or more persons are registered as joint holders of the shares, to the registered address of the joint holder who is first named in the share register of the Company or in the case of two or more persons being entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons at such address as the persons being entitled to receive payment may in writing direct.

- b) Every such cheque or warrant or funds transfer shall, be made payable to or to the order of the person to whom it is sent or to such person who may be entitled to the same (as described in Article 125 (a) (ii) aforesaid). Payment of the cheque or warrant, if purporting to be endorsed or encased, by the addressee or as the case may be, confirmation of payment having been made by the transmitting entity to the addressee of direct debit, bank transfer or other automated system of bank transfer or via mobile money transfer system, shall in each case be a good discharge to the Company. Every such payment whether by cheque or warrant or electronic funds transfer or mobile money payment systems shall be sent to the risk of the person entitled to the money represented by it.

Accounts

133 A copy of the entire Annual Report and Accounts which is to be laid before the Company in a General Meeting, together with copies of the Directors' and Auditors' reports and every other document required by law to be annexed thereto, be availed to every member and every holder of income notes or debentures of the Company, not less than Twenty One days before the date of the Meeting either:-

- i) Being availed on the Company's website or from the Registered Office of the Company;
- ii) Being sent by email to the members registered email address and;
- iii) An abridged set of Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement be published in two Daily Newspapers with nationwide circulation"

9. 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
22nd March 2011

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.

Ilani ya mkutano mkuu wa kila mwaka

Ilani inatolewa hapa kuwa Mkutano Mkuu wa Kila Mwaka wa arobaini na mbili (42) wa wanachama utafanyika katika majengo ya Kampuni kando ya barabara ya Mombasa, Nairobi siku ya Ijumaa, tarehe 29 Aprili mwaka 2011, saa tano na nusu 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 41 wa Kila Mwaka uliofanyika tarehe 16 Aprili 2010.
4. Kupokea, kuchunguza na ikifikiriwa sawa kuidhinisha Taarifa za Kifedha za mwaka uliomalizikia tarehe 31 Desemba, 2010 na taarifa za Wakurugenzi na za Wahasibu.
5. Kuchagua Wakurugenzi
 - i) Chini ya Kifungu cha Kanuni nambari 94
Bw. A. H. Butt na Bw. I. A. Timamy Wakurugenzi wanaostaafu kwa zamu ambao kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.
 - ii) Chini ya Kifungu cha Kanuni nambari 101,
Mhandisi E. K. Mwongera Mkurugenzi aliyechaguliwa tarehe 23 Julai 2010 kushikilia afisi mpaka mwisho wa huu Mkutano Mkuu wa Kila Mwaka anastaafu na kwa kuwa anastahili, anajitolea kuchaguliwa tena.
6. Kuthibitisha malipo ya Wakurugenzi.
7. Kuwateua KPMG kama wahasibu kulingana na masharti ya sehemu 195 (2) ya Sheria ya Makampuni na kuidhinisha Wakurugenzi kuamua malipo yao kwa mwaka wa kifedha unaofuata.
8. Shughuli Maalum
Kuzingatia na ikifikiriwa sawa, kupitisha azimio linalofuata, kama azimio maalum.

"Kuwa Kanuni za Kampuni za hii Kampuni ziwe na hapa zinarekebishwa kwa kufuta kanuni 125 na 133 kwa ukamilifu waona kuchukua kanuni 125 and 133 mpya kama ifuatavyo:-

Gawio la Faida na Akiba

125. (a) Gawio, riba, au kiasi kingine chochote kinacholipwa kwa pesa tasilimu kwa mwenye hisa kinaweza kulipwa kwa:-

- i) Mtoe moja kwa moja, uhamisho wa benki au mfumo mwingine wa kimashine wa uhamishaji wa benki, mfumo wa uhamisho wa pesa wa kielektroniki au kwa simu tamba zinazotumwa kwa benki au anwani ya kielektroniki au simu tamba kama inavyoonyeshwa katika daftari la hisa la Kampuni au;
- ii) Kwa hundi au hati inayoweza kulipwa katika mahali kama pa biashara vile Kampuni itakavyoeleza bayana kwa maandishi, kupitia kwa posta kwa anwani ya mwanachama au mtu mwenye haki hiyo kama inavyoonyeshwa katika daftari la hisa la Kampuni au ikiwa watu wawili au zaidi wameandikishwa kama wenye hisa shirika, kwa anwani ilioandikishwa ya mwenye hisa shirika ambaye ametajwa mwanzo katika daftari la hisa la Kampuni au katika hali ya watu wawili au zaidi wenye haki kuhusiana na hiyo kutokana na kifo au tafisi ya mwenye hisa, kwa yeyote mmoja kati ya watu hao katika anwani hiyo kama ndiyo watu walio na haki ya kupokea malipo watakavyoelekeza kwa maandishi.

- b) Kila hundi au hati au uhamisho wa malipo kama huo utafanywa kwa au kwa amri ya mtu ambaye kwamba anapelekwa au kwa yule mtu ambaye ana haki hiyo (kama inavyoelewa katika kanuni 125 (a) (ii) ilivotajwa). Malipo ya hundi, hati, vakiyelekeza kumaanisha kutiwa

itakavyokuwa, uthibitisho wa malipo ukiwa umefanywa na chombo kinachotuma kwa mpokeaji ikiwa mtoe moja kwa moja, uhamisho wa benki au kupitia mfumo wa kimashine wa uhamishaji wa benki au mfumo wa uhamishaji pesa kwa simu tamba, utakuwa kwa kila hali njia nzuri ya kulipa kwa Kampuni. Kila malipo hayo ikiwa ni kwa hundi au hati au mfumo wa uhamisho wa pesa kielektroniki au kwa malipo ya pesa ya simu tamba yatapelekwa kwa jukumu la mtu huyo mwenyewe mwenye haki ya pesa zinazowakilishwa nayo.

Hesabu

133. Nakala ya Ripoti nzima ya Kila Mwaka na Hesabu ambazo ni za kutolewa mbele ya Kampuni katika Mkutano Mkuu, pamoja na nakala za ripoti za Wakurugenzi na wahasibu na kila hati nyingine inayohitajika kwa Sheria zishikanishwe pamoja nazo, zipatiwe kila mwanachama na kila mshikaji wa maelezo ya mapato au stakabadhi za mikopo ya Kampuni, kwa siku zisizopungua ishirini na moja kabla ya tarehe ya mkutano ama:-

- i) Kupatikana katika wavuti wa Kampuni au kutoka kwa Afisi iliyoandikishwa ya Kampuni;
- ii) Kutumwa kwa barua pepe kwa anwani za barua pepe zilizoandikishwa za wanachama na;
- iii) Kifupisho cha seti ya Taarifa ya hali ya Fedha, Taarifa ya mapato kwa upana, Taarifa ya mabadiliko katika thamani ya hisa zilizotolewa na kampuni na Taarifa ya mapato halisi zichapishwe katika magazeti mawili ya kila siku yenye usambazaji wa taifa zima.

9 Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika Mkutano Mkuu wa Kila Mwaka.

Kwa Amri ya Halmashauri

Issa A. Timamy

Katibu wa Kampuni
Nairobi
Machi 22, 2011

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 imeambatanishwa mwisho wa ripoti hii.



Yana Monarch II 195/65 R15

Chairman's Statement



Following my appointment as a Director of Sameer Africa Limited in July 2010 and subsequent election as Chairman of the Board, I wish to thank all Shareholders for according me the opportunity to lead this Company and the confidence and support I have received from the Board. Taking over from Mr. Merali is both an honour and a challenge. I feel very humbled to serve the Company as your Chairman.

First, let me take this opportunity on your behalf to pay tribute to Mr. Naushad Merali, our former Chairman for his unwavering stewardship of the Company for the last 25 years. Mr. Merali during his tenure, with the assistance of the Board of Directors, presided over the transition from Firestone East Africa Limited with its Firestone/Bridgestone brands to Sameer Africa Limited with its Yana brand and Bridgestone distributorship. This happened at the time when Common External Tariff (CET) in East Africa for tyres resulted in import duty reduction from 35% to 10% and from 35% to 25% depending on size and category. This reduction in import duty opened doors for the entry within EAC countries of all types of tyres of differing quality and some not suitable to local conditions. Some motorists after their experience with alternatives are coming back to Yana which is still the single leading brand in the domestic market.

Allow me also to express our sympathies with the people of Japan following the tragic and devastating earthquake and tsunami. This has caused massive loss of life, disruption to lives and economic activities, exposure to radiation, extensive damage to properties and infrastructure.

Bridgestone based in Japan is our second largest shareholder and our business partner as their distributor of Bridgestone Brand in the EAC Region. We appreciate and value this relationship and partnership. The Yana brand is best suited to our local terrain and road conditions, loading habits and offers best attributes which are recognized in nine countries in the Region where we have market presence. These attributes includes safety, durability representing value for money and comfort of mind.

The year under review, 2010, posed many challenges to our operations. Globally, Tyre manufacturing businesses were faced with runaway raw material prices where for example natural rubber prices reached the highest level in recorded rubber trading history. Over the period under review, 2010, the average prices of natural rubber and synthetic rubber increased over 2009 average by 54% and 87% respectively in Kenya shilling terms. These two contribute 50% of cost of raw materials input in tyre manufacture. Other raw materials also went up though at lower levels than natural and synthetic rubbers. Other factors were high energy

Tanzania currencies. This affected turnover and margins in these two regional markets.

We adjusted prices but the market could not accommodate full recovery of input costs through pricing with competitors adopting a strategy of implementing small increases to try to gain market share. Some foreign governments also adopted deliberate policy of partially cushioning their home based factories against high input costs. This was to enable them preserve employment, achieve high capacity utilization and gain on economies of scale which is critical in capital intensive industries like tyre manufacturing.

Let me assure all of you that Sameer Africa will continue to market high quality and safe products. We will continue with our innovation strategy of rolling out new product to enter segments where we were not adequately represented and to tap into the market potential.

Tyre products remain our core business. However as you are aware our Company is a shareholder in Sameer Business Park and there was a gazette notice to demolish a number of properties along Mombasa Road. Let me confirm that the planned demolition has been reversed and we are awaiting de-gazettement of the notice. This slowed down the letting process which is now back on track. Having settled the land acquisition issue, in the coming months, we will be working on site development master plan as part of our income diversification strategy.

