sameerafrica
WE'LL TAKE YOU THERE.®

2013 ANNUAL REPORT AND FINANCIAL STATEMENTS

DEVELOPMENT

GROWTH

INNOVATION

Vision

To be the ultimate provider of innovative and reliable tyre solutions.

Mission

To provide safe mobility with unparalleled experience.

Core Values

Integrity

We strive to be honest, fair and ethical in everything we do and in all dealings with our customers, suppliers, investors, co-workers and our neighbours in the communities in which we operate.

Respect

In doing business, our employees will treat each other, our customers, suppliers and other stakeholders with mutual respect. We will treat people in a consistently fair manner that promotes team work, diversity and open communication.

Innovation

Through innovation, we will continuously develop market relevant products; find better ways to manufacture, deliver products and serve customers.

Brief History of our Company

Sameer Africa Limited, under the name Firestone East Africa (1969) Limited, was established in Kenya in 1969 by Firestone Tyre and Rubber Company of the USA and the Government of Kenya to produce tyres for the East African market. Sameer Investments Limited, a Kenyan company, later purchased a significant part of the shareholding from Firestone Tyre and Rubber Company. In 1988, when Bridgestone Corporation purchased Firestone Tyre & Rubber Company, Sameer Investments Limited retained its shareholding in Firestone East Africa 1969 Limited and the company was listed on the Nairobi Stock Exchange in 1995.

The company's corporate identity changed to Sameer Africa Limited in April 2005. This change created an independent tyre producer based in Kenya that aims to supply the East African and COMESA markets.

With a technical capability developed over 43 years of producing tyres in Kenya, the company is now able to produce a comprehensive range of tyres to meet customers' needs in Africa. Sameer Africa's product range currently includes: passenger textile and steel belted radials, 4x4 tyres, light truck radial and bias, truck and bus, agricultural, industrial and off-the-road tyres under the brand name, Yana. Sameer Africa produces both tube type and tubeless tyres and also produces tubes and flaps.

The Yana brand, officially launched in November 2005 in Nairobi, is Sameer Africa's own brand that aims to be a pan- African tyre brand. This brand is backed by leading tyre technology and local development and production is engineered to meet the challenging driving conditions in Africa.

Sameer Africa Limited also distributes the world renowned Bridgestone tyres in Kenya, Uganda, Tanzania, Rwanda and Burundi.

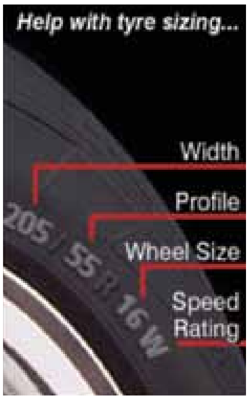
Accountability

Our employees will individually and collectively take full responsibility and hold themselves accountable for actions and results to each other and to all stakeholders.

Tyre Markings

All the information necessary in making a decision on whether a tyre is suitable for your vehicle is made available by the tyre manufacturer through the tyre sidewall markings as follows:

1. Tyre size
2. How to mount the tyre on the wheel - for directional tyres
3. Maximum load and inflation pressures the tyre can handle
4. Commercial name/ sub-brand name e.g. Eagle, Monarch II
5. Materials used in the tyre construction
6. Tyre mold markings
7. Load index and the speed symbol
8. Tubeless / tubetype
9. Country of origin
10. Brand name / trade name e.g. Yana
11. Tread wear indicators – locations for tread wear indicators on the tread grooves



Look At The Following

205 - Tyre width
55 - Tyre height vs tyre width in (%) Aspect Ratio
R - Radial construction
16 - Rim diameter (Inch)
W - Speed symbol

Why Buy From Us

Sameer Africa is the leading and sole producer of tyres in East Africa region. In that respect we provide the best tyre solutions through the best range of innovative quality products and efficient responsive processes for the satisfaction of our customers and other stakeholders.

We also offer the following services to our esteemed customers: wheel balancing, alignment, fitting and tyre care advice at our Yana Tyre Centres.

For more information on these services visit the Yana Tyre Centre page on our website www.sameerafrica.com

Contents

YANA
AFRICA RIDES ON YANA TYRES

Introducing the **NEWEST** tyres in the **YANA** family

YANA MONARCH II PASSENGER

205/65R15 | 205/60R15 | 205/55R16

For luxury cars that need to go the extra mile. Guaranteed superior handling and long-lasting tyres, even in wet conditions.

YANA STALLION HIGHWAY TERRAIN

215/70 R16

Anywhere you are in East Africa, this is the tyre to depend on. Whatever the weather or the terrain, Yana Stallion is always there to ensure a comfortable, smooth ride.

YANA STALLION ALL TERRAIN

215/70R16 | 265/70R16 | 235/85R16

Anywhere you are in East Africa, this is the tyre to depend on. Whatever the weather or the terrain, Yana Stallion is always there.

YANA DAIMA MEDIUM TRUCK

265/70 R19.5 | 9.5 R17.5

The Yana Daima tyre is your go-to tyre for your higher capacity buses; it will go the distance whatever the conditions.

YANA DAIMA II TRUCK & BUS

315/80R22.5

The Yana Daima II tyre is the perfect all-rounder and works perfectly in any situation.

YANA JUMBO T TRAILERS

315/80R22.5

Perfect for all your haulage needs, the Yana Jumbo T gives you the chance to control and maneuver around in larger vehicles.

YANA JESHI EXTRA TRUCK & BUS OFF ROAD

14.00-20

The Yana Jeshi gives you extra in poor driving conditions; sandy, muddy, terrain never looked so easy to drive on.

YANA GRADER OFF-THE-ROAD (OTR)

14.00-24

Engineered to meet the most severe excavating and earth moving operations.

YANA MAVUNO EXTRA FRONT TRACTOR

9.00 - 16

The Yana Mavuno tyre does all the hard work so you can concentrate on the finer details in your farm work.

YANA KILIMO REAR TRACTOR

18.4-34

A versatile farm and heavy haulage tyre for higher capacity agricultural machineries.

Providing world class products and services for all African terrains

Contents

General

Registered Office & Principal Place of Business

LR No. 12081/9
Mombasa Road
PO Box 30429
00100 Nairobi GPO.

Company Secretary

Edgar Jumba Imbamba *(Appointed 1 November 2013)*
P.O. Box 30429,
00100 Nairobi GPO.

I.A. Timamy *(Resigned 1 November 2013)*
PO Box 30429
00100 Nairobi GPO.

Share Registrars

Custody & Registrars Services Limited
Bruce House, 6th floor,
Standard Street,
P. O. Box 8484,
00100 Nairobi GPO.

Principal Bankers

NIC Bank Limited,
NIC House,
Masaba Road, off Uhuru highway,
P.O.Box 44599,
00100 Nairobi GPO.

Standard Chartered Bank Kenya Limited,
48, Westlands Road,
P.O. Box, 30003,
00100, Nairobi GPO.

Principal Advocates

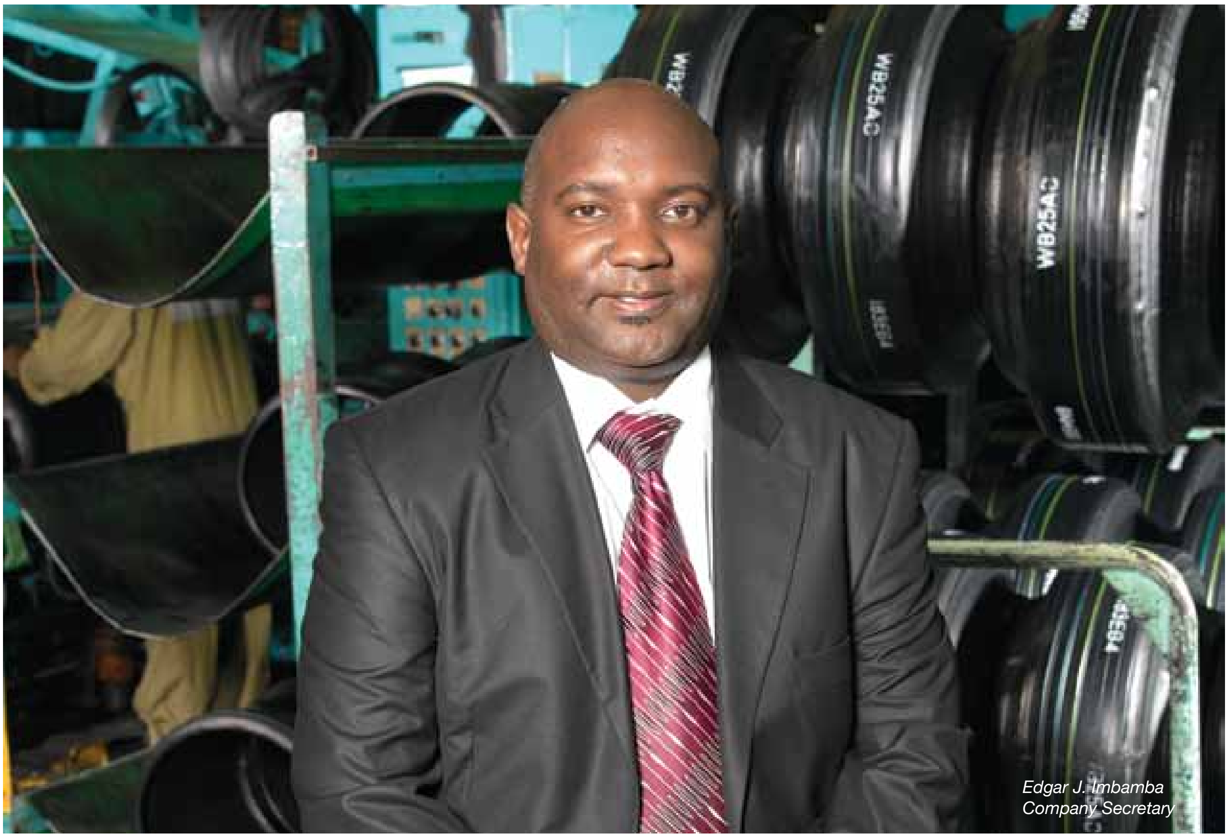
Kipkorir, Titoo & Kiara,
Posta Sacco Plaza,
PO Box 10176
00100 Nairobi GPO.

Waruhiu K'owade and Nganga Advocates,
Taj Towers, 4th Floor, Wing B,
Upperhill Road,
P.O. BOX 47122,
00100 Nairobi GPO.

Auditors

KPMG Kenya,
Certified Public Accountants,
ABC Towers, 8th Floor,
Waiyaki Way, PO Box 40612,
00100 Nairobi GPO.

Raw materials in the warehouse.



Edgar J. Imbamba
Company Secretary

Notice is hereby given that the 45th Annual General Meeting of members will be held at the company's premises off Mombasa Road, Nairobi on Friday 23 May, 2014, at 11.30 a.m to conduct the following business:

Agenda

1. Constitution of the Meeting

The secretary to read the notice convening the meeting, table the proxies and determine if a quorum is present.

2. Confirmation of Minutes

To confirm the minutes of the 44th Annual General Meeting held on Friday 24 May, 2013.

3. Financial Statements and Reports

To receive, consider and if deemed fit, adopt the financial statements for the year ended 31 December, 2013, together with the reports thereon of the directors and the auditors.

4. Approve Dividend

To approve a first and final dividend of Kenya shilling 0.30 (thirty cents) per share.

5. Election of Director

To elect a director:

(i) In accordance with Article 94 of the company's Articles of Association, Eng. Erastus K. Mwongera retires by rotation and being eligible, offers himself for re-election.

6. Directors Emoluments

To approve the directors emoluments.

7. Appointment of Auditors

To re-appoint KPMG as auditors of the company in accordance with the provisions of section 159 (2) of the Companies Act (Cap. 486), Laws of Kenya and to authorize the directors to fix their remuneration for the ensuing financial year.

8. Special Business:

To consider and if thought fit, to pass the following resolutions as special resolutions:

Resolutions

(i) That the following words and meanings be included in the interpretation and definitions section of the Articles of Association (Article 2):

"Unclaimed Financial Assets Act" means the Unclaimed Financial Assets Act, 2011 (Act No. 40 of 2011);

"Unclaimed Financial Assets Authority" means the Unclaimed Financial Assets Authority established under section 39(1) of the Unclaimed Financial Assets Act;

"Unclaimed Assets" shall have the meaning ascribed to it under section 2 of the Unclaimed Financial Assets Act;

(ii) That the following new article be added immediately after Article 126.

The Company shall, as required by the Unclaimed Financial Assets Act, deliver or pay to the Unclaimed Financial Assets Authority any unclaimed financial assets including but not limited to shares and dividends in the Company presumed to be abandoned or unclaimed in law and any dividends remaining unclaimed beyond prescribed statutory periods and the Board may perform such acts as may be necessary to effect such delivery or payment. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the member, or his or her estate, for the relevant unclaimed asset.

(iii) That the following new article be added immediately after Article 104:

Notwithstanding the foregoing, the board of directors and any committee of the board, shall be deemed to meet together if, being in separate locations, they are nonetheless linked by telephone conference or other communication equipment which allows those participating to see, hear and speak to each other and a quorum for such meetings shall nonetheless be in accordance with the quorum prescribed under the Articles. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chairman of the meeting then is located.

(iv) Re-numbering :

To re-number the remaining articles and paragraphs of the Articles of Association accordingly.

9. Any other Business

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

By Order of the Board

Edgar J. Imbamba

Company Secretary

26 March, 2014

Please Note:

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the company.

2. The form of proxy is provided with this report.

3. To be valid, a form of proxy must be duly completed and signed by a member and must either be lodged at the offices of the company's share registrars, Custody and Registrars 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.

Ilani inatolewa hapa kuwa mkutano mkuu wa kila mwaka wa arobaini na tano (45) wa wanachama utafanyika katika majengo ya kampuni kando ya barabara ya Mombasa,Nairobi,ijumaa tarehe 23 Mei 2014 saa tano na nusu asubuhi kuendesha shughuli zifuatazo

Ajenda

1. Kuitisha Mkutano

Katibu kusoma ilani ya kuitisha mkutano,kuwasilisha fomu za wakala na kutambua kuwepo kwa idadi ya wanahisa wanaotosha.

2. Kuthibitisha Kumbukumbu

Kuthibitisha kumbukumbu za mkutano mkuu wa pamoja wa kila mwaka wa arobaini na nne 44 uliofanyika Ijumaa tarehe 24 Mei 2013.

3. Taarifa na Ripoti za Fedha

Kupokea,kuchunguza na ikithibitishwa sawa , kukubali taarifa ya matumizi ya fedha ya mwaka uliomalizika tarehe 31 Desemba 2013,pamoja na taarifa za wakurukenzi na wakaguzi.

4. Kuidhinisha Mgao

Kuidhinisha mgao wa kwanza na mwisho wa shilingi za Kenya 0.30 (senti thelathini) kwa kila hisa.

5. Uchaguzi wa Mkurugenzi

Kumchagua mkurugenzi

i.) Chini ya kifungu 94 cha cha makala ya chama ya kampuni, Mhandisi Erastus K Mwongera anastaafu kwa zamu na kwa kuwa anastahili anajitolea kuchaguliwa tena.

6. Malipo ya Wakurugenzi

Kuidhinisha malipo ya wakurugenzi.

7. Kuteua Wakaguzi

Kuwateua tena KPMG kama wakaguzi wa kampuni kulingana na masharti ya kifungu 159(2) ya sheria za kampuni(Sura 486,Sheria za Kenya) na kuwaidhinisha wakurugenzi kuamua malipo yao ya mwaka wakifedha unaofuata.

8. Shughuli Maalum

Kuchunguza na ikidhaniwa sawa kupitisha maazimio yafuatayo kama maazimo maalum.

Maazimio

(i) Kwamba maneno na maana yafuatayo yajumuishwe katika kifungu cha tafsiri na maelezo katika Makala ya Chama (kifungu 2)

'Sheria ya Mali ya Fedha Haijadaiwa 'inamaanisha Sheria ya Mali ya Fedha Haijadaiwa ya 2011 (sheria 40 of 2011)

'Mamlaka ya Mali ya Fedha Haijadaiwa' inamaanisha Mamlaka ya Mali ya Fedha Haijadaiwa iliowekwa chini ya kifungu 39(1) cha Sheria ya ya Mali ya Fedha Haijadaiwa.

'Mali Haijadaiwa ' itakuwa na maana iliyopewa chini ya kifungu 2 cha Sheria ya Mali ya Fedha Haijadaiwa.

(ii) Kwamba kifungu kifuatacho kiongezwe baada tu ya kifungu 126

Kampuni kama inanvyowajibishwa na Sheria ya Mali ya Fedha Haijadaiwa itakabidhi au kulipa kwa Mamlaka ya Mali ya Fedha Haijadaiwa mali ya fedha haijadaiwa yeyote ambayo iko kwenye kampuni ikiwa ni hisa na gawio la faida wala haikomi kwa hayo tu itakayodhaniwa kisheria kuwa imeachiliwa mbali au haijadaiwa na gawio la faida lolote ambalo litabakia halijadaiwa kwa muda zaidi ya uliowekwa na sheria na halmashauri itachukua hatua zote muhimu kutekeleza ukabidhi au malipo hayo.Baada ya kukabidhi au kulipa mali ya fedha haijadaiwa kampuni itakuwa haidaiwi tena na kampuni haitawajibika tena kwa mwanachama, au kwa mirathi yake,juu ya mali haijadaiwa husika.

(iii) Kwamba kufungu kipya kifuatacho kiongezwe baada tu ya kifungu 104

Licha ya yaliyojiri, wakurugenzi na kamati ya wakurugenzi,itachukuliwa kuwa wanakutana ikiwa,wako katika mahali tofauti, na hata hivyo wameunganishwa katika mkutano kwa njia ya simu au kupitia kifaa chochote cha mawasiliano ambacho kinaruhusu wahusika kusikia na kuongea na kila mmoja na kutimia idadi inayohitajika kuhudhuria mkutano kama huo hata hivyo itakuwa kuambatana na idadi ilioshurutishwa kwa mujibu wa Makala. Mkutano kama huo utachukuliwa kuwa unafanyika mahali ambamo kundi kubwa limekutana, ikiwa hakuna kundi kama hilo, basi ni pale mwenyekiti alipo.

(iv) Kuweka nambari tena

Kuvipatia vifungu na aya zilizobakia za Makala ya chama ya kampuni nambari mpya ipasavyo.

9. Shughuli Nyengine Yoyote

Kushughulikia shughuli nyengine yoyote inayoweza kushughulikiwa katika mkutano mkuu wa pamoja wa kila mwaka.

Kwa Amri ya Halmashauri

Edgar J. Imbamba

Katibu wa Kampuni

26 Machi, 2014

Tafadhali Fahamu

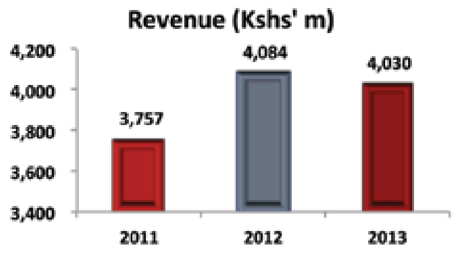
1. Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu anaweza kumteua wakala kuhudhuria na kupiga kura kwa niaba yake na wakala huyo si lazima awe mwanachama wa kampuni.

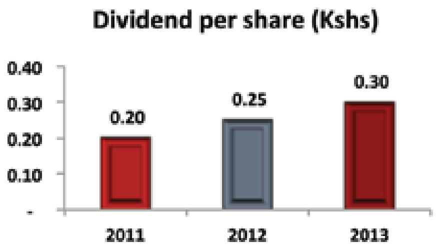
2. Fomu ya wakala imo kwenye ripoti hii.

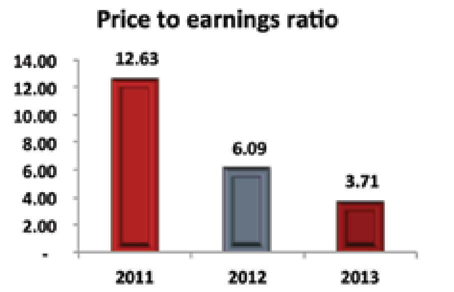
3. Ili kuwa halali fomu ya wakala lazima ijazwe kikamilifu na kutiwa sahihi na mwanachama na lazima ifikishwe katika ofisi za wasajili wa hisa za kampuni ,Custody and Registrars Services Limited, ghorofa ya 6 jumba la Bruce ,barabara ya Standard S.L.P 8484-00100 Nairobi au Kutumwa kwa njia ya posta kuwafikia wasajili wa hisa kwa muda usiopungua masaa 24 kabla ya wakati uliowekwa wa kufanyika mkutano.

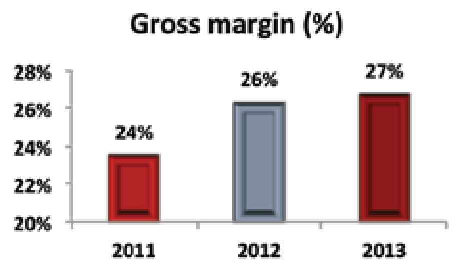
Raw material mixing - the different chemicals and rubbers.

