

Contents

Corporate Information	2
Notice to the Annual General Meeting	3-4
Chairman's Statement	5-6
Managing Director's Remarks	7-8
Report Of the Directors	9-10
Board of Directors	11
Corporate Governance	12-13
Shareholding	14
Management Team	15
Statement of Directors' responsibilities	16
Report of the independent Auditors	17
Consolidated Statement of comprehensive income	18
Consolidated and Company statement of financial position	19
Consolidated Statement of changes in equity	20
Company Statement of changes in Equity	21
Consolidated Statement of cash flows	22
Notes to the Consolidated financial statements	23 - 47
Group Five-year results	48



BRIDGESTONE
DUELER

Corporate Information

BOARD OF DIRECTORS

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

Chairman
Managing Director

AUDIT COMMITTEE

Mr. S.M. Githiga
Mr. T.D. Owuor

Chairman

NOMINATIONS COMMITTEE

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

Chairman

FINANCE COMMITTEE

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

Chairman

AUDITORS

KPMG Kenya
Certified Public Accountants
16th Floor, Lonrho House, Standard Street
PO Box 40612
00100, Nairobi GPO

SHARE REGISTRARS

Custody Registrar Services
Bruce House, Standard Street
PO Box 8484, Nairobi

PRINCIPAL BANKERS

NIC Bank Limited
NIC House, Masaba Road
PO Box 44599-00100, Nairobi

SECRETARY & COMPANY REGISTERED OFFICE

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



YANA
FALCON



YANA
STALLION

Notice Of Annual General Meeting



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

Issa A. Timamy
Company Secretary
Nairobi

19th April 2012

Note:

A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her/its behalf and such a proxy need not be a member of the Company. The form of proxy is attached at the end of this report. To be valid, a form of proxy must be duly completed and signed by the member and must either be lodged at the offices of the Company's share registrars, Custody and Registrar Services Limited, 6th floor Bruce House Standard Street, P.O. Box 8484, 00100 Nairobi or be posted to reach the share registrars not less than 24 hours before the time appointed for holding the meeting.

Notice is hereby given that the 43rd Annual General Meeting of the members will be held at the Company's Premises off Mombasa Road, Nairobi on Friday June 15th 2012 at 11.30am 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 42nd Annual General Meeting held on Friday April 29th 2011.
4. To receive, consider and if deemed fit, adopt the Financial statements for the year ended 31st December 2011 together with the reports thereon of the Directors and the Auditors.
5. To approve a first and final dividend of Kenya Shilling 0.20 per share.
6. To elect Directors under Article 94- Mr. Stephen Githiga and Mr. T. D. Owuor, Directors retiring by rotation who being eligible, offer themselves for re-election.
7. To approve the Directors' emoluments.
8. To re-appoint KPMG as auditors of the Company in accordance with the provisions of Sec. 159 (2) of the Companies Act and to authorize the Directors to fix their remuneration



BRIDGESTONE
MY-01

Ilani ya mkutano mkuu wa kila mwaka

Ilani inatolewa hapa kuwa Mkutano Mkuu wa kila Mwaka wa arobaini na tatu (43) wa wanachama utafanyika katika majengo ya Kampuni kando ya barabara ya Mombasa, Nairobi, tarehe 15 Juni mwaka 2012, 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.
3. Kuthibitisha kumbukumbu za Mkutano Mkuu wa kila Mwaka wa 42 uliofanyika Ijumaa tarehe 29, Aprili 2011.

Kupokea, kuchunguza na ikifikiriwa sawa, kukubali taarifa za fedha za mwaka uliomalizikia 31 Desemba 2011 pamoja na taarifa za Wakurugenzi na za Wakaguzi wa hesabu
4. Kuidhinisha mgao wa mwanzo na wa mwisho wa Kenya Shilingi 0.20 kwa kila hisa.
5. Kuchagua Wakurugenzi chini ya Kifungu cha Sheria nambari 94-

Bw. Stephen Githiga na Bw. T. D. Owuor, Wakurugenzi wanaostaafu kwa zamu, ambao kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.
6. Kuidhinisha malipo ya Wakurugenzi.
7. Kuwateua tena KPMG kama wakaguzi wa vitabu vya hesabu wa Kampuni kulingana na Kifungu cha Sheria nambari 159 (2) cha Sheria za Makampuni na kuidhinisha Wakurugenzi kuamua malipo ya wakaguzi wa vitabu vya hesabu ya mwaka wa kifedha unaofuata.
8. Kushughulikia shughuli nyingine yoyote inayoweza kushughulikiwa katika Mkutano Mkuu wa kila Mwaka.

Kwa Amri ya Halmashauri

Issa A. Timamy

Katibu wa Kampuni

Nairobi

19 Aprili, 2012.

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

Chairman's Statement

I am pleased to present the Annual Report and Financial Statements of Sameer Africa Limited for the year ended 31 December 2011.

Sameer Africa is the only active tyre manufacturer in East and Central Africa. The growth in motor vehicle registration in the region and the improvement of the road infrastructure, presented both an opportunity and increased interest in both organized and speculative competition.

In 2011, Kenya experienced high cost of energy which resulted in increased costs of transportation and of doing business. The high prices of basic raw materials recorded in 2010 continued into the first half of 2011. Towards the end of the year the Kenya Shilling sharply depreciated against the US dollar and other international currencies fueling inflation and cost of borrowing. In this environment of exchange rate volatility, the Company experienced a significant increase in costs related to foreign exchange transactions.

With the rising inflation, consumer demand for tyres gradually shifted from the premium quality products to the cheap imports in most markets. Despite the various challenges, the Company achieved a remarkable growth in pre-tax profit of KShs. 148 Million compared to the KShs. 62 Million realized in 2010.

The improved performance was due to our conscious decision to defend our trading margins and prudent management of operating costs. The success of these initiatives yielded growth in both sales and margins of 10% and despite the inflationary pressures, a 2% reduction in operating costs was realized over previous year.



As I reported last year, your Company has equity interest in the Sameer Business Park. In December 2011 we were honoured with the presence of His Excellency the President and Commander -in -Chief of the Disciplined Forces of the Republic of Kenya, Hon Mwai Kibaki, CGH, MP, for the official opening of the Park.

Due to the major shift in the competitive environment in general and for transport and tyre industry in particular, the Board and Management decided to develop the 2012-2016 Strategic Plan. It is my belief that this plan will guide Sameer Africa to become a high performing organization (HPO) going forward. It will also help the Board and Management to focus on profitability, growth and to aggressively respond to changes taking place in the business environment.

2012 OUTLOOK

The trading environment and economic growth for the Country in 2012 look favourable despite this being an electioneering year. The prices of basic raw materials for tyre manufacture are projected to be stable, crude oil prices though high are stabilizing and the Kenya shilling has firmed up against the US dollar and we do not expect to see the volatility of 2011. Inflation is also declining although interest rates are expected to remain high for the first half of the year. The regional Gross Domestic Products (GDP) are expected to grow by at least 5%, with the East African Community integration progressively taking root. There is goodwill within the EAC to promote manufacturing through improved environment for doing business and reduction of trade barriers.

At the Company level, we have embarked on the implementation of our new strategic plan (2012 - 2016). The key strategies will be pursuing sustainable profitable growth in existing and new markets through innovation of new products and improved customer service. In order to leverage on the emerging increased interest in Africa, over the planned period, we will be looking at opportunities for modernizing our manufacturing technologies.

In addition, your Company will be developing a site master plan to maximize the utilization of the land asset at our disposal.

While we appreciate the efforts being made to upgrade the transport and energy infrastructure, we will continue alongside other stakeholder to engage the regional governments to reduce cost of doing business in order to attract investments to our region.

With the plans we have in place and the positive micro economic outlook for the region, the Board is cautiously optimistic that the Company will realize further growth and improvement in 2012.

Finally, let me thank all Shareholders, Business Partners and our esteemed Customers for their support, in the past, now and in the future. My appreciation also goes to the members of the Board, Management and Staff for their valued contribution to the growth of the business.

God bless Sameer Africa limited and you all.

Taarifa Ya Mwenyekiti

Ninafuraha kuwasilisha Ripoti ya Mwaka na Taarifa za Kifedha za Sameer Africa Limited za mwaka ulioishia tarehe 31 Desemba 2011.

Sameer Africa ndio mtengenezaji hai pekee wa magurudumu Afrika Mashariki na ya Kati. Ukuaji katika usajili wa magari katika eneo na uimarishaji wa muundo msingi wa barabara, zilitoa nafasi na shauku ilioongezeka katika mashindano yaliyopangwa na mashindano yakukisiwa.