The difficult business environment in 2010 caused erosion of margins and growth in revenue below plan. Decline in growth was more marked in Tanzania and Uganda with both countries going through elections and weakening of their currencies both against the dollar and Kenya shilling. The Company recorded revenue of 3.345 Billion up from 3.278 Billion in 2009. However, the Company posted a pretax profit of KShs 62.2 Million against KShs 221.4 Million in 2009 due to above mentioned factors.

The Board of Directors do not recommend any dividend payout for the year 2010

2011 OUTLOOK

2011 has started with continued rise in raw materials with commodity prices at an all-time high. Fuel energy costs have had a steep increase due to recent civil uprising in Middle East and North Africa. The Kenya shilling has weakened against the US Dollar to levels not experienced in the last two decades. We have taken measures and strategies to aggressively protect our margins.

The projected growth in the country's GDP in 2011, the increase in the number of motor vehicles and measures which we have put in place to protect margins and manage costs, give us confidence in step change improvement in our performance in 2011. We will also continue to lobby and partner with the Government to improve business environment. Finally, let me thank all shareholders, business partners and esteemed customers for their continued support which we are calling upon in the coming years.

My gratitude also goes to the members of the Board, Management and Staff for their valued contribution despite the difficult business environment. Let us all work together to take Sameer Africa to higher levels in 2011.

God bless Sameer Africa and you all.

Eng. Erastus Kabutu Mwongera - FIEK, RCE, CBS

Taarifa Ya Mwenyekiti

Kufuatia kuteuliwa kwangu kama Mkurugenzi wa Sameer Africa Limited mnamo Julai 2010 na kuchaguliwa baadaye kama Mwenyekiti wa Halmashauri, ningependa kuwashukuru wanahisa wote kwa kunipatia mimi fursa ya kuiongoza Kampuni hii na imani na usaidizi niliopata kutoka kwa Halmashauri. Kuchukua uongozi kutoka kwa Bw. Merali ni yote heshima na changamoto. Nina unyenyekevu mwingi kuitumikia Kampuni kama Mwenyekiti wenu.

Wacha nichukue nafasi hii kwanza, kwa niaba yenu kumshukuru Bw. Naushad Merali, Mwenyekiti wetu wa awali kwa uongozi wake imara wa Kampuni kwa miaka 25 iliopita.

Wakati wa kushikilia cheo Bw. Merali, pamoja na usaidizi wa Halmashauri ya Wakurugenzi, aliongoza mabadiliko ya kutoka Firestone East Africa Limited na aina zake za Firestone/Bridgestone kuwa Sameer Africa Limited na aina yake ya Yana na usambazaji wa Bridgestone. Hili lilitokea wakati ambapo ushuru wa pamoja wa nje wa magurudumu katika Afrika Mashariki ulisababisha upunguzi wa ushuru wa bidhaa zinazolingizwa kutoka nje kutoka asilimia 35 hadi asilimia 10 na kutoka asilimia 35 hadi asilimia 25 kutegemea ukubwa na kategoria. Upunguzi huu katika ushuru wa bidhaa zitokazo nje ulifungulia milango uingizi wa kila aina za magurudumu ya ubora tofauti na mengine yasiyofaa kwa hali za mahali katika nchi za Muungano wa Afrika Mashariki. Waendeshaji wengine baada ya tajriba ya magurudumu badalia wanarudi kwa Yana ambayo ndiyo bado aina ya pekee inayoongoza katika soko la nchini.

Pia mniruhusu kutoa masikitiko yetu kwa watu wa Japan kufuatia msiba na uharibifu wa tetemeko la ardhi na tsunami. Hili limesababisha hasara kubwa sana ya maisha, mvurugo wa maisha na shughuli za kiuchumi, kuhatarishwa na mnunurisho, uharibifu mkubwa wa mali na muundo msingi. Bridgestone ilioko Japan ndiyo mwanahisa wetu mkuu wa pili na mshirika wa biashara yetu kama msambazaji wao wa magurudumu ya aina ya Bridgestone katika Eneo la Muungano wa Afrika Mashariki. Tunatambua vyema na kuthamini uhusiano na ushirika huu.

Magurudumu ya aina ya Yana yanafaa sana kwa mandhari yetu ya nchini na hali za barabara, mwenendo wa kupakia na yanatoa sifa nzuri kabisa ambazo zinatambuliwa katika nchi tisa katika eneo hili ambapo tuko na soko. Sifa hizi ni pamoja na usalama, udumifu unaowakilisha thamani ya pesa na utulivu wa akili.

Mwaka unaoangaliwa, 2010, ulitoa changamoto nyingi kwa shughuli zetu. Biashara za utengenezaji wa magurudumu ulimwenguni kote, zilikabiliwa na bei za juu sana za malighafi ambapo kwa mfano bei za mpira asilia zilifikia kiwango cha juu kabisa katika historia iliorekodiwa ya biashara ya mpira. Katika kipindi kinachopitiwa, 2010, bei za wastani za mpira asilia na mpira wa usanisi ziliongezeka juu ya bei wastani za mwaka 2009 kwa asilimia 54 na 87 mtawalia kulingana na shilingi ya Kenya. Hizi mbili zinachangia asilimia 50 ya gharama za pembejeo za malighafi katika utengenezaji wa magurudumu. Gharama za malighafi mengine pia ziliongezeka ijapokuwa kwa viwango vidogo kuliko mipira asilia na ya usanisi. Vipengele vingine vilikuwa gharama za juu za nishati na viwango vyepesi kubadilika vya ubadilishanaji fedha vya fedha za eneo dhidi ya dola na shilingi ya Kenya ikiimarika dhidi ya fedha za Uganda na Tanzania. Hili liliathiri mapato na matumizi na faida katika masoko haya mawili ya kieneo.

Tuliongeza bei lakini soko halikuweza kuhimili kupata gharama za pembejeo kwa ukamilifu kupitia kwa bei na washindani wakipanga mkakati wa kutekeleza ongezeko dogo kujaribu kupata sehemu ya soko. Serikali nyingine za kigeni pia zilipanga sera ya kimaksudi ya

juu za pembejeo. Hili lilikuwa kuwawezesha kulinda ajira, kupata uwezo wa juu wa utumizi na pato kwa wekevu wa mizani ambayo ni muhimu katika viwanda vya mtaji shadidi kama utengenezaji wa magurudumu.

Wacha niwahakikishie nyote kuwa Sameer Africa itaendelea kuuza bidhaa za ubora na usalama wa juu. Tutaendelea na mkakati wetu wa uvumbuzi wa kutoa bidhaa mpya na kuingia sehemu ambazo hatukuwa tumewakilishwa vya kutosha na kutafuta soko linaloweza kuwepo.

Biashara yetu hasa inabakia kuwa bidhaa za magurudumu. Ijapokuwa kama mnavyojua Kampuni yetu ni mwana hisa katika Sameer Business Park na kulikuwa na ilani katika gazeti la kiserikali ya kuvunja majengo kadhaa kwenye barabara ya Mombasa. Wacha niwahakikishie kuwa uvunjaji uliopangwa umepinduliwa na tunangojea kuondolewa kwa ilani hiyo. Hili lilipunguza mwendo wa ukodishaji ambao sasa unaendelea tena. Tukiwa tumemaliza swala la kupata ardhi, katika miezi inayokuja, tutakuwa tunafanya kazi ya uendelezaji wa mpango mkuu wa eneo kama sehemu ya mkakati wetu wa upanuzi anuwai wa mapato.

Mazingira magumu ya biashara katika mwaka 2010 yalisababisha upunguaji wa faida na ukuaji wa mapato chini ya ilivyopangwa. Kupungua kwa ukuaji kulionekana zaidi Tanzania na Uganda ikiwa nchi zote mbili zikifanya uchaguzi na kudhoofika kwa fedha zao zote dhidi ya dola na shilingi ya Kenya.

Kampuni ilipata pato la Bilioni 3.345 likiongezeka kutoka Bilioni 3.278 katika mwaka wa 2009. Hata hivyo, Kampuni ilipata faida ya kabla ya ushuru ya KShs. Milioni 62.2 dhidi ya KShs. Milioni 221.4 katika mwaka 2009 kutokana na vipengele vilivyotajwa hapo juu.

Halmashauri ya Wakurugenzi haipendekezi ulipaji wowote wa gawio la faida katika mwaka 2010.

MTAZAMO WA MWAKA 2011

Mwaka wa 2011 umeanza na kuendelea kuongezeka kwa malighafi na bei za bidhaa zikiwa za rekodi ya juu kabisa. Gharama za nguvu za mafuta zimeongezeka sana kutokana na machafuko ya kiraia ya karibuni Mashariki ya Kati na Afrika Magharibi. Shilingi ya Kenya imedhoofika dhidi ya Dola ya Kimarekani kwa viwango ambavyo havijatokea katika miongo miwili iliopita. Tumechukua hatua na mikakati kulinda kwa hima faida yetu.

Ukuaji unaotarajiwa katika Jumla ya Pato la Taifa la nchi katika mwaka 2011, ongezeko katika idadi ya magari na hatua tulizozichukua kulinda faida na kudhibiti gharama, zinatupa matumaini ya kuendeleza mabadiliko katika utendaji wetu wa 2011. Pia tutaendelea kushawishi na kushirikiana na Serikali kuendeleza mazingira ya biashara.

Hatimaye, ningependa kuwashukuru wanahisa wote, washirika wa kibiashara na wateja watukufu kwa usaidizi wao wa kuendelea ambao tunauomba katika miaka inayokuja.

Shukrani zangu pia zinaenda kwa wanachama wa Halmashauri, Usimamizi na Wafanyikazi kwa mchango wao unaothaminiwa dhidi ya mazingira magumu ya biashara. Tufanye kazi sote pamoja kuipeleka Sameer Africa katika viwango vya juu zaidi katika mwaka 2011.

Mungu aibariki Sameer Africa na nyinyi nyote.

Mhandisi Erastus Kabutu Mwongera - FIEK, RCE, CBS

Managing Director's Remarks



2010 was a challenging year with cost of raw materials increasing beyond the forecast of every tyre manufacturer. Cost of raw materials constitutes the largest component of the final cost of a tyre. In a market that is not only competitive but where most consumers have limited disposable income; we could not fully recover input cost increases through price adjustments. This put our margins under pressure.