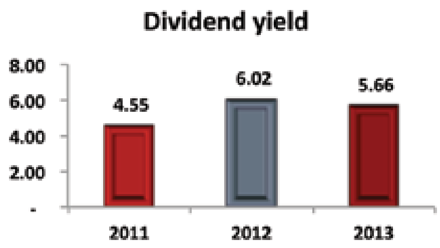
Business Review

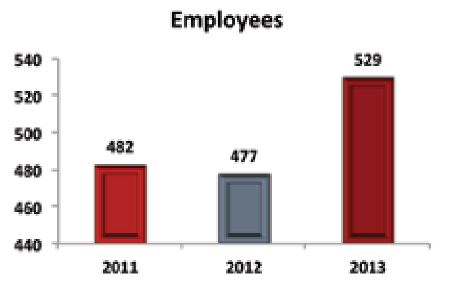

Revenue (Kshs' m)
3,757
4,084
4,030
2011
2012
2013

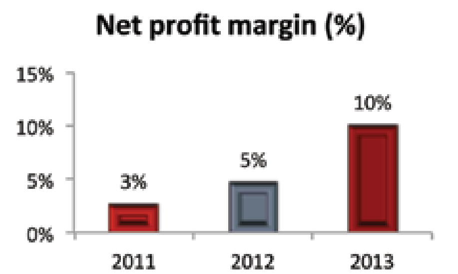

Dividend per share (Kshs)
0.20
0.25
0.30
2011
2012
2013

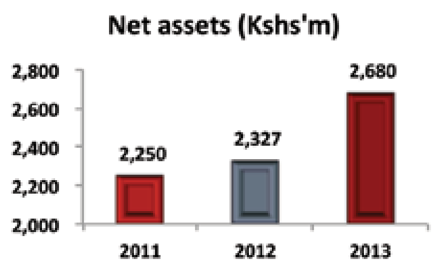

Price to earnings ratio
12.63
6.09
3.71
2011
2012
2013

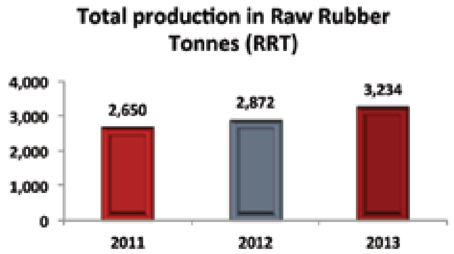

Gross margin (%)
24%
26%
27%
2011
2012
2013

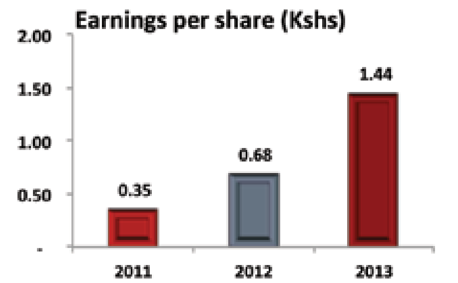

Dividend yield
4.55
6.02
5.66
2011
2012
2013

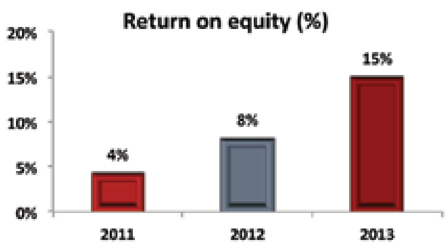

Employees
482
477
529
2011
2012
2013

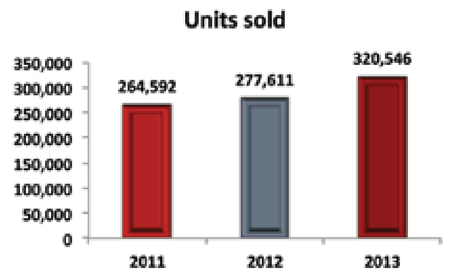

Net profit margin (%)
3%
5%
10%
2011
2012
2013


Net assets (Kshs'm)
2,250
2,327
2,680
2011
2012
2013

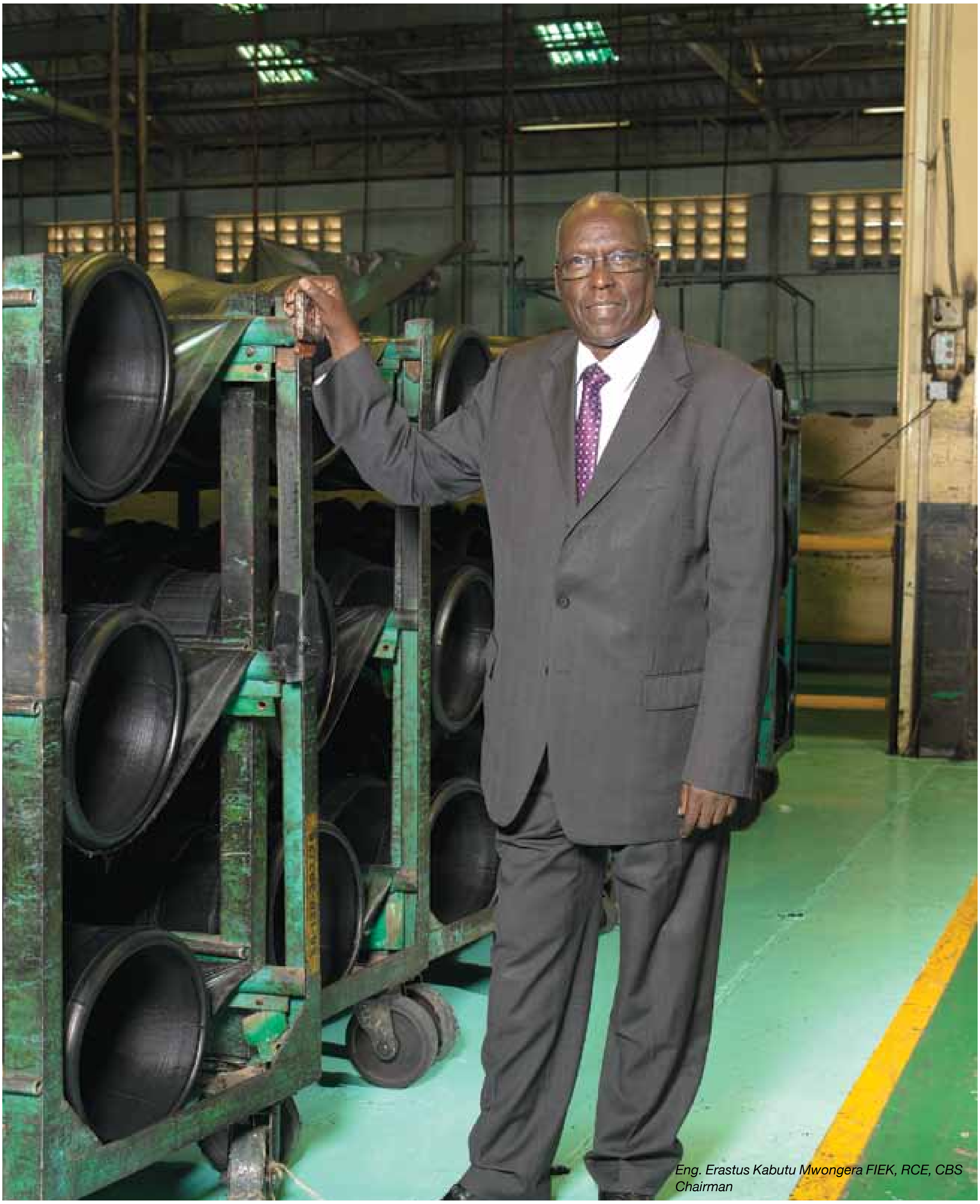

Total production in Raw Rubber Tonnes (RRT)
2,650
2,872
3,234
2011
2012
2013


Earnings per share (Kshs)
0.35
0.68
1.44
2011
2012
2013


Return on equity (%)
4%
8%
15%
2011
2012
2013


Units sold
264,592
277,611
320,546
2011
2012
2013

	2013 Kshs'000	2012 Restated Kshs'000	2011 Restated Kshs'000	2010 Kshs'000	2009 Kshs'000
Statement of Profit or Loss					
Revenue	**4,029,841**	**4,083,631**	**3,757,076**	**3,414,746**	**3,353,160**
Gross profit	**1,078,122**	**1,074,585**	**883,296**	**731,758**	**938,778**
Profit before income tax	**456,521**	**298,761**	**148,446**	**62,199**	**221,464**
Income tax	(55,332)	(110,307)	(51,498)	(4,803)	(63,459)
Profit for the year	**401,189**	**188,454**	**96,948**	**57,396**	**158,005**
Statement of financial position					
Assets					
Property, plant and equipment	435,967	334,259	424,558	563,155	556,860
Investment property	179,197	185,107	193,549	199,851	206,126
Equity accounted investee	116,073	115,130	122,763	134,386	137,026
Inventories	1,268,150	1,086,087	1,091,500	871,990	1,134,061
Receivables and prepayments	996,377	1,255,890	1,022,507	857,039	717,613
Cash and bank balances	482,833	300,619	147,558	158,284	213,141
Other assets	189,890	122,559	122,605	60,602	40,547
Total assets	**3,668,487**	**3,399,651**	**3,125,040**	**2,845,307**	**3,005,374**
Equity					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Reserves	1,287,901	935,011	858,076	776,430	890,855
Total equity	**2,679,613**	**2,326,723**	**2,249,788**	**2,168,142**	**2,282,567**
Liabilities					
Retirement benefit obligations	148,830	127,440	114,387	112,703	105,371
Payables and accrued expenses	257,933	437,269	245,620	116,593	231,899
Borrowings	571,236	480,768	450,162	426,816	364,255
Other liabilities	10,875	27,451	65,083	21,053	21,282
Total liabilities	**988,874**	**1,072,928**	**875,252**	**677,165**	**722,807**
Total equity and liabilities	**3,668,487**	**3,399,651**	**3,125,040**	**2,845,307**	**3,005,374**
Key Ratios					
Gross Margin	**27%**	**26%**	**24%**	**21%**	**28%**
Net profit Margin	**10%**	**5%**	**3%**	**2%**	**5%**
Earnings Per Share (Kshs)	**1.44**	**0.68**	**0.35**	**0.21**	**0.57**
Dividends Per Share (Kshs)	**0.30**	**0.25**	**0.20**	**0.00**	**0.50**
Dividend Yield	**5.66**	**6.02**	**4.55**	**-**	**11.40**
Price to Earnings Ratio	**3.71**	**6.09**	**12.63**	**37.34**	**8.81**
Price to book value (Kshs)	**0.57**	**0.50**	**0.54**	**0.99**	**0.61**
Return on Equity	**15%**	**8%**	**4%**	**3%**	**7%**



Eng. Erastus Kabutu Mwongera FIEK, RCE, CBS
Chairman

Distinguished shareholders, members of the board, ladies and gentlemen, it is with great pleasure that I welcome you all to the 45th annual general meeting of the company holding this 23rd day of May 2014, in Nairobi, Kenya.

I am delighted to report that Sameer Africa Limited has once again recorded an improved financial performance in 2013, despite the challenging trading environment. Our performance continues to demonstrate that we have the right strategy and we have the leadership in place to deliver consistent value for our shareholders.

Operating Environment

2013 was a most challenging year in terms of the general trading environment. The general elections and subsequent High Court petition challenge in Kenya in the first half of 2013, caused considerable uncertainty. The devolution process then presented its own set of difficulties and simultaneously triggered a severe market liquidity crunch as government curtailed expenditure significantly. The adverse effects of this we are still experiencing today. The airport fire and the appalling terrorist attack on the Westgate shopping mall also did little to instill market confidence. All of the above did erode some of the robust economic gains that were made in the second half of 2012.

Globally, Gross Domestic Product (GDP) growth declined from 3.9% in 2011 to 3.2% in 2012 and is projected at only 3% for 2013. Ongoing turmoil in the Eurozone and structural deficiencies in all major Western economies contributed to a slowing in growth. For emerging economies, GDP growth is estimated to average only 4.5% in 2013.

In Kenya, GDP growth for 2013, is forecast at 5%, well below the Vision 2030 target of 10% and is still lagging behind most of the other East African economies. Indeed, Rwanda's GDP is forecast to grow at 7.5%, Uganda at 5.7% and Tanzania at 6.8%. In Kenya, low government spending, high interest rates and a poor second half of the year performance in the coffee, fruit and flower sectors all impacted adversely. To the upside, the Kenya shilling remained strong and stable throughout the year and on the back of strong capital inflows especially for infrastructural activity.

Inflation declined significantly in the first half of 2013, but then increased to a high of 8.3% in October, 2013, to close the year at an average of 7.2%, year on year. The Central Bank's benchmark interest rate did decline in 2013 as expected, remaining at 8.5% for most of the second half of 2013, as against 11% at the close in 2012. The Nairobi Securities Exchange performed extremely well in 2013, with an overall gain of 41% - one of the highest in the world - and against a gain of 28% in 2012.

Tyre Industry

The African continent remains one of the fastest growing markets for tyre products and the rising demand for tyres has led to severe competition between tyre manufacturers across the world, all seeking to garner a share of the market.

Many countries in Africa however, remain very price sensitive markets and are increasingly turning to the importation of low priced tyres from the East, rather than the more expensive European, Japanese and American brands. As a result, China has now emerged as a leading producer and exporter of tyres to most African countries and given the economies of scale that they enjoy and new technology platforms in place there, they are able to manufacture tyres at very low unit costs.

Across Africa, we are also seeing a significant amount of un-customed tyres enter our markets. The retail and wholesale prices of some of these products are now well below the expected minimum if costs of production, transport, insurance, customs duty and other taxes are considered. This puts us at a significant and unfair disadvantage.

Financial Highlights

Total group revenues at Kshs 4.03 billion were marginally below that of 2012, by Kshs 50 million, in line with the difficult trading environment, ever increasing competition and the fact that we actually decreased selling prices in 2013, to remain competitive.

We continued to experience significant upward pressure on our energy costs which increased by 16% over 2012, but this was largely offset by an average 18% reduction in the cost of our basket of imported raw material inputs, in line with a depressed international commodity market and a relatively stable US dollar/Kenya shilling exchange rate. Indeed, the cost of natural rubber declined from USD 3,000 per tonne at end 2012, to USD 2,610 at year end 2013.

This reduction in raw material input costs, which should have had a very beneficial impact on our gross margins, was again eroded by ferocious price competition across all our markets and which forced us to reduce prices by an average of 10% as against 2012. Indeed, we have now not increased selling prices for three years.

Tight liquidity in the Kenyan market following a significant reduction in government expenditure also saw competitors dumping stock and consumers buying down into the discounted end of the market. Unfortunately, we expect this trend to continue into much of 2014. Cheap imported tyres now constitute 50% of the market, up from 45% in 2012.

In 2013, total factory production, as measured in raw rubber tonnes, increased by 15% over 2012, and Yana sales volumes increased to 321,000 units, up from the 279,000 units sold in 2012, in line with more competitive pricing, a more aggressive sales and marketing thrust, robust expansion into the export market and a strong performance from our Yana tyre centres.

Profit before tax at Kshs 455 million increased significantly against a restated Kshs188 million reported in 2012. The 2013 results were boosted by a profit on disposal of land of Kshs 255 million, following the sale of a small parcel of land at our Mombasa Road premises. This land was sold in order to finance the expansion of our Yana tyre centres across the region. As shareholders are aware, the group never sells land, preferring instead to always develop land holdings for future rental income streams.
Operating expenses at Kshs 915 million increased by 18% over 2012, well above the inflation rate but largely as a result of pre-operating expenses incurred for our new tyre centre and depot in Bujumbura, Burundi and new tyre centres in Nakuru, Kenya and Dar es Salaam, Tanzania.

Board of Directors

On 1st November, 2013, it was with regret that your board accepted the resignation of Issa A. Timamy, a long serving director and also company secretary of the company. Issa served with loyalty, passion and distinction and his contributions to the board and the group will be sorely missed. Issa was successful in his campaign to contest the governorship position in Lamu County and we wish him every possible success in his new position.

On 6th August, 2013, Professor Margaret Kobia was appointed to the board, but due to pressure of work was unable to take up the position. The board accepted her resignation on 27th November, 2013. The board regrets that she was not able to serve as we believe she would have made a significant contribution to the group especially in the areas of corporate governance and risk management.

The various board committees continued to play a vital role in supporting the board in discharging its duties. One of the main areas of focus for the board audit risk and corporate governance committee in 2013, was the implementation of an enterprise risk management framework. This comprehensive initiative will have a profound impact on the way the company will be managed moving forward and how the board will fulfill its oversight responsibilities.

Shareholding

Since 2007, Bridgestone Corporation had offered little by way of technical assistance to our tyre manufacturing division. The board, in recognition of the fact that tyre technologies and production methodologies are constantly changing, entered into discussions with Sameer Investment Limited, the largest equity holder in the company, on possible strategies to address this situation.

Following lengthy discussions, Sameer Investments Limited approached Bridgestone with a view to Sameer Investments Limited acquiring all the ordinary shares held by Bridgestone. The intention was that such acquired shares would then be held by Sameer Investments Limited to be offered to a new strategic investor and technical partner.

Bridgestone subsequently agreed to the Sameer Investment Limited proposal and in a private transaction, sanctioned by both the Nairobi Securities Exchange and the Capital Markets Authority and widely publicized as required by law, Sameer Investments Limited acquired the Bridgestone ordinary shares. This increased the Sameer Investment Limited shareholding in Sameer Africa Limited from 57.24% to 72.14%.

This transaction was completed on 24 December, 2013.

As part of the overall transaction and deal structure, it was also agreed that immediately following the acquisition of the Bridgestone shares by Sameer Investment Limited, Bridgestone could proceed to appoint a second distributor for Kenya. Consequently, and in addition to Sameer Africa, there is now a second distributor of Bridgestone tyre products in the Kenyan market.

2014 Outlook

In 2012, we raised our concerns regarding Kenya's deteriorating trade account position but in 2013, imports at Kshs 1.41 trillion, decreased by a staggering 48%. Despite this, we still remain concerned about the US dollar/Kenya shilling exchange rate moving forward, given that the overall trade deficit increased from Ksh 76.9 billion in 2012 to close 2013, at Kshs 78.6 billion. To the upside, however, we project that natural rubber prices will remain largely depressed in 2014, thus providing some measure of risk offset.

We also remain cautiously optimistic over the economic fundamentals in Kenya. Infrastructural spend will increase in 2014, and we envisage increased investment in the oil and gas sector. Ongoing reforms in the security, justice and governance sectors will also do much to assist in attracting foreign and local investment flows. The continued implementation of Kenya Vision 2030, although somewhat behind schedule, will provide a solid base for future economic growth. The nine point Jubilee Government Action Plan focusing on agriculture, job creation, equitable resource and opportunity allocation, the small and medium enterprise and greater EAC and COMESA co-operation will also assist greatly in national development.

In 2014, we will aggressively move to contract with a technical partner to replace Bridgestone. Indeed, talks are already at an advanced stage and we are confident of securing a suitable partner by end 2014. This will enable us to upgrade our factory equipment, especially in terms tyre assembly and upstream factory process equipment and will enable us to produce tyres faster and to produce those sizes that are currently beyond our capability. Our commitment to local manufacture remains as unshakeable as ever.

In 2014, we will also introduce our Summit fighter brand to compete in the economy sector of the market. Summit tyres will be manufactured both in Kenya and China. We have already concluded a Licensing Agreement with a leading Chinese tyre manufacturer and Summit tyres from China will be manufactured according to our specifications and under our direct supervision.

We will also leverage off our new subsidiary operation in Burundi, so as to penetrate markets in the eastern Democratic Republic of Congo and we will give further consideration to the establishment of a tyre centre and depot operation in Rwanda. We will also maintain pressure on management to expedite the expansion of the Yana tyre centre network across the region.

The board will continue to concentrate on our corporate governance and enterprise risk management agenda where much remains to be done. Management strategies to develop our human capital and enhance communication will also be closely monitored by the board.

Finally, I would like to thank all shareholders, business partners, advisors and customers for their unwavering support and goodwill. My appreciation also goes to the members of the board, management and staff for their efforts and contribution to the sustainable growth of Sameer Africa Limited.

God bless Sameer Africa Limited and each of you!!!

Thank you.

Eng. Erastus Kabutu Mwongera FIEK, RCE, CBS
Chairman

Waheshimiwa wanahisa, wanachama wa halmashauri, mabibi na mabwana, ni furaha kubwa kuwakaribisha nyote katika mkutano mkuu wa pamoja wa arobaini na tano (45) wa kila mwaka wa kampuni unaofanyika terehe 23 Mei 2014, Nairobi Kenya.

Nina furaha kuripoti kuwa Sameer Africa Ltd kwa mara nyengine imerekodi utendaji wa fedha ulioboreka wa mwaka 2013, licha ya mazingira magumu ya biashara. Utendaji wetu unaendelea kuonyesha kuwa tuko na mikakati sawa na tuko na uongozi uliowekwa wakutoa thamani yenye kutegemewa kwa wanahisa wetu.

Mazingira ya Uendeshaji Kazi

Mwaka 2013 ulikuwa mwaka wenye changamoto zaidi kwa upande wa mazingira ya kufanya biashara kwa ujumla. Uchaguzi mkuu na kisha kuhusishwa mahakama kuu kupinga matokeo ya uchaguzi nchini Kenya katika nusu ya kwanza ya mwaka, yalisababisha hali kubwa ya kutatanisha. Harakati za ugatuzi pia zilileta fungu lake la matatizo na hayo yote sambamba yalizua uhaba mkubwa wa fedha katika soko na huku serekali pia ikipunguza matumizi kwa kiasi kikubwa. Bado tunaendelea kushuhudia athari mbaya ya hayo yote mpaka leo. Moto uliowaka katika uwanja wa ndege na uvamizi unaochukiza wakigaidi katika jumba la kibiashara la Westgate pia haukusaidia kukuza Imani juu ya soko.Hayo yote yalirudisha nyuma maendeleo thabiti ya kiuchumi yaliyokuwa yamepatikana katika nusu ya pili ya mwaka 2012.

Ukuaji wa pato la kitaifa ulimwenguni ulishuka kutoka asilimia 3.9 mwaka 2011 hadi asilimia 3.2 mwaka 2012 na inatabiriwa kuwa asilimia 3 pekee mwaka 2013. Misukosuko inayo endelea kanda za ulaya na udhaifu wa mpangilio katika uchumi muhimu wa nchi za kimagharibi zilichangia katika kupungua kasi ya ukuaji. Ukuaji wa pato la nchi zinazokuwa kiuchumi unakisiwakuwa wastani asilimia 4.5 tu katika mwaka 2013.

Nchini Kenya ukuaji wa pato la kitaifa mwaka 2013 unatarajiwa kuwa asilimia 5, hii ni chini sana ya lengo la kiwango cha asilimia 10 cha ruaza ya 2030 na pia kimesalia nyuma ya viwango vya uchumi wa nchi nyenginezo za Africa Mashariki. Kwa hakika ukuaji wa pato la kitaifa Rwanda unatarajiwa kukuwa kwa asilimia 7.5, Uganda kwa asilimia 5.7 na Tanzania kwa asilimia 6.8. Nchini Kenya utumizi wa chini wa fedha za serikali, kiwango cha juu cha riba, na uzalishaji duni katika nusu ya pili ya mwaka katika sekta ya kahawa,matunda na maua,zilileta athari mbaya. Kwa upande wa mafanikio, mwaka mzima shilingi ya Kenya ilibaki imara na thabiti iliyotiwa nguvu na kuingia kwa raslimali hasa za shughuli za kutengeneza miundombinu.

Mfumuko wa bei ulipunguwa kwa kiasi kikubwa katika nusu ya kwanza ya mwaka 2013, lakini kisha kuongezeka hadi asilimia 8.3 mwezi Oktoba, 2013, na kufunga mwaka katika wastani wa asilimia 7.2 mwaka kwa mwaka. Kama ilivyo tarajiwa Kiwango cha riba linganishi kilichowekwa na benki kuu kilishuka katika mwaka 2013, nakubaki katika asilimia 8.5 kwa kipindi kirefu katika nusu ya pili ya mwaka 2013, hii ikilinganishwa na asilimia 11 wakati wa kufunga mwaka 2012. Soko la ubadiishanaji hisa la Nairobi lilifanya vizuri sana katika mwaka 2013, na kufaidika kwa ujumla kwa asilimia 41, ikiwa ni mojawapo ya viwango bora duniani, ikilinganishwa na kufaidika kwa asilimia 28 mwaka 2012.

Sekta ya Magurudumu

Bara la Afrika ni mojawapo ya masoko yanayo kuwa kwa haraka kwa bidhaa za magurudumu na mahitaji yanoyozidi ya magurudumu yamepelekea kuwa na ushindani mkubwa baina ya watengenezaji duniani, wote wakitaka kujipatia sehemu katika soko.

Nchi nyingi Katika Africa hata hivyo, zimendelea kuwa na hali ya kuathiriwa kwa urahisi na bei na zinaelekea kwa mara nyingi katika kuagiza magurudumu ya bei rahisi kutoka nchi za mashariki, badala ya bidhaa ghali za bara Ulaya, zakijapani, na zakiamerika. Kutokana na hayo China imeibuka kama mtengenezaji na muuzaji anae ongoza katika nchi za Africa na kwa kuwa wanamiliki uwezo wa kuzalisha kwa wingi na wana majukwaa ya teknolojia mapya, wanaweza kutengeneza magurudumu kwa gharama ya chini kwa kila gurudumu.

Afrika nzima tunaona kiasi kikubwa cha magurudumu ambayo hayalipiwi ushuru yakiingia katika masoko yetu. Bei za rejareja na za jumla za bidhaa hizo ziko chini sana ya bei za mwisho zinazokisiwa lau gharama za utengenezaji, uchukuzi, bima na ushuru wa forodha zitazingatiwa. Hili linatuweka katika hali ya upungufu na isiyo ya haki.

Maelezo Muhimu ya Kifedha

Jumla ya mapato ya kundi yakiwa Kshs bilioni 4.03 yalikuwa chini kidogo ya mapato ya 2012 kwa Kshs milioni 50, sambamba na mazingira magumu ya ufanyaji biashara, na ushindani unao ongezeka na kuwa tulipunguza bei katika 2013, ili kumudu ushindani.

Tuliendelea kushuhudia shinikizo kubwa la kuongezeka kwa gharama zetu za nishati zilizoongezeka kwa kiasi cha asilimia 16 zaidi ya 2012, Lakini hii ilisawazishwa na kupungua kwa asilimia 18 kwa gharama katika kapu letu la pembejeo za malighafi tunayo agiza kutoka nchi za nje, hayo ni kutokana na kudhoofika kwa bei ya bidhaa katika soko la kimataifa na kiwango imara cha ubadilishanaji wa sarafu ya dola ya kimarekani ikilinganishwa na shilingi ya Kenya. Kwa hakika gharama ya raba (mpira) ilishuka kutoka USD 3000 kwa tani mwisho wa 2012 hadi USD 2610 mwisho wa mwaka 2013.

Kupungua huku kwa gharama za pembejeo ya malighafi, ambako kungeleta athari kubwa yenye manufaa katika faida yetu ya jumla, kwa mara nyengine kulimomonyoka kutokana na ushindani mkali wa bei katika masoko yetu yote ikatubidi kupunguza bei kwa kiasi cha wastani wa asilimia 10% ikilinganishwa na mwaka 2012. Kwa hakika toka miaka mitatu iliopita mpaka kufikia sasa hatujaongeza bei.

Hali banifu ya ukwasi katika soko la Kenya kufuatia kupungua kukubwa kwa matumizi ya serikali ilipelekea washindani kubwaga bidhaa na watumiaji kununua kutoka kwa soko la bei zilizoteremshwa. Kwa bahati mbaya tunatarajia mwenendo huo kuendelea kwa kipindi kikubwa cha mwaka 2014. Magurudumu ya bei rahisi yaliyoagizwa kutoka nchi za nje yanamiliki asilimia 50 ya soko, ikiwa ni ongezeko kutoka asilimia 45 katika 2012.

Katika mwaka 2013 jumla ya utengenezaji katika kiwanda, ukipimwa kwa tani ya raba ghafi, uliongezeka kwa asilimia 13 zaidi ya uzalishaji wa 2012, na mauzo ya Yana yaliyoongezeka kufikia magurudumu 321,000, kutoka magurudumu 279,000 yaliouzwa mwaka 2012. Hii ni kufuatia kuweka bei za ushindani,uuzajii shupavu, na utangazaji wa soko wenye msukumo, Upanuzi wanguvu wa uuzaji katika nchi za nje na utendaji thabiti wa vituo vya kibiashara vya Yana.

Faida kabla ya ushuru ikiwa Kshs milioni 455 iliongezeka kwa kiasi kikubwa ikilinganishwa na faida iliohisabiwa tena ya Kshs milioni 188 ilioripotiwa mwaka 2012. Matokeo ya mwaka 2013 yalienuliwa na faida ya kuuza ardhi ya Kshs milioni 255, baada ya uuzaji wa kipande kidogo cha ardhi katika majengo yetu hapo barabara ya Mombasa. Ardhi hii iliuzwa ili kufadhili upanuzi wa vituo vyetu vya kibiashara vya Yana katika kanda nzima. Kama wanavyojua wanahisa kundi huwa haliuzi ardhi, bali linapendelea kila mara kuimarisha miliki ya ardhi kwa minajli ya njia za mapato ya ukodishaji siku za usoni. Gharama za uendeshaji kazi za Kshs milioni 915 ziliongezeka kwa asilimia 18 zaidi ya zile za mwaka 2012, juu zaidi ya kiwango cha mfumuko wa bei ikiwa imesababishwa pakubwa na gharama kabla uendeshaji kazi zilizotumika katika kituo kipya cha magurudumu na ofisi ya ugavi Bujumbura, Burundi na vituo vya magurudumu vipya Nakuru Kenya na Dar es salaam Tanzania.

Halmashauri ya Wakurugenzi

Mnamo tarehe 1 Novemba, 2013, ni kwa masikitiko halmashauri yenu ilikubali kujiuzulu kwa bwana Issa A. Timamy, ambaye alihudumu kama mkurugenzi kwa mda mrefu na pia alikuwa katibu wa kampuni. Issa alihudumu kwa uaminifu, shauku na upambanuzi na mchango wake utakosekana sana katika halmashauri na pia katika kundi la makampuni.Issa alifaulu kwenye kampeni za kuwania kiti cha ugavana wa kaunti ya Lamu na tunamtakia mafanikio ya kila aina katika cheo chake kipya.

Mnamo tarehe 6 Agosti, 2013, Profesa Margeret Kobia aliteuliwa katika halmashauri, lakini kwa sababu ya shinikizo la majukumu hakuweza kuchukuwa nafasi hiyo. Halmashauri ilikubali kujiuzulu kwake tarehe 27 Novemba, 2013. Halmashauri inasikitika kuwa hakuweza kuhudumu kwa kuwa tunaamini angechangia pakubwa kwenye kundi hasa katika Nyanja za utawala bora wa kampuni na usimamizi wa tishio.

Kamati mbalimbali za halmashauri ziliendelea kuchukuwa wajibu muhimu katika kusaidia halmashauri kutekeleza majukumu yake. Moja ya mambo yaliyoangaziwa sana na kamati ya ukaguzi, tishio na utawala bora katika 2013 ni utekelezaji wa mfumo wa usimamizi wa tishio la kibiashara. Mpango huu wa kina utakuwa na athari kubwa katika namna kampuni inaendeshwa kwenda mbele na pia namna halmashauri itatimiza jukumu lake la usimamizi.

Umiliki wa Hisa

Toka mwaka 2007, shirika la Bridgestone, halikutoa usaidizi wa kiufundi wa maana kwa kitengo chetu cha utengenezaji magurudumu. Halmashauri, kwa kutambua kuwa teknolojia ya magurudumu na mbinu za uzalishaji zinabadilika kila mara, ilifanya mashauri na Sameer Investment Limited ambayo ni mwanahisa mkuu wa hisa za usawa za kampuni, juu ya uwezekano wa kuweka mikakati ya kukabiliana na hali hii.

Baada ya majadiliano marefu, Sameer Investment limited iliiendea na kuishawishi Bridgestone kwa lengo la Sameer investment Ltd ichukue hisa zote zinazomilikiwa na Bridgestone. Nia ilikuwa ni hisa hizo zimilikiwe na Sameer Investment Ltd kisha kuzitoa kwa muekezaji wa kimkakati na mshirika wa kiufundi.

Kufuatia hayo Bridgestone ilikubalia pendekezo la Sameer Investment Limited na katika makubaliano ya kibinafsi, yaliyoidhinishwa na soko la ubadilishanaji wa hisa na mamlaka ya soko la fedha, na kwa kutoa taarifa kwa upana kwa muujibu wa sheria, Sameer Investment Limited ilichukuwa hisa za kawaida za Bridgestone. Kufuatia hayo hisa za Sameer Investment Limited ziliongezeka kutoka asilimia 57.24 hadi asilimia 72.14.

Makubaliano hayo yalikamilika mnamo tarehe 24 Desemba, 2013.

Kama sehemu ya jumla ya makubaliano na mfumo wa mpango, iliafikiwa pia kwamba mara tuu baada ya Sameer Investment Limited kuchukua hisa za Bridgestone, Bridgestone inaweza kuendelea kumteua msambazaji wa pili Kenya. Kufuatia hayo, sasa pamoja na Sameer Africa kuna msambazaji mpya mwengine wa bidhaa za Bridgestone katika soko la Kenya.