Katika mwaka 2011, Kenya ilipitia gharama kuu za nishati ambazo zilisababisha kuongezeka kwa gharama za usafirishaji na kufanya biashara. Bei za juu za malighafi ya kimsingi zilizorekodiwa katika mwaka 2010 ziliendelea katika nusu ya kwanza ya mwaka 2011. Kufikia mwisho wa mwaka shilingi ya Kenya ilipungua thamani sana dhidi ya Dola ya Kimarekani na fedha nyingine za kimataifa ikiongezeka mfumko wa bei na gharama za ukopaji. Katika mazingira haya ya kiwango cha ubadilishanaji wa fedha kinachobadilika, Kampuni ilikumbwa na ongezeko kubwa la gharama zinazohusiana na biashara inayohusisha ubadilishanaji wa fedha za kigeni. Kutokana na kuongezeka kwa mfumko wa bei, mahitaji ya wanunuzi wa magurudumu polepole yalibadilika kutoka kwa bidhaa bora zilizothaminiwa na kwenda kwa bidhaa rahisi zilizoingia kutoka katika karibu masoko yote ya nje. Dhidi ya changamoto mbalimbali, Kampuni ilipata ukuaji wa kuvutia katika faida kabla ya kodi ya Kshs. Milioni 148 ikilinganishwa na Kshs. Milioni 62 iliopatikana katika 2010.

Utendaji ulioimarika ulitokana na uamuzi wetu wa maksudi wa kutetea faida yetu ya biashara na usimamizi wetu wa busara wa gharama za uendeshaji. Kufaulu kwa juhudi hizi kulizalisha ukuaji wa mauzo na faida kwa asilimia 10 na dhidi ya mashinikizo ya mfumko, gharama za uendeshaji zilipungua kwa asilimia 2 ikilinganishwa na mwaka uliopita.

Kama nilivyoarifu mwaka jana, Kampuni yenu ina ushirika wa haki katika eneo la Biashara la Sameer. Mwezi wa Desemba 2011 tulibahatika na kuwepo kwa Mtukufu Rais na Amiri jeshi mkuu wa majeshi ya nidhamu ya taifa la Kenya, Mheshimiwa Mwai Kibaki, CGH, MP, kwa ufunguzi rasmi wa eneo hili.

Kutokana na mabadiliko katika mazingira ya ushindani kwa jumla na hasa katika biashara ya usafirishaji na ya magurudumu, Halmashauri na Usimamizi ziliamua kutayarisha Mpango wa Kimkakati wa 2012-2016. Ni imani yangu kuwa mpango huu utaongoza Sameer Africa kuwa shirika linalotenda vizuri linalokwenda mbele. Utaaidia pia Halmashauri na Usimamizi kulenga kwenye faida, ukuaji na kushughulikia kwa hima mabadiliko yanayotokea katika mazingira ya biashara.

MTAZAMO WA 2012

Mazingira ya biashara na ukuaji wa kiuchumi wa nchi katika mwaka 2012 unaonekana mzuri ijapokuwa huu kuwa ni mwaka wa ufanyaji kampeni. Bei za malighafi ya kimsingi ya utengenezaji wa magurudumu zinatarajiwa kuwa tulivu, ingawa bei za mafuta ambayo hayajasafishwa ziko juu, zinatulia na shilingi ya Kenya imeimarika dhidi ya Dola ya Kimarekani na hatutaraji kuona mabadiliko kama yaliyotokea 2011. Mfumko wa bei pia unapungua ijapokuwa viwango vya riba vinatarajiwa kubakia juu katika nusu ya kwanza ya mwaka. Jumla ya mapato ya mataifa ya eneo yanatarajiwa kukua kwa angalau asilimia 5, na Muungano wa Jumuiya ya Afrika Mashariki utaendelea kupata nguvu. Kuna nia njema miongoni mwa Jumuiya ya Afrika Mashariki kuendeleza utengenezaji kupitia mazingira yaliyoimarishwa ya ufanyaji biashara na upunguzi wa vikwazo vya biashara.

Katika kiwango cha Kampuni, tumeanza utekelezaji wa mpango wetu mpya wa kimkakati (2012-2016). Mikakati muhimu itakuwa kufuatilia ukuaji wa faida, kuendelea katika masoko yalioko na mapya kupitia uvumbuzi wa bidhaa mpya na huduma ya wateja iliyoimarika. Ili kuwa na ushawishi katika maslahi yanayochipuka Afrika, katika kipindi kilichopangwa, tutakuwa tukitafuta nafasi za kufanya teknolojia zetu za utengenezaji kuwa za kisasa.

Kampuni yenu pia, itakuwa ikiendeleza mpango mkuu wa utumiaji bora wa ardhi inayomiliki.

Wakati tunathamini juhudi zinazofanywa kuimarisha muundo msingi wa usafirishaji na nishati, tutaendelea pamoja na washika dau wengine kuzungumza na serikali za eneo kupunguza gharama za kufanya biashara ili kuvutia utegaji uchumi katika eneo letu.

Tukiwa na mipango hii kufuata na mtazamo mzuri wa uchumi mdogo wa eneo, Halmashauri ina matumaini mema ya kiuangalifu kuwa Kampuni itakua zaidi na kuimarika mwaka 2012.

Hatimaye, wacha nishukuru wanahisa wote, washirika wa kibiashara na wateja wathaminiwa kwa usaidizi wao, siku zilizopita, sasa na katika siku zijazo. Pia shukrani zangu ziende kwa wanachama wa Halmashauri, Usimamizi na wafanyikazi kwa mchango wao unaothaminiwa katika ukuaji wa biashara.

Mungu aibariki Sameer Africa Limited na nyinyi nyote.

Managing Director's Remarks

At the global level, the tyre industry continued to experience rising costs of raw materials during first half of 2011. Most of the challenges experienced were driven by external factors like global recession and widespread unrest in some of the major oil-producing countries.

The weakening of the Kenya Shilling over this period had an adverse effect on all our imports and foreign currency dominated expenses; both raw materials and finished products. The impact of the Tsunami in Japan early in the year affected regular supply of Bridgestone brand from Japan. Inflation towards end of the year approached 20 percent and cost of borrowing crossed the 20 mark percent putting pressure on the general cost of borrowing and consumer prices.

Despite these external shocks, administrative and other general expenses were managed at below 2010 levels.

The following are the key highlights from our various functions:

MARKETING

We continued to enhance our market understanding and this enabled us to identify gaps in the market that have gone to inform our new product development and product offering. New products which have been in the market for less than three years contributed 16% of our 2011 sales.

In addition to Yana brand, Bridgestone brand played an important role in meeting the ever growing and diverse consumers' needs.

We will continue to focus on meeting and satisfying current and emerging needs through provision of innovative and reliable tyre solutions.

SALES

In 2011 we focused on margin protection. However we realized an overall top line growth of 10% against 2010 performance. Looking at channels, the Yana Tyre Centers sales grew by 33% and export sales by 17%.

Going forward, we will continue protecting margins while taking appropriate measures to grow unit sales across all markets.

PROCUREMENT, PLANNING AND LOGISTICS

The raw materials price volatility of 2010 continued into first half of 2011. Through hedging and identification of alternative suppliers, this slowed prices increases. However the rapid depreciation of Kenya shilling against the dollar towards 4th Quarter 2011 increased cost of raw materials.

The congestion at our ports and increasing fuel costs continue to pose challenges in inbound and distribution costs.

We will continue identifying and developing new sources of our key raw materials, creating beneficial partnerships with our key suppliers and enhancing efficiency within the supply chain.

MANUFACTURING

The cost of electricity and fuel oil in 2011 increased by more than 20 % over the previous year. However through improved efficiency in internal processes and energy conservation programs, we were able to drastically reduce the impact on unit conversion cost.

In line with our commitment to quality products and sustainable production processes, recertification to ISO TS 16949 Quality Management System and ISO 14001 Environment System was successfully done in 2011 and this continues to underscore confidence in our products and the services to our customers.



HUMAN RESOURCES

Targeted staff development took place to enhance core capabilities to ensure that Staff acquires the requisite skills. Implementation of the Strategic plan will involve all staff focusing in inculcating performance based culture.

ICT

The company successfully implemented SAP ERP system consisting of all the Basic business modules. The system provides all operational information on Real time basis thus helping in timely decision making.

SITE

Last year one of the major tenants at our EPZ facility re-located from the Country. The Country continued to experience slow off-take of EPZ designated premises and in order to safeguard revenue, we took measures to de-gazette over 130,000 sq ft of the facility which now is fully let.

In an effort to maximize on land assets utilization, the Company leased an idle part of its premises to ALTECH-Kenya Data Network on a Build - Operate - Transfer basis to put up a data center.

2012 OUTLOOK

2012 is the first year of implementing the new five year strategic plan with focus in the following strategic thrusts:

- Sustainable and profitable market share growth.
- New products Innovation.
- Conversion cost optimization.
- Customer Service.
- Talent management.

The strategic plan lays the foundation for sustainable growth.

Michael M. Karanja
Managing Director

Ripoti ya Mkurugenzi Mkuu

Katika kiwango cha ulimwengu, biashara ya magurudumu iliendelea kuwa na gharama zinazongezeka za malighafi katika nusu ya kwanza ya 2011. Changamoto karibu zote zilizopitiwa zilisababishwa na athari za nje kama mdororo wa uchumi wa kilimwengu na vurugu lililoenea katika baadhi ya nchi zinazotoa mafuta kwa wingi.