We continued pushing our internal costs down to partially mitigate against cost increases of raw materials. Two of the five major tyre raw materials (natural rubber and carbon black) are traded as commodities with most tyre manufacturers procuring from same sources. Synthetic rubber is petroleum based chemically manufactured material with limited global capacity and affected by changes in crude oil prices. We developed alternative sources for factory inputs to ensure security of supply against recurring global shortages of some of the raw materials and also aiming to achieve cost savings where possible. Each new source of raw material is subjected to rigorous certification process for safety reasons .

Safety and quality of our products remain paramount and in 2010 we received re-certification for ISO 9001:2000 Quality Management System, International Automotive Industry Standard ISO/TS 16949:2002 and ISO 14001:2004 Environment Management System. Consumers are gradually realizing the better kilometre yield and durability of YANA tyres against cheaper alternatives.

We continued our focus on innovations with products that have been put in the market in last one to two years contributing 14% of total tyre sales and these new products will provide future growth streams. We have various products under developments and we will be introducing new patterns from Bridgestone geared towards addressing gaps in the various market segments.

In 2010, we undertook upgrade and modernization of one of the major equipment in the factory to enhance productivity and reliability. We implemented SAP ERP system that integrates all the company's functions with real time information to support business operations.

Going forward in 2011, we shall continue implementing the following programs:

- Cost containment and efficiency improvement
- Aggressive margin protection.
- Product Innovation based on superior market understanding.
- Consolidate and grow our presence in existing and enter new markets.
- Continue improving on supply chain management and develop new alternate sources.
- Strengthen alliances with our customers, suppliers and key stakeholders.
- Efficient Manufacture of high quality products.
- Leveraging on the recently implemented SAP ERP system.
- Investment in our people and developing the requisite skills.

These actions are geared towards improving our performance and profitability in 2011.

Michael M. Karanja
Managing Director



Mr. Michael Karanja and Shishir Saraf receiving the SAP ERP award for the successful implementation of SAP.

Ripoti ya Mkurugenzi Mkuu

Mwaka 2010 ulikuwa wa changamoto na gharama za malighafi zikiongezeka kupita matarajio ya kila mtengenezaji magurudumu. Gharama za malighafi ndiyo kijenzi kikubwa zaidi cha gharama halisi ya gurudumu. Katika soko ambalo sio tu ni shindani lakini ambapo wateja karibu wote wana mapato kidogo ya kutumia; hatukuweza kupata kwa ukamilifu ongezeko la gharama za pembejeo kupitia maongezeko ya bei. Hili liliweka faida yetu kwenye shinikizo.

Tuliendelea kusukuma gharama zetu za ndani chini kupunguza kwa kiasi maongezeko ya gharama za malighafi. Malighafi aina mbili kati ya aina tano muhimu ya magurudumu (mpira asilia na kaboni nyeusi) zinazwa kama bidhaa na karibu watengenezaji wote wa magurudumu wakinunua kutoka mahali pamoja. Mpira wa usanisi ni kitu kilichotengenezwa kikemikali kutoka kwa msingi wa mafuta chenye uwezo mdogo kilimwengu na kinachoathiriwa na mabadiliko katika bei za mafuta yasiyosafishwa. Tuliendelea vyanzo badalia vya pembejeo za kiwanda kuhakikisha usalama wa ugavi dhidi ya upungufu unaotokea mara kwa mara ulimwenguni wa baadhi ya malighafi na kulenga pia kupata uokozi wa gharama inapowezekana. Kila chanzo kipya cha malighafi kinaekwa chini ya mkakati mkali wa uthibitisho kwa sababu za usalama.

Usalama na ubora wa bidhaa zetu vinabakia muhimu na katika mwaka 2010 tulipata uthibitisho tena wa Mfumo wa Usimamizi wa Ubora wa ISO 9001:2000, Kiwango cha Kimataifa cha Viwanda vya Kujiendesha ISO/TS 16949:2002 na Mfumo wa Usimamizi wa Mazingira ISO 14001:2004. Taratibu wateja wanatambua chumo bora la kilomita na udumifu wa magurudumu ya Yana dhidi ya mengine ya rahisi.

Tuliendelea kulenga kwenye uvumbuzi na bidhaa zilizowekwa sokoni katika mwaka mmoja au miwili iliopita zikichangia asilimia 14 ya jumla ya mauzo ya magurudumu na bidhaa

hizi mpya zitatoa mikondo ya ukuaji wa siku za baadaye. Tuna bidhaa tofauti zinazoendelezwa na tutaanzisha sampuli mpya kutoka Bridgestone zinazolenga kuziba mapengo katika vitengo tofauti vya soko.

Katika 2010, tulianza kukiinua na kukifanya cha kisasa kifaa kimojawapo muhimu katika kiwanda kuongeza uzalishaji na utegemezi. Tulitekeleza mfumo wa SAP ERP ambao unaunganisha majukumu yote ya kampuni na habari halisi za wakati kusaidia shughuli za biashara.

Tukienda mbele katika mwaka 2011, tutaendelea kutekeleza mipango ifuatayo:

- Udhhibiti wa gharama na uendelezi wa utendaji bora
- Ulinzi wa hima wa faida
- Uvumbuzi wa bidhaa kutokana na ufahamu wa hali ya juu wa soko
- Uimarisho na kukuza kuwepo kwetu katika masoko yaliopo na kuingia masoko mapya
- Kuendelea kuimarisha usimamizi wa mfululizo wa ugavi na kuendelea vyanzo vipya badali
- Kuimarisha ushirikiano na wateja wetu, wagawaji na washika dau muhimu
- Utengenezaji fanisi wa bidhaa za ubora wa juu
- Uwezo wa kushawishi kutokana na utekelezaji wa karibuni wa mfumo wa SAP ERP
- Ukekezaji katika watu wetu na kuendelea stadi zinazohitajiwa

Shughuli hizi zimelenga kuimarisha utendaji wetu na upataji faida katika mwaka 2011.

Michael M. Karanja
Mkurugenzi Mkuu



Yana Nguvu



Yana Kilimo

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2010, which disclose the state of affairs of the group and company.

1. Principal activities

The principal activities of the group are the manufacture, importation and sale of tyres and letting of premises in an export processing zone.

2. Results

The results for the year are set out on page 18.

3. Dividend

The net profit for the year of KShs 57,396,278 (2009 - KShs 158,005,291) has been added to retained earnings. The directors do not recommend payment of a dividend (2009 - KShs 0.50 cents per share).

4. Directors

The directors who served during the year are set out on page 2.

5. Auditors

The auditors, KPMG Kenya, have indicated their willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 22 March 2011.

By Order of The Board

Issa Timamy

Company Secretary

22 March 2011



Yana Stallion 215/70 R16



Yana Kazi 195 R14

Ripoti ya wakurugenzi

Wakurugenzi wana furaha ya kuwasilisha ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka ulioishia tarehe 31 Desemba 2010, ambazo zinaarifu hali ya shughuli za Kundi na Kampuni.

1. SHUGHULI KUU ZA KAMPUNI

Shughuli kuu za Kundi ni utengenezaji, uingizaji wa magurudumu kutoka nje na uuzaji na ukodishaji wa majengo katika eneo la Utengenezaji Bidhaa Nje.

2. MATOKEO

Matokeo ya mwaka yanaonyeshwa ukurasa wa 18.

3. Gawio La Faida

Faida ya jumla ya mwaka ya KShs 57,396,278 (2009 - KShs 158,005,291) imeongezwa kwenye mapato yaliobakishwa. Wakurugenzi hawapendekezi malipo ya gawio la faida (2009 - KShs senti 0.50 kwa kila hisa).

4. Wakurugenzi

Wakurugenzi waliofanya kazi katika mwaka wameonyeshwa kwenye ukurasa wa 2.

5. WAHASIBU

Wahasibu, KPMG Kenya, wameonyesha kuridhia kwao kuendelea kuwa wahasibu kuambatana na sehemu 159 (2) ya Sheria za Makampuni (kifungu 486).

6. Kukubaliwa kwa Taarifa za Kifedha

Taarifa za kifedha zilikubaliwa katika mkutano wa wakurugenzi uliofanywa tarehe 22 Machi, 2011.

Kwa Amri ya Halmashauri

Issa Timamy

Katibu wa Kampuni

22 Machi, 2011



Summit 7.50-16



Yana Faida 195 R15



Board of Directors

Seated from left:

Mr. M. M. Karanja-Managing Director

Eng. E. K. Mwongera-Chairman

Mr. T. D. Owuor-Director

Standing from left:

Mr. I. A. Timamy-Director

Mr. P. M. Gitonga-Director

Mr. S. M. Githiga-Director

Mr. A. H. Butt-Director

Corporate Governance

CORPORATE GOVERNANCE

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

THE BOARD OF DIRECTORS

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

Whilst the day to day running of the business of the company is delegated to the Managing Director, 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 meeting 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 appointment to Board Committees.

DIRECTORS' CONFLICT OF INTEREST

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

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is usually done through the distribution of the Company's Annual Report and the release of notices in the national press of its half-yearly and annual results. The Company also responds to letters from shareholders and interested parties.

In this regard, the company complies with its obligations contained in the Nairobi Stock Exchange's Listing Rules and the Capital Markets Authority Act as applicable in Kenya.

DIRECTORS' EMOLUMENTS AND LOANS

The remuneration of non-executive Directors consists of fee and sitting allowances for their services in connection with Board and Committee meetings.

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

Corporate Governance

The aggregate amount of emoluments paid to Directors for services rendered during the financial year ended 31 December 2010 is disclosed in Note 28 to financial statements.

SOCIAL AND ENVIRONMENTAL ISSUES

Road Safety-(Tyre Safety)

Sameer Africa limited is a key player in the Road Safety campaign through Tyre Safety. In 2010, Sameer Africa was a key participant in the National consultative workshop on Road safety organized by the ministry of Transport at the Bomas of Kenya in Nairobi. During the workshop, the following came to the fore.

- Poor public awareness of the importance of tyres on Road Safety. Current efforts to address the issue by National Road Safety Council has been less impactful
- Poor visibility and awareness of Black Spots around the country.
- Uncoordinated and less impactful Road Safety campaigns by various organizations and groups as part of the 2011 activities, Sameer Africa Limited proposes to involve in the following:

Highlighting the importance of Tyre safety in overall tyre safety

Statistics on Kenyan roads point to an increasing component of tyre bursts as major causes of fatal accidents. Some of the tyres on our vehicles in the country do not meet the required standards and attributes to be on the road. The result is that many lives are lost and thousands maimed through road carnage thereby impacting on our productivity.