Mtazamo wa 2014

Mwaka 2012, tulieleza wasiwasi wetu kuhusu kuzorota kwa hali ya akaunti ya biashara ya Kenya lakini katika mwaka 2013 uagizaji bidhaa kutoka nje wa Kshs trilioni 1.41, ulipungua kwa asilimia kubwa ya 48. Kando na hayo na huku tukiendelea mbele bado tuna wasiwasi kuhusu kiwango cha ubadilishanaji wa dola ya marekani ikilinganishwa na shilingi ya Kenya,hasa ikitiwa maanani nakisi ya kibiashara iliongezeka kutoka Kshs bilioni 76.9 mwaka 2012 nakufikia Kshs 78.6 wakati wa kufunga mwaka 2013. Kwa upande wa mtazamo mzuri tunatazamia bei ya raba asili itabakia dhoofu kwa kiasi kikubwa katika 2014, kwa hivyo itachangia hatua kiasi fulani katika kukabiliani na tishio.

Tunaendelea, japo kwa tahadhari, kuwa na matumaini juu ya misingi ya kiuchumi nchini Kenya. Matumizi katika miundombinu yataongezeka, na tunatumaini kuongezeka uwekezaji katika sekta ya mafuta na gesi. Mabadiliko yanayoendelea katika sekta ya usalama,haki na utawala yatafanya mengi katika kusaidia kuvutia mitiririko ya uwekezaji wa kigeni na ndani. Kuendelea kutekeleza ruwaza ya mwaka 2030 ya Kenya, ingawa iko nyuma ya ratiba italeta msingi thabithi wa maendeleo ya kiuchumi ya siku za usoni. Mpango wa serikali ya jubilee wa utekelezaji hatua tisa unao angazia ukulima, kutengeneza ajira, usawa wa ugavi wa raslimali na nafasi za kazi,biashara ndogo ndogo na za kadiri, na ushirikiano mkubwa wa nchi za Africa mashariki na COMESA utasaidia sana maendeleo ya kitaifa.

Katika mwaka 2014 tutakwenda kwa bidii kuingia katika mkataba na mshirika wa kiufundi kuchukua nafasi ya bridgestone. Kwa hakika mazungumzo yamepiga hatua kubwa na tunatarajia tutapata mshirika muafaka kufikia mwisho wa mwaka 2014. Hilo litatuwezesha kuboresha mitambo ya kiwanda, hasa kwa upande wa mitambo yakuunda magurudumu na mitambo ya harakati za mwanzo za uundaji, vilevile itatuwezesha kuharakisha utengenezaji wa magurudumu na kutengeneza magurudumu ya vipimo ambavyo hatuna uwezo wa kutengeneza kwa sasa. Azma yetu ya kujitolea kuunda magurudumu hapa nchini baado ni yenye nguvu, haitingishiki.

Katika mwaka 2014, tutaanzisha Summit ambayo ni bidhaa ya ushindani ya bei nafuu kushindana katika sekta ya uchumi wa mapato madogo katika soko. Magurudumu ya Summit yataundwa hapa Kenya na nchini China. Tayari tumekamilisha makubaliano ya leseni na waundaji magurudumu wanaoongoza nchini China na magurudumu ya Summit kutoka China yataundwa kuambatana na muelekezo wetu na chini ya usimamizi wetu wa moja kwa moja.

Aidha tutaenua uendeshaji kazi wetu katika kampuni tanzu yetu Burundi, kwa minajli ya kupenya masoko ya mashariki ya Jamuhuri ya kidemokrasia ya Congo na tutaendelea kutia maanani wazo la kuanzisha kituo cha magurudumu na kitengo cha uendeshaji kazi nchini Rwanda. Natutashinikiza wasimamizi wa kampuni kuharakisha upanuzi wa mtandao wa vituo vya magurudumu ya Yana katika kanda.

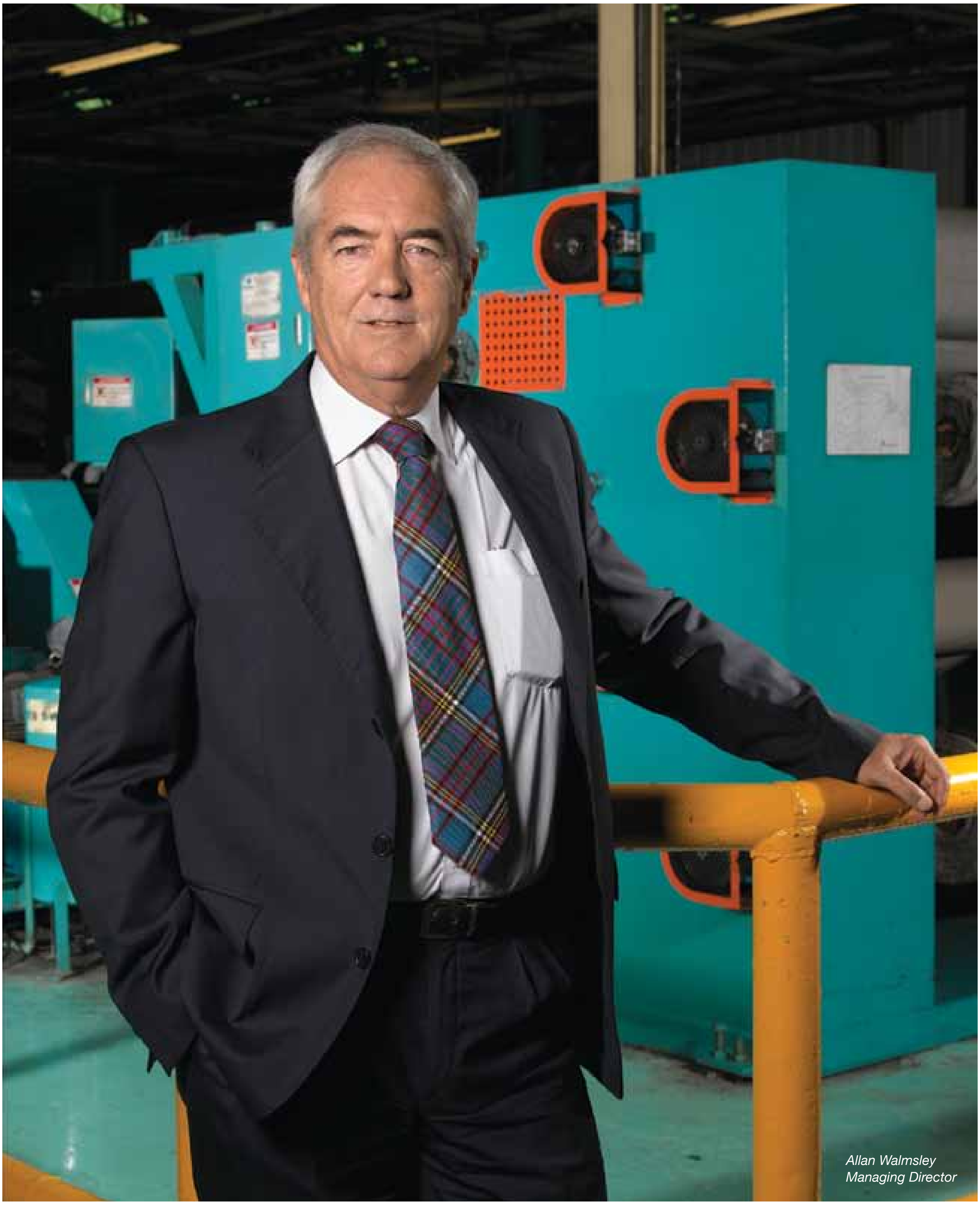
Halmashauri itaendelea kupa kipaumbele mpangilio wa utawala bora wa kampuni na usimamizi wa tishio katika biashara, upande huo kuna mengi bado yakufanyika. Halmashauri itaangazia kwa makini mikakati ya wasimamizi juu ya kukuza raslimali watu yetu na kuboresha mawasiliano.

Mwisho, ningependa kuwashukuru wanahisa wote, washirika wa biashara, washauri na wateja kwa usaidizi usiotelekeza na ukarimu wao. Shukurani zangu pia ziende kwa wanachama wa halmashauri, wasimamizi na wafanyikazi kwa juhudi na mchango wao katika ukuaji himilivu wa Sameer Africa Limited.

Mungu aibariki Sameer Africa Limited na kila mmoja wenu!!!

Mhandisi Erastus Kabutu Mwongera. FIEK,RCE,CBS
Mwenyekiti

Extrusion of steel belt at the Steelastic.



Allan Walmsley
Managing Director

General

At the global level, total tyre production in 2013, is estimated to have grown by less than 1% to a total of approximately USD 188 billion. The strong recovery in production levels seen in 2010/2011, have now all but evaporated given the ongoing economic problems in the Eurozone, slowing economic growth in China and India and inconsistent growth in North America. Raw material prices declined significantly in 2013, in line with declining demand whilst the new natural rubber capacities that entered the market in 2011/12, simply contributed to an oversupply situation. On a weighted average basis, our basket of raw material inputs declined by 18% against 2012.

In Kenya, Tanzania and Uganda the local currencies declined only marginally against the United States dollar whilst Gross Domestic Product (GDP) growth rates were reasonably impressive, ranging from 4.5% in Burundi to 7.5% in Rwanda.

Vehicle registrations across East Africa for both new and second hand cars continued to increase ensuring a robust platform for future tyre demand across East Africa. Our concern, as always, is the continuing influx of cheap imported tyres which continue to flood all African markets and we continue to stress our grave concerns regarding the safety and suitability of some of these tyres viz-a-viz the extreme demands of African road conditions.

Bridgestone supply chain challenges were largely overcome in 2013 and we were able to increase sales volumes by 49% as against 2012. Indeed, total tyre sales in 2013, increased by 15% to close at 322,000 units.

Financial - Group

Total revenue for 2013, at Kshs 4.03 billion was marginally below the Kshs 4.08 billion recorded in 2012, in line with what was a most challenging year. The general elections in Kenya and subsequent petition challenge in the first half of the year resulted in widespread uncertainty and this was followed by the airport fire at the Jomo Kenyatta International Airport and then the appalling terrorist attack at the Westgate Shopping Mall in Nairobi. The challenges faced by the Kenya government in implementing the devolved county government system also led to a severe cash/liquidity crunch from June 2013, and which saw our sales to government decrease by Kshs 250 million as against 2012.

Competitive pressure also ensured that both Yana and Bridgestone retail selling prices were not increased at all in 2013. Indeed, we improved our discounts aggressively for most of our products to maintain market share in the face of ever increasing competition from cheap imported tyres. The decline in total revenue, although marginal, would have been greater were it not for the fact that we moved very quickly and aggressively into the export market to offset the decline in sales to the Kenya government bodies. As a result, export revenues increased to Kshs 479 million, up from the Kshs 410 million we realized in 2012.

In 2013, we embarked upon a robust programme to reduce our accounts receivables through the strict enforcement of credit limits and stringent vetting of new customers. This also impacted adversely upon total sales but did assist in reducing net account receivables from Kshs 692 million in 2012, to Kshs 522 million in 2013.

Gross profit at Kshs 1.08 billion was in line with 2012, mainly as a result of favourable raw material prices and ongoing cost control efforts in the factory. Factory throughput, as measured by raw rubber tonnes, increased by 13% over 2012, and this greatly assisted in ensuring increased labour and factory overhead recovery rates. A strong performance from our Yana tyre centre operations also assisted in maintaining the gross profit margin at 27% (26% in 2012), despite competitive pressure.

Other operating income at Kshs 298 million increased significantly over 2102, due mainly to the sale of two acres of land at our Mombasa Road premises and where we realized a gain on disposal of Kshs 255 million. Whilst the sale of land is not a core business (we always develop our land holdings to derive future rental income streams) the opportunity was fortuitous given our need for new capital to finance the expansion of the Yana tyre centre network.

Operating profit at Kshs 461 million increased by 43% over 2012, for reasons highlighted above, although distribution, administration and other operating expenses at Kshs 915 million did increase by 18% over 2012, well above the inflation rate, but in line with the full write off of pre-operating expenses for new retail outlets and branches in Dar es Salaam, Tanzania, Bujumbura, Burundi and Nakuru and Waiyaki Way, Kenya.

A profit for the year before other comprehensive income of Kshs 401 million is reported, as against Kshs 188 million in 2012.

Yana Tyre Centre Limited

Total revenue for Yana tyre centres in Kenya at Kshs 438 million increased by 5% over 2012, whilst gross profit at Kshs 179 million increased by 12%. Sales, marketing, administration and other operating overheads at Kshs 69 million increased by 44% over 2102, mainly in line with increased rentals and other pre-operating expenses on our new tyre centres in Nakuru and Waiyaki Way, Nairobi. A profit before taxation of Kshs 110 million is therefore reported, as against Kshs 113 million in 2012.

Our commitment to the retail sector of the market as a major distribution channel and as a future engine for growth remains as firm as ever. We were able to open a new centre in Nakuru in 2013, for a total of 8 tyre centres in Kenya, with further centres planned for 2014.

Production

In 2013, we produced a total of 340,000 tyres, up from 277,000 in 2012, to register a 22% growth for the year. Energy costs, which increased by 16% over 2012, remain an area of concern. We completed the refurbishment of our number one boiler in 2013, but erratic furnace oil consumption continues to pose challenges. Work continues in this area.

Factory scrap and wastage at Kshs 83 million, increased by 35% over 2012, well above the 22% increase in tyre production volumes, but in line with erratic power supplies during the year and continually enhanced quality and safety standards across the product range. Factory consumable costs at Kshs 92 million also increased by 41%, but in line with the increased levels of production and the fact that we changed our supplier of curing bladders and experienced initial challenges with the durability of the new product. Factory maintenance costs at Kshs 110 million increased by 38%, in line with the increased production levels and the fact that our capital machinery stock is getting older and requires additional spend to maintain it in top class working condition.

Despite the above adverse variances, total factory conversion cost at Kshs 1.06 billion was only 11% above 2012, in line with the increase in production levels and significant cost savings achieved in other areas. Total factory cost at Kshs 2.7 billion was only 1% above 2012, whilst total cost per manufactured raw rubber tonne actually reduced to Kshs 849,000 from Kshs 943,000 in 2012.

Supply Chain

Raw material input costs in 2013, reduced by an average of 18% as against 2012, in line with reduced commodity prices on world markets as well as aggressive sourcing actions to take advantage of short term price fluctuations and opportunities. A total of 392 consignments were handled by the department versus 375 in 2012, and sea clearing days were reduced from 17 in 2012 to 14 in 2013. Work also continued on streamlining our vendor master data to ensure that all our suppliers are those which perform to the highest standards in terms of conduct, integrity, product reliability, price and service.

Marketing and New Business Development

In 2013, a total of seven new tyre products were pre-qualified for market test - one in passenger, three in the 4 x 4 sector, two in the agricultural bias sector and one in the off-the-road sector. This was a major achievement and all products are performing well. We continued with our banded offer promotion throughout the year and also launched a number of in-store promotions across the Yana tyre centres. Tactical sales promotions were carried out on certain tyre categories whilst general awareness maintenance campaigns were run on television and radio. The tactical sales promotions were essential in maintaining sales volumes especially in Kenya, given the level of competition we faced throughout the year.

Formal and detailed surveys of customer brand awareness and customer service perceptions were carried out in 2013, the findings of which continually assist in formulating future strategies with regards to our marketing and customer service platforms.

We continued with our technical training programme across the region and in 2013, trained a total of 689 matatu sacco members, 378 jua kali mechanics and 220 dealer, fleet and key account customer staff. We also introduced a factory visitation programme where we hosted a total of 18 governmental and tertiary learning institutions. This programme will continue into 2014, and will be expanded to include the new county governments.

Sales

In 2013, we sold a total of 321,000 tyres, an increase of 16% as against the 279,000 sold in 2012, and this despite the decline in government, fleet and key account purchases in Kenya by 36%, ferocious price competition in all our markets and our ongoing efforts to reduce credit sales. Robust sales into our export markets and strong growth from our Yana tyre centres contributed to the increase in total tyre sales.

Bridgestone sales volumes improved significantly in 2013, to register a 49% growth over 2012, in line with improved pipeline management and reduced prices to move volume

Much work was also done in 2013, to ensure all our products were properly price positioned viz-a-viz our competitors and this also assisted in achieving the overall sales volume growth, but did impact adversely on both profit margins and total revenue growth.

In 2013, Bridgestone also appointed a second distributor in Kenya such that we now have a parallel distributor in both Kenya and Tanzania. Needless to say, the appointment of these distributors impacted adversely on our Bridgestone margins as both continued to use price discounting to gain market share.

Human Resources

At 31 December 2013, we employed a total of 529 people across Kenya, Tanzania, Uganda and Burundi broken down as follows:-

	2013	**2012**
Permanent	510	464
Contract	19	13
	529	**477**

Total staffing increased in line with the opening of new Yana tyre centres in Nakuru and Dar es Salaam as well as the opening of a Yana tyre centre and depot in Bujumbura, Burundi. Staff turnover in 2013, was 6.4%.

Staff engagement and communication was enhanced in 2013, via the introduction of a series of Managing Director's breakfast forums where staff were updated on all company issues and staff given an opportunity to make suggestions or ask questions in a free and open environment. This initiative will continue into 2014, and will operate alongside a new branch mentorship program that goes into operation in June 2014.

As part of our talent management framework, we continued to develop initiatives aimed at enhancing performance and the attainment of business objectives. In 2013, we successfully introduced balanced scorecard appraisals for all our staff. A total of 36 training courses were conducted in 2013, up from 26 courses in 2012, and we also conducted two independent surveys – staff satisfaction and salary remuneration – the results of which will be key in driving our human resource strategy into the future.

Export Markets

Export revenues in 2013, at Kshs 479 million increased by 18% against 2012, despite ferocious price competition from cheap imported tyres in all markets, severe foreign currency shortages in Malawi, political problems in South Sudan and uncertainty in the eastern Democratic Republic of Congo. In 2013, we concluded our first export to Djibouti and in 2014 we will continue our efforts to penetrate the Nigerian and South African markets.

Tanzania and Uganda

In 2013, total revenues from these two subsidiaries were Kshs 777 million (2012 : Kshs 741 million), marginally above 2012 and which translated into a profit before tax for the two operations of Kshs 32 million (2012 : Kshs 58 million). Given the significant operational challenges that we identified in both territories in 2012, a detailed corrective action plan was put in place in 2013, which entailed wholesale management and other changes.

Progress on implementing the plan has been slow but we are beginning to see signs of a turnaround.

Revenue in Tanzania increased by 15% as against 2012, although the Dar es Salaam branch operation continues to struggle against the tide of cheap imported tyres. The branches in Mwanza and Aurusha traded robustly.

Revenue in Uganda declined by 5% as against 2012, but this was in line with our efforts to bring discipline to credit extension and to impose more robust cash collection procedures. In the latter half of 2013, we did also succeed in making inroads into the large NGO sector in Uganda as well as the large sugar growing plantations. The benefits of this will come through in 2014.

Burundi

In August 2013, we opened a wholly owned subsidiary company in Bujumbura, Burundi comprising a tyre centre and warehouse, sales and distribution operations. The opening was severely delayed due to very complex government red tape and we incurred Kshs 13 million in pre-operating expenses as a result. Despite the delayed opening, the subsidiary has traded extremely well registering Kshs 37 million in sales in the last five months of 2013. A proper dealer network has been established and in 2014, we will move to penetrate the eastern Democratic Republic of Congo market. We will also launch the Bridgestone range of tyres in 2014, targeting the very large NGO and upper end corporate market in Burundi.

Information Systems

In 2014, we continued to leverage our SAP backbone system focusing on "value extraction", especially in the area of purchasing, warehouse management, finance and controls and time and attendance. We also engaged a resource from outside Kenya to assist and "returns" from our efforts are very satisfactory especially in the area of financial and internal control. The deployment of other SAP modules (plant maintenance and CRM) remained suspended to a later date and until we are satisfied with the cost-benefit returns on the existing platform.

2013 also saw the completion and launch of our e-commerce website and which we are now integrating with all mainstream social media platforms. Work also commenced on a fully biometric based time and attendance system for the factory and which we will complete in 2014.

Outlook

2014 will be an extremely challenging year where we expect market liquidity to remain a major challenge. Our export sales efforts will continue and we will look to introduce a total of four new tyre products on a market test basis. We will strive to open new Yana tyre centres across the region whilst also upgrading existing centres in Kenya in Mombasa, Embakasi and Langata.

We will continue to investigate the possibility of introducing a solar energy and coal fired steam generation facility for the factory on Mombasa Road. The payback on solar energy continues to present challenges whilst the coal fired steam generation facility remains on the drawing board.

Major efforts will also be made to secure a new technical partner but one which will also contribute capital and equipment, which is critical if we are to increase our product base and accelerate production cycle times as a basis for reducing unit production costs.

We will continue to focus on our property portfolio to maximize returns given that we have now achieved 100% occupancy at Sameer Industrial Park and Sameer Export Processing Zone. We will also continue our efforts to tenant Sameer Business Park but against a strategy of securing only AAA tenants for this world class facility.

We will continue to maximize returns from the Bridgestone franchise.

We will continue with our ICT development program and will upgrade our server platforms to the latest technology available and will use the existing servers to complete a 100% offsite backup capability as part of our business continuity and disaster recovery plan. 2014 will also see the establishment of a separate and fully computerized call centre facility at our head office on Mombasa Road.

To ensure the achievement of our strategic objectives through people, we will continue to develop our talent pipeline at all levels and we will continue to refine our efforts to achieve a performance based culture in line with our strategic objectives. Our staff communication will be further enhanced, all issues identified in the 2013 staff satisfaction survey will be methodically addressed and our balanced scorecard system will be refined so as to form the basis of our remuneration strategy.

We will also continue to focus on the implementation of the turnaround strategies for Tanzania and Uganda to ensure that we realize the full potential that we know these two markets offer. We will also concentrate on developing the Burundi tyre market by leveraging off the world class facility that we now have in Bujumbura.

2014 will also see the roll-out of our third brand, Summit, which will be a fighter brand to compete in the large discount sector of the market. Summit tyres will be produced partly in Kenya and partly in China, where we have put in place a licensing agreement with a major Chinese tyre manufacturer. All Summit tyres produced in China will be made to our specifications and under our supervision.

Allan Walmsley
Managing Director

Ujumla

Katika ngazi za kimataifa jumla ya utengenezaji wa magurudumu katika mwaka 2013 ulikisiwa kukua kwa chini ya asilimia 1 kufikia takriban dola bilioni 188 za marekani. Kurejea kwa nguvu kwa viwango vya utengenezaji kuliko shuhudiwa katika 2010/2011, kumefifia kufuatia matatizo ya kiuchumi katika bara ulaya, ukuaji polepole wa uchumi katika nchi za China na India na ukuaji usioendana Kaskakazini mwa America. Bei za malighafi zilishuka sana mwaka 2013, sambamba na kushuka kwa kiwango cha mahitaji huku uwezo mpya wa upatikanaji wa raba (mpira) asili kwa wepesi ulioshuhudiwa kwenye soko mwaka 2011/12 ulichangia hali ya kufurika kwa raba. Kapu letu la pembejeo ya malighafi likipimwa kwa uzani wa wastani, lilishuka kwa asilimia 18 ikilinganishwa na mwaka 2012.

Sarafu za Kenya, Tanzania na Uganda zilishuka kwa kiasi kidogo zikilinganishwa na dola ya marekani huku viwango vya ukuaji wa pato la taifa vikivutia kwa kiasi kizuri, vikiwa baina ya asilimia 4.5 Burundi na asilimia 7.5 Rwanda.

Usajili wa magari mapya na yaliyotumika kote Africa mashariki, uliendelea kuongezeka hivyo kuhakikisha jukwaa imara la mahitaji ya magurudumu katika siku za usoni kote Afrika mashariki. Wasiwasi wetu, kama kawaida, ni kuendelea kwa uingizaji wa magurudumu ya bei rahisi yanayoagizwa kutoka nje ambayo bado yana furika katika masoko ya Afrika na tunaendelea kusisitiza kuhusu wasiwasi wetu mkubwa juu ya usalama na kufaa kwa baadhi ya magurudumu hayo yakilinganishwa na dharubu za barabara za Africa.

Changamoto za ugavi wa bidhaa za Bridgestone zilikabiliwa vilivyo katika mwaka 2013 na tuliweza kuongeza mauzo kwa asilimia 49 ikilinganishwa na mwaka 2012. Kwa hakika, jumla ya mauzo ya magurudumu katika mwaka 2013 iliongezeka kwa asilimia 15 kufikia magurudumu 322,000.

Kuhusu Fedha-Kundi

Jumla ya mapato ya 2013 ya Kshs bilioni 4.03 yalikuwa chini kidogo ya Kshs bilioni 4.08 yaliyorekodiwa mwaka 2012 ikizingatiwa ulikuwa ni mwaka wenye changamoto nyingi. Uchaguzi mkuu Kenya na kisha kuhusishwa mahakama kuu kupinga matokeo ya uchaguzi katika nusu ya kwanza ya mwaka kulisababisha wasiwasi ulio tanda na hilo lilifuatwa na moto uliowaka katika uwanja wa ndege wa kimataifa wa Jomo Kenyatta baadaye kufuatiwa na uvamizi unaochukiza wa kigaidi katika jumba la kibiashara la Westgate Nairobi. Changamoto iliyokabili serikali katika utekelezaji wa mfumo wa ugavi wa mamlaka kwa serikali za kaunti pia ilipelekea uhaba mkubwa wa fedha kutoka mwezi June 2013, uliosababisha mauzo kwa serikali kupungua kwa Kshs milioni 250 ikilinganishwa na mwaka 2012.

Shinikizo la ushindani lilihakikisha bei za rejareja za Yana na Bridgestone haziongezwi kabisa katika mwaka 2013. Kwa hakika,tuliboresha vilivyo vipunguzo vya bei katika nyingi ya bidhaa zetu kudumisha sehemu yetu katika soko huku tukikabiliwa na ushindani unaongezeka kutoka kwa magurudumu rahisi kutoka nje. Kushuka kwa jumla ya mapato japo ni kwa kiasi kidogo, kungekuwa kukubwa sana lau kama hatukuondoka kwa haraka na kwa ushupavu kuingia katika soko la uuzaji bidhaa nje ili kukabiliana na kuzorota kwa mauzo kwa idara za serikali ya Kenya. Matokeo ya hayo ni kuwa uuzaji bidhaa nje uliongezeka juu hadi Kshs milioni 479 kutoka Kshs milioni 410 zilizopatikana 2012.

Katika mwaka 2013, tuliingia katika mpango kabambe wa kupunguza madeni tunayodai wateja kwa kufuata kwa ukamilifu utaratibu wa vikomo vya madeni na kuwakagua vikali wateja wapya. Hili pia liliathiri vibaya jumla ya mauzo lakini lilisaidia katika kupunguza madeni tunayodai wateja kutoka Kshs milioni 692 katika 2012 hadi Kshs milioni 522 katika mwaka 2013.