Kudhoofika kwa shilingi ya Kenya katika kipindi hiki kulikuwa na athari mbaya katika bidhaa zetu zote zilizozingizwa kutoka nje na gharama zinazotawaliwa na fedha za kigeni; kwa malighafi na pia bidhaa zilizomalizika. Athari ya Tsunami Japan mapema katika mwaka iliathiri ugavi wa kawaida wa chapa ya Bridgestone kutoka Japan. Kufikia mwisho wa mwaka mfumko wa bei ulikaribia asilimia 20 na gharama ya ukopaji ilipita asilimia 20 ikiweka shinikizo katika gharama ya jumla ya ukopaji na bei za ununuzi.

Dhidi ya mambo haya ya kushutua kutoka nje, gharama za usimamizi na nyingine za kijumla zilizhibitwa chini ya viwango vya mwaka 2010.

Yafuatayo ndiyo tunayoyasisitiza zaidi katika kazi zetu mbalimbali:

HUDUMA ZA SOKO

Tuliendelea kuimarisha uelewa wetu wa soko na hili lilituwezesha kutambua mapengo katika soko yaliosaidia kutuelekeza katika uendelezaji wetu wa bidhaa mpya na utoaji wa bidhaa. Bidhaa mpya ambazo zimekuwa katika soko kwa muda wa chini ya miaka mitatu zilichangia asilimia 16 ya mauzo yetu ya 2011.

Pamoja na chapa ya Yana, chapa ya Bridgestone ilichukua nafasi muhimu katika kukabiliana na mahitaji tofauti ya wateja yanayokua kila uchao. Tutaendelea kulenga katika kutekeleza na kutimiza mahitaji ya sasa na yanayoibuka kwa kutoa masuluhisho ya kiuvumbuzi na ya kutegemea ya magurudumu.

MAUZO

Katika mwaka 2011 tulilenga katika kulinda faida. Ijapokuwa, tulipata ukuaji wa juu wa asilimia 10 wa jumla dhidi ya utendaji wa mwaka 2010. Tukiangalia vyanzo vya mauzo, mauzo ya vituo vya magurudumu ya Yana yalikua kwa asilimia 33 na mauzo ya biasharanje kwa asilimia 17. Tukisonga mbele, tutaendelea kulinda faida zetu hali tukichukua hatua zifaazo kukuza mauzo ya magurudumu katika masoko yote.

UNUNUZI, UPANGAJI NA UTARATIBU WA UGAVI NA USAFIRISHAJI

Ubadilikaji wa bei za malighafi wa mwaka 2010 uliendelea katika nusu ya kwanza ya mwaka 2011. Kwa kuingia na kutambua wagavi badalia, hili lilipunguza maongezeko ya bei. Ijapokuwa kupungua kwa thamani ya shilingi ya Kenya dhidi ya dola kufikia robo ya nne ya mwaka 2011 kuliongeza gharama za malighafi. Msongamano katika bandari zetu na gharama za mafuta zinazongezeka zinaendelea kutoa changamoto katika gharama za kuingiza malighafi na ugawaji. Tutaendelea kutambua na kukuza vyanzo vipya vya malighafi yetu muhimu, tukibuni ubia wenye faida na wagavi wetu muhimu na kuendeleza utendaji bora katika mfuatano wa ugavi.

UTENGENEZAJI

Gharama za umeme na mafuta ziliongezeka kwa zaidi ya asilimia 20 katika mwaka 2011 kupita mwaka uliotangulia. Ijapokuwa utendaji bora uliimarika katika mfuatano wa mambo ya ndani na mipango ya kuhifadhi nishati, tuliweza kupunguza athari kwa kiasi kikuu kwenye gharama ya ugeuzi wa gurudumu. Kutokana na kujitolea kwetu kwa bidhaa za ubora na mifuatano ya uzalishaji ya kudumu, kuthibitisha upya kwa Mfumo wa Usimamizi wa Uboara wa ISO TS 16949 na Mfumo wa Usimamizi wa Mazingira wa ISO 14001 kulifanywa kwa ufaulu katika mwaka 2011 na hili linaendelea kuisisitiza imani katika bidhaa zetu na huduma kwa wateja wetu.

RASILIMALI ZA KIBINADAMU

Maendeleo yaliolengwa ya wafanyikazi yalifanywa kuimarisha uwezo muhimu kuhakikisha kuwa wafanyikazi wanapata ujuzi unaohitajika. Utekelezaji wa mpango wa kimkakati utahusisha wafanyikazi wote ukikusudia kufundisha ukuaji na ukomavu ulio na msingi kwenye utendaji.

TEKNOLOJIA YA HABARI NA MAWASILIANO

Kampuni ilitekeleza mfumo wa SAP ERP kwa ufaulu ulio na vitengo vyote vya kimsingi vya biashara. Mfumo unatoa habari zote za uendeshaji kwa msingi wa wakati halisi hivyo ukisaidia katika ufanyaji maamuzi kwa wakati.

ENEO

Mwaka jana mmoja kati ya wapangaji wakuu katika eneo la utengenezaji bidhaanjanje alihama kutoka nchi hii. Nchi iliendelea kupitia hali ngumu za kukodishwa kwa majengo ya maeneo ya utengenezaji bidhaanjanje na ili kulinda mapato, tulichukua hatua kubatilisha zaidi ya fiti mraba 130,000 za eneo hili ambalo sasa limekodishwa lote. Katika juhudi ya kuongeza matumizi ya rasilimali za ardhi hadi upeo, Kampuni ilikodisha sehemu isiotumika ya majengo yake kwa ALTECH – Kenya Data Network kwa msingi wa Jenga –Endesha-Hamisha kujenga kituo cha data.

MTAZAMO WA MWAKA 2012

Mwaka 2012 ndiyo wa kwanza wa utekelezaji wa mpango mpya wa kimkakati wa miaka mitano ukilenga katika misukumo ifuatayo ya kimkakati:

- Ukuaji unaodumu na wa faida wa hisa la soko.
- Uvumbuzi wa bidhaa mpya.
- Gharama za Ugeuzi zinazo faa.
- Huduma ya wateja.
- Usimamizi wa vipawa.

Mpango wa kimkakati unaweka msingi wa ukuaji wa kudumu.

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2011, which disclose the state of affairs of the group and the 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 directors recommend the payment of a first and final dividend of KShs 0.20 per share (2010 – nil).

4. Directors

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

5. Auditors

The auditors, KPMG Kenya, 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 April 19th 2012

By Order Of The Board

Issa A. Timamy

Company Secretary

19th April 2012

**YANA
FAIDA**



**YANA
KAZI**



Ripoti ya Wakurugenzi

Wakurugenzi wana furaha ya kuwasilisha ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka ulioishia tarehe 31 Desemba 2011, ambazo zinaarifu hali ya shughuli za Kundi na Kampuni.

1. Shughuli kuu za kampuni

Shughuli kuu za Kampuni ni utengenezaji, uingizaji wa magurudumu kutoka nje na uuzaji na ukodishaji wa majengo katika eneo la utengenezaji bidhaanje.

2. Matokeo

Matokeo ya mwaka yanaonyeshwa kwenye ukurasa wa 18.

3. Gawio la faida

Wakurugenzi wanapendekeza mgao wa mwanzo na wa mwisho wa Kshs 0.20 kwa kila hisa (2010-bila).

4. Wakurugenzi

Wakurugenzi waliofanya kazi katika mwaka wameonyeshwa kwenye ukurasa wa 2.

5. Wakaguzi wa hesabu

Wakaguzi wa hesabu, KPMG Kenya, wanaendelea kushikilia afisi 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 19 Aprili, 2012.