- We will strive to create impactful communication on Yana's unique attributes i.e Safety, Reliability and Durability and educate motorists on tyres. Our tyres are relevant to the local road and terrains which puts them shoulders above similar tyres. Through such efforts coordinated, Sameer Africa as the industry leader shall be contributing on Road safety in order to complement government efforts.
- Education: Our Yana Tyre Centre's continue to offer education on all aspects of tyre care and maintenance in order to keep motorists safe and also optimize on the use of the tyres.
- Motorists are educated on various aspects such as tyre care, pressure checks, and alignment balancing are given by a highly competent technical team at the Retail outlets located at Koinange Street, Langata Road, Embakasi, ABC Place, Mombasa, Kisumu, Eldoret, Kampala and Dar Es Salaam.
- Occasional tyre clinics are offered to motorists and relevant information availed by the Technical team to enhance better understanding of tyres by motorists.

Environmental conservation

Sameer Africa certification of ISO 14001 underlines the importance of environmental conservation in its production systems.

In 2010, we positively contributed to environmental conservation efforts through efforts such as Rhino Charge, Rob's Magic Hog Charge that form strategic interventions to reduce human wildlife conflict.

The conservation agency Rhino Ark is responsible for electric fencing the Aberdare fence around Mount Kenya Environmental conservation has been under intense focus by both private, public and government agencies with a view to creating sustainable communities and mitigating global warming effects.

As a local manufacturer, we are obliged to be part of environmental conservation efforts for sustainable activities.



Sameer Africa employee donates tyres to Mr. Anjere of the Kenya Society of the Physically Handicapped to be used by the association's vehicle.

Shareholding

The number of shareholders as at 31 December 2010 was 15,003 (2009 - 15,025)

PRINCIPAL SHAREHOLDERS

The ten largest shareholdings in the company and the respective number of shares held at 31 December 2010 are 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 Paribas (Suisse) SA	4,417,600	1.59
5	Swani Coffee Estate Limited	1,942,760	0.70
6	Patrick Njogu Kariuki	1,747,900	0.63
7	Karim Jamal	1,618,400	0.58
8	Kamlesh Raichand Shah	1,583,066	0.57
9	Barclays (Kenya) Nominees Limited A/c 9203	1,500,000	0.54
10	Gulzar Amirali Somji & Ameer Ali Abdoulrasul Somji	1,286,771	0.46

Distribution of shareholders

Share range	Number of shareholders	Number of shares	%
0 - 500	7,965	2,300,585	0.83
501 - 5,000	5,799	9,361,890	3.36
5,001 - 10,000	550	4,201,449	1.51
10,001 - 100,000	598	16,986,487	6.10
100,001 - 1,000,000	78	22,734,853	8.17
Over 1,000,000	13	222,757,129	80.03
Total	15,003	278,342,393	100.00



Yana Pamoja Plus
7.50-16 12P



Yana Daima II
315/80 R-22.5

Management Team



Mr. M. M. Karanja
Managing Director



Mr. J. Gatundu
GM Finance



Mr. R. Omondi
Head of Planning Procurement &
Logistics



Mr. S. K. K. Mwenda
GM Marketing & Regional Sales



Ms. Irene Muinde
Head of Human Resources



Mr. S. Saraf
Chief Information Officer



Mr. J. Kabare
GM Manufacturing

Statement of directors' responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of Sameer Africa Limited set out on pages 18 to 48 which comprise the statements of financial position of the group and the company at 31 December 2010, and the group's statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors responsibility includes: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and presentation of these 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.

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires the Directors to ensure the group keeps proper accounting records which disclose with reasonable accuracy the financial position of the group and the company.

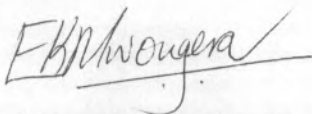
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan 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 the company and of the group operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the group and the company's ability to continue as a going concern and have no reason to believe the group and the company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 22 March 2011 and were signed on its behalf by:



Eng. Erastus Kabutu Mwongera - FIEK, RCE, CBS
Chairman



Michael M. Karanja
Managing Director

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

We have audited the group financial statements of Sameer Africa Limited set out on pages 18 to 48 which comprise the statements of financial position of the group and the company at 31 December 2010, and the group's statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 16, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 our 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, we consider 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 financial statements give a true and fair view of the financial position of the group and the company at 31 December 2010, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account have been kept by the group and the company, so far as appears from our examination of those books; and
- (iii) The statements of financial position of the company are in agreement with the books of account.



KPMG

Consolidated statement of comprehensive income

for the year ended 31 december 2010

	Notes	2010 KShs'000	2009 KShs'000
Revenue		3,344,895	3,278,118
Cost of sales		(2,682,988)	(2,414,382)
Gross profit		661,907	863,736
Other operating income		112,214	98,424
Distribution costs		(42,711)	(43,591)
Administrative expenses		(252,587)	(258,709)
Other operating expenses		(359,488)	(392,488)
Operating profit	7	119,335	267,372
Finance costs	9	(54,496)	(45,908)
Share of loss of equity accounted investees (net of income tax)	21	(2,640)	-
Profit before income tax		62,199	221,464
Income tax expense	10	(4,803)	(63,459)
Profit from operations		57,396	158,005
Other comprehensive income			
Foreign currency translation differences for foreign operations		(32,650)	(11,004)
Total other comprehensive income for the year		(32,650)	(11,004)
Total comprehensive income for the year		24,746	147,001
Earnings per share:			
Basic and diluted (KShs)	11	0.21	0.57
Dividends:			
Proposed final dividend for the year (KShs)	12	-	139,171

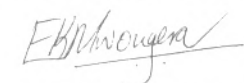
The notes set out on pages 23 to 47 form an integral part of these financial statements.

Consolidated statement of financial position

for the year ended 31 december 2010

	Note	Group		Company	
		2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
EQUITY					
Share capital	13	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings		853,608	795,463	166,896	127,054
Translation reserve		(77,178)	(43,779)	-	-
Proposed dividends		-	139,171	-	139,171
Total equity		2,168,142	2,282,567	1,558,608	1,657,937
Non-current liabilities					
Borrowings	14	6,547	6,818	5,816	-
Deferred income tax	15	3,368	4,855	-	-
Retirement benefit obligations	16	112,703	105,371	112,703	105,371
Total non-current liabilities		122,618	117,044	118,519	105,371
		2,290,760	2,399,611	1,677,127	1,763,308
Non-current assets					
Property, plant and equipment	17	563,155	556,860	513,224	495,827
Investment property	18	199,851	206,126	-	-
Investment in subsidiaries	20	-	-	156,686	146,686
Investment in associate	21	134,386	137,026	134,386	137,026
Prepaid operating lease rentals	19	751	759	751	759
Deferred income tax	15	28,845	29,558	789	9,590
Total non-current assets		926,988	930,329	805,836	789,888
Current assets					
Inventories	22	871,990	1,134,061	706,834	875,178
Receivables and prepayments	23	857,039	717,613	819,453	433,439
Current income tax		31,006	10,230	9,117	3,825
Cash and cash equivalents	24	158,284	213,141	94,377	155,485
Total current assets		1,918,319	2,075,045	1,629,781	1,467,927
Current liabilities					
Payables and accrued expenses	25	116,593	231,899	332,932	136,685
Current income tax		4,362	2,833	-	-
Borrowings	14	426,816	364,255	418,782	351,046
Unclaimed dividends		6,776	6,776	6,776	6,776
Total current liabilities		554,547	605,763	758,490	494,507
Net current assets		1,363,772	1,469,282	871,291	973,420
		2,290,760	2,399,611	1,677,127	1,763,308

The financial statements on pages 18 to 48 were approved by the Board of Directors on and were signed on its behalf by:



Eng. Erastus Kabutu Mwongera - FIEK, RCE, CBS
Chairman



Michael M. Karanja
Managing Director

Consolidated statement of changes in equity

for the year ended 31 december 2010

	Share Capital KShs'000	Retained earnings KShs'000	Translation reserve KShs'000	Proposed dividends KShs'000	Total KShs'000
2009:					
At start of year	1,391,712	777,864	(34,010)	-	2,135,566
Comprehensive income for the year					
Profit for the year	-	158,005	-	-	158,005
Other comprehensive income					
Currency translation differences	-	(1,235)	(9,769)	-	(11,004)
Contributions by and (distributions to owners)					
Proposed dividends	-	(139,171)	-	139,171	-
At end of year	1,391,712	795,463	(43,779)	139,171	2,282,567
2010:					
At start of year	1,391,712	795,463	(43,779)	139,171	2,282,567
Comprehensive income for the year					
Profit for the year	-	57,396	-	-	57,396
Other comprehensive income					
Currency translation differences	-	749	(33,399)	-	(32,650)
Dividends paid out	-	-	-	(139,171)	(139,171)
At end of year	1,391,712	853,608	(77,178)	-	2,168,142

The notes set out on pages 23 to 47 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 december 2010

	Share capital KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
2009:				
At start of year	1,391,712	222,465	-	1,614,177
Comprehensive income for the year				
Profit for the year	-	43,760	-	43,760
Contributions by and distributions to owners				
Proposed dividends	-	(139,171)	139,171	-
At end of year	1,391,712	127,054	139,171	1,657,937
2010:				
At start of year	1,391,712	127,054	139,171	1,657,937
Comprehensive income for the year				
Profit for the year	-	39,842	-	39,842
Dividends paid	-	-	(139,171)	(139,171)
At end of year	1,391,712	166,896	-	1,558,608

The notes set out on pages 23 to 47 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 december 2010

	Notes	2010 KShs'000	2009 KShs'000
Operating activities			
Cash generated from operations	26	171,395	429,164
Interest received	9	2,709	3,352
Interest paid	9	(38,085)	(47,385)
Income tax paid		(31,025)	(47,475)
Net cash generated from operating activities		104,994	337,656
Investing activities			
Purchase of property, plant and equipment	17	(127,705)	(90,468)
Rental income received	7	69,851	75,042
Proceeds from disposal of property, plant and equipment		1,219	2,716
Net cash used in investing activities		(56,635)	(12,710)
Financing activities			
Dividends paid		(139,171)	-
Proceeds from borrowings		6,782	-
Repayment of borrowings		(12,228)	(22,712)
Net cash absorbed by financing activities		(144,617)	(22,712)
(Decrease)/increase in cash and cash equivalents		(96,258)	302,234
Movement in cash and cash equivalents:			
At start of year		(137,905)	(446,229)
Decrease		(96,258)	302,234
Effects of exchange rate changes on cash and cash equivalents		(26,335)	6,090
At end of year	24	(260,498)	(137,905)

The notes set out on pages 23 to 47 form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 december 2010

1. REPORTING ENTITY

Sameer Africa Limited is a limited liability company incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The consolidated financial statements of the company as at and for the year ended 31 December 2010 comprise the company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the manufacture, importation and sale of tyres and letting of premises in an export processing zone. The address of its registered office is as follows:

LR No. 12081
Mombasa Road
PO Box 30429 - 00100
Nairobi

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis as modified by revaluation of certain property, plant and equipment and investment property.