Faida ya jumla ikiwa Kshs bilioni 1.08 ililingana na 2012, hasa zaidi ikiwa ni matokeo yaliosababishwa na bei nzuri za malighafi na juhudi za kudhibiti gharama za kiwanda. Utengenezaji katika kiwanda hasa ukipimwa kwa tani ya raba,uliongezeka kwa asilimia 13 zaidi ya ile ya 2012, na hii ilisaidia pakubwa katika kuhakikisha ongezeko la viwango vya kugharamia malipo ya wafanyi kazi wa kiwanda na gharama za uendeshaji kiwanda. Utendaji wa hali ya juu katika vituo vyetu vya magurudumu ya Yana ulisaidia kudumisha Kiasi cha faida ya jumla katika asilimia 27 (ilikuwa asilimia 26 mwaka 2012) licha ya shinikizo la ushindani.

Mapato mengine ya uendeshaji ya Kshs milioni 298 yaliongezeka kwa asilimia kubwa zaidi ya yale ya 2012, hasa kutokana na kuuza ekari mbili ya ardhi yetu katika jengo letu hapo Barabara ya Mombasa ambapo tulipata pato la kuuza ardhi la Kshs milioni 255. Licha ya kuwa uuzaji wa ardhi sio biashara yetu ya msingi (kawaida sisi huimarisha umiliki wetu wa ardhi kwa minajili ya kupata njia za mapato ya upangishaji siku za usoni). Nafasi hii ilikuwa ya bahati ikizingatiwa mahitaji yetu ya mtaji mpya kufadhili upanuzi wa mtandao wa vituo vya magurudumu ya Yana.

Faida ya uendeshaji ya Kshs milioni 461 iliongezeka kwa asilimia 43 kulinganisha na mwaka 2011, kwa sababu zilizotajwa hapo juu,ingawa gharama za ugavi, utawala na za uendeshaji zikiwa Kshs milioni 915 ziliongezeka kwa asilimia 18 zaidi ya 2012, zikiwa ni juu ya kiwango cha mfumuko wa bei, lakini zilifuatia kutiwa hesabuni kikamilifu kwa gharama za kabla kuanza uendeshaji wa vituo vyetu vya rejareja na matawi yetu ya Daresalaam, Tanzania, Bujumbura, Burundi, Nakuru na Waiyaki Way, Kenya.

Faida ya mwaka ya Kshs milioni 401 kabla ya mapato mengine ya kina iliripotiwa, ikilinganishwa na Kshs milioni 188 mwaka 2012.

Vituo vya Magurudumu ya Yana

Mapato ya jumla ya vituo vya magurudumu ya Yana nchini Kenya yakiwa Kshs milioni 438 yaliongezeka kwa asilimia 5 zaidi ya mwaka 2012, hali ambapo faida ya jumla ikiwa Kshs milioni 179 iliongezeka kwa asilimia 12. Gharama za mauzo, soko, utawala na nyeginezo za uendeshaji zikiwa Kshs milioni 69 ziliongezeka kwa asilimia 44 zaidi ya mwaka 2012, hasa zaidi kufuatia kuongezeka kwa gharama za upangaji na gharama nyengine za kabla kuanza uendeshaji wa vituo vyetu vipya wa Nakuru na

Waiyaki Way, Nairobi. Kwa hivyo faida kabla ushuru ya Kshs milioni 110 inaripotiwa ikilinganishwa na faida ya Kshs milioni 113 mwaka 2012.

Kujitolea kwetu kwenye sekta ya rejareja katika soko kama njia muhimu ya usambazaji na kisukumo cha ukuaji wa siku za usoni bado kuko imara kama inavyo takikana. Tuliweza kufunguwa kituo kipya Nakuru katika mwaka 2013, kufikisha Jumla ya vituo vya magurudumu 8 nchini Kenya, na vituo zaidi vimepangiwa kufunguliwa mwaka 2014.

Utengenezaji

Mwaka 2013, tulitengeneza magurudumu 340,000 ikiwa ni ongezeko kutoka magurudumu 277,000 katika mwaka 2012, hivyo kuandikisha ukuaji wa asilimia 22 kwa mwaka huo. Gharama za nishati ambazo ziliongezeka kwa asilimia 16 ikilinganishwa na mwaka 2012, zimebaki kuwa sehemu zinazo tia wasiwasi. Tulikamilisha ukarabati wa (boiler) mtambo wa mvuke wetu nambari moja katika mwaka 2013, utumiaji wa mafuta ya tanuu usiotabirika unandelea kutoa changamoto. Kazi inaendelea katika sehemu hii.

Gharama ya bidhaa chakavu na zilizo haribika mitamboni katika kiwanda zikiwa Kshs milioni 83, ziliongezeka kwa asilimia 35, hii ni juu zaidi ya ongezeko lile la asilimia 22 (katika mwaka 2012) la kiwango cha utengenezaji, lakini ni sambamba na usambazaji usio wakutegemewa wa umeme uliokuepo katika mwaka huo na kuendelea kuongeza ubora na viwango vya usalama katika bidhaa mbali mbali. Gharama ya vitumizi katika kiwanda ikiwa Kshs milioni 92 ziliongezeka pia kwa asilimia 41 lakini sambamba na ongezeko katika viwango vya utengenezaji na kwa kuwa pia tuliwabadilisha waletaji wa mipira ya kuoka magurudumu na tukapata changamoto za awali kuhusu kudumu kwa bidhaa hizo mpya. Gharama za ukarabati katika kiwanda zikiwa Kshs milioni 110 ziliongezeka kwa asilimia 38, sambamba na ongezeko la viwango vya utengenezaji na kwa sababu kwamba raslimali mashine yetu inazeeka na inahitaji matumizi zaidi ya kudumisha mashine hizo katika hali ya juu ya kufanya kazi.

Licha ya tofauti zisizoridhisha kama ilivyo hapo juu,gharama za ubadilishaji za kiwanda kwa jumla ni Kshs bilioni 1.06 zilikuwa asilimia 11 tu juu ya zile za mwaka 2012, sambamba na ongezeko katika viwango vya utengenezaji na kwa kupunguza gharama kupitia uokoaji muhimu wa fedha uliopatikana katika vitengo vyengine. Jumla ya gharama za kiwanda za Kshs bilioni 2.7 ilikuwa asilimia 1 tu zaidi ile ya mwaka 2012, hali ya kuwa jumla ya gharama kwa kila tani ya raba iliotengenezwa ilipunguwa kufikia Kshs 849,000 kutoka Kshs 943,000 mwaka 2012.

Uagizaji na Ugavi

Gharama za Pembejeo ya malighafi katika mwaka 2013 zilipungua kwa wastani asilimia 18 ikilinganishwa na mwaka 2012, sambamba na kupungua kwa bei za bidhaa katika masoko ya ulimwengu na pia hatua kali zilizochukuliwa wakati wa kutafuta bidhaa ili kunufaika na mbadiliko wa bei wa kipindi kifupi na kunufaika na nafasi zinapo patikana. Jumla ya Shehena 392 zilishughulikiwa na idara dhidi ya 375 katika mwaka 2012, siku za kutoa mizigo bandarini zilipungua kutoka siku 17 katika mwaka 2012 hadi siku 14 katika mwaka 2013. Kazi iliendelea katika kuweka sawa rekodi muhimu za waletaji bidhaa ili kuhakikisha waletaji bidhaa kwetu ni wale wanao toa huduma za hali ya juu kwa kuzingatia maadili, uadilifu, bidhaa za kutegemewa , bei na huduma.

Soko na Kukuza Biashara Mpya

Katika mwaka 2013, jumla ya bidhaa mpya aina saba za magurudumu zilipasishwa kwa majaribio kwenye soko-moja kwa magari madogo, tatu katika sekta ya 4x4, mbili katika sekta ya ukulima, na moja katika sekta ya magurudumu yanayotumika nje ya barabara. Haya yalikuwa mafanikio makubwa na bidhaa zote zinafanya vizuri. Tuliendelea kwa mwaka mzima kutoa nafasi ya bei kwa mafungu ili kuinua mauzo na pia tulianzisha harakati za kuinua mauzo katika kituo kwa vituo vyote vya matairi vya Yana. Kuinua mauzo kwa mbinu kulitumiwa kwa kuuza aina kadhaa ya magurudumu huku kwa jumla kampeni za kufahamisha juu ya udumishaji zilichezwa katika redio na runinga. Uuzaji kwa kuinua mauzo kwa mbinu ulikuwa muhimu katika kudumisha viwango vya mauzo hasa nchini Kenya, kutokana na kiwango cha ushindani kilichotukabili katika mwaka mzima.

Tafiti rasmi na ya kina kuhusu ufahamu wa wateja juu ya bidhaa na maono ya wateja kuhusu huduma ilifanyika katika mwaka 2013. Matokeo kama hayo huendelea kusaidia katika kupanga mikakati ya mustakbali ikizingatiwa majukwaa yetu ya soko na huduma kwa wateja.

Tuliendelea na mafunzo yetu ya kiufundi katika kanda na katika mwaka 2013 tulitoa mafunzo kwa wanachama 689 wa vyama vya ushirika vya matatu na mafundi wa jua kali 378, wauzaji 220, wamiliki wa magari mengi na wafanyi kazi wa wateja wa akaunti maalumu. Pia tulianzisha mpango wa kuzuru kiwanda ambapo tulikaribisha jumla ya taasisi 18 za serikali na za elimu ya juu. Mpango huu utaendelea katika mwaka 2014, na utapanuliwa kujumuisha serikali mpya za kaunti.

Mauzo

Katika mwaka 2013, tuliuza jumla ya magurudumu 321,000 ikiwa ni ongezeko la asilimia 16 ikilinganishwa na magurudumu 279,000 yaliouzwa katika mwaka 2012, na hilo ni licha ya kupungua kwa asilimia 36 kwa ununuzi kutoka kwa serikali, wateja wenye kumiliki magari mengi, na wateja wa akaunti maalumu, ushindani mkali wa bei katika masoko yetu yote na juhudi zetu zinazoendelea za kupunguza mauzo kwa kukopesha. Uuzaji kwa hima katika nchi za nje na ukuaji kwa nguvu wa vituo vyetu vya magurudumu ya Yana ulichangia katika kuongezeka jumla ya mauzo ya magurudumu.

Kiwango cha mauzo ya Bridgestone kiliboreka sana katika mwaka 2013, kuandikisha kukuwa kwa asilimia 49 zaidi ya 2012, hii ni sambamba na kuboreka kwa usimamizi wa uagizaji na kupunguza bei ilikuongeza viwango vya mauzo.

Kazi nyingi ilifanywa katika mwaka 2013 kuhakikisha bei za bidhaa zetu zimechukua nafasi muafaka ikilinganishwa na bei za washindani pia hii ilisaidia kufikia ukuaji wa viwango vya jumla ya mauzo, hata hivo iliathiri vibaya kiasi cha faida na ukuaji wa jumla ya mapato.

Katika mwaka 2013 pia Bridgestone walimteua msambazaji wa pili Kenya, hivi sasa tuna msambazaji sambamba katika Kenya na Tanzania. Haina haja kusema,kuteuliwa kwa hawa wasambazaji kuliathiri vibaya kiasi cha faida ya mauzo yetu ya Bridgestone na wote wawili walitumia upunguzaji wa bei kutapia sehemu katika soko.

Rasilimali za kibinaadamu

Kufika 31 Desemba 2013 tulikuwa tumeajiri jumla ya watu 529 nchini Kenya, Tanzania, Uganda na Burundi; kama ifuatavyo

	2013	2012
Wafanyikazi wa kudumu	510	464
Wafanyikazi kwa mkataba	19	13
	529	**477**

Idadi ya Wafanyikazi iliongezeka sambamba na kufunguliwa kwa vituo vyetu vipya vya magurudumu ya Yana Nakuru na Dar-es Salaam pamoja na kufungua kituo cha magurudumu ya Yana Bujumbura, Burundi. Kiwango cha mabadiliko ya wafanyikazi kilikuwa asilimia 6.4 katika mwaka 2013.

Majadiliano na mawasiliano na wafanyikazi yaliboreshwa katika 2013, kupitia kuanzishwa kwa mikutano ya asubuhi na Mkurugenzi Mkuu, ambapo wafanyikazi hupashwa habari kuhusu masuala yote ya kampuni na kupewa nafasi kutoa mapendekezo au kuuliza maswali katika mazingira huru na wazi. Mpango huu utaendelea pia katika mwaka 2014, na utafanyika sambamba na mpango mpya wa ushauri na nasaha katika matawi utakao anza June 2014.

Kama sehemu ya mfumo wetu wa usimamizi wa vipawa, tunaendelea kukuza mipango inayolenga kuboresha uzalishaji na kufikia malengo ya biashara. Katika mwaka 2013 tulifaulu kuanzisha mpango wa kutathmini utendakazi wa wafanyikazi kwa kutumia mfumo wa kadi ilosawazishwa ya kuweka alama (balanced Score Card) kwa wafanyi kazi wetu wote. Jumla ya mafunzo 36 yaliendeshwa katika 2013, kutoka mafunzo 26 katika mwaka 2012, na pia tuliendesha tafiti mbili huru – kuhusu kiwango cha kuridhika wafanyikazi na kuhusu malipo ya mishahara-matokeo yatakuwa muhimu katika kusukuma mikakati yetu ya raslimali watu siku za usoni.

Soko La Uuzaji Bidhaa Nje

Mapato yanaotokana na uuzaji wa bidhaa katika nchi za nje katika mwaka 2013 ni Kshs milioni 479 yaliongezeka kwa asilimia 18 ikilinganishwa na mapato ya 2012, licha ya ushindani mkali wa bei kutoka kwa magurudumu ya bei rahisi yalioingizwa katika masoko yote, uhaba mkubwa wa fedha za kigeni Malawi, matatizo ya kisiasa Sudan Kusini na hali ya wasiwasi mashariki ya nchi ya Jamhuri ya Kidemokrasia ya Congo. Katika mwaka 2013 tulikamilisha uuzaji wakwanza katika nchi ya Djibouti na katika mwaka 2014 tuendelea na juhudi zetu za kupenya katika masoko ya Nigeria na Afrika Kusini.

Tanzania na Uganda

Katika mwaka 2013 jumla ya mapato kutoka kwa kampuni tanzu hizi mbili yalikuwa Kshs milioni 777 (mwaka 2012 Kshs milioni 741) juu kidogo ya mapato ya 2012, ambayo yalileta faida kabla ya ushuru kwa vitengo vya utenda kazi hivyo viwili ya Kshs milioni 32, (mwaka 2012:Kshs milioni 58). Kutokana na changamoto kubwa katika utendaji kazi ambazo tulizitambua katika maeneo yote mawili katika mwaka 2012, mpango wa kina wa kurekebisha uliwekwa katika mwaka 2013, ambao ulilenga usimamizi kwa jumla na mabadiliko mengine. Maendeleo katika kutekeleza mpango huo yamekuwa ya taratibu lakini tumeanza kuona mabadiliko.

Mapato katika nchi ya Tanzania yaliongezeka kwa asilimia 15 ikilinganishwa na mapato ya 2012, ingawa utendaji kazi wa tawi la Dar es Salaam unaendelea kupambana dhidi ya wimbi la bidhaa za bei ya chini zilizoingizwa kutoka nje. Matawi ya Mwanza na Arusha yalifanya biashara kwa uhodari.

Mapato ya Uganda yalipungua kwa asilimia 5 yakilinganishwa na mapato ya 2012, lakini hii ilikuwa sambamba na juhudi zetu za kuleta nidhamu katika uuzaji kwa mikopo na kuweka taratibu madhubuti za kudai na kukusanya pesa. Katika nusu ya mwisho ya mwaka 2013, pia tulifaulu kupata namna ya kuingia katika sekta kubwa ya mashirika yasiokuwa ya kiserekali nchini Uganda pamoja na mashamba makubwa ya miwa. Manufaa ya hayo yatapatikana katika mwaka 2014.

Burundi

Katika mwezi wa August 2013 tulifungua kampuni tanzu tunayo imiliki kikamilifu katika mji wa Bujumbura Burundi inayojumuisha kituo cha magurudumu, bohari, uendeshaji kazi wa mauzo na usambazaji, ufunguzi ulichelewa sana kwa sababu tata za sheria na matakwa marefu ya ofisi ya serikali na kwa ajili ya hilo tulipata gharama kabla ya uendeshaji kazi ya Kshs milioni 13. Licha ya kuchelewa kufungua kampuni tanzu imefanya biashara vizuri zaidi na kusajili mauzo ya kshs milioni 37 katika miezi mitano ya mwisho ya mwaka 2013. Mtandao mwafaka wa wasambazaji umewekwa na katika mwaka 2014 tutajongea kupenya katika soko la mashariki mwa Jamhuri ya kidemokrasia ya Congo. Aidha tutazindua aina mbali mbali ya bidhaa za Bridgestone, tukilenga soko kubwa la mashirika yasio kuwa ya kiserikali na soko la ngazi za juu za makampuni yaliyomo Burundi.

Technologia ya Habari na Mawasiliano

Katika mwaka 2014 tuliendelea kutilia nguvu uti wa mfumo wa SAP tukiangazia 'kuchimbua thamani',hasa katika nyanja za ununuzi, usimamizi wa bohari, fedha na udhibiti na kupima wakati na kuhudhuria. Tulimhusisha mtaalamu kutoka nje ya Kenya kusaidia na matunda ya juhudi zetu niya kuridhisha hasa katika nyanja za fedha na udhibiti wa ndani. Kuwekwa kwa viunzi vengine vya SAP (usimamizi wa mitambo na usimamizi wa rekodi za mienendo ya wateja) kumesimamishwa kwa sasa mpaka baadaye na mpaka turidhike na matunda ya manufaa dhidi ya gharama katika jukwaa tanalotumia sasa.

Mwaka 2013 tulikamilisha na kuzindua tovuti yetu ya biashara ya kutumia mtandao ambayo tunaiunganisha na majukwaa ya mitandao yote inayoongoza ya kijamii. Aidha Kazi ilianza ya kuweka mfumo kamili wa kurekodi wakati na kuhudhuria kwa kutumia teknologia ya kielekroniki kazi ambayo itakamilika katika mwaka 2014.

Mtazamo

Mwaka 2014 utakuwa mwaka wenya changamoto tele ambapo tunatarajia ukwasi katika soko utaendelea kuwa changamoto kwetu. Juhudi zetu za kuuza katika masoko ya nje zitaendelea na tunatazamia kuzindua jumla ya bidhaa nne mpaya za magurudumu katika soko. Tutajitahidi kufungua vituo vipya vya magurudumu ya Yana katika kanda nzima huku tukiboresha vituo vilivyoko sasa nchini Kenya huko Mombasa, Embakasi na Langata.

Tutaendelea kuchunguza uwezekano wa kuanzisha nishati za nguvu ya jua na mitambo ya uzalishaji wa mvuke kutumia makaa ya mawe katika kiwanda kilichopo barabara ya Mombasa. Urudishaji faida kwa nishati ya jua unendelea kutoa changamoto huku mpango wa mtambo wa uzalishaji wa mvuke kutumia makaa ya mawe bado unazingatiwa.

Juhudi kubwa zitafanywa kumpata mshirika wa kiufundi mpya ambaye pia atachangia raslimali na mitambo ambayo ni muhimu sana ikiwa tunataka kuongeza jumla ya aina ya bidhaa zetu na kuongeza mizunguko ya utengenezaji kama msingi wa kupunguza gharama za utengezaji kwa kila bidhaa.

Tutaendelea kujishughulisha zaidi na mkusanyiko wetu wa majengo ili kupata mapato ya juu zaidi ikizingatiwa kuwa tumefikia asilimia 100 ya upangishaji Katika Sameer Industrial Park na Sameer Export processing Zone. Vilevile tutaendelea na juhudi zetu za kuleta wapangaji katika Sameer Business Park lakini kuambatana na mkakati wetu wa kuleta wapangaji wa hadhi ya juu kwa jumba hili la kiwango cha kimataifa.

Tutaendela kuzalisha mapato viilivyo kutoka kwa bidhaa za Bridgestone.

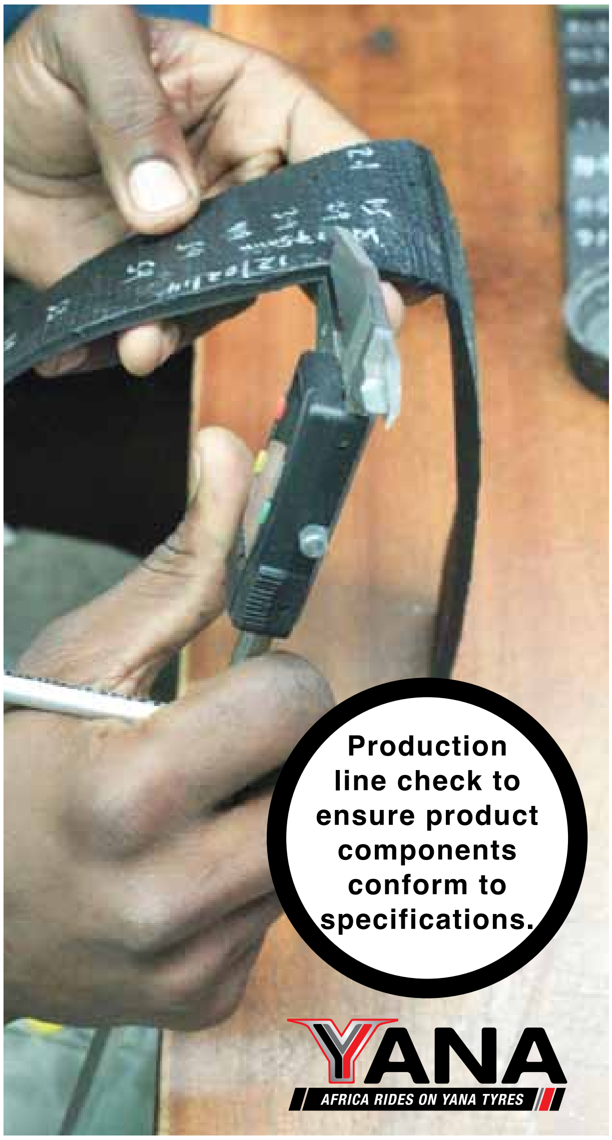
Tutaendelea na mpango wetu wa maendeleo ya technolojia ya habari na mawasiliano na tutaboresha majukwaa yetu ya mitambo yenye kuhudumu kukamilisha asilimia 100 ya uwezo wa kuhifadhi data mahali kando kama sehemu ya mpango wa uhimilivu wa biashara na kukabiliana na majanga. Mwaka 2014 kutashuhudiwa kuasisiwa kwa kitengo kando cha usaidizi kupitia simu chenye teknolijia kamilifu katika ofisi yetu kuu aliopo Mombasa road.

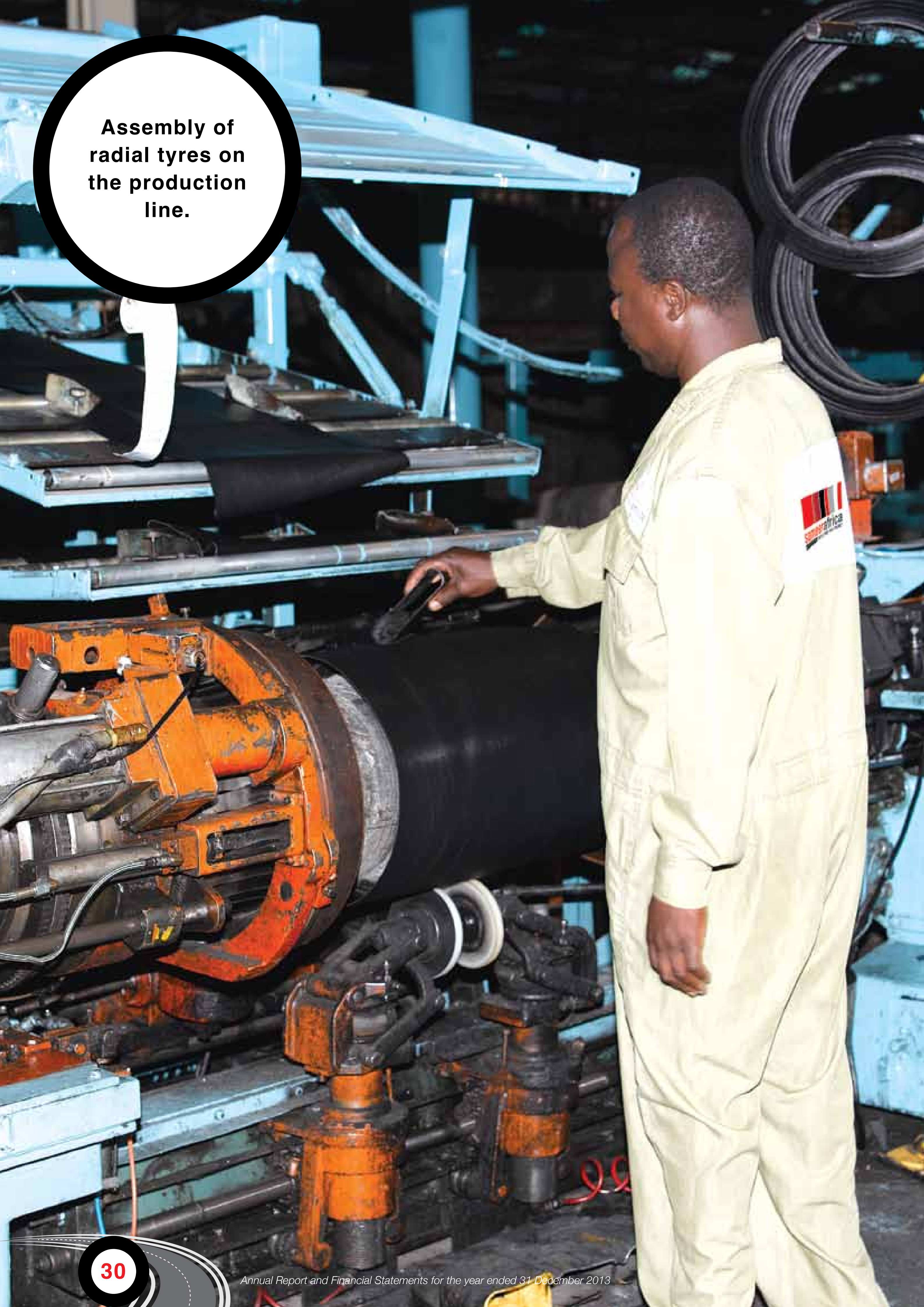
Kuhakikisha kufikia malengo yetu ya kimkakati kupitia wafanyikazi, tutaendelea kuimarisha utafutaji wetu wa talanta katika ngazi zote na tutaendelea kupiga msasa jitihada zetu za kuleta desturi zanazofungamana na utendaji sambamba na malengo yetu ya kimkakati. Mawasiliano na wafanyikazi yataboreshwa zaidi,masuala yote yaliyobainika mwaka 2013 katika tafiti juu ya kuridhika wafanyikazi yatashughulikiwa kwa mpango makini na mfumo wetu wa kadi ilosawazishwa ya kuweka alama (balanced score card) utapigwa msasa uwe msingi wa mkakati wa ulipaji mshahara.