Kwa Amri ya Halmashauri

Issa Timamy

Katibu wa Kampuni

19 Aprili, 2012

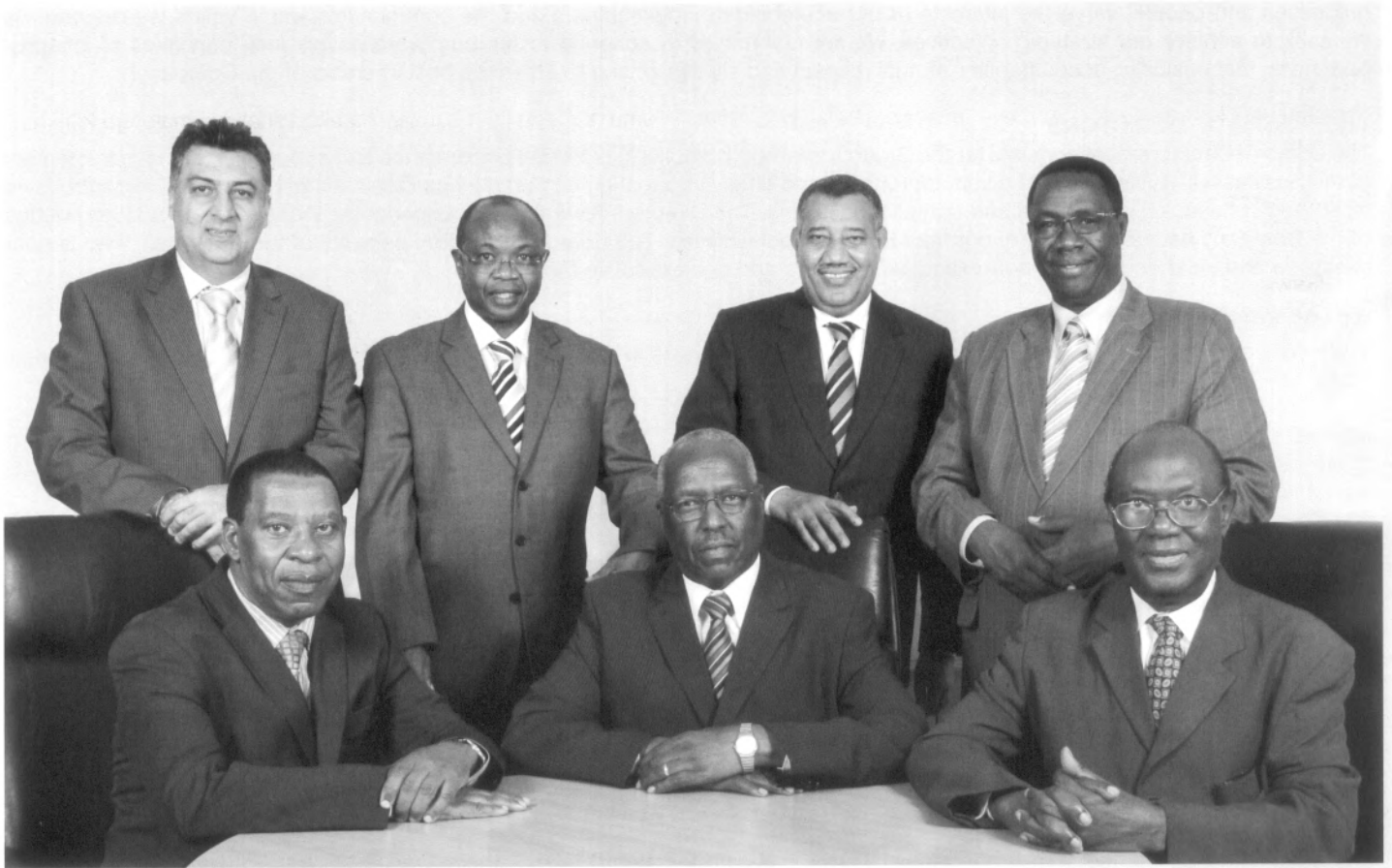
YANA
KILIMO



YANA
NGUVU



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. A. H. Butt - Director
Mr. S.M. Githiga - Director
Mr. I. A. Timamy - Director
Mr. P. M. Gitonga - Director



**YANA
PAMOJA PLUS**

Corporate Governance

The corporate governance structure of Sameer Africa Limited aims at ensuring that our internal systems which include our policies, processes and people, serve the interests of our shareholders, stakeholders and the communities within which we operate. As we seek to achieve our strategic objectives, we are committed to adhering to the corporate governance principles of integrity, openness, responsibility, accountability, mutual respect and always aiming to act in the best interests of the Company.

THE BOARD OF DIRECTORS

The Board of Directors is responsible for the Group's strategic objectives, business performance and supervision of the management of the business. 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. The Directors have the skill, experience, independence and knowledge of the Company necessary to carry out their Board responsibilities. The Board of Directors consists of the Chairman, who is non-executive and independent, five non-executive directors and one executive Director.

BOARD MEETINGS

The Board of Directors meets every quarter. In 2011 the Board was in addition involved in the development of the new Strategic Plan.

BOARD COMMITTEES

There are three principle Committees all of which are guided by Charters approved by the Board. The Committees' reports are tabled at Board Meeting for discussion and adoption.

The Committees are as follows:

a) Audit and Risk management Committee

The Committee is responsible for assisting the Board on oversight responsibilities relating to the integrity of the Company's financial statements, financial reporting process and systems of internal accounting and financial controls; the qualifications, independence, and performance of the external Auditor and the performance of the Company's internal audit department; and the Company's legal and regulatory compliance. The members of this Committee are all non-executive independent Directors and professionals. The Committee meets at least four times in a year each time before the Board meeting. Key members of Management including the Internal Auditor and General Manager Finance & Strategy attend the meetings and the Managing Director and External Auditors are invited as necessary.

b) Finance Committee

The Committee is charged with the responsibility of assisting the Board in monitoring, reviewing the operational and financial performance of the Company, reviewing the Company's investment and business plans and ensuring that financial controls are effectively implemented. The committee comprises of two non-executive Directors with the Managing Director and the General Manager Finance & Strategy attending all meeting of this Committee.

c) Remuneration Committee

The Remuneration Committee is responsible to the Board for reviewing and addressing issues pertaining to remuneration, employee motivation and development. Succession Planning is a key component of the Committee's mandate. The Committee reviews recommendations and advises the respective trustees on matters concerning retirement benefit schemes. It is responsible for evaluating and making of recommendations to the Board on overall executive remuneration. It is also the custodian of a systematic and transparent process for bringing in new directors to the Board and for proposing appointment to Board Committees. The Committee comprises two non-executive Directors and the Managing Director.

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 matters. They are sensitized on the rules of insider trading and any changes in the shareholding are reported at every Board meeting.

BUSINESS ETHICS

Sameer Africa limited is committed to ensuring that the business of the Company is conducted in an environment that is transparent and accountable and for the benefit of all the stakeholders. All employees within the Company are required to conduct themselves in the highest standards of integrity and adhere to the Company's Code of Business Conduct, which sets out the values and principles that guide their daily activities, and in compliance with existing laws and regulations

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that shareholders and other stakeholders are provided with full and timely information about its performance. This is usually done through the notification of the Company's Annual Report and the release of notices in the national media of its half-year and annual results.

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. There were no Directors' loans at anytime during the period.

Corporate Governance

SOCIAL AND ENVIRONMENTAL ISSUES

a) Environmental Conservation

Sameer Africa has maintained the ISO 14001 – 2004 Environmental System Certification as a sign of its commitment to the protection and management of both the environment and humanitarian needs in the society.

b) Health and Safety

In conjunction with Hope Worldwide, the company took part in the fight against HIV and AIDS by organizing awareness and support campaigns. This was aimed at educating the staff and their families as well as the informal settlement in the neighbourhood as part of our contribution to the health and safety of our people.

c) Corporate Social Responsibility

Sameer Africa continued with its support to various corporate social responsibility programmes that have an overall objective of improving the lives of those who live around us. These included teaming up with Kenya Red cross to donate money for the famine stricken people in northern Kenya, dubbed 'Kenyans-for-Kenya' campaign. The Company staff also visited Kayole and Mukuru children's home; where we offered financial material and moral support.

d) Road Safety

Sameer Africa produces tyres to the highest national and international quality standards to meet region's road conditions and loading practices. However in order to address the impact on road safety by the influx into the Country of tyres of varying qualities, as part of our CSR, we run campaigns on road safety across the Country and in the region. The campaign educates and trains motorists on tyre safety, care and maintenance. These educative programmes are channelled to motorists through Matatu Saccos, customer workshops, clinics at our Yana Tyre Centres and sharing of information through our distribution network.



Staff presents a gift to a customer after purchase of tyres – YTC Koinange



YANA EAGLE



YANA
MILELE



YANA
MONARCH II

Shareholding

The ten largest shareholders in the company and the respective number of shares held at 31 December 2011 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 Patrick Njogu Kariuki	2,015,100	0.72
6 Swani Coffee Estate Limited	1,942,760	0.70
7 Karim Jamal	1,618,400	0.58
8 Kamlesh Raichand Shah	1,583,066	0.57
9 Standard Chartered Nominees Limited A/c 9203	1,500,000	0.54
10 Gulzar Amirali Somji & Ameerli Abdoulrasul Somji	1,286,771	0.46

Distribution of shareholders

Share range	Number of shareholders	Number of shares	%
0 - 500	7,914	2,263,766	0.81
501 - 5,000	5,671	9,113,700	3.27
5,001 - 10,000	546	4,155,546	1.49
10,001 - 100,000	582	16,991,497	6.11
100,001 - 1,000,000	74	22,793,555	8.19
Over 1,000,000	13	223,024,329	80.13
Total	14,800	278,342,393	100.00