(c) Functional and presentation currency

Items included in the consolidated 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 (KShs), which is the Group's functional and presentation currency.

(d) Use of estimates and judgement

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) 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.

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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 statement of comprehensive income.

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 share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, 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.

(b) Foreign currencies

(i) Foreign currency 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 statement of comprehensive income 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.

(ii) 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income 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

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(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 or loss 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.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The annual rates of depreciation used are 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 as appropriate at each financial reporting date.

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property and re-measured to fair value. Any gain arising on re-measurement is recognised in the profit or loss statement.

(d) Investment properties

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.

(e) Operating leases

Leases where 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 statement of comprehensive income on a straight-line basis over the period of the lease.

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(f) Impairment

(i) Financial assets

At each statement of financial position date the Group assesses whether there is objective evidence that financial assets not carried at fair value through statement of comprehensive income are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by comparing together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rate, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to statement of comprehensive income. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

(ii) Non financial assets

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Work in progress and manufactured finished goods are valued at production cost including direct production costs (cost of materials and labour) and an appropriate proportion of production overheads and factory depreciation. The cost of stocks is based on the weighted average principle.

If the purchase or production cost is higher than net realisable value, stocks are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The provision for slow moving finished goods inventory should be computed in accordance with the group's stocks internal provisioning policy, which requires management to consider making a full provision for items with a stockholding of greater than 12 months.

(h) Trade and other receivables

Trade and other receivables are stated at amortised cost less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end.

(i) Employee benefits

(i) Defined contribution plan

The company and all its employees also contribute to the respective National Social Security Funds in the countries in which the group operates, which are defined contribution schemes.

The company's contributions to the defined contribution schemes are charged to the profit or loss in the year to which they relate. The company has no further obligation in respect of the defined contribution plans once the contributions have been paid.

(ii) Staff gratuity (Defined Benefit Plan)

The group has a defined benefit plan for its unionised employees under its Collective Bargaining Agreement. The Group's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Employees who retire on reaching the retirement age fixed by the group or grounds of ill health receive twenty one days basic wage for less than six years of service or services per completed years of service. For six years of service or more, employees receive twenty eight days basic wage per completed year of service. This is based on the wage or salary at the time of such resignation or termination.

The provision for liability recognised in the financial statements is the estimated entitlement as a result of services rendered by employees up to the financial reporting date. The defined benefit scheme is unfunded.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The Group recognises all actuarial gains and losses and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(iii) Leave accrual

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(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(j) Taxation

Tax on the operating results for the year comprises both current and change in deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is provided on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised only to the extent that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rates currently enacted.

(k) Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise cash in hand, bank balances, and short term deposits net of bank overdrafts.

(l) Related party transactions

The group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and group or related companies.

(m) Dividends

Dividends 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.

(n) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the group include term deposits and receivables arising from day to day sale of goods and services and cash and bank balances.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio at every financial reporting date to ensure that all financial instruments are appropriately classified.

Loans and receivables which include term deposits and receivables arising from day to day sale of goods and services, are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method.

A financial asset is derecognised when the group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

(o) Intangible assets

(i) Goodwill/premium on acquisition

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Notes to the consolidated financial statements

for the year ended 31 december 2010

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in profit and loss.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

(p) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(q) Provisions

A provision is recognised in the financial statements when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Finance income and expenses

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the statement of comprehensive income using the effective interest rate.

Foreign exchange gains and losses are reported on a net basis.

(s) Segmental reporting

A segment is a distinguishable component of the Group that is providing related products or services (business segment), or is providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. The Group's primary form for segment reporting is based on geographic segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Comparative information

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements:

- IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The amendment to IAS 24 will become mandatory for the Group's 2011 financial statements and are expected to have an impact on the presentation of related party

Notes to the consolidated financial statements

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- IFRS 9 Financial Instruments retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised costs and fair value. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.
- IFRS 9 will become mandatory for the Group's 2014 financial statements and is not expected to have a significant effect on the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POICIES

Overview

The Group has exposure to the following risks from its use of financial instruments:

- (a) Credit risk;
- (b) Liquidity risk; and
- (c) Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight the Group's risk management framework. The finance department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Company has a stringent debt provisioning policy that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance of specific loss component that relates to individually significant exposures.

The Group also manages the level of credit risk by focusing on customer satisfaction as a key performance indicator. It also maintains a short credit period. Due to the nature of the Group's activities, credit risk concentrations are high and as such close monitoring of credit relationships is carried out.

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(a) Credit risk (continued)

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2010	2009	2010	2009
	KShs '000	KShs '000	KShs '000	KShs '000
Cash equivalents	158,284	213,141	94,377	155,485
Trade receivables (Including amounts due from related parties)	468,952	532,522	286,266	312,735
Less: Collateral held	-	(22,657)	-	(22,657)
Net exposure on trade receivables	468,952	509,865	286,266	290,078
Other receivables (Including amounts due from related parties)	388,087	185,091	373,926	120,704
	857,039	694,956	660,192	410,782
	1,015,323	908,097	754,569	566,267

Guarantees

The Group obtains financial guarantees in the form of customer refundable deposits and bank guarantees in the ordinary course of business for the supply of goods from certain suppliers.

Impairment losses

The aging of trade receivables at the reporting date was:

	Group		Company	
	2010	2009	2010	2009
	KShs '000	KShs '000	KShs '000	KShs '000
Not past due	115,419	95,806	82,078	88,825
Past due but not impaired:				
- by up to 30 days	32,682	190,091	22,151	86,317
- by 31 to 60 days	132,025	103,765	85,265	48,493
- by 61 to 90 days	63,854	32,648	38,530	12,833
- by 91 to 180 days	71,392	40,649	31,463	17,437
- over 181 days	53,580	69,563	26,779	58,830
Total past due but not impaired	353,533	436,716	204,188	223,910
Total unimpaired	468,952	532,522	286,266	312,735
Impaired	161,104	152,320	99,865	92,601
Total trade receivables	630,056	684,842	386,131	405,336

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the consolidated financial statements

for the year ended 31 december 2010

(b) Liquidity risk (continued)

The maturities of the Group's financial obligations can be analysed as shown below:

(i) Group

31 December 2010:	Less than 1 year KShs'000	Due between 1-2 years KShs'000	Due between 2-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
Financial liabilities					
Borrowings	8,034	6,547	-	-	14,581
Bank overdrafts	418,782	-	-	-	418,782
Unclaimed dividends	6,776	-	-	-	6,776
Trade and other payables	116,593	-	-	-	116,593
Current income tax payable	4,362	-	-	-	4,362
At 31 December 2010	554,547	6,547	-	-	561,094

31 December 2009:

Financial liabilities					
Borrowings	13,209	6,818	-	-	20,027
Bank overdrafts	344,228	-	-	-	344,228
Unclaimed dividends	6,776	-	-	-	6,776
Trade and other payables	231,899	-	-	-	231,899
Current income tax payable	2,883	-	-	-	2,833
At 31 December 2009	598,995	6,818	-	-	605,813

(ii) Company

31 December 2010:	Less than 1 year KShs'000	Due between 1-2 years KShs'000	Due between 2-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
Financial assets and liabilities					
- borrowings	-	5,816	-	-	5,816
- bank overdrafts	418,782	-	-	-	418,782
- unclaimed dividends	6,776	-	-	-	6,776
- trade and other payables	332,932	-	-	-	332,932
At 31 December 2010	758,490	5,816	-	-	764,306

31 December 2009:

Financial assets and liabilities					
- bank overdrafts	351,046	-	-	-	351,046
- unclaimed dividends	6,776	-	-	-	6,776
- trade and other payables	136,685	-	-	-	136,685
At 31 December 2009	494,507	-	-	-	494,507

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(c) 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 2010 would have had on the translation reserve are shown below:

Uganda

At 31 December 2010, if the Ugandan Shilling had weakened/strengthened by 3% (2009: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the consolidated translation reserve would have been Shs 6,673,195 (2009: Shs3,235,000) higher/lower.

Tanzania

At 31 December 2010, if the Tanzanian Shilling had weakened/strengthened by 1% (2009: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the consolidated translation reserve would have been Shs 21,565,240 (2009: Shs 8,917,000) higher/lower.

Group Exchange Risk from recognised financial assets and liabilities

At 31 December 2010, if the Kenya Shilling had weakened/strengthened by 5% against the US dollar/Euro with all other variables held constant, consolidated post tax profit for the year would have been Shs 1,454,662 (2009: Shs 4,137,000) higher/lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2010, if the Kenya Shilling had weakened/strengthened by 5% against the US dollar/Euro with all other variables held constant, consolidated post tax profit for the year would have been Shs 21,909,315 (2009: 25,911,00) 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 2010, if the Kenya Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 1,863,840 (2009: Shs 3,767,000) higher/lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2010, if the Kenya Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 19,520,034 (2009: Shs 20,269,000) lower/higher, mainly as a result of US dollar denominated trade payables and borrowings.

(ii) Cash flow and fair value interest rate risk

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 2010, an increase/decrease of 100 basis points for the local currency borrowings and increase/decrease of 1 basis points for the foreign currency borrowings would have resulted in an decrease/increase in consolidated post tax profit of Shs 1,115,042 (2009: Shs 1,306,000), mainly as a result of higher/lower interest charges on variable rate borrowings.

Company

At 31 December 2010, an increase/decrease of 100 basis points for the local currency borrowings and increase/decrease of 1 basis points for the foreign currency borrowings would have resulted in an decrease/increase in company post tax profit of Shs 1,158,624 (2009: Shs 1,306,000), mainly as a result of higher/lower interest charges on variable rate borrowings.