Tutaendelea pia kushughulika na utekelezaji wa mikakati ya kuleta mabadiliko Tanzania na Uganda kuhakikisha kuwa tunafikia uwezo wa uzalishaji kamili ambao tunajuwa masoko hayo mawili yanaweza kuleta. Na pia tutazingatia juu ya kukuza soko la magurudumu la Burundi kwa kutegemea kituo chetu cha kiwango cha kimataifa kilichoko Bujumbura.

Mwaka 2014 tutazindua aina ya bidhaa yetu ya tatu Summit ambayo itakuwa bidhaa ya ushindani ya bei nafuu kushindana katika sekta ya bei iliyochini katika soko. magurudumu ya summit yatatengenezwa kiasi fulani Kenya na kiasi fulani china, ambako tuna mkataba wa leseni na mtengenezaji magurudumu mkubwa wa kichina. magurudumu yote ya summit yatakayotengenezwa China yataundwa kuambatana na muelekezo wetu na chini ya usimamizi wetu.

Allan Walmsley
Mkurugenzi Mkuu





Assembly of radial tyres on the production line.

Contents

Corporate Governance

Board of Directors


Edgar J. Imbamba
Stephen Githiga
Peter Gitonga

Directors

Eng. E. Mwongera	Chairman
A. Walmsley *	Managing Director
S. N. Merali	
A. H. Butt	
S. M. Githiga	
P. Gitonga	
I. A. Timamy	(Resigned 1 November 2013)
* South African	

Company Secretary

Edgar Jumba Imbamba *(Appointed 1 November 2013)*
PO Box 30429,
00100 Nairobi GPO.

I.A. Timamy (Resigned 1 November 2013)
PO Box 30429
00100 Nairobi GPO

1. Eng. Erastus K. Mwongera
Chairman (Non-Executive)

Engineer Erastus Mwongera is an engineering graduate from the United Kingdom university system and a Fellow of the Institute of Engineers of Kenya. He is currently a management consultant specializing in engineering, management and strategic planning.

He is a board member of National Bank of Kenya Limited and is also the Chairman of the Federation of Kenya Employers.

He is a Director of Hillside Green Growers and Exporters Company Limited and Chairman of Linksoft Group Limited with responsibility for policy direction and guidance on productivity and profitability.

From 2006 to 2009, Eng. Mwongera was chairman of the Kenya Airports Authority during a time of major rehabilitation, modernization and expansion of Kenya's international and national airports and airstrips.

Eng. Mwongera had a distinguished career in the public service spanning thirty years. He started his career in the water sector where he was Principal of the Kenya Water Institute and a director of Water Development for a combined period of 12 years. Thereafter, for over 15 years, he served as permanent secretary in the Office of the Vice President, Ministry of Home Affairs, Ministry of Lands and Housing, Ministry of Roads, Public Works and Housing, Ministry of Water Resources and Ministry of Land Reclamation, Regional and Water Development. In recognition for his distinguished career in the public sector he was decorated with Chief of Burning Spear (CBS) and Elder of Burning Spear (EBS).

Eng. Mwongera is a distinguished engineer who has played a key role in the development of the engineering profession and practice in Kenya as a past chairman of the Engineers' Registration Board and he is currently chairman of the Eminent Fellow Engineers' Forum.

Eng. Mwongera is very active in local and social circles where he is a past chairman of the Elders Court in his church, Director of the Leadership Foundation of Kenya and a member of many social and charity organizations.

Eng. Mwongera is the chairman of the board of directors of Sameer Africa Limited and also the chairman of the nominations and remuneration committee.

2. Allan Walmsley
Managing Director (Executive)

Allan Walmsley was appointed to the position of Managing Director in August, 2012. He has over 25 years' experience in various industries in finance and general management. Some of the companies he has worked for include Hunyani Paper and Packaging Company (Zimbabwe), Sun International (South Africa), Gallagher Estate Conference & Marketing (South Africa), Lonrho Motors (United Kingdom and Kenya) and Royal Exchange Plc (Nigeria).

Allan holds a Bachelor's Degree in Accountancy and is also a Chartered Accountant.

3. Sameer N. Merali
Director (Non-Executive)

Mr. Sameer N Merali holds a Master of Science degree in Banking and International Finance and a BSc (Hons) in Management Science. Mr. Merali initially worked with Merrill Lynch International Bank Limited in the United Kingdom as an Investment Analyst between October 2000 and February 2003 and joined Sameer Investments Limited in March 2003. He is the Chairman of Ryce East Africa Limited and Nandi Tea Estates Limited. He is a Director of Sameer Investments Limited and Sasini Limited, a company listed on the Nairobi Securities Exchange.

Mr. Merali is a member of the audit risk and corporate governance committee of the board.

4. Akif H. Butt
Director (Non-Executive)

Mr. Akif H. Butt is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Public Accountant of Kenya (CPA (K)) and has a wealth of experience in financial management, corporate planning and strategic management. He previously worked with PricewaterhouseCoopers in Kenya and the East Africa region, Liberia and England. He joined the Sameer Group in 1989 and is currently the Group's Finance Director. He represents the interests of the Sameer Group on the boards of various companies. Mr. Butt is also a Director of Sasini Limited and Eveready East Africa Limited, which are both quoted on the Nairobi Securities Exchange.

Mr. Butt is the chairman of the finance and investment committee of the board.

5. Peter Gitonga
Director (Non-Executive)

Mr. Peter Gitonga has previously served in various capacities at senior management level in Sameer Africa Limited. He holds a Bachelors of Science Degree in Business Administration and a Master of Science in Strategic Management from the United States International University (USIU).

Mr. Gitonga is a member of the nominations and remuneration and the finance and investment committee of the board.

6. Stephen Githiga
Director (Non-Executive)

Mr. Stephen Githiga is currently the Managing Director of First Assurance Company Limited and holds a Master Degree in Business Administration and a Bachelor of Science Degree from the University of Nairobi. He is also a Certified Public Accountant and is currently pursuing an ACII qualification. Prior to joining First Assurance, Stephen worked with Deloitte & Touche and Lonrho Africa Limited.

Mr. Githiga is the chairman of the audit risk and corporate governance committee of the board.

Executive Committee

John Kabare
General Manager
Manufacturing

Edgar J. Imbamba
Company Secretary

Allan Walmsley
Managing Director

Richard Opiyo
Chief Information Officer

Hassan Awadh
Head of Audit
and Risk

Martin Makundi
General Manager
Finance & Strategy
Jackline Omuka
AG. Head of
Human Resources
Misheck Wanjohi
General Manager Sales
Romulus Omondi
General Manager
Operations
Steve K. Mwenda
General Manager
Marketing & Business
Development

1. Allan Walmsley
Managing Director

Allan Walmsley was appointed to the position of Managing Director in August, 2012. He has over 25 years' experience in various industries in finance and general management. Some of the companies he has worked for include Hunyani Paper and Packaging Company (Zimbabwe), Sun International (South Africa), Gallagher Estate Conference & Marketing (South Africa), Lonrho Motors (United Kingdom and Kenya) and Royal Exchange Plc (Nigeria). Allan holds a Bachelor's Degree in Accountancy and is also a Chartered Accountant.

2. Steve K. Mwenda – General Manager
Marketing & Business Development

Steve Mwenda is responsible for developing, leading and implementing the company's marketing strategy and programmes to deliver sustainable and profitable growth. Steve joined the Company in 2009. Prior to this, he worked as the Sales and Marketing Manager at the Kenya Literature Bureau. He also worked as Regional Sales Manager, Marketing Manager, Product Group Manager, Brand Manager and Sales Representative with Unilever Plc, both in Kenya and Nigeria, having joined as a management trainee. Steve is a holder of a Bachelor of Commerce (Marketing) degree and is a member of the Marketing Society of Kenya.

3. Misheck Wanjohi
General Manager – Sales

Misheck Wanjohi is responsible for giving strategic direction to the sales function with emphasis on regional business expansion, retail growth and customer satisfaction. He has a wealth of experience in sales and marketing and was previously the National Sales Manager – PZ Cussons East Africa Limited. Misheck holds a B. Pharm Degree from the University of Nairobi, an MBA in Strategic Management from the United States International University (USIU) and a post graduate Diploma in Marketing from the Chartered Institute of Marketing.

4. Martin K. Makundi
General Manager – Finance & Strategy

Martin Makundi joined the Company in February 2012. Leading the financial management and strategy function for optimal utilization of company's financial resources and coordinating the company's strategic focus, he also ensures compliance with regulatory requirements and appropriate reporting standards. Prior to his appointment, he was the Manager, Revenue Accounting at Kenya Airways and also served as the Chief Finance Officer (CFO) in Precision Air Services – Tanzania. Martin also held senior positions in the Central Bank of Kenya, Kenya Petroleum Refineries Limited, Total Kenya Limited and was a Senior Auditor with Deloitte. Martin holds a Bachelor of Commerce (Accounting) degree from the University of Nairobi and is a Certified Public Accountant- CPA (K). He is also a Certified Information Systems Auditor (CISA) and a Certified Financial Modelling Masterclass (CFMM).

5. John Kabare
General Manager – Manufacturing

John Kabare is the General Manager, Manufacturing and has vast experience in tyre manufacturing technologies and processes. He has held various senior positions in chemical, technical and plant services within the company. John holds a BSc Degree in Chemistry and Computer Science from the University of Nairobi and an MBA in Strategic Management from the JKUAT.

6. Romulus Omondi
General Manager - Operations

Romulus Omondi is responsible for developing, leading and implementing procurement, supplies planning and logistics processes to ensure cost effective sourcing and timely availability of quality raw materials, finished products and services.
He joined Sameer Africa Limited in 2008. Prior to this, he worked for Unilever East Africa for over 19 years in various positions in supply chain management in both Kenya and Tanzania. He has been an Associate Consultant with E-Sokoni as well as with International Supply Chain Solutions.
He holds a Bachelor of Arts Degree (Economics) and he is also a member of CIPS and KISM.

7. Jackline Omuka
Ag. Head Of Human Resources

Jackline Hellen Omuka joined the company in February 2012 as the Learning & HR Development Manager. Prior to that she was the Manager, Training and Consultancy Services at the Kenya Institute of Management, and also served as the Programmes Coordinator at International Supply Chain Solutions. Jackline holds a Bachelor of Business Administration and Management degree from Daystar University. She is a finalist student at the University of Nairobi and The Institute of Human Resource Management having undertaken an MBA in Strategic Management and post graduate diploma In Human Resources, respectively. She is also a member of the Kenya Institute of Management and Institute of Human Resource Management.

8. Hassan Awadh
Head Of Audit and Risk

Hassan Awadh is responsible for evaluating and monitoring the adequacy of internal controls, risk management processes and corporate governance platforms in order to safeguard company assets and enhance business performance.
He joined the company in 2000 and has held various positions within the finance and audit departments. He previously worked with Siginon Freight Limited for 8 years. Hassan is a Certified Public Accountant (CPA), a Certified Information Systems Auditor (CISA), a member of the Institute of Certified Public Accountants (ICPAK) and a member of the Information Systems Audit and Control Association (ISACA).

9. Richard Opiyo
Chief Information Officer

Richard Opiyo holds a Bachelors of Science degree in Computer Science from Makerere University. He underwent SAP training in Mumbai, India and specialized in the following SAP functional areas; Production Planning (PP), Plant Maintenance (PM), and Materials Management (MM). Richard has participated in two SAP end to end implementation projects, and has over 5 years post go-live support experience in Mukwano Group (Uganda) and Sameer Africa respectively. He is a member of the SAP User Group in East Africa.

10. Edgar J. Imbamba
Company Secretary

Mr. Edgar Imbamba is an Advocate of the High Court of Kenya and a practicing Certified Public Secretary. He holds a Bachelor of Laws degree from the University of London and a Master of Laws degree from the University of Hull in the United Kingdom. He has previously held senior management positions at the Postal Corporation of Kenya, Kenya Tourist Development Corporation and Kenya Tea Development Agency Holdings Limited.

A) CORPORATE GOVERNANCE

Sameer Africa Limited has long recognized the importance of an effective corporate governance structure and takes all necessary steps to implement policies, procedures and systems to ensure full compliance with all applicable statutes and regulations, the requirements of all our regulatory bodies, international best practice and the Memorandum and Articles of Association for itself and its subsidiary companies.

The board of directors has also adopted a number of specific codes, internal charters and policies to enable it to discharge its corporate governance responsibilities. This is an ongoing and dynamic process requiring continual review and modification in the light of ongoing changes in legislation, regulation and global best practice.

1. The Board of Directors:

The board of directors remain committed to continually improving corporate governance at all levels within the group, especially with regard to the protection of stakeholder interests, corporate strategy, the integrity of financial reporting, the internal control environment, enterprise risk management, regulatory compliance and overall management performance.

The board is made up of 5 (five) non-executive directors and 1 (one) executive director and is led by a chairman. The board is committed to ensuring that all directors possess the necessary qualifications and experience and that all are of unquestionable integrity. Directors are appointed by the board and elected by the shareholders in general meeting. No one person can occupy the position of chairman and that of chief executive officer/ managing director at the same time.

The primary purpose of the board is the creation and delivery of sustainable, long term value. Towards the achievement of this purpose, Sameer Africa Limited maintains different and separate roles for the chairman and the managing director. The chairman directs the board, thereby ensuring its effective operation whilst discharging all its legal and regulatory obligations.

The Board is specifically responsible for:

(i) Establishing the strategic direction of the group and overseeing and monitoring its activities.

(ii) Ensuring that appropriate corporate governance structures and practice, systems, policies, processes, strategies and resources are in place and are functional to enable the group to operate in a safe, responsible and ethical manner and in compliance with all moral, legal and regulatory requirements.

(iii) Reviewing corporate strategy, major plans of action, policies, business plans and overseeing major capital expenditure and business acquisitions.

(iv) Ensuring that the requirements of all stakeholders are fully understood and met.

(v) Monitoring and formally assessing the performance of the boards, their committees, individual directors and the senior executive management team against the relevant charters, corporate governance policies, agreed goals and objectives and annual budget.

(vi) Selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning.

(vii) Ensuring the continuity of the group via formal disaster recovery procedures and the establishment of a clear succession plan.

(viii) Establishing an appropriate risk management framework which effectively identifies and manages all risks in line with the group's overall risk appetite.

(ix) Ensuring that the internal and external audit functions are effective and that robust accounting and internal control systems are in place.

(x) Establishing effective procedures for monitoring internal and external financial and other reporting to ensure it continually gives an accurate account of the group's progress, profitability, financial position and risk.

(xi) The board at all times, conducts the business of the group based upon sound practices and acts in good faith, with due diligence and care in the best interests of all stakeholders.

2. Standing Committees:

In order to assist it in fulfilling its corporate governance responsibilities, the board has also constituted specific committees which work independently of each other and which meet on quarterly basis. The standing committees have separate charters which define their purpose, composition, structures, duties and responsibilities and reporting lines to the board. The roles and responsibilities of these committees are as follows:

(i) Audit risk and corporate governance committee

The committee is established to assist the board in the effective discharge of its oversight responsibility to ensure and oversee the integrity of the group's accounting and reporting processes and for the risk assessment and risk management functions of the group. The chief risk officer reports directly to this committee and makes quarterly presentations for the consideration of members.

The committee is responsible for:

- Ensuring the integrity of the company's accounting and reporting processes and policies;
- Ensuring compliance with all applicable accounting standards
- Reviewing scope and emphasis as regards the work of both the internal and external auditor.
- The selection, evaluation and compensation of the external auditors
- Ensuring that the company's internal audit function is effective and sufficiently independent of management
- Ensuring that the group's accounting policies are

suitable and are consistently and completely applied in the preparation of all financial reports.
- Ensuring the group's enterprise risk management structures are proactive and operate effectively at all levels of the group on a continuous basis.
- Ensuring the group has a formal risk management policy that is reviewed and evaluated annually
- Ensuring formal procedures and contingencies are in place to ensure business recovery and continuity in the event of fundamental disruption and dislocation.
- Ensuring the group's total risk profile is capable of systematic measurement as a basis for determining the group's overall risk appetite.
- Ensuring a risk management based culture is developed and is continuously enforced by management.
- Reviewing risk registers on a quarterly basis for all major systems and processes.

(ii) Nominations and remuneration committee

The committee is established to assist the board in discharging its responsibilities relating to board nominations, composition and performance appraisal and in particular all high level establishment issues relating to senior level executive staff.

This committee is responsible for:

- Ensuring that formal procedures exist to properly identify and assess all new board nominations and senior executive staff appointments.
- Reviewing the composition of all group boards and committees.
- Conducting annual appraisals and performance reviews of the boards and all their committees and members thereof
- Ensuring that there are formalized procedures for the proper induction of all new directors and staff.
- Establishing remuneration and reward-based incentive schemes for senior executive management
- Approving senior executive selection, appraisal and compensation
- Ensuring that the group's employee appraisal procedures are properly formalized and are effective as a basis for all internal promotions and salary awards.
- Ensuring that the group's personnel policies and procedures are comprehensive and are properly formalized.
- Rewarding the results of the annual employee appraisal exercise.

(iii) Finance and investment committee

The committee is established to assist the board in fulfilling its financial oversight responsibilities with specific references to corporate finance, resource and asset utilization, investment portfolio performance, capital structure, cash management, equity and debt financing, capital expenditure, financial planning and reporting and the overall financial performance on the group.

This committee is responsible for:

- Approval of all significant investments and divestments.
- Approval of the group's annual financial budget and monitoring the group's financial performance against such annual budget.
- Approval of the group's annual capital expenditure budget
- Evaluating all major capital expenditure and business acquisition proposals from management and monitoring actual expenditure against such proposal and/or approved budgets.

3. Board Activities

All committees have the authority to conduct any investigation necessary to fulfill their obligations and can retain such accounting and legal advisors as may be necessary to successfully attain their objectives.

The activities of the committees are reported to the board and their decisions ratified by the board as appropriate.

Members of the board are expected to disclose any related party transactions and where necessary, excuse themselves from discussions on the subject matter.

The board and its committees meet once every quarter and additionally as the needs of the group may determine. In the financial year 2013, the board and its committees met as follows:

Forum	Membership	No. of Meetings
Board	Eng. Erastus Mwongera - Chairman Mr. Allan Walmsley – Managing Director Mr. Akif Butt Mr. Peter Gitonga Mr. Stephen Githiga Mr. Issa Timamy – Co. Secretary resigned Mr. Sameer Merali	4
Finance and Investment Committee	Mr. Akif Butt - Chairman Mr. Peter Gitonga	4
Audit Risk and Corporate Governance Committee	Mr. Stephen Githiga – Chairman Mr. Sameer Merali	3
Nominations and Remuneration Committee	Eng. Erastus Mwongera – Chairman Mr. Peter Gitonga	3

4. The Shareholders

The board of directors is accountable to the shareholders and the company encourages and promotes shareholder participation.

The general meeting of shareholders is held once annually and additionally as the needs of the company may determine. At the general meetings, shareholders are given ample time to air their questions and receive adequate responses from the board and management. Members are also welcome to raise issues relating to the company on an informal basis.

In the financial year 2013, the members met in 1 (one) general meeting as follows:

Forum	Date of Meeting	Attendance	
		Shareholders	Proxies
Annual General Meeting	25th May 2013	452	68

5. The Management

The management is responsible for:

- The day to day running of the group on behalf of the board.
- The development and implementation of all board approved initiatives
- The achievement of all business and operational plans, targets, strategies and objectives within the framework of the company's risk management framework
- The development of advanced reporting procedures to ensure the board is kept fully informed at all times.

Management also ensures that the processes, policies, procedures and controls within the group are effective and are regularly reviewed to deliver financial and operational accountability and success.

6. 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 stakeholders. All employees within the company are required to conduct themselves to 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.

7. Directors Emoluments and Loans

The remuneration of non-executive Directors consists of fees and sitting allowances for their services in connection with board and committee meetings. There were no directors' loans at anytime during the period.

8. 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.

9. Attendance of Board and Committee Meetings

Director		No. of Committee Meetings Attended - 2013		
	No of Board Meetings Attended	Audit, Risk & CG Committee	Finance & Investment Committee	Nomination & Remuneration Committee
Eng. E. Mwongera	4	-	-	3
Mr. A. Butt	4	-	4	-
Mr. A. Walmsley	4	3	4	3
Mr. S. Githiga	3	3	-	-
Mr. P. Gitonga	4	-	4	2
Mr. S. Merali	4	3	-	-
Mr. I. Timamy	1	-	-	-

B. RISK MANAGEMENT

1. Introduction

The environment in which Sameer Africa Limited operates presents a number of significant risks which the board of directors has moved aggressively to manage or ameliorate. Set out below are details of the philosophy, framework and structures that have been put in place to identify, assess, manage and ameliorate all major business and enterprise risks faced by the group.

2. Philosophy

The key elements of our risk management philosophy are as follows:-

(a) Effective risk management is fundamental for a successful, profitable and enduring business.

(b) Risk management is a holistic and continuous business process that is

(c) best effective when implemented on a "bottom – up" basis.

(d) Risk management committees must operate at all subsidiaries and strategic business units across the group.

(e) Risk officers are empowered to carry out their duties without fear of interference or influence.

(f) Risks are recorded and reported openly and fully.

(g) Our risk management principles are contained in a separate policy.

(h) Risk issues are central to all business decisions and the group will always strive to achieve an optimal balance between risk and return.

(i) Responsibility for risk management is ultimately vested in the board of .directors

3. Risk Culture

The board of directors and senior management will always ensure that the group's long term survival and reputation are never put in jeopardy in our quest to expand operations and market share. The board and management will continually promote risk awareness across the group and will avoid products, markets, persons and businesses where the associated risks are deemed unacceptable or are incapable of effective management.

4. Risk Appetite

The group's risk appetite is set by the board of directors annually and on a subsidiary by subsidiary basis, given the diversity of our operations. Financial and prudential limits and ratios form the basis of our risk appetite quantification.

5. Risk Oversight

The board of directors has the ultimate responsibility for risk management and which it delegates to management via the group risk management committee.

The group's chief risk officer provides central oversight of the risk management function to ensure that all risks are properly identified and measured (in terms of impact and likelihood) and that suitable control and management measures are implemented timeously to minimize any adverse outcomes. The chief risk officer reports to the managing director and to the board audit risk and corporate governance committee.

Risk management oversight is driven on a "bottom-up" basis but the managing director is required to report to the board audit risk and corporate governance committee on the following categories of high level risks:--

(a) Strategic risk

(b) Operational risk

(c) Reputational risk

(d) Market risk

(e) Business continuity risk

(f) Credit and liquidity risk

(g) Information technology risk and

(h) Supply chain risk

The chief risk officer also has direct responsibility for the internal audit, corporate governance and regulatory compliance departments within the group so as to ensure a centralized and properly coordinated approach to risk identification and quantification as well as the monitoring of the implementation of all agreed remedial and amelioration actions.

6. Role of the Group Risk Management Committee

The group risk management committee is headed by the group managing director. The committee's duties and responsibilities are as follows:-

(a) Ensure that detailed policies and procedures manuals are in place for all major systems, processes and activities within the group and that such systems and processes are subject to regular and systematic review by risk management committees.

(b) Review risk management reports from the chief risk officer to ensure that risks and weaknesses are properly and completely identified and that proposed remedial actions are effective and appropriate.

(c) Ensure compliance with all applicable laws and regulatory guidelines and prescription.

(d) Review risk indices on a subsidiary and departmental basis to ensure risk management efforts are effective and are having a beneficial impact in reducing overall risk profiles.

(e) Ensure that the internal audit department has adopted a risk based audit approach to their compliance and substantive testing and as a means of ensuring that risk based recommendations and corrective actions are properly and completely implemented at all levels within the group.

f. Prepare detailed quarterly reports for consideration by the board audit risk and corporate governance committee.

7. Composition of the Group Risk Management Committee

The group risk management committee comprises the following members:-

(a) Allan Walmsley – Managing Director

(b) Martin Makundi – GM Finance & Strategy

(c) John Kabare - GM Manufacturing

(d) Steve Mwenda – GM Marketing & Business Development

(e) Misheck Wanjohi – GM Sales

(f) Romulus Omondi – GM Operations

(g) Richard Opiyo – Chief Information Officer

(h) Jackline Omuka – AG Head, Human Resources

C. ENVIRONMENTAL MANAGEMENT

1. Introduction

At Sameer Africa, the bedrock principle is that we conduct our business in a sustainable and responsible manner. We will always ensure that our business today never compromises the ability of future stakeholders to meet their own needs. Only in this way can we create long term economic value for our stakeholders and contribute to a clean and conducive environment for our employees, their families and the community in which we operate.

Being the only tyre manufacturing company in East Africa, we have an enormous obligation in defining, supporting and operating a truly sustainable business model. Sustainability is a business strategy as well as being a key business driver.

Our Environmental Policy states,“Sameer Africa Limited is committed to protecting the environment through outstanding environmental performance and efficiency in the conduct of operations in our workplaces, the communities in which we are located and in the world in which we live. We believe that an appropriate balance can and should be achieved between environmental goals and economic health. This policy is implemented, maintained and communicated to all our employees and suppliers and is available to the public”.

At Sameer Africa, we have in place environmental strategies and platforms that:-

- Maintain ongoing monitoring programs
- Minimize waste and utilise proper waste segregation, handling and disposal methodologies
- Educate and motivate our workforce
- Demand similar environmental standards from the third parties we deal with
- Maintain an ongoing reporting system

2. Sustainability Model

Our model focuses on three main objectives to ensure:-

(i) Continual improvement

We integrate appropriate environmental activities in all our operations and we strive for continual improvement by using our policy as the framework for establishing and reviewing clearly defined objectives and targets, which are then communicated to our employees, suppliers and other interested parties.

(ii) Pollution prevention

We strive to minimize any adverse impact on the air, water and land by continually striving to:

- Reduce, and where practical, eliminate waste using source reduction
- Explore all recycle/re-use options
- Use best available preventive and corrective techniques.

(iii) Legal compliance

We demonstrate our corporate citizenship by adhering to all legal and other requirements that affect how we manage all environmental aspects.

3. Key priorities

We continually monitor our actual progress against our environmental management programmes, the key priorities being:

(i) Minimizing waste

The use of suitable material and the use of sustainable methods of waste separation both form the basis of Sameer Africa’s material management practices. Our goal is to extend the useable life of resources through re-use and recycle option and the elimination of waste.

We segregate waste at source. Waste generated in the various production processes (used oil, metals, hazardous waste) is disposed of through National Environmental Management Agency (NEMA) registered and licensed recyclers/refiners/re-processors only and we ensure such waste is also handled in accordance with all NEMA requirements.

(ii) Addressing non conformities

We continually focus on identifying and resolving all programme non-conformities as they arise, ensuring root causes are established and addressed to ensure both corrective and preventive actions are in place and are effective.

(iii) Increased tyre life

Prolonged use of tyres results in the reduced release of used tyres into the environment. We have an entire department that instructs and trains road users on tyre maintenance, inflating tyres to correct pressures, tyre rotation etc., in an effort to enhance tyre life. We also outreach this initiative through advertisements and supplements in the media, our retail tyre outlets and our sales and field engineering teams who conduct training courses across the region aimed at matatu saccos, fleet and government agencies.

Our tyres are well known for their quality and durability. To maintain these key characteristics at factory source, we ensure our tyres are continually tested through scheduled surveillance programmes. The results of these programmes are analysed by a technical committee on a quarterly basis and corrective action is taken when required.