YANA
DAIMA II



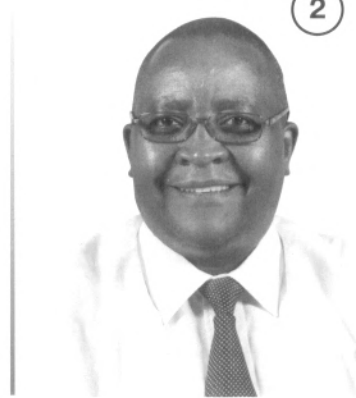
YANA
JUMBO



Management Team



1



2

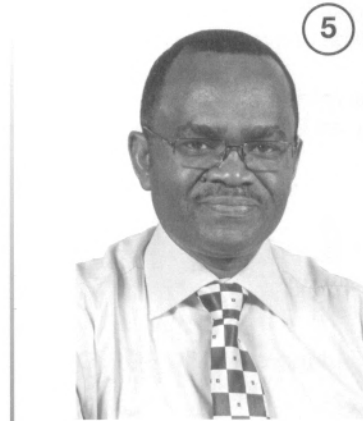
- 1. Mr. M. M. Karanja - Managing Director
- 2. Mr. S. Mwenda - GM Marketing & Business Development
- 3. Mr. M. Wanjohi - GM Sales
- 4. Ms. Irene Muinde - Head of Human Resources
- 5. Mr. R. Omondi - Head of Planning Procurement & Logistics
- 6. Mr. S. Saraf - Head ICT
- 7. Mr. M. Makundi - GM Finance & Strategy
- 8. Mr. J. Kabare - GM Manufacturing



3



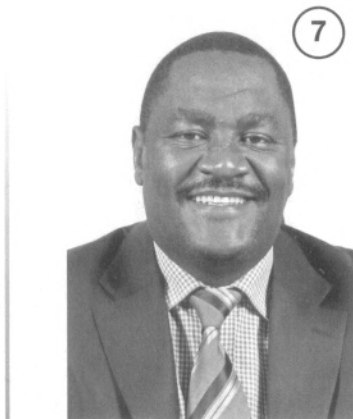
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8

Statement Of Director's Responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of Sameer Africa Limited set out on pages 18 to 47 which comprise the statements of financial position of the group and the company at 31 December 2011, and the group's statement of comprehensive income, group and company statement of changes in equity and group statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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.

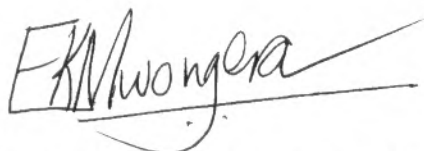
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan 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 19th April 2012 and were signed on its behalf by:



Eng. Erastus Kabutu Mwongera – FIEK, RCE, CBS

Chairman



Michael M. Karanja

Managing Director



**YANA
GRADER**

Report Of The Independant 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 47 which comprise the statements of financial position of the group and the company at 31 December 2011, and the group's statement of comprehensive income, group and company statement of changes in equity and group statement of cash flows 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 3, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 2011, 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 company, so far as appears from our examination of those books; and
- (iii) The statement of financial position of the company is in agreement with the books of account.

KPMG Kenya
Certified Public Accountants
PO Box 40612
00100 Nairobi GPO

19th April 2012

Consolidated Statement Of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011 KShs'000	2010 KShs'000
Revenue		3,675,226	3,344,895
Cost of sales		(2,873,780)	(2,682,988)
Gross profit		801,446	661,907
Other operating income		109,396	112,214
Distribution costs		(36,164)	(48,393)
Administrative expenses		(340,651)	(311,555)
Other operating expenses		(261,856)	(294,838)
Operating profit	7	272,171	119,335
Finance costs	9	(112,102)	(54,496)
Share of loss of equity accounted investees (net of income tax)	21	(11,623)	(2,640)
Profit before income tax		148,446	62,199
Income tax expense	10	(51,498)	(4,803)
Profit from operations		96,948	57,396
Other comprehensive income			
Foreign currency translation differences for foreign operations		(15,302)	(32,650)
Total comprehensive income for the year		81,646	24,746
Earnings per share:			
Basic and diluted (KShs)	11	0.35	0.21
Dividends:			
Proposed final dividend for the year	12	55,668	-

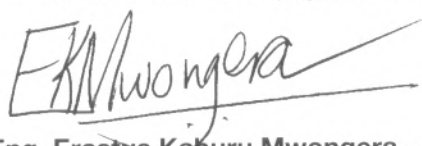
The notes set out on pages 23 to 47 form an integral part of these financial statements.

Consolidated And Company Statement Of Financial Position

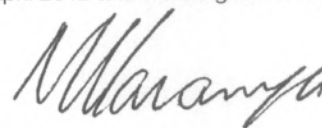
for the year ended 31 December 2011

	Note	Group 2011 KShs '000	2010 KShs '000	Company 2011 KShs '000	2010 KShs '000
EQUITY					
Share capital	13	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings		894,888	853,608	105,820	166,896
Translation reserve		(92,480)	(77,178)		
Proposed dividends		55,668	-	55,668	-
Total equity		2,249,788	2,168,142	1,553,200	1,558,608
Non-current liabilities					
Borrowings	14	3,770	6,547	3,770	5,816
Deferred income tax	15	2,988	3,368	-	-
Retirement benefit obligations	16	114,387	112,703	114,387	112,703
Total non-current liabilities		121,145	122,618	118,157	118,519
		2,370,933	2,290,760	1,671,357	1,677,127
Non-current assets					
Property, plant and equipment	17	469,069	563,155	428,887	513,224
Investment property	18	193,549	199,851	-	-
Investment in subsidiaries	20	-	-	156,686	156,686
Investment in associate	21	122,763	134,386	122,763	134,386
Prepaid operating lease rentals	19	743	751	743	751
Deferred income tax	15	61,543	28,845	32,447	789
Total non-current assets		847,667	926,988	741,526	805,836
Current assets					
Inventories	22	1,091,500	871,990	919,666	706,834
Receivables and prepayments	23	1,022,507	1,098,725	890,277	1,061,139
Current income tax		15,808	31,006	-	9,117
Cash and bank balances		147,558	158,284	68,568	94,377
Total current assets		2,277,373	2,160,005	1,878,511	1,871,467
Current liabilities					
Payables and accrued expenses	25	245,620	358,279	454,925	574,618
Current income tax		51,549	4,362	37,562	-
Borrowings	14	450,162	426,816	449,417	418,782
Unclaimed dividends		6,776	6,776	6,776	6,776
Total current liabilities		754,107	796,233	948,680	1,000,176
Net current assets		1,523,266	1,363,772	929,831	871,291
		2,370,933	2,290,760	1,671,357	1,677,127

The financial statements on pages 18 to 47 were approved by the Board of Directors on 19th April 2012 and were signed on its behalf by:



Eng. Erastus Kaburu Mwangera - FIEK, RCE, CBS
Chairman



M.M. Karanja
Managing Director

Consolidated Statement Of Changes In Equity

for the year ended 31 December 2011

	Share capital KShs'000	Retained earnings KShs'000	Translation reserve KShs'000	Proposed dividends KShs'000	Total KShs'000
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)
Total comprehensive income	-	58,145	(33,399)	-	24,746
Transactions with owners recorded directly in equity					
Dividends paid out	-	-	-	(139,171)	(139,171)
At end of year	1,391,712	853,608	(77,178)	-	2,168,142
2011:					
At start of year	1,391,712	853,608	(77,178)	-	2,168,142
Comprehensive income for the year					
Profit for the year	-	96,948	-	-	96,948
Other comprehensive income					
Currency translation differences	-	-	(15,302)	-	(15,302)
Total comprehensive income	-	96,948	(15,302)	-	81,646
Transactions with owners recorded directly in equity					
Proposed dividends	-	(55,668)	-	55,668	-
At end of year	1,391,712	894,888	(92,480)	55,668	2,249,788

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 2011

	Share capital KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
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
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(139,171)	(139,171)
At end of year	1,391,712	166,896	-	1,558,608
2011:				
At start of year	1,391,712	166,896	-	1,558,608
Comprehensive expense for the year				
Loss for the year	-	(5,408)	-	(5,408)
Transactions with owners recorded directly in equity				
Proposed dividends	-	(55,668)	55,668	-
At end of year	1,391,712	105,820	55,668	1,553,200

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 2011

	Notes	2011 KShs'000	2010 KShs'000
Operating activities			
Cash generated from operations	26	(7,170)	145,060
Interest received	9	200	2,709
Interest paid	9	(48,478)	(38,085)
Income tax paid		(22,791)	(31,025)
Net cash generated from operating activities		(78,239)	78,659
Investing activities			
Purchase of property, plant and equipment	17	(40,743)	(127,705)
Rental income received	7	81,580	69,851
Proceeds from disposal of property, plant and equipment		6,107	1,219
Net cash used in investing activities		46,944	(56,635)
Financing activities			
Dividends paid		-	(139,171)
Net borrowings		(10,066)	(5,446)
Net cash absorbed by financing activities		(10,066)	(144,617)
Decrease in cash and cash equivalents		(41,361)	(122,593)
Movement in cash and cash equivalents:			
At start of year		(260,498)	(137,905)
Decrease		(41,361)	(122,593)
At end of year	24	(301,859)	(260,498)

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 2011

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 2011 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 except where mentioned in these financial statements.

(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

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

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

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

(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 and computer equipment	3 years
Motor vehicles	4 years
Office furniture and fixtures	8 years
Software development costs	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

(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.

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

(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

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

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

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

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 is 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 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.

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

(iii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is carried in the accruals as a payable and the movement in the year is debited/credited to the statement of comprehensive income.