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(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividend payout to its shareholders.

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 2010 and 2009 were as follows:

Group:	2010 KShs'000	2009 KShs'000
Total borrowings (Note 14)	433,363	371,072
Less: Cash and cash equivalents	(158,284)	(213,172)
Net debt	275,079	157,900
Total equity	2,168,142	2,308,768
Total capital	2,443,221	2,466,668
Gearing ratio	11.3%	6.4%
Company:		
Total borrowings	424,598	351,046
Less: cash and cash equivalents	(94,377)	(155,485)
Net debt	330,221	195,561
Total equity	1,558,608	1,685,268
Total capital	1,888,829	1,880,829
Gearing ratio	17.5%	10.4%

5. SEGMENTAL REPORTING

The directors consider the Group to comprise of three business segment in terms of geography, which is the manufacture and sale of tyres and tubes by the parent company in Kenya (Sameer Africa Limited), with distribution extensions through wholly owned subsidiaries in Uganda and Tanzania.

The information about reportable segments is as follows:

	Kenya 2010 KShs '000	Uganda 2010 KShs'000	Tanzania 2010 KShs '000	Consolidated 2010 KShs '000
Revenue	2,490,928	268,544	585,423	3,344,895
Cost of sales	(1,969,894)	(235,663)	(477,431)	(2,682,988)
Other income	112,054	126	34	112,214
Operating expenses	(513,948)	(54,220)	(105,738)	(673,906)
Share of loss in associate	(2,640)	-	-	(2,640)
Interest income	2,709	-	-	2,709
Interest expense	(37,838)	(247)	-	(38,085)
Income tax expense/(credit)	(18,035)	14,522	(1,290)	(4,803)
Profit for the year attributable to equity-holders of the parent company	63,336	(6,938)	998	57,396

Notes to the consolidated financial statements

for the year ended 31 december 2010

Other information:

Segment assets	2,243,527	146,842	454,939	2,845,308
Segment liabilities	465,529	2,076	209,560	677,165
Capital expenditure	127,704	-	-	127,704
Depreciation expense	124,654	1,116	1,802	127,572
Amortisation of operating leases	8	-	-	8

	Kenya 2009 KShs '000	Uganda 2009 KShs '000	Tanzania 2009 KShs '000	Consolidated 2009 KShs '000
Revenue	2,273,553	354,342	650,223	3,278,118
Cost of sales	(1,621,320)	(287,535)	(505,528)	(2,414,383)
Other income	96,553	1,730	141	98,424
Operating expenses	(563,331)	(45,842)	(87,489)	(696,662)
Interest income	3,352	-	-	3,352
Interest expense	(47,049)	(140)	(196)	(47,385)
Income tax expense/(credit)	(43,190)	1,855	(22,124)	(63,459)
Profit for the year attributable to equity-holders of the parent company	98,568	24,410	35,028	158,005

Other information:

Segment assets	2,406,327	198,256	400,792	3,005,375
Segment liabilities	553,243	16,330	153,236	722,809
Capital expenditure	82,535	2,404	5,529	90,468
Depreciation expense	135,792	2,439	2,757	140,988
Amortisation of operating leases	11	-	-	11

6 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.

(a) Critical accounting estimates and assumptions

• Income taxes

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

The critical estimates are described in Notes 3 (j), 10 and 15.

• 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 3(c)(iii) and Note 17.

• Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables as described in Note 4(a).

• Investment property

Critical estimates are made by the directors in determining amortization rates for investment property. The rates used are set out in Note 3(d) and Note 18.

Notes to the consolidated financial statements

for the year ended 31 december 2010

• Inventory impairment

Critical estimates and judgements are made in determining the impairment loss on stocks as described in Note 3 (g).

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

In the process of applying the company's accounting policies, management has made judgements in determining whether assets are impaired.

7. GROUP OPERATING PROFIT

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

	2010 KShs'000	2009 KShs'000
Depreciation on property, plant and equipment (Note 17)	121,297	134,709
Depreciation on investment property (Note 18)	6,275	6,279
Investment property:		
- Rental income	(69,851)	(75,042)
- Operating expense	35,409	20,354
Provision for impairment losses:		
- Receivables	8,784	15,711
- Inventory	35,408	46,789
Repairs and maintenance	96,254	74,920
Employee benefits expense (Note 8)	380,454	375,190
Auditors' remuneration	4,305	4,100

8. GROUP EMPLOYEE BENEFITS EXPENSE

The following items are included within employee benefits expense:

Salaries and wages	357,744	354,997
Defined contribution scheme	8,823	9,128
National Social Security Fund	3,137	2,655
Defined benefit scheme (Note 16)	10,750	8,410
	380,454	375,190

9. GROUP FINANCE COSTS

Interest expense on bank borrowings	38,085	47,385
Interest income	(2,709)	(3,352)
Net foreign exchange losses	19,120	1,875
Net finance costs	54,496	45,908

10. GROUP INCOME TAX EXPENSE

Current income tax	12,895	52,377
Under/(over) provision of current tax in prior year	(8,456)	-
Deferred income tax charge (Note 15)	327	11,082
Under provision of deferred tax in prior year	37	-
Income tax expense	4,803	63,459

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:

Notes to the consolidated financial statements

for the year ended 31 december 2010

	2010 KShs'000	2009 KShs'000
Profit before income tax	62,199	221,464
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2009 - 30%)	18,660	66,439
Tax effect of:		
Income not subject to income tax	(7,097)	(5,753)
Expenses not deductible for income tax purposes	2,927	4,144
Over/(under) provision of deferred income tax in prior years	(8,667)	2,238
Under provision of current income tax in prior years	80	(2,127)
Deferred tax not recognised	131	-
Effect of different income tax rate for Sameer Industrial Park Limited	(1,231)	(1,483)
Income tax expense	4,803	63,459

11. 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.

	2010	2009
Profit attributable to equity holders of the Company (KShs '000)	57,396	158,005
Weighted average number of ordinary shares in issue ('000)	278,342	278,342
Basic earnings per share (KShs)	0.21	0.57

There were no potentially dilutive shares outstanding at 31 December 2010 or 2009. Diluted earnings per share are therefore the same as basic earnings per share.

12. DIVIDENDS PER SHARE

For the year ended 31 December 2010, the directors have not proposed any dividends. (2009 - KShs 0.50 cents per share totalling to KShs 139,171,200).

13.. SHARE CAPITAL

	Number of shares	Ordinary shares KShs'000
Balance at 1 January 2009, 31 December 2009 and 31 December 2010	278,342,400	1,391,712

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

Notes to the consolidated financial statements

for the year ended 31 december 2010

14. BORROWINGS

The borrowings are made up as follows:

	Group		Company	
	2010	2009	2010	2009
	KShs '000	KShs '000	KShs '000	KShs '000
Non-current				
Bank borrowings	6,547	6,818	5,816	-
Current				
Bank borrowings	8,034	13,209	-	-
Bank overdraft	418,782	351,046	418,782	351,046
	426,816	364,255	418,782	351,046
Total borrowings	433,363	371,073	424,598	351,046

Borrowings are secured by way of a negative pledge on certain of the company's land and buildings that belong to respective subsidiary.

Weighted average effective interest rates at the year end were:

	2010	2009
	%	%
Bank overdrafts	8	8
Bank borrowings	16.5	16.5

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 statement of financial position date.

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

	Group		Company	
	2010	2009	2010	2009
	KShs '000	KShs '000	KShs '000	KShs '000
Between 1 and 2 years	6,547	6,818	5,816	-

15. 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:

(a) Group	2010	2009
	KShs'000	KShs'000
Opening adjustment	-	(3,034)
At start of year	(27,737)	(36,720)
Charge to statement of comprehensive income (Note 9)	327	11,082
Prior year under provision	37	-
Currency translation differences	1,896	935
At end of year	(25,477)	(27,737)
As disclosed on the statement of financial position:		
Deferred income tax assets	(28,845)	(31,076)
Deferred income tax liabilities	3,368	3,339
	(25,477)	(27,737)

Notes to the consolidated financial statements

for the year ended 31 december 2010

Consolidated deferred income tax assets and liabilities and deferred income tax charge/(credit) in the Statement of comprehensive income, are attributable to the following items:

2010:	1.1.2010 KShs '000	Charged/ (credited) to P/L KShs '000	Prior year under- provision KShs '000	Exchange differences KShs '000	31.12.2010 KShs '000
Property, plant and equipment	37,972	5,712	-	(8)	43,676
Investment property				-	-
Provisions and other deductible temporary differences	(69,048)	(5,382)	5	1,904	(72,521)
Deferred income tax asset	(31,076)	330	5	1,896	(28,845)

	Charged/ 1.1.2010 KShs '000	Prior year (credited) to P/L KShs '000	under- provision KShs '000	Exchange differences KShs '000	31.12.2010 KShs '000
Property, plant and equipment	-	-	-	-	-
Investment property	3,374	(39)	-	-	3,335
Provisions and other deductible temporary differences	(35)	36	32	-	33
Deferred income tax liability	3,339	(3)	32	-	3,368
Net deferred income tax asset	(27,737)	327	37	1,896	(25,477)

2009:	1.1.2009 KShs '000	Charged KShs '000	Exchange differences KShs '000	31.12.2009 KShs '000
Opening adjustment				(3,034)
Property, plant and equipment	63,741	(26,232)	(2)	37,507
Investment property	3,455	(81)	(3)	3,371
Provisions and other deductible temporary differences	(99,990)	34,058	351	(65,581)
Tax losses	(8,192)	8,192	-	-
Net deferred income tax asset	(40,986)	15,937	346	(27,737)
Deferred income tax asset not recognised	4,266	(4,266)	-	-
Deferred income tax asset recognised	(36,720)	11,671	346	(27,737)

(b) Company

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

	2009 KShs'000	2008 KShs'000
Property, plant and equipment	44,740	37,786
Provisions and other deductible temporary differences	(45,529)	(47,376)
Net deferred income tax asset	(789)	(9,590)