(iv) Used tyre handling

Each tyre has a finite life in terms of original purpose. However, they are extremely durable and although ozone will cause slight deterioration, tyres will persist in the environment for considerable periods of time as they are not affected by bacteria and are therefore, not biodegradable.

Tyres are designed to ensure safety and performance for drivers and passengers so their inherent use demands resilient design and the use of robust materials. Extremely resilient components such as steel and rubber are used in the manufacture of tyres and these elements present considerable disposal challenges when tyres have reached the end of their useful lives.

Across East Africa there are no established stockpile laws and regulations for used tyres and they are continually and irresponsibly dumped into the environment. A number of "second life" applications for used tyres have evolved (as tree guards and 'cushioning' in play grounds, conversion to furnace oil and printer inks, carpet underlays and the creation of artificial reefs etc., and in the heavy duty sector re-treading is a highly effective re-use alternative) but the vast majority of tyres are simply dumped.

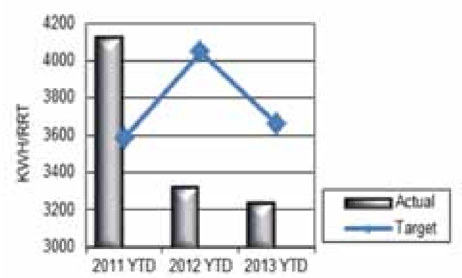
As part of a major initiative, Sameer Africa took a lead role in working with NEMA and other stakeholders in compiling draft legislation to ensure responsible used tyre disposal methodologies are adopted in Kenya. The draft legislation, known as The Environmental Management and Co-ordination (Waste Tyre Management) Regulation 2013, will come before Parliament very shortly.

(v) Responsible waste management

We practice waste segregation at source. Each work station is provided with four conspicuously marked bins for this purpose. Each waste stream is then handled separately at point of disposal. Waste classification covers general waste, metallic, plastic and hazardous waste.

(vi) Optimizing energy consumption

We continually implement energy conservation practices across Sameer Africa, enhancing awareness about energy conservation among employees and monitoring our energy spends. Per below, we have had considerable success in this regard.



Electricity Consumption Trend Averages for 2011-2013 KWH/RRT

Key energy conservation initiatives undertaken include:-

- Replacing outdated air conditioners with new, efficient and ozone friendly machinery
- Stringent monitoring of fuel consumption of our utilities
- Usage of transparent roof sheets to save on lighting.
- Enhancing awareness on energy conservation among employees

(vii) Controlling emissions

We continually monitor and manage particulate matter, VOCs, NOx and SO2 emissions from the boiler and generator stacks at our manufacturing plant in Nairobi and we also undertake continuous air quality measurements. Effluent analysis is conducted periodically by Nairobi Water and Sewerage Company and we are consistently within the legal standard. A monthly report is produced for senior management and corrective actions are immediately taken in the event of any adverse trends or measurements.

(viii) Compliance

We seek all necessary approvals from relevant government authorities before we commence any project. We also have an ISO 14001 certification which internally manages the Environmental Management System. This is an aggressive programme which is reviewed periodically by top management. During the 2013 reporting period, no incidents of non-compliance were reported and no fines were imposed following an audit by SGS inspectors in early December 2013. Indeed, not a singly major non conformity was identified during this audit.

(ix) Excellence in quality

We are also ISO/TS 16949 Quality Management Systems Standard certified. This standard has been specifically developed by the International Automotive Task Force (IATF) and the Technical Committee of ISO. It is specifically aimed at the development of a quality management system that provides for continual improvement, emphasizing defect prevention and the reduction of all variances and waste in the manufacturing chain.

Our manufacturing facility is audited, by a third party ISO appointed auditor, to these international quality standards and our internal team of auditors also conduct their own quality audits on a continuous basis. Internal and external quality indicators demonstrated that our quality systems continued to operate at a high level during 2013, whilst also showing improvement from the previous year. Tyre warranty units, as a percent of sales, also reduced significantly as against 2012.

During an External Surveillance Audit by SGS Egypt. H Radwan, 3rd Right, Auditor SGS Egypt, A Walmsley,4th Right, MD Sameer Africa with part of the management team.

(x) Commitment to quality

We are totally committed to the quality and safety of our products and to the satisfaction of our customers. We meet this responsibility by continually improving our products, processes and people to meet or exceed the expectations of our customers and stakeholders. To accomplish the goals described above, we are dedicated to maintaining an organizational culture whose core values are based on:

- Integrity
- Respect
- Innovation
- Accountability

All our tyres undergo 100% inspection before they leave the production facility and they are also regularly tested to ascertain specification compliance. Our products undergo thorough routine inspection and continuous testing in our internal test labs and externally, through the Kenya Bureau of Standards (KeBS). Having undergone rigorous assessments and testing for over a decade, we have consistently complied with all KeBS products' standards. We have also subscribed to the voluntary Kenya Bureau of Standards Diamond Mark of Quality and automatically became eligible for the Standardization Mark of Quality, as a result. As a minimum requirement for testing, we have also adopted the EAS 359:2004, EAS 357:2004 and EAS 358:2004 Specifications for Pneumatic Tyres for Light Trucks, Trucks and Buses and Passenger Cars respectively. We also have our own diagnostic and test equipment where we are able to continually carry out road simulation tests to monitor the endurance and performance of all our products.

D. HUMAN RESOURCE MANAGEMENT

1. Recruitment

At Sameer Africa, we subscribe to a "no glass ceilings" philosophy. In the event of any job vacancies, we first advertise internally before looking to open market sourcing. Preference is always given to the internal candidate even where such person may not have the necessary entry qualifications but we believe that with suitable training and mentoring, he or she will be able to succeed. All recruitment is handled by independent committees comprising a minimum of three staff members so as to ensure equality and transparency.

2. Expatriate Establishment

At end 2013, Sameer Africa only employed two expatriates and this will reduce to only one expatriate in the first quarter of 2014. We are extremely proud of this achievement given the highly technical nature of our operations and products.

3. Medical

We provide all our employees with suitable in and out-patient medical solutions and at our production plant in Nairobi, we provide a 24 hour medical clinic operation staffed by third party medical professionals. We also hold periodic and specific clinics for our staff under our "My Health, My Wealth" initiative. In 2014, we will also move to aggressively monitor all employees with serious diseases and complications to ensure they receive the best and appropriate treatment. We will do this in conjunction with our sister company, Medanta Africare, who are leaders in diagnostic medicine in Kenya today.

4. Retirement

We provide for employee retirement via an unfunded in-house defined benefit gratuity system for all unionized staff and via an externally managed, defined contribution scheme for all non-unionised staff. With the promulgation of the new NSSF Act in 2013, we intend moving to a single "contracted out" defined contribution scheme for all staff.

5. Canteen Services

We provide full canteen services at our production plant in Nairobi, which serves wholesome and nutritious food to all 240 staff members there, both union and non-unionisable, on a three shift system, six days a week.

6. Casual Labour

We do not subscribe to the concept of casual labour except in extreme cases where business and activity volumes increase for very short periods of time. Similarly, contract employment is discouraged unless it is project based and even then, it is strictly monitored and controlled.

7. Welfare

In addition to our normal co-operative society, we also operate a welfare organization to which every employee is required to contribute a fixed monthly amount. These funds are deployed for a variety of purposes such as funeral and other support services in the event of bereavement or sickness.

8. Staff Communications

In 2013, we moved to improve communications across the group. Half yearly breakfast forums are now held which are hosted by the Managing Director and where employees in Nairobi are updated on all new corporate and business developments and where employees can ask questions and make suggestions for improvement in an open and conducive environment. In June 2014, we will also commence a branch mentorship programme whereby each member of the Executive Committee will be allocated a number of outlying branches and he/she will then regularly visit such outlets to update staff on all new developments within the company.

9. External Surveys

In 2013, we concluded a staff satisfaction survey and a salary remuneration survey, both of which were extremely useful in identifying certain challenges and general weaknesses. The results of both surveys will form the basis of many of our HR strategies moving forward. We intend commissioning these surveys every two years.

10. Training

In 2013, we held 36 training courses and trained a total of 430 staff. The majority of these courses are held at our Yana Training Centre in Nairobi using a combination of in-house and external trainers.

In short, our employees are our priority. Our philosophy is that if we have a stable, highly trained, healthy and productive workforce, our products will always be of the highest quality and our staff will handle our customers in a professional , courteous and therefore, profitable manner.

E. SUPPLIER MANAGEMENT

1. Philosophy

At Sameer Africa, we firmly believe that the key to national development is local manufacture, agri-business, mining and mineral beneficiation. Only through in-country, value adding activities can East Africa provide proper employment opportunities to the ever growing number of school leavers. We also believe that for every product imported into the region, a local job is lost and the opportunity for crime and criminal activity is given a boost.

2. Local Industry Support

Consequently, we look to support local industry wherever we can. Whilst our manufactured products demand the highest quality inputs, many of which can only be sourced outside of East Africa, we do continually assess products and services that are available locally. We are currently working to develop natural rubber sources from the eastern Democratic Republic of Congo and indeed, in 2013, we sourced 40 tonnes of natural rubber from there for our tyre production process. This will increase in 2014, where we are confident of sourcing at least 200 tonnes. We also source natural rubber from Malawi and we intend increasing the off take further in 2014.

Apart from the limited local sourcing opportunities for raw material inputs, we always look to support local businesses and suppliers for both goods and services. Local banks, ICT providers and insurers will always receive preference as will vehicle suppliers who have local assembly operations, for example. In many instances, local suppliers face challenges with working capital, pipeline management and product quality but we are always prepared to assist to work with them to grow their businesses.

F. CORPORATE SOCIAL RESPONSIBILITY

Sameer Africa's definition of corporate social responsibility extends beyond philanthropy and addresses how the company manages its economic, social, and environmental impacts as well as its relationships in the workplace, the marketplace, and the community.

1. Health and Wellness

Health and wellness forms an integral part of Sameer Africa's credentials and therefore, we have always endeavored to promote this, not just with staff members, but also amongst the entire community. In 2013, Sameer Africa played a major role in participating in a charity walk held on 15th June 2013, dubbed 'A Journey of Hope'. The walk, organized by the Cerebral Palsy Society of Kenya, was aimed at improving the plight of children afflicted by cerebral palsy.

The company also participated in the 2013 Standard Chartered Nairobi Marathon, whose main objective was to raise money to support the "Seeing is Believing" initiative aimed at combating preventable blindness, principally amongst children.

In conjunction with AAR Healthcare and CliniX Health Care Limited, Sameer Africa took the initiative in organizing a health wellness campaign in December 2013. The initiative, 'My Health, My Wealth', was designed to give staff members and their families an opportunity to learn current and developing trends in the health and medical fields for their general wellbeing. This involved tests and talks on some of the main health threatening illness such as HIV, cancer, and diabetes.

As a member of the Sameer Investments group of companies, Sameer Africa, in conjunction with the Zarina & Naushad Merali Foundation donated KShs 100 million to the Kenyatta National Hospital, aimed at helping it overcome shortages of vital equipment and to expand its services through a turn-around strategy. The funds will also assist in the construction of a KShs 278 million, fully fledged daycare medical centre at the hospital. The new centre will offer same day, minor surgical services for walk in patients who do not require overnight management and will house four main theatres and two operating theatres.

The 24 bed proposed day care centre is expected to help relieve pressure on the main referral hospital whose patients do not require specialized management.

Speaking during a corporate dinner hosted to raise awareness among local captains of industry, the hospital's CEO explained that "As we start a new day at Kenyatta National Hospital, we have opted to confidently engage and open the doors to members of the private sector to join us in taking this facility to the next level. Zarina & Naushad Merali Foundation's KShs 100 million donation is indeed a most welcome shot in the arm that will help kick start our ambitious efforts to raise Kenyatta National Hospitals quality of service delivery within the shortest time possible".

In addition and also under the umbrella of the Zarina & Naushad Merali Foundation, we sponsored a free eye camp in Kisii from 22-24 November 2013, in conjunction with the Rotary Club of Nairobi in which a total of 215 cataract operations were successfully carried out.

2. Road Safety

In May 2013, Sameer Africa in conjunction with the Association for Safe International Road Travel and the United Nations organized a road safety campaign aimed at better protecting pedestrians from road accidents. At least 30 participants from the company engaged in the campaign.

Tyre bursts have been recorded as one of the major causes of fatal road accidents in Kenya. Since many of the tyres on our roads do not meet required safety standards, the result is that many lives are lost and thousands maimed through road accidents. To this end, Sameer Africa engaged in a grass-root road safety campaign across the country by training organized motor groups on tyre safety and maintenance.

This programme was channeled through matatu saccos, dealer workshops and mechanic groups. The road safety initiative also targeted other interest groups like corporates, fleets owners and the Kenya Defence Force.

Image 1:
Kenya Defence Force being taken through the production process at the Sameer Africa factory.

Image 2:
Engineering students from Egerton University.

Image 3:
Pollman Tours and Safaris staff.

Yana tyres are manufactured to the highest standards and monitored via a quality precision system. Indeed, in 2013 the National Road Safety Agency recognized this fact and awarded the company for producing "best quality and safe tyres for African roads".

Brand and Communications Manager receiving award for "best quality and safe tyres for African roads" on behalf of Sameer Africa.

We also participated in exhibitions and conferences in partnership with different companies (General Motors, Toyota Kenya, National Oil Corporation of Kenya and a number of petrol stations), in which attendees were given free tyre care education.

Principal Shareholders

The ten largest shareholdings in the company and the respective number of shares held at 31 December 2013 were as follows:

No.	Name	Number of shares	%
1	Sameer Investments Limited	200,817,982	72.15%
2	BNP Paribas (Suisse) SA	4,417,600	1.59%
3	Patrick Njogu Kariuki	4,058,700	1.46%
4	Swani Coffee Estate Limited	1,767,760	0.64%
5	Karim Jamal	1,618,400	0.58%
6	CFC Stanbic Nominees A/C NR1030602	1,500,000	0.54%
7	Ameerali Abdulrasul Somji	1,286,771	0.46%
8	Kamlesh Raichand Shah	1,169,366	0.42%
9	Craysell Investments Limited	1,093,500	0.39%
10	Minaxshri Shah and Sureshchandra Raichand Shah	1,071,600	0.38%

Distribution of Shareholders

Share range	Number of Shareholders	Number of Shares	%
0 - 500	7,749	2,200,935	0.79%
501 – 5,000	5,363	8,554,994	3.07%
5,001 – 10,000	516	3,898,922	1.40%
10,001 – 100,000	542	16,310,589	5.86%
100,001 – 1,000,000	81	28,575,274	10.27%
Over 1,000,000	10	218,801,679	78.61%
Total	14,261	278,342,393	100%

Report Of The Directors

for the year ended 31 December 2013

The directors have the pleasure of presenting their report together with the audited financial statements for the year ended 31 December 2013, which discloses 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 the letting of premises.

2. Results

The results for the year are set out on page 58 and 59.

3. Dividend

The directors recommend the payment of a first and final dividend of Kshs 0.30 per share (2012 – Kshs 0.25).

4. Directors

The directors who served during the year are set out on pages 32 to 35.

5. Auditor

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 26 March, 2014.

By Order of the Board

Edgar Imbamba
Company Secretary

Date: 26 March, 2014

Wakurugenzi wanafuraha ya kuwasilisha ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka ulioishia 31 Desemba 2013,ambazo zinaarifu hali ya shughuli za kundi na kampuni

1. Shughuli kuu za Kampuni

Shughuli kuu za kundi ni utengenezaji,uagizaji kutoka nje na uuzaji matairi na ukodishaji wa majengo.

2. Matokeo

Matokeo ya mwaka yanaonyeshwa kwenye kurasa 58 na 59.

3. Gawio la Faida

Wakurugenzi wanapendekeza mgao wa mwanzo na wa mwisho wa Kshs 0.30 kwa kila hisa (mwaka 2012- Kshs 0.25).

4. Wakurugenzi

Wakurugenzi waliohudumu katika mwaka wameonyeshwa kwenye kurasa wa 32 hadi 35.

5. Wakaguzi

Wakaguzi, KPMG Kenya, wanaendelea kushikilia ofisi kuambatana na kifungu 159(2) cha sheria za kampuni (Sura 486).

6. Kukubaliwa kwa Taarifa za Kifedha

Taarifa za kifedha zilikubaliwa katika mkutano wa wakurugenzi uliofanywa tarehe 26 Machi, 2014

Kwa Amri ya Halmashauri

Edgar Imbamba
Katibu wa Kampuni

Tarehe: 26 Machi, 2014

New equipment for the assembly of truck and bus tubeless tyres.

The directors are responsible for the preparation and presentation of the consolidated and separate financial statements of Sameer Africa Limited set out on pages 58 to 120 which comprise the consolidated and separate statements of financial position at 31 December 2013, and the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity and the statements 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 3 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 judgments 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 company and its subsidiaries 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 26 March, 2014 and were signed on its behalf by:

EKMwongera

Eng. Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

Allan Walmsley
Managing Director

Tyre curing process which hardens the rubber through vulcanization. It gives the tyre pattern and markings as inscribed on the mould.

Financial Statements

The off-loading of a cured tyre from the curing press.

Report of the Independent Auditors

to the members of Sameer Africa Limited

KPMG Kenya,
Certified Public Accountants,
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612 00100 GPO
Nairobi, Kenya

Telephone +254 20 2806000
Fax +254 20 2215695
Email info@kpmg.co.ke
Internet www.kpmg.com/eastafrica

We have audited the consolidated and separate financial statements of Sameer Africa Limited set out on pages 58 to 120 which comprise the consolidated and separate statements of financial position at 31 December 2013, and the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As stated on page 53, 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.

Auditors' 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, these financial statements give a true and fair view of the consolidated and separate financial position of Sameer Africa Limited at 31 December 2013, and the consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by 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 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.

The Engagement Partner responsible for the audit resulting in this independent auditor's report is CPA Eric Etale Aholi - P/1471.

KPMG Kenya

Date: 26 March, 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013

	Note	2013 Kshs'000	2012 Restated Kshs'000
Revenue	9	4,029,841	4,083,631
Cost of sales	10(b)(i)	(2,951,719)	(3,009,046)
Gross profit		**1,078,122**	**1,074,585**
Other operating income	10(a)	297,550	23,307
Selling and distribution costs	10(b)(ii)	(356,790)	(272,390)
Administrative expenses	10(b)(ii)	(352,103)	(312,635)
Other operating expenses	10(b)(ii)	(206,080)	(191,334)
Operating profit		**460,699**	**321,533**
Finance income	11	37,305	45,121
Finance costs	11	(42,426)	(60,260)
Share of profit/(loss) of equity accounted investees (net of income tax)	19(a)	943	(7,633)
Profit before income tax		**456,521**	**298,761**
Income tax expense	12(a)	(55,332)	(110,307)
Profit for the year		**401,189**	**188,454**
Other comprehensive income (net of tax)			
(a) Items that will never be reclassified to profit or loss			
Actuarial (losses)/gains on re-measurement of defined benefit liability	26(c)	(11,228)	1,859
Related tax at 30%	12(b)	3,368	(558)
		(7,860)	**1,301**
(b) Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations (page 62)		29,147	(57,152)
Total other comprehensive income for the year		**21,287**	**(55,851)**
Total comprehensive income for the year		**422,476**	**132,603**
Earnings per share:			
Basic and diluted (KShs)	13(a)	**1.44**	**0.68**

The notes set out on pages 66 to 120 form an integral part of these financial statements.

	Note	2013 Kshs'000	2012 Restated Kshs'000
Revenue	9	3,502,301	3,616,585
Cost of sales	10(b)(i)	(2,809,138)	(2,926,800)
Gross profit		**693,163**	**689,785**
Other operating income	10(a)	276,398	121,684
Selling and distribution costs	10(b)(ii)	(246,261)	(201,711)
Administrative expenses	10(b)(ii)	(261,252)	(225,375)
Other operating expenses	10(b)(ii)	(127,870)	(140,812)
Operating profit		**334,178**	**243,571**
Finance income	11	239,443	24,094
Finance costs	11	(39,324)	(50,998)
Profit before income tax		**534,297**	**216,667**
Income tax expense	12(a)	(26,052)	(54,955)
Profit for the year		**508,245**	**161,712**
Other comprehensive income (net of tax)			
(a) Items that will never be reclassified to profit or loss			
Actuarial (losses)/gains on re-measurement of defined benefit liability	26(c)	(11,228)	1,859
Related tax at 30%	12(b)	3,368	(558)
		(7,860)	1,301
(b) Items that are or may be reclassified to profit or loss		-	-
Total other comprehensive income for the year		**(7,860)**	**1,301**
Total comprehensive income for the year		**500,385**	**163,013**

The notes set out on pages 66 to 120 form an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2013

	Note	31 December 2013 Kshs'000	31 December 2012 Restated Kshs'000	1January 2012 Restated Kshs'000
ASSETS				
Non-current assets				
Property, plant and equipment	14(a)(i)	435,967	334,259	424,558
Intangibles	15(a)	61,695	48,630	44,511
Investment property	16(a)	179,197	185,107	193,549
Prepaid operating lease rentals	17(a)	364	736	743
Equity accounted investee	19(a)	116,073	115,130	122,763
Deferred income tax	25(a)	52,660	50,459	61,543
Total non-current assets		**845,956**	**734,321**	**847,667**
Current assets				
Inventories	20	1,268,150	1,086,087	1,091,500
Receivables and prepayments	21	996,377	1,255,890	1,022,507
Current income tax	12(d)	75,171	22,734	15,808
Cash and bank balances	22	482,833	300,619	147,558
Total current assets		**2,822,531**	**2,665,330**	**2,277,373**
TOTAL ASSETS		**3,668,487**	**3,399,651**	**3,125,040**
EQUITY (PAGE 62)				
Share capital	23(a)	1,391,712	1,391,712	1,391,712
Retained earnings		1,324,883	1,015,057	894,888
Translation reserve		(120,485)	(149,632)	(92,480)
Proposed dividends	23(c)	83,503	69,586	55,668
Total equity		**2,679,613**	**2,326,723**	**2,249,788**
LIABILITIES				
Non-current liabilities				
Borrowings	24(a)	142	1,743	3,770
Deferred income tax	25(a)	3,341	2,981	2,988
Retirement benefit obligations	26(a)	148,830	127,440	114,387
Total non-current liabilities		**152,313**	**132,164**	**121,145**
Current liabilities				
Payables and accrued expenses	27(a)	257,933	437,269	245,620
Current income tax	12(d)	616	15,951	51,549
Borrowings	24(a)	571,236	480,768	450,162
Unclaimed dividends	28(a)	6,776	6,776	6,776
Total current liabilities		**836,561**	**940,764**	**754,107**
Total liabilities		**988,874**	**1,072,928**	**875,252**
TOTAL EQUITY AND LIABILITIES		**3,668,487**	**3,399,651**	**3,125,040**

The financial statements on pages 58 to 120 were approved by the Board of Directors on 26 March, 2014 and were signed on its behalf by:

Eng. Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

Allan Walmsley
Managing Director

The notes set out on pages 66 to 120 form an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2013

	Note	31 December 2013 Kshs'000	31 December 2012 Restated Kshs'000	1January 2012 Restated Kshs'000
ASSETS				
Non-current assets				
Property, plant and equipment	14(a)(ii)	326,367	292,473	384,376
Intangibles	15(a)	61,695	48,630	44,511
Investment property	16(a)	102,424	105,677	-
Prepaid operating lease rentals	17(a)	364	736	743
Investment in subsidiaries	18(a)	158,414	156,686	156,686
Equity accounted investee	19(a)	137,026	137,026	137,026
Deferred income tax	25(a)	30,135	36,160	32,447
Total non-current assets		**816,425**	**777,388**	**755,789**
Current assets				
Inventories	20	1,059,011	960,859	919,666
Receivables and prepayments	21	887,916	1,028,069	890,277
Current income tax	12(d)	35,052	-	-
Cash and bank balances	22	338,396	166,856	68,568
Total current assets		**2,320,375**	**2,155,784**	**1,878,511**
TOTAL ASSETS		**3,136,800**	**2,933,172**	**2,634,300**
EQUITY (PAGE 63)				
Share capital	23(a)	1,391,712	1,391,712	1,391,712
Retained earnings		630,392	213,510	120,083
Proposed dividends	23(c)	83,503	69,586	55,668
Total equity		**2,105,607**	**1,674,808**	**1,567,463**
LIABILITIES				
Non-current liabilities				
Borrowings	24(a)	-	-	3,770
Retirement benefit obligations	26(a)	148,830	127,440	114,387
Total non-current liabilities		**148,830**	**127,440**	**118,157**
Current liabilities				
Payables and accrued expenses	27(a)	306,049	636,526	454,925
Current income tax	12(d)	-	8,302	37,562
Borrowings	24(a)	569,538	479,320	449,417
Unclaimed dividends	28(a)	6,776	6,776	6,776
Total current liabilities		**882,363**	**1,130,924**	**948,680**
Total liabilities		**1,031,193**	**1,258,364**	**1,066,837**
TOTAL EQUITY AND LIABILITIES		**3,136,800**	**2,933,172**	**2,634,300**

The financial statements on pages 58 to 120 were approved by the Board of Directors on 26 March, 2014 and were signed on its behalf by:

EKMwongera

Eng. Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

Allan Walmsley
Managing Director

The notes set out on pages 66 to 120 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital Kshs'000	Retained earnings Kshs'000	Translation reserve Kshs'000	Proposed dividends Kshs'000	Total Kshs'000
2012					
At start of year	**1,391,712**	**894,888**	**(92,480)**	**55,668**	**2,249,788**
Comprehensive income for the year					
Profit for the year - restated	-	188,454	-	-	188,454
Other comprehensive income:					
- Net actuarial gains on re-measurement of defined benefit liability	-	1,301	-	-	1,301
- Foreign currency translation differences on foreign operations	-	-	(57,152)	-	(57,152)
Total comprehensive income	-	**189,755**	**(57,152)**	-	**132,603**
Transactions with owners recorded					
Dividends paid *(note 23(c))*	-	-	-	(55,668)	(55,668)
Proposed dividends *(note 23(c))*	-	(69,586)	-	69,586	-
Total transactions with owners	-	**(69,586)**	-	**13,918**	**(55,668)**
At end of year	**1,391,712**	**1,015,057**	**(149,632)**	**69,586**	**2,326,723**
2013					
At start of year	**1,391,712**	**1,015,057**	**(149,632)**	**69,586**	**2,326,723**
Comprehensive income for the year					
Profit for the year	-	401,189	-	-	401,189
Other comprehensive income					
- Net actuarial losses on re-measurement of defined benefit liability	-	(7,860)	-	-	(7,860)
- Foreign currency translation differences on foreign operations	-	-	29,147	-	29,147
Total comprehensive income	**-**	**393,329**	**29,147**	-	**422,476**
Transactions with owners recorded					
Dividends paid *(note 23(c))*	-	-	-	(69,586)	(69,586)
Proposed dividends *(note 23(c))*	-	(83,503)	-	83,503	-
Total transactions with owners	**-**	**(83,503)**	**-**	**13,917**	**(69,586)**
At end of year	**1,391,712**	**1,324,883**	**(120,485)**	**83,503**	**2,679,613**

The notes set out on pages 66 to 120 form an integral part of these financial statements.