(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

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

the cost of acquisition and the fair value of the net identifiable assets acquired.

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 2011, and have not been applied in preparing these financial statements.

These are summarised below and are not expected to have a significant impact on the financial statements of the Group.

- IFRS 9 *Financial Instruments*. IFRS 9 will become mandatory for the Group's 2015 financial statements.

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 *Presentation of Financial Statements* - Presentation of Items of Other Comprehensive (effective for annual periods beginning on or after 1 July 2012).
- IAS 12 *Income Taxes* - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012).
- IAS 19 *Employee Benefits* - (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (2011) *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (2011) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013).

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 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.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

(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 2011 would have had on the translation reserve are shown below:

Uganda

At 31 December 2011, if the Ugandan Shilling had weakened/strengthened by 3% (2010: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the consolidated translation reserve would have been Shs 175,366 (2010: Shs 233,573) higher/lower.

Tanzania

At 31 December 2011, if the Tanzanian Shilling had weakened/strengthened by 1% (2010: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the consolidated translation reserve would have been Shs 3,266,691 (2010: Shs 1,192,108) higher/lower.

Group Exchange Risk from recognised financial assets and liabilities

At 31 December 2011, 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 2,949,277 (2010: Shs 1,454,662) higher/lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2011, 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 719,222 (2010: 21,909,315) 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 2011, 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 7,180,197 (2010: Shs 1,863,840) higher/lower, mainly as a result of US dollar receivables and bank balances.

At 31 December 2011, 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 3,208,912 (2010: Shs 19,520,034) 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 2011, 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 91,849 (2010: Shs 1,115,042), mainly as a result of higher/lower interest charges on variable rate borrowings.

Company

At 31 December 2011, 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 93,346 (2010: Shs 1,158,624), mainly as a result of higher/lower interest charges on variable rate borrowings.

(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.

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

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 2011 and 2010 were as follows:

Group:	2011 KShs'000	2010 KShs'000
Total borrowings (Note 14)	453,932	433,363
Less: Cash and cash equivalents	(147,558)	(158,284)
Net debt	306,374	275,079
Total equity	2,249,788	2,168,142
Total capital	2,556,162	2,443,221
Gearing ratio	11.99%	11.30%
Company:		
Total borrowings	453,187	424,599
Less: cash and cash equivalents	(68,568)	(94,377)
Net debt	384,619	330,221
Total equity	1,553,200	1,558,608
Total capital	1,937,819	1,888,829
Gearing ratio	19.85%	17.50%

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 2011 KShs '000	Uganda 2011 KShs'000	Tanzania 2011 KShs '000	Eliminations 2011 KShs '000	Consolidated 2011 KShs '000
Revenue	3,578,984	252,507	613,888	(770,153)	3,675,226
Cost of sales	(2,951,243)	(196,686)	(495,915)	770,064	(2,873,780)
Other income	90,032	1,641	6,100		97,773
Operating expenses	(507,081)	(42,964)	(88,626)		(638,671)
Share of loss in associate	(11,623)	-	-		(11,623)
Interest income	200	-	-		200
Interest and other finance costs	(84,640)	(9,693)	(6,346)		(100,679)
Income tax expense	(40,846)	(1,178)	(9,474)		(51,498)
Profit for the year attributable to equity-holders of the parent company	73,783	3,627	19,627	(89)	96,948

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

Other information:

Segment assets	3,445,967	152,467	407,175	(880,569)	3,125,040
Segment liabilities	1,246,164	9,710	158,875	(660,642)	754,107
Capital expenditure	40,639	-	104		40,743
Depreciation expense	131,729	628	1,833		134,190
Amortisation of operating leases	8	-	-		8

	Kenya 2010 KShs '000	Uganda 2010 KShs '000	Tanzania 2010 KShs '000	Eliminations 2010 KShs '000	Consolidated 2010 KShs '000
Revenue	3,158,577	268,544	585,423	(667,649)	3,344,895
Cost of sales	(2,637,546)	(235,663)	(477,431)	667,652	(2,682,988)
Other income	109,414	126	34	2,640	112,214
Operating expenses	(475,743)	(47,888)	(94,376)	(55,899)	(673,906)
Share of loss in associate	(2,640)	-	-		(2,640)
Interest income	2,709	-	-		2,709
Interest and other finance costs	(36,625)	(6,578)	(11,363)	16,481	(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	100,111	(6,937)	997	(36,775)	57,396

Other information:

Segment assets	3,215,584	144,766	370,869	(885,911)	2,845,308
Segment liabilities	1,088,094	-	125,490	(536,419)	677,165
Capital expenditure	127,704	-	104		127,704
Depreciation expense	124,654	1116	1,802		127,572
Amortisation of operating leases	8	-	-		8

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates and assumptions

In preparing the annual financial statements management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

• Trade receivables

The company assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

• Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

• Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The company 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 company recognises the net future tax benefit relates to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

- *Useful lives and residual values of property and equipment*

The company tests annually whether the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of property and equipment have been determined based on previous experience and anticipated disposal values when the assets are disposed.

- *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.

(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:

	2011 KShs'000	2010 KShs'000
Depreciation on property, plant and equipment (Note 17)	134,190	121,297
Depreciation on investment property (Note 18)	6,308	6,275
Investment property:		
- Rental income	(81,580)	(69,851)
- Operating expense	31,861	35,409
Provision for impairment losses:		
- Receivables	44,750	8,784
- Inventory	(11,144)	35,408
Repairs and maintenance	(6,194)	96,254
Employee benefits expense (Note 8)	445,425	380,454
Auditors' remuneration	4,520	4,305

8. GROUP EMPLOYEE BENEFITS EXPENSE

The following items are included within employee benefits expense:

Salaries and wages	426,903	357,744
Defined contribution scheme	8,951	8,823
National Social Security Fund	3,695	3,137
Defined benefit scheme (Note 16)	5,876	10,750
	445,425	380,454

9. GROUP FINANCE COSTS

Interest expense on bank borrowings	48,478	38,085
Interest income	(200)	(2,709)
Net foreign exchange losses	63,824	19,120
Net finance costs	112,102	54,496

10. GROUP INCOME TAX EXPENSE

Current income tax	85,176	12,895
Over/(under) provision of current tax in prior year	(821)	(5,421)
Deferred income tax credit (Note 15)	(32,500)	(2,709)
(Over)/under provision of deferred tax in prior year	(357)	38

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

Other information:

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6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates and assumptions

In preparing the annual financial statements management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

• Trade receivables

The company assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

• Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

• Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The company 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 company recognises the net future tax benefit relates to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

• *Useful lives and residual values of property and equipment*

The company tests annually whether the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of property and equipment have been determined based on previous experience and anticipated disposal values when the assets are disposed.

• *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.

(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:

	2011 KShs'000	2010 KShs'000
Depreciation on property, plant and equipment (Note 17)	134,190	121,297
Depreciation on investment property (Note 18)	6,308	6,275
Investment property:		
- Rental income	(81,580)	(69,851)
- Operating expense	31,861	35,409
Provision for impairment losses:		
- Receivables	44,750	8,784
- Inventory	(11,144)	35,408
Repairs and maintenance	(6,194)	96,254
Employee benefits expense (Note 8)	445,425	380,454
Auditors' remuneration	4,520	4,305

8. GROUP EMPLOYEE BENEFITS EXPENSE

The following items are included within employee benefits expense:

Salaries and wages	426,903	357,744
Defined contribution scheme	8,951	8,823
National Social Security Fund	3,695	3,137
Defined benefit scheme (Note 16)	5,876	10,750
	445,425	380,454

9. GROUP FINANCE COSTS

Interest expense on bank borrowings	48,478	38,085
Interest income	(200)	(2,709)
Net foreign exchange losses	63,824	19,120
Net finance costs	112,102	54,496

10. GROUP INCOME TAX EXPENSE

Current income tax	85,176	12,895
Over/(under) provision of current tax in prior year	(821)	(5,421)
Deferred income tax credit (Note 15)	(32,500)	(2,709)
(Over)/under provision of deferred tax in prior year	(357)	38

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

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:

	2011 KShs'000	2010 KShs'000
Profit before income tax	148,445	62,199
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2010 - 30%)	44,534	18,660
Tax effect of:		
Income not subject to income tax	-	(7,097)
Expenses not deductible for income tax purposes	7,332	2,927
Over/(under) provision of deferred income tax in prior years	(357)	(8,667)
Under provision of current income tax in prior years		80
Deferred tax not recognised		131
Effect of different income tax rate for Sameer Industrial Park Limited	(311)	(1,231)
Income tax expense	51,498	4,803

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.

	2011	2010
Profit attributable to equity holders of the Company (KShs '000)	96,948	57,396
Weighted average number of ordinary shares in issue ('000)	278,342	278,342
Basic earnings per share (KShs)	0.35	0.21

There were no potentially dilutive shares outstanding at 31 December 2011 or 2010. Diluted earnings per share are therefore the same as basic earnings per share.