Notes to the consolidated financial statements

for the year ended 31 december 2010

16. RETIREMENT BENEFIT OBLIGATIONS - Group and Company

At start of year	105,371	116,037
Charged to employee benefits costs (Note 8)	10,750	(8,410)
Utilised during year	(3,418)	(2,256)
At end of year	112,703	105,371
Movement in present value of the defined benefit obligations:		
Present value of unfunded obligations:		
- Active members	104,584	98,078
- Transferred to management	8,119	7,605
- (Under)/over provision		(312)
Total present value of unfunded obligations	112,703	105,371
Net liability in the consolidated statement of financial position	112,703	105,371
Current service cost net of employees contributions	5,870	5,818
Interest on obligation	10,691	12,618
Net actuarial gains recognised in the year	(6,123)	(7,642)
Total include in "staff costs" in respect of gratuity arrangement	10,438	17,717
Reconciliation:		
Net liability at start of year	105,371	93,148
Net expense recognised in employee costs	10,438	17,717
Employer contributions	(3,418)	(5,182)
Prior year (under)/over provision	312	(312)
Net liability at end of year	112,703	105,371
Actuarial assumptions:		
Discount rate (% p.a.)	10.0%	13.5%
Future salary increases (% p.a.)	7.0%	11.0%
Future pension increases (% p.a.)	N/A	N/A

17. PROPERTY, PLANT AND EQUIPMENT (a) Group

2010:	Buildings KShs'000	Plant & machinery KShs'000	Vehicles & equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost					
At 1 January 2010	329,481	2,286,216	267,877	107,114	2,990,688
Reclassification	(7,744)	(273,822)	(20,581)	(914)	(303,061)
At 31 December 2010	321,737	2,012,394	247,296	106,200	2,687,627
Additions	865	27 539	77 467	21 834	127 705
Transfers	786	48 471	33 568	(82,825)	-
Currency translation	-	-	(113)	-	(113)
Disposals	-	-	(2,779)	-	(2,779)
At 31 December 2010	323,388	2,088,404	355,439	45,209	2,812,440

Notes to the consolidated financial statements

for the year ended 31 december 2010

Note 17 (continued)

Accumulated depreciation					
At 1 January 2010	178,121	2,015,460	240,247	-	2,433,828
Reclassification	(4,076)	280,585	18,400	-	303,061
	174,045	1,734,875	221,847	-	2,130,767
Charge for period	11,297	93,130	16,870	-	121,297
Disposal			(2 779)	-	(2 779)
At 31 December 2010	185,342	1,828,005	235,938	-	2,249,285
Net book value					
At 31 December 2010	138,046	260,399	119,501	45,209	563,155

2009:			Capital		
	Buildings	Plant &	Vehicles &	work in	Total
	KShs'000	machinery	equipment	progress	KShs'000
Cost					
At 1 January 2009	328,420	2,294,697	277,278	27,595	2,927,990
Transfers	1,061	(8,481)	(1,236)	(7,734)	(16,390)
Additions	-	-	3,215	87,253	90,468
Disposals	-	-	(10,790)	-	(10,790)
Currency translation	-	-	(590)	-	(590)
At 31 December 2009	329,481	2,286,216	267,877	107,114	2,990,688
Accumulated depreciation	(165,930)	(1,913,854)	(230,051)	-	(2,309,835)
Charge for the year	(12,191)	(101,606)	(20,912)	-	(134,709)
Disposals	-	-	10,716	-	10,716
At 31 December 2009	(178,121)	(2,015,460)	(240,247)	-	(2,433,828)
Net book value					
At 31 December 2009	151,360	270,756	27,630	107,114	556,860

(b) Company

			Capital		
	Buildings	Plant &	Vehicles &	work in	Total
	KShs'000	machinery	equipment	progress	KShs'000
Cost					
At 1 January 2010	315,820	2,225,479	228,827	88,740	2,858,866
Reclassification	(7,744)	(273,822)	(20,581)	(914)	(303,061)
	308,076	1,951,657	208,246	87,826	2,555,805
Additions	865	27,237	77,466	21,834	127,402
Transfers	786	48,471	33,568	(82,825)	-
Disposals	-	-	(2,779)	-	(2,779)
At 31 December 2010	309,727	2,027,365	316,501	26,835	2,680,428
Depreciation					
At 1 January 2010	165,994	1,986 632	210,413	-	2,363,039
Reclassification	(4,076)	(280,585)	(18,400)	-	(303,061)
	161,918	1,706 047	192,013	-	2,059,978
Charge for period	11,297	88,772	9 936	-	110,005
Revaluation/disposal	-	-	(2,779)	-	(2,779)

Notes to the consolidated financial statements

for the year ended 31 december 2010

Note 17 (continued)

Net Book Value At 31 December 2010	136,512	232,546	117,331	26,835	513,224
Cost					
At 1 January 2009	316,835	2,237,105	302,171	4,051	2,860,162
Reclassification	(1,015)	(11,626)	(62,945)	4,931	(70,655)
Additions	-	-	-	79,758	79,758
Disposals	-	-	(10,399)	-	(10,399)
At 31 December 2009	315,820	2,225,479	228,827	88,740	2,858,866
Depreciation					
At 1 January 2009	(156,657)	(1,898,395)	(268,415)	-	(2,323,467)
Transfers and reclassification	2,085	6,373	61,534	-	69,992
Charge for period	(11,422)	(94,610)	(13,857)	-	(119,889)
Disposal	-	-	10,325	-	10,325
At 31 December 2009	(165,994)	(1,986,632)	(210,413)	-	(2,363,039)
Net book value At 31 December 2009	149,826	238,847	18,414	88,740	495,827

18. INVESTMENT PROPERTY - Group

	2010 KShs'000	2009 KShs'000
At start of year	206,126	212,405
Depreciation	(6,275)	(6,279)
At end of year	199,851	206,126
Comprising:		
Cost	250,941	250,941
Accumulated depreciation	(51,090)	(44,815)
At end of year	199,851	206,126

The directors' estimate of the fair value of investment property is KShs 400 million (2009 - KShs 400 million).

19. PREPAID OPERATING LEASE RENTALS

	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
At start of year	759	770	759	770
Amortisation charge for the year	(8)	(11)	(8)	(11)
At end of year	751	759	751	759

20. 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:

Notes to the consolidated financial statements

for the year ended 31 december 2010

	Country of incorporation	% interest held	2010 KShs'000	2009 KShs'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			(35,000)	(45,000)
			156,686	146,686

21. INVESTMENT IN ASSOCIATES

	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
At start of year	137,026	137,026	137,026	137,026
Share of loss	(2,640)	-	(2,640)	-
At end of year	134,386	137,026	134,386	137,026

The Group's has an interest of 25% in the equity of its principal associate, Sameer Business Park Limited. Sameer Business Park Limited is incorporated in Kenya and is unlisted. The assets, liabilities, revenue, expenses and equity of Sameer Business Park Limited are as follow:

	Assets KShs'000	Liabilities KShs'000	Revenues KShs'000	Expenses KShs'000	Retained Earnings B/F KShs'000	Share Capital KShs'000
2010	2,275,744	(1,738,199)	-	11,029	22,455	(560,000)
2009	1,575,601	(1,027,027)	-	1,383	11,426	(560,000)

Sameer Business Park Limited is currently not trading.

22. INVENTORIES

	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
Raw materials	184,404	341,479	184,404	339,583
Stores and supplies	139,151	108,029	138,924	108,029
Work in progress	31,675	37,207	31,675	37,207
Finished goods	516,760	647,346	351,831	390,359
	871,990	1,134,061	706,834	875,178

23. RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
Trade receivables	630,056	684,842	386,131	405,336
Less: Provision for impairment	(161,104)	(152,320)	(99,865)	(92,601)

Notes to the consolidated financial statements

for the year ended 31 december 2010

Prepayments	12,054	12,154	12,054	9,041
Amounts due from related companies (Note 28 (d) (i))	6,526	7,639	6,526	7,639
Other receivables	369,507	165,298	361,872	104,024
Receivables from subsidiaries (Note 28(d) (ii))	-	-	152,735	-
	857,039	717,613	819,453	433,439

24. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2010	2009	2010	2009
	KShs '000	KShs '000	KShs '000	KShs '000
Cash at bank and in hand	158,284	213,141	94,377	155,485
Bank overdraft (Note 14)	(418,782)	(351,046)	(418,782)	(351,046)
	(260,498)	(137,905)	(324,405)	(195,561)

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

25. PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2010	2009	2010	2009
	KShs '000	KShs '000	KShs '000	KShs '000
Trade payables	40,701	161,068	78,491	76,311
Amounts due to related companies (Note 28(d) (iii))	2,419	250	2,419	250
Amounts due to subsidiaries (Note 28(d) (ii))	-	-	168,259	52,620
Accrued expenses and other payables	73,473	70,581	83,763	7,504
	116,593	231,899	332,932	136,685

26. CASH GENERATED FROM OPERATIONS

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

	2010	2009
	KShs'000	KShs'000
Profit before income tax	62,199	221,464
Adjustments for:		
Interest income (Note 9)	(2,709)	(3,352)
Rental income	(69,851)	(75,042)
Interest expense (Note 9)	38,085	47,385
Share of loss in associate (Note 21)	2,640	-
Profit on sale of property plant and equipment	(1,219)	(2,711)
Depreciation on property plant and equipment (Note 17)	121,297	134,709
Depreciation on investment property (Note 18)	6,275	6,279
Amortisation of prepaid operating lease rentals (Note 19)	8	11
Changes in working capital:		
- Receivables and prepayments	(139,426)	140,159
- Inventories	262,071	20,674
- Payables and accrued expenses	(115,306)	(8,398)
- Provisions for retirement benefit obligations	7,331	(10,666)

Notes to the consolidated financial statements

for the year ended 31 december 2010

27. CONTINGENT LIABILITIES

There were no contingent liabilities as at the end of the year.