	Share capital Kshs'000	Retained earnings Kshs'000	Proposed dividends Kshs'000	Total Kshs'000
2012				
At start of year:				
As previously stated	**1,391,712**	**105,820**	**55,668**	**1,553,200**
Prior year adjustment *(see note 5(d)(ii))*	-	14,263	-	14,263
As restated	**1,391,712**	**120,083**	**55,668**	**1,567,463**
Comprehensive income for the year				
Profit for the year – restated	-	161,712	-	161,712
Other comprehensive income:				
- Net actuarial gains on re-measurement of defined benefit liability	-	1,301	-	1,301
Total comprehensive income	**-**	**163,013**	-	**163,013**
Transactions with owners recorded directly in equity				
Dividends paid *(note 23(c))*	-	-	(55,668)	(55,668)
Proposed dividends *(note 23(c))*	-	(69,586)	69,586	-
Total transactions with owners	-	**(69,586)**	**13,918**	**(55,668)**
At end of year	**1,391,712**	**213,510**	**69,586**	**1,674,808**
2013				
At start of year	**1,391,712**	**213,510**	**69,586**	**1,674,808**
Comprehensive income for the year				
Profit for the year	-	508,245	-	508,245
Other comprehensive income:				
- Net actuarial losses on re-measurement of defined benefit liability	-	(7,860)	-	(7,860)
Total comprehensive income	**-**	**500,385**	-	**500,385**
Transactions with owners recorded directly in equity				
Dividends paid *(note 23(c))*	-	-	(69,586)	(69,586)
Proposed dividends *(note 23(c))*	-	(83,503)	83,503	-
Total transactions with owners	**-**	**(83,503)**	**13,917**	**(69,586)**
At end of year	**1,391,712**	**630,392**	**83,503**	**2,105,607**

The notes set out on pages 66 to 120 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Note	2013 Kshs'000	2012 Kshs'000
Cash flows from operating activities			
Cash receipts from customers	29	4,369,645	3,823,049
Cash payments for purchases	29	(3,101,585)	(2,820,666)
Cash payments for expenses	29	(1,034,410)	(600,664)
Cash generated from operating activities		**233,650**	**401,719**
Interest paid	11	(29,486)	(27,825)
Income tax paid	12(d)	(121,044)	(144,060)
Net cash generated from operating activities		**83,120**	**229,834**
Investing activities			
Interest received	11	7,926	3,101
Purchase of property, plant and equipment	14(a)(i)	(161,780)	(54,436)
Purchase of intangible assets	15(a)	(28,007)	(5,263)
Proceeds from disposal of property, plant and equipment		3,670	2,401
Proceeds from disposal of leasehold land		255,300	-
Net cash generated from/(used in) investing activities		**77,109**	**(54,197)**
Financing activities			
Dividends paid	23(c)	(69,586)	(55,668)
Repayment of borrowings		(1,351)	(1,324)
Net cash absorbed by financing activities		**(70,937)**	**(56,992)**
Increase in cash and cash equivalents		**89,292**	**118,645**
Movement in cash and cash equivalents:			
At start of year		(178,701)	(301,859)
Increase in cash and cash equivalents		89,292	118,645
Effect of movements in exchange rates on cash held		2,704	4,513
At end of year	22	**(86,705)**	**(178,701)**

The notes set out on pages 66 to 120 form an integral part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2013

	Note	2013 Kshs'000	2012 Kshs'000
Cash flows from operating activities			
Cash receipts from customers	29	3,666,650	3,484,737
Cash payments for purchases	29	(2,883,134)	(2,780,875)
Cash payments for expenses	29	(913,897)	(421,610)
Cash (used in)/generated from operating activities		**(130,381)**	**282,252**
Interest paid	11	(29,134)	(27,428)
Income tax paid	12(d)	(60,013)	(88,486)
Net cash (used in)/generated from operating activities		**(219,528)**	**166,338**
Investing activities			
Interest received	11	7,790	3,101
Dividends received	11	220,000	-
Purchase of property, plant and equipment	14(a)(ii)	(84,207)	(38,932)
Purchase of intangible assets	15(a)	(28,007)	(5,263)
Acquisition of subsidiary	18(a)	(1,728)	-
Proceeds from disposal of property, plant and equipment		4,125	2,097
Proceeds from disposal of leasehold land		255,300	-
Net cash generated from/(used in) investing activities		**373,273**	**(38,997)**
Financing activities			
Dividends paid	23(c)	(69,586)	(55,668)
Repayment of borrowings		-	(3,770)
Net cash absorbed by financing activities		**(69,586)**	**(59,438)**
Increase in cash and cash equivalents		**84,159**	**67,903**
Movement in cash and cash equivalents:			
At start of year		(312,464)	(380,850)
Increase in cash and cash equivalents		84,159	67,903
Effect of movements in exchange rates on cash held		(2,837)	483
At end of year	22	**(231,142)**	**(312,464)**

The notes set out on pages 66 to 120 form an integral part of these financial statements.

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 for the year ended 31 December 2013 comprise the company, its subsidiaries and associate (together referred to as the "Group"). The Group primarily is involved in the manufacture, importation and sale of tyres, tubes and flaps and letting of investment properties. The address of its registered office is as follows:

LR No. 12081/9
Mombasa Road
PO Box 30429 - 00100
Nairobi

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

The parent company is Sameer Investments Limited, a company incorporated in Kenya and which holds 72.15% of the company's equity interest.

For Kenyan Companies Act reporting purposes, the balance sheet is represented in these financial statements by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income.

2. Basis of Preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except where mentioned.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Kenya shillings (KShs), which is the Group's functional and presentation currency. All financial information presented in Kenya shillings (Kshs) has been rounded to the nearest thousand, except where otherwise indicated.

(d) Use of estimates and judgment

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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 8.

3. Significant Accounting Policies

Except for changes noted in Note 5, the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

References to the Group's accounting policies apply equally to the company unless otherwise specified.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Loss of control

When the Group ceases to have control, any

3. Significant Accounting Policies (Continued)
(a) Basis of consolidation (continued)
(iii) Loss of control (continued)

retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Interests in equity accounted investees

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. These are undertakings in which the Group has between 20% and 50% of the voting rights and over which the Group exercises significant influence but which it does not control. Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition total comprehensive income or loss (including dividends received from the associate) is adjusted against the carrying amount of the investment.

Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of the associate.

Unrealized gains arising from transaction with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investments in associates are accounted at cost less impairment loss in the separate financial statements of the Company. They are initially recognised at cost which includes transaction costs.

(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 profit or loss.

Non-monetary assets and liabilities that are based on historical cost in a foreign currency are not retranslated.

(ii) Foreign operations

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's 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 reporting date.

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

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) Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group organizes its activity by business and geographical lines and these are defined as the Group's reportable segments. The four business segments are Manufacturing and distribution, Regional operations, Yana Tyre Centres and Property rentals.

(d) Revenue recognition

Revenue comprises of sale of tyres and related products, rental income and service income from tyre centres.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of Value Added Tax (VAT), customer returns, rebates and other similar allowances and discounts and after eliminating sales within the Group.

(i) Sale of goods

Revenue from the sale of goods is recognised when the goods have been delivered and title has passed, at which point all the following conditions are satisfied:

3. Significant Accounting Policies (Continued)
(d) Revenue recognition (continued)
(i) Sale of goods s (continued)

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Group.
- The costs incurred or to be incurred in respect to the transaction can be measured reliably

(ii) Rendering of services

Revenue from rendering of services is recognised when recognised when services have been rendered and when it is probable that the economic benefits asaociated with the transaction will flow to the Group.

(iii) Rental income from investment property

Rental income from investment property is recognised as revenue on a straight line basis over the period of the various leases. Rental income from other property is recognised as other income.

(e) Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- Dividend income;
- Foreign currency exchange gain or loss on financial assets and financial liabilities;
- Impairment losses recognised on financial assets (other than trade receivables);
- Reclassification of net gains previously recognised in other comprehensive income.

Interest expense on borrowings is recognized in profit or loss using the effective interest rate unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized to that asset.

Foreign exchange gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(f) Employee benefits

(i) Defined benefit plan (staff gratuity)

The Group has a defined benefit plan for its unionizable employees under its Collective Bargaining Agreement. The Group's net obligation in respect of the 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.

Under the scheme, employees who retire on reaching the retirement age fixed by the Group or on grounds of ill health receive twenty two days basic pay for each completed year of service subject to an employee having worked for a minimum period of six years.

The net obligation recognized in the statement of financial position is the estimated entitlement as a result of services rendered by employees up to the reporting date. The defined benefit scheme is unfunded.

The calculation of the net obligation is performed annually by a qualified actuary using the projected unit credit method. The Group recognizes all expenses related to defined benefit plans in employee costs in profit or loss and all actuarial gains or losses in other comprehensive income.

The Group recognizes gains or 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 costs that have not previously been recognized.

(ii) Defined contribution plans

The group 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 group and its non- unionisable employees also contribute to a defined contribution pension scheme which is managed by an independent fund manager. The post-employment benefits received by an employee from the scheme are determined by the amount of contributions by the Group and the employee, together with investment returns arising from the contributions. In consequence, both the actuarial and investment risks fall, in substance, on the employee.

The group'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.

3. Significant Accounting Policies (Continued)

(f) Employee benefits (continued)

(iii) Leave accrual

The monetary value of the unutilized leave by staff as at year end is recognized within 'Payables and accrued expenses' and the movement in the year is charged to profit or loss.

(iv) Termination benefits

Termination benefits are recognized 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 recognized 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.

(g) Taxation

Income tax expense comprises both current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the reporting date.

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

A 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 measured using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset and liability are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(h) Property, plant and equipment

(i) Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.
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 or construction of the asset.

Where an item of property, plant and equipment is developed or constructed over a period of time, the costs attributable to the item are accumulated in a "capital work in progress" account until the item is commissioned and the cost transferred to the relevant class of property, plant and equipment. Assets under capital work in progress are not depreciated until they are commissioned or are put into active use and transferred to the relevant class of property, plant and equipment.

Assets still under development or construction at the reporting date are shown under "capital works in progress" in the notes to the financial statements. These are capitalised when ready for intended use.

(iii) Reclassification to investment property

When the use of a material part of property, or part thereof, changes from owner – occupied to investment property, the property is classified accordingly using the depreciated cost less impairment loss or a proportionate share of the depreciated cost less impairment loss in cases where only a portion of the property is transferred.

(iv) Subsequent costs

The cost of replacing a component of property, plant and 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 profit or loss as incurred.

(v) 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
Plant and machinery	3 - 19 years
Computer equipment	3 years
Vehicles	4 years
Furniture, fittings and equipment	8 years

3. Significant Accounting Policies (Continued)
(h) Property, plant and equipment (continued)
(v) Depreciation (continued)

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

(vi) De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition is included in profit or loss. The gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

(i) Investment property

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property under non-current assets. Investment property is initially measured at cost which includes transaction costs. After initial recognition, investment property is carried at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight line basis at the rate of 2.5% per annum.

Investment property is derecognized (eliminated from the statement of financial position) on disposal or when the property is permanently withdrawn from use and no economic benefits are expected from its disposal.

(j) Intangible assets – computer software

Computer software development costs and the acquisition cost of software licenses are capitalized on the basis of the costs incurred to develop or acquire and bring to use the specific software. Software costs are capitalized only if the expenditure can be reliably measured, the product is technically and commercially viable, future economic benefits are probable and the Group intends to and has resources to complete development and use or sell the asset. Subsequent to initial recognition, software acquisition and development expenditure is carried at cost less accumulated amortization and any accumulated impairment losses. Computer software development and acquisition costs are amortised on a straight line basis over 8 years.

(k) 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 any costs of completion and selling expenses. If the purchase or production cost is higher than net realisable value, inventories are written down to net realisable value.

(l) Financial instruments

The Group classifies its current non–derivative financial assets under loans and receivables. The Group classifies its non–derivative financial liabilities into other financial liabilities category.

(i) Non- derivative financial assets and financial liabilities – recognition and de-recognition

The Group recognizes loans and receivables on the date when they are originated. All other non–derivative financial assets and liabilities are recognised on the trade date.

The Group derecognizes a financial asset when the contractual rights to the cash flows of the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers or retains substantially all the risks and reward of ownership and does not retain control over the transferred asset. Any interest in such a derecognized financial asset that is created or retained by the Group is recognised as separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(ii) Non-derivative financial assets – measurement

Loans and receivables
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest method.

Cash and cash equivalents
In the statement of cash flows, cash and cash equivalents include overdrafts and short term facilities that are repayable on demand and form an integral part of the Group's cash management policies.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

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

3. Significant Accounting Policies (Continued)

(m) Impairment

(i) Financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss 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 of 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 combining together financial assets 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 not 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 historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment 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 rates, 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 profit or loss 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 profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than 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 profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (Group of units) on a pro rata basis.

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

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.

(n) Operating leases

(i) Determining whether an arrangement contains a lease.

At inception of an arrangement, the Group determines whether the arrangement contains or is a lease.

At inception or on reassessment of whether an arrangement contains a lease, the Group separates payments and other consideration required by the arrangement into those of the lease and those for other elements on the basis of their relative fair values. If the Group determines for a finance lease that it is impractical to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

3. Significant Accounting Policies (Continued)
(n) Operating leases (continued)

(ii) Arrangements where the Group is the lessee

Assets held by the Group under leases that transfer substantially all the risk and rewards of ownership are classified under finance leases. The leased assets are measured initially at an amount equals to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.
Assets held under other leases are classified as operating leases and are not included in the Group's statement of financial position.

Lease payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(iii) Arrangements where the Group is the lessor

The Group lets out, on an operating lease basis, its investment property to other entities. The leases are issued under non- cancellable leases of 5 years with rental escalation after every 2 years. Rental income from investment property is recognised in profit or loss on a straight line basis over the terms of the leases.

(o) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each reporting date from transactions with related parties, which include transactions with the directors, executive officers and other or related companies.

(p) 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, by transferring the amount from the revenue reserves, until declared.

(q) Share capital

Ordinary shares are classified as 'share capital' in equity. Equity instruments issued by a Group entity are recognised at the value of proceeds received, net of direct issue costs. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a reduction from equity.

(r) 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.

(s) Comparative information

As noted in Note 5, where necessary, comparative figures have been restated to conform to changes in accounting policies, correction of errors and adoption of new and revised International Financial Reporting Standards (IFRS) with retrospective application.

4. New Standards and Interpretations not yet Adopted

(a) Investment entities *(amendments to IFRS 10, IFRS 12 and IAS 27)*

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, introduced an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9, Financial Instruments instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in IFRS 12, Disclosure of Interests in Other Entities and IAS 27, Separate Financial Statements.

These amendments will become effective for financial years commencing on 1st January, 2014.

The parent company does not qualify to be classified as an Investment Entity as defined in the new amendments. Further the group does not account for its investment properties at fair value through profit or loss. These amendments will therefore have no effect on the Group's financial statements or the separate financial statements of the company.

(b) Financial assets and financial liabilities *(amendments to IAS 32)*

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32 Financial Instruments: Presentation) — These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Disclosures — Offsetting Financial Assets and Financial liabilities (amendments to IFRS 7 Financial instruments: Disclosures) — These disclosures, would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position and analyzing and comparing financial statements prepared in accordance with IFRSs and US GAAP.

These amendments will become effective for financial years commencing on 1st January 2014.

The Group's policy is to offset financial assets and financial liabilities when there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The clarification

4. New Standards and Interpretations not yet Adopted (Continued)

(b) Financial assets and financial liabilities *(amendments to IAS 32)* (continued)

contained in these amendments reinforces the Group's policy and would not alter the manner in which offsetting arrangements are accounted for.

The additional disclosure requirements in IFRS 7 would require the Group to disclose gross amounts before any offsetting arrangement.

(c) Recoverable amount disclosures for non-financial assets *(amendments to IAS 36)*

The amendments eliminate the requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The amendments require the disclosure of the recoverable amount of an asset (including goodwill) or cash-generating unit when a material impairment loss is recognized or reversed during the period for that asset or unit.

These amendments will become effective for financial years commencing on 1st January 2014.

The amendments to IAS 36 have no impact on the Group's financial statements. The Group has no intangible assets or goodwill acquired in business combinations; neither does it have assets classified at fair value less costs of disposal.

(d) Novation of derivatives and continuation of hedge accounting *(amendments to IAS 39)*

IAS 39 requires hedge accounting to be discontinued when the hedging instrument expires or is sold, terminated or exercised, unless the replacement or rollover of a hedging instrument into another hedging instrument is part of the entity's documented hedging strategy. The amendments clarify that an entity is required to discontinue the hedge accounting for a derivative that has been designated as a hedging instrument in an existing hedging relationship if the derivative is novated to a Central Counter Party.

These amendments will become effective for financial years commencing on 1st January 2014.

The Group does not have any derivatives and is currently not employing hedge accounting. Consequently these changes would have no impact of the Group's financial statements.

(e) IFRIC 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

These interpretations will become effective for annual periods commencing on 1st January 2014.

The legislation regarding levies in the jurisdictions where the Group operates provide for specific dates when these levies are due and payable. There is no ambiguity when the liability arises. The Group therefore complies with the interpretations proposed in IFRIC 21.

(f) Defined benefit plans: employee contributions *(amendments to IAS 19)*

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

The amendments are effective for annual periods beginning on or after 1 July 2014, with earlier application being permitted.

The Group's defined benefit scheme does not provide for employee contributions. The adoption of these changes would not affect the amounts and disclosures of the Group's defined benefits obligations.

(g) IFRS 9 Financial instruments

IFRS 9 Financial Instruments was initially issued on 12th November 2009 as the first step to replace IAS 39 Financial Instruments: Recognition and Measurement. On 28 October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities. On 16 December 2011, the IASB issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7), which amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7. On 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) amending IFRS 9 to include the new general hedge accounting model. The IASB intends to expand IFRS 9 to add new requirements for impairment of financial assets measured at amortised cost and include limited amendments to the classification and measurement requirements.

The new Standard is effective for annual periods beginning on or after 1 January 2018.

Although the Group does not envisage any major impact on its financial statements on the adoption of IFRS 9 given its limited use of complex financial instruments, the Standard is still going through major changes before it finally replaces IAS 39. The full impact of these changes cannot therefore be reliably estimated at this time.

5. Adoption of New and Amended Standards and Changes in Accounting Policies, Estimates and Correction of Errors

(a) New standards and interpretations adopted

The Group has adopted the following new standards and amendments to standards, including consequential amendments to other standards, with a date of initial application of 1 January, 2013.

(i) *Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7)
(ii) IFRS 10: *Consolidated Financial Statements (2011).*
(iii) IFRS 11: *Joint Arrangements*
(iv) IFRS 12: *Disclosure of Interests in Other Entities*
(v) IFRS 13: *Fair Value Measurement*
(vi) IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*
(vii) IAS 19: *Employee Benefits (2011)*
(viii) IAS 27: *Separate Financial Statements (2011).*
(ix) IAS 28: *Investments in Associates and Joint Ventures (2011)*

The nature and effects of the changes are explained below.

(i) Offsetting of financial assets and liabilities

The Group's policy is to offset financial assets and financial liabilities 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 realize the asset and settle the liability simultaneously. The adoption of changes to IFRS 7 has no additional disclosure requirements for the Group.

(ii) Interests in other Entities

As a result of changes to IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focusses on whether the Group has power over an investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion of its associate as at 1 January 2013. As a consequence of the reassessment, the Group confirms that it does not control the investee and therefore does not qualify to be a parent within the meaning of paragraph 5 of IFRS 10. In arriving at this conclusion, the Group assessed control over the associate in terms of power, returns and the link between power and returns of the associate as follows;

- The Group is not the single largest shareholder of the investee and consequently has minority voting rights;
- Although the Group is represented in the investee's board of directors, such representation is not considered to be significant to influence or affect returns of the investee.

Based on this conclusion, there is no impact of the change on the Group's financial statements and the investment in associate has continued to be accounted under the equity method in the consolidated financial statements in accordance with provisions of IAS 28.

(iii) Joint arrangements

The Group does not have joint arrangements in its portfolio. The adoption of this standard has no impact on the recognised assets, liabilities and profit or loss and other comprehensive income of the Group.

(iv) Disclosure of interests in other entities.

As a result of changes to IFRS 12, the Group has extended its disclosures about its interests subsidiaries (see note 18) and equity accounted investees (see note 19).

(v) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value, when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid for to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and extends the disclosure requirements about fair value measurements in other IFRS including IFRS7. As a result, the Group has included additional disclosures in this regards (see note 6(e) and 16(c)).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurements prospectively and has not provided any comparative information for new disclosures.

(vi) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in the statement of profit or loss and other comprehensive income to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been represented accordingly.

(vii) Post-employment defined benefit plans

As a result of changes to IAS 19 (2011), the Group has changed its accounting policy on the recognition of actuarial gains and losses relating to its post-employment defined benefit plans.

5. Adoption of New and Amended Standards and Changes in Accounting Policies, Estimates and Correction of Errors (Continued)

(a) New standards and interpretations adopted (continued)

***(vii) Post-employment defined benefit plans* (continued)**

Actuarial gains and / or losses have been classified under other comprehensive income net of tax effect. Previously the actuarial gains and losses were recognised in profit or loss. Comparative information has been represented accordingly.

The quantitative impact of the changes is set out under 5d(i) and 5(d)(ii) below.

(viii) Separate financial statements

Under the Kenya Companies Act (Cap 486), section 149 (1), the directors of the company are required to prepare financial statements comprising balance sheet and profit and loss account of the company. Under section 149(5), where a company provides consolidated financial statements, the above provisions do not apply in respect of company's profit and loss. However, the company is required to show how much of the consolidated profit or loss is dealt with in the accounts of the company.

To enhance compliance with these provisions, the Group has in addition to reporting the consolidated financial statements, included the separate financial statements of the company, which include the company statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with the necessary notes.

IAS 27 is applicable in accounting for investments in subsidiaries, joint ventures and associates, where an entity presents separate financial statements. As a result of adopting the revised IAS 27, the Group has changed its accounting policy for accounting for investments in associate to cost method in the separate financial statements of the company. Previously the investment in the associate was accounted for under the equity method in the books of the company.

The quantitative impact of this change is shown under 5d(ii) below.

(ix) Investments in associates and joint ventures

The Group has accounted for its interest in associate under the equity method in the consolidated financial statements. The adoption of IAS 28 (as mended in 2011) has no impact on the recognised assets, liabilities and profit or loss and other comprehensive income of the Group. Extended disclosures as per the provisions of IFRS 12 have been included in note 19.

(b) Changes in accounting estimates

As a result of uncertainties in business activities, the Group uses estimates to measure the amounts to be included in financial statements in areas where precision values cannot be determined. The use of estimates involves judgment based on latest available and reliable information at the time of recognition. The policy of the Group is to review accounting estimates annually or when circumstances on which the estimate was based change or as a result of new information or more experience.

A team of technical experts within the Group reviewed the useful lives and residual values of major items of plant and machinery as at 31st December 2013. As a result of this review the Group revised the useful lives of the following major items of Plant and Machinery;

Equipment	Current remaining useful life	Revised remaining useful life
Yana 786 Machine	1 year	16 years
Tyre press Machine A11	6 months	14 years
Tyre press Machine B11	1.5 years	19 years
Squeegee Calender Machine	3 months	13 years
Horizontal Bias Cutter	4.5 years	13 years
Steelastic B1 Machine	9 months	6 years
Boiler No 2	5.5 years	6 years

5. Adoption of New and Amended Standards and Changes in Accounting Policies, Estimates and Correction of Errors (Continued)
(b) Changes in accounting estimates (continued)

The useful lives of other minor items of plant and equipment were also reviewed and adjusted accordingly. Items whose useful lives were established to be nil, were written off during the year.

The table below summarizes the nature and amount of the change in accounting estimates relating to changes in the useful lives of plant and machinery for the current and future periods.

Net decrease/ (increase) in depreciation expense and increase / (decrease) in carrying value of property, plant and equipment

Effect for the year ended 31 December	2013	2014	2015	2016	2017 & Later
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Equipment					
Yana 786 Machine	12,103	(756)	(756)	(756)	(9,835)
Tyre press Machine A11	1,025	(73)	(73)	(73)	(806)
Tyre press Machine B11	1,585	(83)	(83)	(83)	(1,336)
Squeegee Calender Machine	7,037	(541)	(541)	(541)	(5,414)
Horizontal Bias Cutter	1,153	(89)	(89)	(89)	(886)
Steelastic B1 Machine	5,151	(859)	(859)	(859)	(2,574)
Boiler No 2	531	(89)	(89)	(89)	(264)
Others	(4,570)	1,143	1,143	1,143	1,141
Total reduction /(increase)	**24,015**	**(1,347)**	**(1,347)**	**(1,347)**	**(19,974)**

(c) Reclassification and correction of prior years' errors

Following the review of prior periods' financial statements, the following presentation, measurement, classification and disclosure errors were identified;

(i) Reclassification of items of property plant and equipment to investment property;

During the financial year 2012, a portion of the investment property held by subsidiary companies - Sameer Industrial Park Limited and Sameer EPZ Limited reverted back to the holding company, Sameer Africa Limited, following part surrender of leasehold land on which the property is built. Under the terms of the lease, no consideration was payable in respect of the improvements to the surrendered leasehold land by the holding company. The separate financial statements of the company have been adjusted to recognize the investment property asset in the statement of financial position and the gain on acquisition in the statement of profit or loss. The investment property has been recognised in the separate financial statements as the proportionate depreciated cost as at the transfer date.

(ii) Reclassification and recognition of intangible assets;

The Group accounts for computer software development and licenses costs that are not an integral part of the related hardware as intangible assets, which are amortized over their useful lives. Computer software development and license costs were included in property, plant and equipment in prior periods and not disclosed separately. The presentation and disclosure of intangible assets has been changed to comply with disclosure requirements under IAS 38 (see note 5 (d)(ii)).

(iii) Reclassification of rental income

Rental income was classified as other operating income in prior years. Letting of investment property forms part of the principal activities of the group. Consequently rental income has been reclassified to revenue. Comparative figures and disclosures have been adjusted accordingly.

(d) Summary of quantitative impact of changes in accounting policies and correction of prior years' errors.

The following tables summarize the impacts of the above changes to the Group's and company's statements of financial position, statements of profit or loss and other comprehensive income and statements of cash flows.