12. DIVIDENDS PER SHARE

During the year the directors recommended the payment of a first and final dividend of Kshs 0.20 per share (2010 - Nil)

13. SHARE CAPITAL

	Number of shares	Ordinary shares KShs'000
Balance at 1 January 2010, 31 December 2010 and 31 December 2011	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 2011

14. BORROWINGS

The borrowings are made up as follows:

	Group 2011 KShs '000	2010 KShs '000	Company 2011 KShs '000	2010 KShs '000
Non-current				
Bank borrowings	3,770	6,547	3,770	5,816
Current				
Bank borrowings	745	8,034	-	-
Bank overdraft	449,417	418,782	449,417	418,782
	450,162	426,816	449,417	418,782
Total borrowings	453,932	433,363	453,187	424,598

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

Weighted average effective interest rates at the year end were:

	2011 %	2010 %
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 2011 KShs '000	2010 KShs '000	Company 2011 KShs '000	2010 KShs '000
Between 1 and 2 years	3,770	6,547	3,770	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	2011 KShs'000	2010 KShs'000
At start of year	(25,477)	(24,703)
Charge to statement of comprehensive income (Note 10)	(32,500)	(2,709)
Prior year (over)/under provision	(357)	38
Currency translation differences	(221)	1,897
At end of year	(58,555)	(25,477)

As disclosed on the statement of financial position:

Deferred income tax assets	(61,543)	(28,845)
Deferred income tax liabilities	2,988	3,368
	(58,555)	(25,477)

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

15. DEFERRED INCOME TAX (Continued)

(a) Group (continued)

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:

2011:

Deferred income tax asset	1.1.2011 KShs '000	Charged/ (credited) to P/L KShs '000	Prior year under- provision KShs '000	Exchange differences KShs '000	31.12.2011 KShs'000
Property, plant and equipment	43,681	(15,097)	-	(234)	28,350
Provisions	(65,814)	(7,463)	-	-	(73,277)
Tax losses	(5,750)	-	-	219	(5,531)
Other deductible temporary differences	(962)	(9,917)	-	(206)	(11,085)
Deferred income tax asset	(28,845)	(32,477)	-	(221)	(61,543)
Deferred income tax liability					
Investment property	3,335	99	(357)	-	3,077
Other deductible temporary differences	33	(122)	-	-	(89)
Deferred income tax liability	3,368	(23)	(357)	-	2,988
Net deferred income tax asset	(25,477)	(32,500)	(357)	(221)	(58,555)

2010:

Deferred income tax asset	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	37,740	5,944	5	(8)	43,681
Provisions	(67,437)	(91)	-	1,714	(65,814)
Tax losses	-	(5,933)	-	203	(5,750)
Other deductible temporary differences	139	(1,089)	-	12	(962)
Deferred income tax asset	(29,558)	(1,189)	5	1,897	(28,845)
Deferred income tax liability					
Property, plant and equipment	(232)	232	-	-	-
Investment property	3,374	(39)	-	-	3,335
Other deductible temporary differences	1,713	(1,713)	33	-	33
Deferred income tax liability	4,855	(1,520)	33	-	3,368
Net deferred income tax asset	(24,703)	(2,709)	38	1,897	(25,477)

(b) Company

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

	2011 KShs'000	2010 KShs'000
Property, plant and equipment	29,642	44,740
Provisions and other deductible temporary differences	(62,089)	(45,529)
Net deferred income tax asset	(32,447)	(789)

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

16. RETIREMENT BENEFIT OBLIGATIONS – Group and Company

	2011 KShs'000	2010 KShs'000
At start of year	112,703	105,371
Charged to employee benefits costs (Note 8)	5,876	10,750
Utilised during year	(4,192)	(3,418)
At end of year	114,387	112,703
Movement in present value of the defined benefit obligations:		
Present value of unfunded obligations:		
- Active members	100,699	104,584
- Transferred to management	13,688	8,119
Total present value of unfunded obligations	114,387	112,703
Net liability in the consolidated statement of financial position	114,387	112,703
Current service cost net of employees contributions	5,015	5,870
Interest on obligation	11,311	10,691
Net actuarial gains recognised in the year	(10,450)	(6,123)
Total included in "staff costs" in respect of gratuity arrangement	5,876	10,438
Reconciliation:		
Net liability at start of year	112,703	105,371
Net expense recognised in employee costs	5,876	10,438
Employer contributions	(4,192)	(3,418)
Prior year over provision	-	312
Net liability at end of year	114,387	112,703
Actuarial assumptions:		
Discount rate (% p.a.)	13.5%	10.0%
Future salary increases (% p.a.)	8.0%	7.0%
Future pension increases (% p.a.)	N/A	N/A

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group	Buildings KShs'000	Plant & machinery KShs'000	Vehicles & equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
2011:					
Cost					
At 1 January 2011	323,388	2,088,404	355,439	45,210	2,812,441
Additions	51	7,372	-	33,320	40,743
Transfers	13,137	2,028	-	(15,165)	-
Currency translation	-	(7)	(1,301)	(577)	(1,885)
Disposals	-	-	(5,568)	-	(5,568)
At 31 December 2011	336,576	2,097,797	348,570	62,788	2,845,731

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

Accumulated depreciation

At 1 January 2011	185,342	1,828,005	235,938	-	2,249,285
Currency translation	-	-	(1,245)	-	(1,245)
Charge for year	11,314	80,695	42,181	-	134,190
Disposal	-	-	(5,568)	-	(5,568)
At 31 December 2011	196,656	1,908,700	271,306	-	2,376,662
Net book value					
At 31 December 2011	139,920	189,097	77,264	62,788	469,069

2010:

	Buildings KShs'000	Plant & machinery KShs'000	Capital Vehicles & equipment KShs'000	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)	(913)	(303,060)
	321,737	2,012,394	247,296	106,201	2,687,628
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	45,210	2,812,441
Accumulated depreciation					
At 1 January 2010	178,121	2,015,460	240,247	-	2,433,767
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	45,210	563,155

(b) Company 2011:

	Buildings KShs'000	Plant & machinery KShs'000	Capital Vehicles & equipment KShs'000	work in progress KShs'000	Total KShs'000
Cost					
At 1 January 2011	309,727	2,027,365	316,501	26,836	2,680,429
Additions	51	6,435	-	33,320	39,806
Disposals	-	-	(5,568)	-	(5,568)
At 31 December 2011	309,778	2,033,800	310,933	60,156	2,714,667
Depreciation					
At 1 January 2011	173,215	1,794,819	199,170	-	2,167,204
Charge for period	11,306	72,800	40,038	-	124,144
Revaluation/disposal	-	-	(5,568)	-	(5,568)
At 31 December 2011	184,521	1,867,619	233,640	-	2,285,780
Net book value					

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

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	315,820	2,225,479	228,827	88,740	2,858,866
Reclassification	(7,744)	(273,822)	(20,581)	(913)	(303,061)
	308,076	1,951,657	208,246	87,827	2,555,805
Additions	865	27,237	77,467	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	316,502	26,836	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)
At 31 December 2010	173,215	1,794,819	199,170	-	2,167,204
Net Book Value					
At 31 December 2010	136,512	232,546	117,330	26,836	513,224

18. INVESTMENT PROPERTY - Group

	2011 KShs'000	2010 KShs'000
At start of year	199,851	206,126
Depreciation	(6,302)	(6,275)
At end of year	193,549	199,851
Comprising:		
Cost	250,941	250,941
Accumulated depreciation	(51,090)	(51,090)
Charge in the year	(6,302)	-
At end of year	193,549	199,851

The directors' estimate of the fair value of investment property is KShs 400 million (2010 - KShs 400 million).

19. PREPAID OPERATING LEASE RENTALS

	2011 KShs '000	Group 2010 KShs '000	2011 KShs '000	Company 2010 KShs '000
At start of year	751	759	751	759
Amortisation charge for the year	(8)	(8)	(8)	(8)
At end of year	743	751	743	751

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

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:

	Country of incorporation	% interest held	2011 KShs'000	2010 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
			156,686	191,686
Less: provision for impairment			-	(35,000)
			156,686	156,686

21. INVESTMENT IN ASSOCIATES

	Group		Company	
	2011 KShs '000	2010 KShs '000	2011 KShs '000	2010 KShs '000
At start of year	134,386	137,026	134,386	137,026
Share of loss	(11,623)	(2,640)	(11,623)	(2,640)
At end of year	122,763	134,386	122,763	134,386

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	Retained Expenses KShs'000	Earnings B/F KShs'000	Share capital KShs'00
2011	2,384,868	(1,893,813)	20,910	67,401	57,519	(560,000)
2010	2,275,744	(1,738,199)	-	11,029	11,426	(560,000)

22. INVENTORIES

	Group		Company	
	2011 KShs '000	2010 KShs '000	2011 KShs '000	2010 KShs '000
Raw materials	246,695	184,404	246,695	184,404
Stores and supplies	193,461	139,151	193,153	138,924
Work in progress	40,119	31,675	40,119	31,675
Finished goods	611,225	516,760	439,699	351,831
	1,091,500	871,990	919,666	706,834