28. 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:

	2010	2009		
(a) Sale of goods and services	KShs'000	KShs'000		
Ryce East Africa Limited	6,313	5,739		
H Young (EA) Limited	16,975	16,547		
	23,288	22,286		
(b) Purchase of goods and services				
Ryce East Africa Limited	2,034	3,449		
Airtel Kenya limited				
(formerly known as Celtel Kenya Limited)	-	2,543		
Swift Global Kenya Limited	385	5,692		
	2,419	11,684		
(c) Key management compensation	2010	2009		
	KShs'000	KShs'000		
Salaries and other short-term employment benefits	26,553	28,221		
(d) Outstanding balances				
(i) Amounts due from:	Group	Company		
	2010	2009	2010	2009
	KShs '000	KShs '000	KShs '000	KShs '000
Subsidiaries:				
Sameer Industrial Park Limited	-	-	-	-
Sameer Africa (Uganda) Ltd	-	-	-	-
Yana Tyre Centre Limited	-	-	45,104	-
Sameer Africa (Tanzania) Ltd	-	-	107,631	-
	-	-	152,735	-
Other related companies:				
Ryce East Africa Limited	2,514	3,536	2,514	3,536
H Young (EA) Limited	4,007	3,174	4,007	3,174
Swift Global Kenya Limited	-	269	-	269
Yansam Motors (Tanzania) Limited	-	518	-	518
Eveready Batteries (K) Ltd	5	142	5	142
	6,526	7,639	6,526	7,639

Notes to the consolidated financial statements

for the year ended 31 december 2010

(ii) Amounts due to:	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
Subsidiaries:				
Taqwa Trading Limited	-	-	29,371	-
Sameer Industrial Park Limited	-	-	116,344	-
Sameer Africa (Uganda) Ltd	-	-	10,548	-
Sameer EPZ Limited	-	-	11,996	52,620
	-	-	168,259	52,620

Other related companies:

Ryce East Africa Limited	2,052	250	2,034	250
Swift Global Kenya Limited	385	-	385	-
	2,437	250	2,419	250

Company:	2010 KShs'000	2009 KShs'000
(a) Directors' remuneration		
Fees for services as a director	5,340	4,950
Other emoluments (included in key management compensation above)	13,239	14,273
Total remuneration of directors of the Company	18,579	19,223

29. COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
Property, plant and equipment	19,486	59,343	19,486	59,343

Notes to the consolidated financial statements

for the year ended 31 december 2010

(b) Operating lease commitments

Payments due under lease hire of motor vehicles are as follows:

	Group		Company	
	2010	2009	2010	2009
	KShs '000	KShs '000	KShs '000	KShs '000
Not later than 1 year	3,164	2,138	3,164	2,138
Later than 1 year and not later than 5 years	225	225	225	225
	3,389	2,363	3,389	2,363
Payments due under lease rentals:				
Not later than 1 year	34,962	34,190	730	2,867
Later than 1 year and not later than 5 years	98,447	116,597	225	590
Later than 5 years	32,691	32,691	-	-
	166,100	183,478	955	3,457

CMA-LIBRARY

Group five year result

for the year ended 31 december 2010

	2006 Shs'000	2007 Shs'000	2008 Shs'000	2009 Shs'000	2010 Shs'000
Turnover	3,171,049	3,469,283	3,026,747	3,278,118	3,344,895
Group profit before tax	(14,865)	166,520	165,522	221,464	62,199
Taxation	(7,423)	(47,905)	(14,674)	(63,459)	(4,803)
Profit after taxation	(22,288)	118,615	150,848	158,005	57,396
Dividends (gross)	-	-	-	(139,171)	-
Retained profit transferred to/(from)					
Revenue reserve	(22,288)	118,615	150,848	18,834	57,396
Earnings per share (Shs)	(0.08)	0.43	0.43	0.57	0.21
Dividend per share (Shs)	-	-	-	0.50	-
Shares in issue (000s)	278,342	278,342	278,342	278,342	278,342
Consolidated balance sheet summary					
Fixed assets	745,900	697,499	618,155	556,860	563,155
Prepaid operating lease rentals	1,897	859	770	759	751
Investment property	224,963	218,684	212,405	206,126	199,851
Investment in associate	-	-	137,026	137,026	134,386
Deferred Income tax	12,927	19,313	40,852	29,558	28,845
	985,687	936,355	1,009,208	930,329	926,988
Current assets:					
Inventories	1,248,594	1,140,904	1,113,387	1,134,061	871,990
Receivables and prepayments	839,549	894,272	857,772	717,613	857,038
Bank balances and cash	193,639	163,720	24,395	10,230	31,006
Tax recoverable	42,597	26,632	71,386	213,141	158,284
	2,324,379	2,225,528	2,066,940	2,075,045	1,918,318
Current liabilities:					
Borrowings	531,713	699,590	551,995	364,255	426,816
Payables and accrued expenses & unclaimed dividends	723,296	344,031	247,073	238,675	123,368
Taxation	2,242	4,393	12,986	2,833	4,362
	1,257,271	1,048,014	812,054	605,763	554,546
Net current assets	1,067,128	1,177,514	1,254,886	1,469,282	1,363,772
Non current liabilities:					
Bank Borrowings	(94,890)	(23,387)	(8,359)	(6,818)	(6,547)
Deferred taxation	(8,991)	(16,687)	(4,132)	(4,855)	(3,368)
Retirement benefit obligations charges	(97,948)	(111,873)	(116,037)	(105,371)	(112,703)
	(201,829)	(151,947)	(128,528)	(117,044)	(122,618)
Net assets	1,850,986	1,961,922	2,135,566	2,282,567	2,168,142
Financed by:					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings	508,401	627,016	777,864	795,463	853,608
Translation reserve	(49,127)	(56,806)	(34,010)	(43,779)	(77,178)
Proposed dividend	-	-	-	139,171	-
Shareholders' funds	1,850,986	1,961,922	2,135,566	2,282,567	2,168,142

FOLD

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

FOLD



Form of Proxy

I / We _____ Of _____ Being (a) member(s) of Sameer Africa Limited, do hereby appoint _____

Or failing him / her, the duly appointed Chairman of the meeting to be my / our proxy, to vote for me / us at the Annual general Meeting of the company to be held at the Company's premises off Mombasa Road, Nairobi, on the 29th April 2011, at 11.30 am and any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2011

Signature _____

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

Notes:

1. To be valid this proxy must be deposited at the registered office of the company not less than 24 Hours before the appointed time for holding the meeting.
2. This appointer is a corporation the proxy must be executed under its common seal or under the hands of an officer or attorney duly authorized in writing.
3. 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.

V

Fomu ya Uwakilishi

au akikosa yeye, mwenyekiti wa mkutano aliyechaguliwa kuwa kama mwakilishi wangu / wetu, kupiga kura kwa niaba yangu / yetu kwenye mkutano wa mwaka wa kampuni utakeofanyika katika majengo ya kampuni, kando ya Mombasa Road, Nairobi, siku ya tarehe 29 Aprili 2011 saa tano na nusu asubuhi na kwenye uahishwaji wake wowote. Kama usaidi wangu/wetu hii siku ya _____ mwezi wa _____ 2011

Sahihi _____

ispokuwa ikishauriwa vingine, mwakilishi atadiga kura anayofikira mwenyewe.

Maelezo

1. Ikiwa halali fomu hii ya uwakilishi lazima ifikishwe kwenye afisi ilicandikishwa kwa muda usiopunguwa masaa ishirini na nne _____ kabla ya wakati uliochaguliwa kufanya mkutano.
2. Ikiwa mwanachama ni shirika, uwakilishi uwe kwenye muhuri wa kawaida au kwa ichini ya afisaa au mwarasheria alioidhinishwa kwa maandishi.
3. Fomu ya wakala imeambatswa mwisho wa repoti hii. Ikiwa 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, gorota ya 6, Barabara ya Standard, S.L.P. 8484, 00100 Nairobi au kutumwa kwa posta kuwatikia wasajili wa hisa kwa muda usiopungua masaa 24 kabla ya wakati uliochaguliwa kufanya mkutano.

Form of Proxy

I / We _____ Of _____ Being (a) member(s) of Sameer Africa Limited,
do hereby appoint _____

Or failing him / her, the duly appointed Chairman of the meeting to be my / our proxy, to vote for me / us at the Annual general Meeting of the company to be held at the Company's premises off Mombasa Road, Nairobi, on the 16th April 2010, at 1 1.30 am and any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2010

Signature _____

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

Notes:

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

Fomu ya Uwakilishi

au akikosa yeye, mwenyekiti wa mkutano aliyechaguliwa kuwa kama mwakilishi wangu / wetu, kupiga kura kwa niaba yangu / yetu kwenye mkutano wa mwaka wa kampuni utakaofanyika katika majengo ya kampuni, kando ya Mombasa Road, Nairobi, siku ya tarehe 16 Aprili 2010 saa tano na nusu asubuhi na kwenye uahishwaji wake wowote
Kama ushaidi wangu/wetu hii siku ya _____ mwezi wa _____ 2010

Sahihi _____

Isipokuwa ikishauriwa vingine, mwakilishi atapiga kura anavyofikiria mwenyewe

Maelezo:

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

FOLD

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

FOLD



Kenya Sales Depots

Mombasa – Machakos Road
P.O. Box 90491, Mombasa
Tel: 041 - 314800/ 1
Fax: 041 - 315822
Email: msa.manager@sameerafrica.com

Eldoret – Old Uganda Road
P.O. Box 8413, Eldoret
Tel: 053 - 2031956/ 2063617
Fax: 053 - 2033359
Email: eld.manager@sameerafrica.com

Nyeri – Nyahururu Road
P.O. Box 321, Nyeri
Tel: 061 - 2032145/ 2032187
Fax: 061 - 20330053
Email: nyr.manager@sameerafrica.com

Nakuru – Timber Mill Road
P.O. Box 15998, Nakuru
Tel: 051 - 221227/ 8
Fax: 051 - 2212353
Email: nkr.manager@sameerafrica.com

Kisumu – Obote Road
P.O. Box 1497, Kisumu
Tel: 057 - 2041547/ 2045007
Fax: 057 - 2023657
Email: ksm.manager@sameerafrica.com

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Arusha
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Yana Tyre Centres

Yana Tyre Centre – Koinange Street
Uniafric House
P.O. Box 30429 - 00100, Nairobi, Kenya
TEL: 020 - 2244 037/ 374
Fax: 020 - 2244551
Email: yana.koinange@sameerafrica.com

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Fax: 020 - 4453060
Email: yana.abc@sameerafrica.com

Yana Tyre Centre – Embakasi
Airport North Road, Embakasi
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Mobile: 0735 999003
Fax: 020 - 602819
Email: yana.langatard@sameerafrica.com

Yana Tyre Centre – Mombasa
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Tangana Road/ Pandya Road Junction
P.O. Box 90491, Mombasa, Kenya
TEL: 041 - 2225963
Email: yana.msa@sameerafrica.com

Yana Tyre Centre – Kisumu
Kenol SS near Nakumatt City
TEL: 057 202 1470/ 1459

Yana Tyre Centre – Eldoret
Uganda Road,
TEL: 053 203 1956/ 206 3617

HEAD OFFICE

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