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

23. RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011 KShs '000	2010 KShs '000	2011 KShs '000	2010 KShs '000
Trade receivables	615,780	865,570	331,972	621,645
Less: Provision for impairment	(44,724)	(161,104)	(9,745)	(99,865)
	571,055	704,466	322,227	521,780
Prepayments	38,360	12,054	12,113	12,054
Amounts due from related companies (Note 28 (d) (i))	9,769	6,526	9,769	6,526
Other receivables	403,323	375,679	459,383	368,044
Receivables from subsidiaries (Note 28(d) (i))	-	-	86,785	152,735
	1,022,507	1,098,725	890,277	1,061,139

24. CASH AND CASH EQUIVALENTS

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

	Group			Company		
	2011 KShs '000	2010 KShs '000	Change KShs '000	2011 KShs '000	2010 KShs '000	Change KShs '000
Cash at bank and in hand	147,558	158,284	(10,726)	68,568	94,377	(25,809)
Bank overdraft (Note 14)	(449,417)	(418,782)	(30,635)	(449,418)	(418,782)	(30,636)
	(301,859)	(260,498)	(41,361)	(380,850)	(324,405)	(56,445)

25. PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2011 KShs '000	2010 KShs '000	2011 KShs '000	2010 KShs '000
Trade payables	215,467	276,215	178,301	314,005
Amounts due to related companies (Note 28(d) (ii))	157	2,419	157	2,419
Amounts due to subsidiaries (Note 28(d) (ii))	-	-	206,632	168,259
Accrued expenses and other payables	29,996	79,645	69,835	89,935
	245,620	358,279	454,925	574,618

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

26. CASH GENERATED FROM OPERATIONS

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

	2011 KShs'000	2010 KShs'000
Profit before income tax	148,446	62,199
Adjustments for:		
Interest income (Note 9)	(200)	(2,709)
Rental income	(81,580)	(69,851)
Interest expense (Note 9)	48,478	38,085
Share of loss in associate (Note 21)	11,623	2,640
Translation differences	(14,063)	(26,335)
Profit on sale of property plant and equipment	(6,108)	(1,219)
Depreciation on property plant and equipment (Note 17)	134,190	121,297
Depreciation on investment property (Note 18)	6,302	6,275
Amortisation of prepaid operating lease rentals (Note 19)	8	8
Changes in working capital:		
- Receivables and prepayments	76,218	(381,112)
- Inventories	(219,509)	262,071
- Payables and accrued expenses	(112,659)	126,380
- Provisions for retirement benefit obligations	1,684	7,331
Cash generated from operations	(7,170)	145,060

27. CONTINGENT LIABILITIES

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

28. RELATED PARTY TRANSACTIONS

The Group's majority shareholding is held by Sameer Investments Limited a company 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:

	2011 KShs'000	2010 KShs'000
(a) Sale of goods and services		
Ryce East Africa Limited	11,614	6,313
H Young (EA) Limited	16,075	16,975
	27,689	23,288
(b) Purchase of goods and services		
Ryce East Africa Limited	3,048	2,034
Airtel Kenya limited	4,629	-
Swift Global Kenya Limited	3,619	385
	11,296	2,419

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

(c) Key management compensation

	2011 KShs'000	2010 KShs'000
Salaries and other short-term employment benefits	25,338	26,553

(d) Outstanding balances

	2011 KShs '000	Group 2010 KShs '000
--	-------------------	----------------------------

(i) Amounts due from:

Subsidiaries:

Taqwa Trading Limited	28,435	-
Yana Tyre Centre Limited	-	45,104
Sameer Africa (Tanzania) Limited	58,350	107,631
	86,785	152,735

Other related companies:

Ryce East Africa Limited	4,215	2,514
H Young (EA) Limited	5,406	4,007
Eveready Batteries (K) Ltd	148	5
	9,769	6,526

(ii) Amounts due to:

Subsidiaries:

Yana Tyre Centre Limited	49,170	-
Taqwa Trading Limited	-	29,371
Sameer Industrial Park Limited	112,492	116,344
Sameer Africa (Uganda) Ltd	11,094	10,548
Sameer EPZ Limited	33,876	11,996
	206,632	168,259

Other related companies:

Ryce East Africa Limited	49	2,034
Swift Global Kenya Limited	108	385
	157	2,419

	2011 KShs'000	Company: 2010 KShs'000
(e) Directors' remuneration		
Fees for services as a director	5,683	5,340
Other emoluments (Included in key management compensation above)	13,742	13,239
Total remuneration of directors of the Company	19,425	18,579

Notes To The Consolidated Financial Statements

for the year ended 31 December 2011

29. COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2011 KShs '000	2010 KShs '000	2011 KShs '000	2010 KShs '000
Property, plant and equipment	22,722	19,486	22,722	19,486

(b) Operating lease commitments

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

	Group		Company	
	2011 KShs '000	2010 KShs '000	2011 KShs '000	2010 KShs '000
Not later than 1 year	4,895	3,164	4,895	3,164
Later than 1 year and not later than 5 years	47,848	225	47,848	225
	52,743	3,389	52,743	3,389
Payments due under lease rentals:				
Not later than 1 year	44,558	34,962	14,658	730
Later than 1 year and not later than 5 years	140,526	98,447	50,768	225
Later than 5 years	21,437	32,691	9,438	-
	206,522	166,100	74,865	955

Group 5 Year Financial Results

	2007 KShs '000	2008 KShs '000	2009 KShs '000	2010 KShs '000	2011 KShs '000
Turnover	3,469,283	3,026,747	3,278,118	3,344,895	3,675,226
Profit before tax	166,520	165,522	221,464	62,199	148,446
Taxation	(47,905)	(14,674)	(63,459)	(4,803)	(51,498)
Profit after taxation	118,615	150,848	158,005	57,396	96,948
Dividends (gross)	-	-	(139,171)	-	(55,668)
Retained profit transferred to/(from)					
Revenue reserve	118,615	150,848	18,834	57,396	41,280
Earnings per share (shs)	0.43	0.43	0.57	0.21	0.35
Dividend per share (shs)	-	-	0.50	-	0.20
Shares in issue (000s)	278,342	278,342	278,342	278,342	278,342
Consolidated balance sheet summary					
Non Current Assets					
Fixed assets	697,499	618,155	556,860	563,155	469,069
Prepaid operating lease rentals	859	770	759	751	743
Investment property	218,684	212,405	206,126	199,851	193,549
Investment in associate	-	137,026	137,026	134,386	122,763
Deferred income tax	19,313	40,852	29,558	28,845	61,543
	936,355	1,009,208	930,329	926,988	847,667
Current Assets					
Inventories	1,140,904	1,113,387	1,134,061	871,990	1,091,500
Receivables and prepayments	894,272	857,772	717,613	1,098,725	1,022,507
Bank balances and cash	163,720	24,395	10,230	31,006	15,808
Tax recoverable	26,632	71,386	213,141	158,284	147,588
	2,225,528	2,066,940	2,075,045	2,160,005	2,277,373
Current liabilities					
Borrowings	699,590	551,995	364,255	426,816	450,162
Payables and accrued expenses & unclaimed dividends	344,031	247,073	238,675	365,055	252,396
Taxation	4,393	12,986	2,833	4,362	51,549
	1,048,014	812,054	605,763	796,233	754,109
Net current assets	1,177,514	1,254,886	1,469,282	1,363,772	1,523,266
Non current liabilities:					
Bank borrowings	6,818	6,547	3,770		
Deferred taxation	16,687	4,132	4,855	3,368	2,998
Retirement benefit obligations charges	111,873	116,037	105,371	112,703	114,387
	151,947	128,528	117,044	122,618	121,145
Net assets	1,961,922	2,135,566	2,282,567	2,168,142	2,249,788
Financed by:					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings	627,016	777,864	795,463	853,608	894,888
Translation reserve	(56,806)	(34,010)	(43,779)	(77,178)	(92,480)
Proposed dividend	-	-	139,171	-	55,668
Shareholders' fund	1,961,922	2,135,566	2,282,567	2,168,142	2,249,788

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 15th June 2012 at 11.30 am and any adjournment thereof.

As witness my/our hand(s) this _____ day _____ 2012

Signature _____

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

Notes:

1. To be valid this proxy must be deposited at the registered office of the company not less than 24Hours 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 of 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.

Fomu ya Uwakilishi

Mimi/Sisi..... wa

nikiwa/tukiwa mwanachama/wanachama wa Sameer Africa Limited, namchagua/tunamchagua au akikosa yeye aliyechaguliwa mwenyekiti wa mkutano kuwa kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/ yetu kwenye Mkutano Mkuu wa Mwaka wa Kampuni utakaofanyika katika majengo ya Kampuni, kando ya Mombasa Road, Nairobi tarehe 15 Juni 2012, saa tano na nusu asubuhi na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu hii siku ya mwezi wa 2012

Sahihi.....

Isipokuwa ikishauriwa vingine, mwakilishi atapiga kura anavyofikiria mwenyewe.

Maelezo:

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

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

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