5. Adoption of New and Amended Standards and Changes in Accounting Policies, Estimates and Correction of Errors (Continued)

(d) Summary of quantitative impact of changes in accounting policies and correction of prior years' errors (continued)

(i) Consolidated financial statements

The impact on the consolidated financial statements relate to changes in accounting policy in accounting for actuarial gains and losses relating to post-employment benefit plans, reclassification of intangible assets and reclassification of rental income.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2012

	As previously reported Kshs'000	Re-classification of rental income (see 5 (c) (iii)) Kshs'000	Defined benefit plans (see 5 (a) (vii)) Kshs'000	As restated Kshs'000
Revenue	3,960,967	122,664	-	4,083,631
Cost of sales				
- Defined benefits cost	(19,328)	-	(1,859)	(21,187)
- Other cost of sales	(2,987,859)	-	-	(2,987,859)
Gross profit	953,780	122,664	(1,859)	1,074,585
Other operating income	145,972	(122,664)	-	23,308
Operating expenses	(757,238)	-	-	(757,238)
Income tax	(110,865)	-	558	(110,307)
Others	(41,894)	-	-	(41,894)
Profit for the year	**189,755**	**-**	**(1,301)**	**188,454**
Other comprehensive income				
Net actuarial gains on re-measurement of defined benefit liability	**-**	-	1,859	1,859
Related tax	**-**	-	(558)	(558)
Others	(57,152)	-	-	(57,152)
Total comprehensive income	**132,603**	-	-	**132,603**
	Kshs			**Kshs**
Earnings per share (basic and diluted)	**0.68**			**0.68**

Impact of adoption of IAS 19 (2011) amendments

For the year ended 31 December 2013

	Defined benefit plans Kshs'000
Cost of sales	11,228
Income tax	(3,368)
Increase in profits	7,860
Net actuarial losses on re-measurement of defined benefit liability	(11,228)
Related tax	3,368
Decrease in Other Comprehensive Income net of tax	**(7,860)**
Overall impact on total comprehensive income	**-**

5. Adoption of New and Amended Standards and Changes in Accounting Policies, Estimates and Correction of Errors (Continued)

(i) Consolidated financial statements (continued)

Consolidated Statement of Financial Position

	As previously reported Kshs'000	Intangible assets *(see 5 (c) (ii))* Kshs'000	As restated Kshs'000
At 1 January 2012			
Property, plant and equipment	469,069	(44,511)	424,558
Intangible assets	-	44,511	44,511
Other assets	2,655,971		2,655,971
Total assets	**3,125,040**	**-**	**3,125,040**
Total liabilities	875,252	-	875,252
Equity	2,249,788	-	2,249,788
Total equity and liabilities	**3,125,040**	**-**	**3,125,040**
At 31 December 2012			
Property, plant and equipment	382,889	(48,630)	334,259
Intangible assets	-	48,630	48,630
Other assets	3,016,762		3,016,762
Total assets	**3,399,651**	**-**	**3,399,651**
Total liabilities	1,072,928	-	1,072,928
Equity	2,326,723	-	2,326,723
Total equity and liabilities	**3,399,651**	**-**	**3,399,651**

Consolidated Statement of Cash Flows

The adoption of the above changes have had no quantitative impact on the consolidated Statement of Cash Flows for the Group.

5. Adoption of New and Amended Standards and Changes in Accounting Policies, Estimates and Correction of Errors (Continued)

(ii) Company financial statements

The impact on the company's financial statements relate to change in adoption of IAS 27 in accounting for investment in associate in separate financial statements, changes to IAS 19 on employee benefits plans and correction of prior reclassification errors

Company Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2012

	As previously reported Kshs'000	Re-classification of rental income (see 5 (c) (iii)) Kshs'000	Defined benefit plans (see 5 (a) (vii)) Kshs'000	Accounting for associate (see 5 (a) (iii)) Kshs'000	Investment property (see 5 (c)(i)) Kshs'000	As restated Kshs'000
Revenue	3,537,830	78,755	-	-	-	3,616,585
Cost of sales						
- Depreciation	(63,326)	-	-	-	(4,906)	(68,232)
- Defined benefit cost	(19,328)	-	(1,859)	-	-	(21,187)
- Other cost of sales	(2,837,381)	-	-	-	-	(2,837,381)
Gross profit	**617,795**	**78,755**	**(1,859)**	**-**	**(4,906)**	**689,785**
Other operating income	89,857	(78,755)	-	-	-	11,102
Operating expenses	(594,803)	-	-	-	-	(594,803)
Gain on acquisition of investment property	-	-	-	-	110,583	110,583
Share of loss in equity accounted investees (net of income tax)	(7,633)	-	-	7,633	-	-
Income tax	(55,513)	-	558	-	-	(54,955)
Profit for the year	**49,703**	**-**	**(1,301)**	**7,633**	**105,677**	**161,712**
Other comprehensive income						
Net actuarial gains on re-measurement of defined benefit liability	-	-	1,859	-	-	1,859
Related tax	-	-	(558)	-	-	(558)
Total comprehensive income	**49,703**	**-**	**-**	**7,633**	**105,677**	**163,013**

5. Adoption of New and Amended Standards and Changes in Accounting Policies, Estimates and Correction of Errors (Continued)
(ii) Company financial statements (continued)

Company Statement of Financial Position

	As previously reported Kshs'000	Investment property (see 5 (c)(i)) Kshs'000	Intangible assets (see 5 (c)(ii)) Kshs'000	Accounting for associate (see 5 (a) (iii)) Kshs'000	As restated Kshs'000
At 1 January 2012					
Property, plant and equipment	428,887	-	(44,511)	-	384,376
Intangible assets	-	-	44,511	-	44,511
Investment in associate	122,763	-	-	14,263	137,026
Other assets	2,068,387	-	-	-	2,068,387
Total assets	**2,620,037**	**-**	**-**	**14,263**	**2,634,300**
Total liabilities	1,066,837	-	-		1,066,837
Equity	1,553,200	-	-	14,263	1,567,463
Total equity and liabilities	**2,620,037**	-	**-**	**14,263**	**2,634,300**
At 31 December 2012					
Property, plant and equipment	341,103	-	(48,630)	-	292,473
Intangible assets	-	-	48,630	-	48,630
Investment property	-	105,677	-	-	105,677
Investment in associate	115,130	-	-	21,896	137,026
Other assets	2,349,366	-	-	-	2,349,366
Total assets	**2,805,599**	**105,677**	**-**	**21,896**	**2,933,172**
Total liabilities	1,258,364	-	-	-	1,258,364
Equity	1,547,235	105,677	-	21,896	1,674,808
Total equity and liabilities	**2,805,599**	**105,677**	**-**	**21,896**	**2,933,172**

Company Statement of Cash Flows

The adoption of the above changes has had no quantitative impact on the Company's Statement of Cash Flows.

6. Financial Instruments - Risk Management and Fair Values

Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Group's business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The key types of risk include:

a) Credit risk
b) Liquidity risk
c) Market risk - includes currency, interest rate and other
price risks

The Group's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

Risk management framework

The Group recognizes that in order to pursue its objectives and take advantage of opportunities, it cannot avoid taking risks and that no risk management programme can aim to eliminate risk fully. The Group's general risk management approach is to increase the likelihood of success in its strategic activities, that is, to raise the potential reward of its activities relative to the risks undertaken. Accordingly, the Group's approach to risk management is intended to increase risk awareness and understanding, thus taking risks where appropriate, in a structured and controlled manner. The Group however recognizes that in pursuit of its mission and strategic objectives it may choose to accept a lower level of reward in order to mitigate the potential hazard of the risks involved. To assist in implementing its risk management policy, the Group has:

- Identified, analyzed and produced a risk management strategy for those risks which might inhibit it from achieving its strategic objectives and which would threaten its ongoing survival;
- Raised awareness of and integrated risk management into its management policies.
- Promoted an understanding of the importance and value of risk management;
- Established risk management roles and responsibilities for its board of directors, audit, risk and corporate governance committee and the risk department.

The risk management function is supervised by the Audit, Risk and Corporate governance Committee. Management identifies, evaluates, hedges and manages financial risks under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as price risk, foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity. The Board has put in place an internal audit, risk and corporate governance function to assist it in assessing the risk faced by the Group on an ongoing basis and to evaluate and test the design and effectiveness of its internal accounting and operational controls.

(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 obligation, and arises principally from the Group's receivables from customers.

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 Group's customer base, including the default risk of the industry and country in which customers operate.

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

6. Financial Instruments - Risk Management and Fair Values (Continued)
(a) Credit risk (continued)

The Group also manages the level of credit risk by focusing on customer satisfaction as a key performance indicator. 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.

Exposure to credit risk

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

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Trade receivables (Net)	521,815	692,225	281,382	476,874
Other receivables (including amounts due from related parties)	236,451	220,907	420,529	266,310
	758,266	**913,132**	**701,911**	**743,184**

At 31 December 2013, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows;

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Kenya	448,316	665,294	470,536	677,115
Uganda	77,852	71,898	13,574	-
Tanzania	201,477	175,940	111,682	66,069
Burundi	30,621	-	106,119	-
	758,266	**913,132**	**701,911**	**743,184**

At 31 December 2013, the maximum exposure to credit risk for trade and other receivables by type of counter party was as follows:

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Fleet customers	217,385	200,105	143,982	127,972
Dealers	284,173	314,036	93,034	174,614
Government bodies	45,125	107,619	43,964	107,619
Oil companies	7,217	14,131	7,217	14,131
Export customers	7,720	35,607	7,720	35,607
Rental customers	46,220	83,954	4,554	38,354
Related parties	4,139	23,848	263,460	118,355
Others	146,287	133,832	137,980	126,532
	758,266	**913,132**	**701,911**	**743,184**

6. Financial Instruments - Risk Management and Fair Values (Continued)
(a) Credit risk (continued)

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

The analysis of customer refundable deposits and letters of credit held as at 31 December 2013 is as follows;

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Rental deposits	16,903	15,553	5,855	4,505
Letters of credit	19,550	5,100	19,550	5,100
Other trade deposits	16,333	15,424	16,333	15,424
	52,786	**36,077**	**41,738**	**25,029**

The Group had issued the following financial guarantees as at 31 December 2013.

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Customs bonds	10,000	10,000	10,000	10,000
Other guarantees	5,852	1,737	5,330	1,737
	15,852	**11,737**	**15,330**	**11,737**

Impairment losses

The aging of trade receivables at the reporting date was as follows:

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Not past due	**194,119**	**406,124**	**120,589**	**358,925**
Past due but not impaired				
:by 31 to 60 days	147,320	55,581	89,017	32,899
:by 61 to 90 days	56,024	76,475	21,547	39,364
:by 91 to 180 days	57,199	49,238	34,040	11,124
:over 181 days	67,153	104,807	16,189	34,562
Total past due but not impaired	**327,696**	**286,101**	**160,793**	**117,949**
Total unimpaired	**521,815**	**692,225**	**281,382**	**476,874**
Impaired	**80,287**	**63,228**	**15,491**	**21,423**
Total trade receivables	**602,102**	**755,453**	**296,873**	**498,297**

6. Financial Instruments - Risk Management and Fair Values (Continued)
(a) Credit risk (continued)

The management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full based on payment behaviour and extensive analysis of customer credit risk, including underlying customer credit ratings where they are available.

As at 31 December 2013, the analysis of the credit quality of trade receivables that are neither past due nor impaired was as follows.

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Secured	22,664	19,817	18,247	19,817
Externally credit rated	5,947	-	5,408	-
Over 4 years trading history with the Group	145,233	320,273	86,525	292,555
2-4 years trading history with the Group	12,684	35,849	4,925	33,183
1-2 years trading history with the Group	-	21,908	-	13,370
Higher risk	7,591	8,277	5,484	-
	194,119	**406,124**	**120,589**	**358,925**

The movement in allowance for impairment in respect of trade receivables is as follows;

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Balance at 1 January	63,228	44,725	21,423	9,745
Impairment loss recognised during the year	57,666	47,273	7,669	19,459
Recoveries made	(32,871)	(13,945)	(9,750)	-
Amounts written off	(7,736)	(14,825)	(3,851)	(7,781)
Balance at 31 December	**80,287**	**63,228**	**15,491**	**21,423**

Cash and cash equivalents

The Group held cash and cash equivalents of Kshs'000 - 482,833 (2012: Kshs'000-300,619). The cash and cash equivalents were held with reputable banks and financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also monitors the level of expected cash flows from trade and other receivables together with expected cash outflows on trade and other payables.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include expected interest payments.

(i) Group
31 December 2013:

		Contractual cash flows				
	Carrying Amount Kshs '000	1 – 3 months Kshs '000	3 months - 1 year Kshs '000	1 – 2 years Kshs '000	0ver 2 years Kshs '000	Total Kshs '000
Non - derivative financial liabilities						
Finance lease liabilities	1,840	507	1,520	169	-	2,196
Short term facilities	569,538	580,560	-	-	-	580,560
Unclaimed dividends	6,776	-	6,776	-	-	6,776
Trade and other payables	257,933	257,933	-	-	-	257,933
At 31 December 2013	**836,087**	**839,000**	**8,296**	**169**	-	**847,465**
31 December 2012:						
Non - derivative financial liabilities						
Finance lease liabilities	3,191	504	1,513	2,017	168	4,202
Short term facilities	479,320	493,078	-	-	-	493,078
Unclaimed dividends	6,776	-	-	6,776	-	6,776
Trade and other payables	437,269	437,269	-	-	-	437,269
At 31 December 2012	**926,556**	**930,851**	**1,513**	**8,793**	**168**	**941,325**

(ii) Company
31 December 2013:

		Contractual cash flows				
	Carrying Amount Kshs '000	1 – 3 months Kshs '000	3 months - 1 year Kshs '000	1 – 2 years Kshs '000	0ver 2 years Kshs '000	Total Kshs '000
Non - derivative financial liabilities						
Short term facilities	569,538	580,560	-	-	-	580,560
Unclaimed dividends	6,776	-	6,776	-	-	6,776
Trade and other payables	306,049	306,049	-	-	-	306,049
At 31 December 2013	**882,363**	**886,609**	**6,776**	-	-	**893,385**
31 December 2012:						
Non - derivative financial liabilities						
Short term facilities	479,320	493,078	-	-	-	493,078
Unclaimed dividends	6,776	-	-	6,776	-	6,776
Trade and other payables	636,526	636,526	-	-	-	636,526
At 31 December 2012	**1,122,622**	**1,129,604**	-	**6,776**	-	**1,136,380**

6. Financial Instruments - Risk Management and Fair Values (Continued)

(c) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange and interest rates will affect the Group's income or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

(i) Foreign exchange risk

Group exchange risk from recognised financial assets and liabilities

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from recognised foreign currency assets and liabilities and net investments in foreign operations.

Exposure to currency risk

The summary quantitative data about the Group and company's exposure to currency risk as reported to the management of the Group is as follows;

Financial instruments	**31 December 2013**				**31 December 2012**			
	USD '000	**TZS '000**	**UGX '000**	**BIF '000**	**USD '000**	**TZS '000**	**UGX '000**	**BIF '000**
Financial assets								
Cash and cash equivalents	3,401	1,126,968	687,097	13,730	520	723,421	655,396	-
Trade receivables	811	29,297	239,762	271,779	811	29,297	239,762	-
	4,212	**1,156,265**	**926,859**	**285,509**	**1,331**	**752,718**	**895,158**	**-**
Financial liabilities								
Finance lease liabilities	(21)	-	-	-	(37)	-	-	-
Short term facilities	(6,948)	-	-	-	(5,696)	-	-	-
Trade and other payables	(660)	(84,018)	(187,761)	(10,144)	(735)	(340,753)	(256,655)	-
	(7,629)	**(84,018)**	**(187,761)**	**(10,144)**	**(6,468)**	**(340,753)**	**(256,655)**	**-**
Net financial exposure	**(3,417)**	**1,072,247**	**739,098**	**275,365**	**(5,137)**	**411,965**	**638,503**	**-**

The following significant exchange rates have been applied during the year.

	Average rate		**Year-end spot rate**	
	2013	**2012**	**2013**	**2012**
USD	86.1465	84.5958	86.4079	86.0000
TZS	0.0517	0.0483	0.0533	0.0460
UGX	0.0310	0.0329	0.0292	0.0307
BIF	0.0558	N/A	0.0560	N/A

Sensitivity analysis

A reasonably possible strengthening (weakening) of the key currencies against the Kenya shilling, would have affected the measurement of financial instruments denominated in foreign currency and affected the profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant and ignores the impact of forecast sales and purchases.

		Profit or loss	
Effect in Kshs '000		Strengthening	Weakening
31 December 2013	**% movement**		
Currency			
USD	3%	(6,161)	6,161
TSH	10%	4,001	(4,001)
UGX	5%	755	(755)
BIF	3%	1,010	(1,010)
31 December 2012			
USD	3%	(8,695)	8,695
TSH	3%	375	(375)
UGX	3%	423	(423)

6. Financial Instruments - Risk Management and Fair Values (Continued)

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group does not hold any derivative financial instruments or financial assets measured at fair value through other comprehensive income. All exchange gains and losses arising from exposure to foreign exchange risks on its non-derivative financial instruments, are charged to profit or loss. The above sensitivity analysis would therefore have no direct effect on equity.

Exchange risk from net investments in foreign operations

The Group has subsidiaries in Uganda, Burundi and Tanzania. Therefore, the net investments in these subsidiaries are exposed to foreign exchange risk upon consolidation of the financial statements and any (losses)/ gains are (charged)/ credited to other comprehensive income. The effect of changes in the exchange rates as at 31 December 2013 would have had on the translation reserve are shown below:

Uganda

At 31 December 2013, if the Ugandan Shilling had weakened/strengthened by 5% (2012: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the other comprehensive income would have been Kshs 7,136,324 (2012: Kshs 4,630,331) higher/lower.

Burundi

At 31 December 2013, if the Burundi Franc had weakened/strengthened by 3% (2012: Nil) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been Kshs 4,765,553 (2012: Nil) higher/lower.

Tanzania

At 31 December 2013, if the Tanzanian Shilling had weakened/strengthened by 10% (2012: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been Kshs 12,872,151(2012: Kshs 6,689,373) higher/lower.

Company exchange risk from recognised financial assets and liabilities

At 31 December 2013, if the Kenya Shilling had weakened/strengthened by 3% (2012: 3%) against the US dollar with all other variables held constant, company profit for the year would have been Kshs 7,163,539 (2012: Kshs 10,037,708) higher/lower, mainly as a result of US dollar denominated financial instruments.

The company does not hold any derivative financial instruments or financial assets measured at fair value through other comprehensive income. All exchange gains and losses arising from exposure to foreign exchange risks on its non-derivative financial instruments, are charged to profit or loss. The above sensitivity analysis would therefore have no direct effect on equity.

(ii) Interest rate risk

The Group's only interest bearing assets are fixed deposits, all of which are at a fixed rate. Cash and bank balances do not yield any interest. The Group also has borrowings at fixed rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing

Exposure to interest rate risk

The interest rate profile of the Group's fixed interest-bearing financial instruments as reported to management of the Group is as follows;

	Group		Company	
	2013 Kshs '000	**2012 Kshs '000**	**2013 Kshs '000**	**2012 Kshs '000**
Fixed rate instruments:				
- Financial assets *(note 22)*	260,685	72,724	260,685	72,724
- Financial liabilities *(note 24(a))*	(571,378)	(482,511)	(569,538)	(479,320)
Exposure	**(310,693)**	**(409,787)**	**(308,853)**	**(406,596)**

Fair value sensitivity analysis on fixed rate instruments

The Group does not account for its fixed-rate financial assets and financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would have no effect on profit or loss or equity.

6. Financial Instruments - Risk Management and Fair Values (Continued)

(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 Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or adjust the amount of capital expenditure. The Group monitors capital on the basis of the debt-to-adjusted capital ratio, calculated as net debt to capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital, retained earnings, and other reserves).

The board's target is to maintain a gearing ratio not exceeding 10% for the Group and 20% for the company.

	Group 2013 Kshs '000	2012 Kshs '000	Company 2013 Kshs '000	2012 Kshs '000
Total borrowings *(Note 24)*	571,378	482,511	569,538	479,320
Less: Cash and cash equivalents *(Note 22)*	(482,833)	(300,619)	(338,396)	(166,856)
Net debt	88,545	181,892	231,142	312,464
Total equity	2,679,613	2,326,723	2,105,607	1,674,807
Total capital	**2,768,158**	**2,508,615**	**2,336,749**	**1,987,271**
Gearing ratio	**3.20%**	**7.25%**	**9.89%**	**15.72%**

(e) Fair values

None of the Group's financial instruments are measured at fair value. The Group has not disclosed fair values for financial instruments not measured at fair value, such as short-term trade receivables and payables and borrowings, because their carrying amounts are a reasonable estimation of their fair values.

7. Operating Segments

(a) Basis of segmentation

The Group identifies primary segments based on the dominant source, nature of risks and returns, geographical distribution and internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss is evaluated regularly by the Group CEO and executive management in deciding how to allocate resources and assess performance.

The following summary describes the operations of each segment.

Reportable segment	Operations
Manufacturing and distribution	Manufacture, buying and distribution of tyres, tubes and flaps
Regional operations	Buying and distribution of tyres, tubes and flaps in the Eastern Africa Region
Yana Tyre Centre	Retailing of tyres, tubes and flaps and provision of tyre related services
Rental business	Letting of investment properties

There is a significant level of integration between the Manufacturing and distribution and the Regional operations and Yana Tyre Centre segments. This includes inter segment sales of products as well as shared marketing and sales services.

7. Operating Segments (Continued)

(b) Information about reportable segments

Information relating to each reportable segment is set out below;

	Reportable segments									
	Manufacturing & distribution		Regional operations		Yana Tyre centres		Rental business		Total	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
External revenues	2,640,444	2,800,375	815,006	740,961	438,228	419,183	136,163	123,112	4,029,841	4,083,631
Inter-segment revenues	768,002	737,008	-	-	-	-	-	-	768,002	737,008
Segment revenue	**3,408,446**	**3,537,383**	**815,006**	**740,961**	**438,228**	**419,183**	136,163	123,112	4,797,843	4,820,639
Segment profit before income tax	287,095	44,119	8,746	58,450	109,947	112,567	110,748	93,902	516,536	309,038
Income tax (charge)/ credit	(23,512)	(33,979)	1.283	(16,392)	(34,318)	(34,531)	(4,424)	(26,756)	(60,971)	(111,658)
Segment profit after tax	**263,583**	**10,140**	**10,029**	**42,058**	**75,629**	**78,036**	**106,324**	**67,146**	**455,565**	**197,380**
Interest income	7,790	3,101	136	-	-	-	-	-	7,926	3,101
Interest expense	(29,134)	(27,428)	(352)	(389)		(8)		-	(29,486)	(27,825)
Depreciation and amortization	(78,951)	(132,880)	(3,932)	(2,822)	(5,962)	(7,983)	(6,271)	(8,416)	(95,116)	(152,101)
Share of profit /(loss) from equity accounted investees.	943	(7,633)	-	-	-	-	-	-	943	(7,633)
Other material non- cash items - Reversal of impairment losses	13,181	-	-	-	-	-	-	-	13,181	-
Segment assets	**3,370,083**	**2,885,214**	**752,366**	**493,773**	**148,312**	**250,519**	**336,201**	**442,995**	**4,606,962**	**4,072,501**
Equity accounted investees	137,026	137,026	-	-	-	-	-	-	137,026	137,026
Capital expenditure	(112,213)	(44,196)	(46,959)	(8,431)	(23,097)	(7,073)	(7,518)	-	(189,787)	(59,700)
Segment liabilities	**(1,166,483)**	**(1,292,950)**	**(322,521)**	**(104,832)**	**(169,779)**	**(80,617)**	**(10,107)**	**(16,668)**	**(1,668,890)**	**(1,495,067)**

7. Operating Segments (Continued)

(c) Reconciliation of information on reportable segments to IFRS measures

The Group's internal accounting policies and measures are consistent with IFRS. Therefore, the reconciling items are limited to items that are not allocated to reportable segments and inter-segment eliminations, as opposed to a difference in the basis of preparation of the information.

	Note	2013 Kshs '000	2012 Kshs '000
(i) Revenues			
Total revenues for reportable segments		4,797,843	4,820,639
Elimination of intersegment revenues	33(c)(i)	(768,002)	(737,008)
Consolidated revenue	9	**4,029,841**	**4,083,631**
(ii) Profit before income tax			
Segments profit before income tax		516,536	309,038
Profit not attributable to specific segments		256,503	-
Share of (profit)/loss on equity accounted investee	19(a)	943	(7,633)
Inter-segment dividend income		(316,000)	-
Inter-segment unrealized profits		(1,461)	(2,644)
Consolidated profit before income tax		**456,521**	**298,761**
(iii) Assets			
Total segment assets		4,606,962	4,072,501
Elimination of inter-segment;			
-Net unrealized profits on inventories		(9,152)	(13,054)
-Receivables		(685,956)	(417,214)
Investment in subsidiaries		(222,414)	(220,686)
Share of loss of equity accounted investees		(20,953)	(21,896)
Consolidated total assets		**3,668,487**	**3,399,651**
(iv) Liabilities			
Total segment liabilities		1,668,890	1,495,067
Elimination of inter-segment payables		(680,016)	(422,139)
Consolidated total assets		**988,874**	**1,072,928**

(d) Geographic information

The Group operates in various markets within the greater Eastern and Southern Africa markets. The manufacturing plant is domiciled in Kenya with other markets involved in distribution, retail and trading. The geographic information below analyses the Group's revenues and non-current assets by the country of domicile and other countries. In preparing the following information, segment revenue has been based on geographic location of customers and segment non-current assets were based on the geographic location of the assets. Non-current assets excludes financial instruments, employee benefit assets and deferred tax assets.

7. Operating Segments (Continued)
(d) Geographic information (continued)

	2013 Kshs '000	2012 Kshs '000
(i) Revenues		
Country of domicile		
Kenya	2,731,483	2,932,718
All foreign countries		
Uganda	246,403	253,685
Tanzania	531,137	487,276
Burundi	37,466	-
Others	483,352	409,952
Consolidated revenue	**4,029,841**	**4,083,631**
(i) Non-current assets		
Country of domicile		
Kenya	731,224	658,038
All foreign countries		
Uganda	7,688	6,242
Tanzania	39,913	19,583
Burundi	23,040	-
Consolidated total non-current assets	**801,865**	**683,863**

(d) Major customer

The Group and its entities do not place reliance on any particular customer for its operations. None of the Group's individual customers transacts revenues of 10% or more of the Group's turnover.

8. 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 presented 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 estimates and judgements include:

(i) Impairment

The Group assesses its trade receivables and other financial and non-financial assets for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes assumptions underlying recoverable amounts as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the asset.

(ii) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. The Group has established a framework with respect to measurement of fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the team assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS including the fair value hierarchy in which such valuation should be classified.

8. Critical Accounting Estimates And Judgements (continued)
(a) Critical accounting estimates and assumptions (continued)

(iii) Taxation

Judgement is required in determining the liability for income taxes due to the complexity of tax legislations. 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 liability in the period in which such determination is made.

The company recognises the net future tax benefit relating to deferred 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 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 company to realise the net deferred tax assets recorded at the reporting date could be impacted.

(iv) Useful lives and residual values of property, plant 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, plant and equipment have been determined based on previous experience and anticipated disposal values when the assets are disposed.

(v) Investment property

Critical estimates are made by the directors in determining depreciation rates for investment property.

(b) Critical Judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made judgements which are noted in the following notes:

(i) Note 5 (a) (ii): Interest in other entities – whether the Group has de facto control over an investee;
(ii) Note 30; Leases – establishing whether an arrangement contains a lease as well as the lease classification.

9. Revenue

	Group		Company	
	2013 Kshs '000	**2012 Kshs '000**	**2013 Kshs '000**	**2012 Kshs '000**
Sales of manufactured goods	3,355,569	3,542,922	3,135,540	3,310,145
Sales of imported goods	549,200	429,180	290,898	242,796
Rendering of services	10,283	4,022	147	46
Discounts, claims and warranties	(21,374)	(15,157)	(18,140)	(15,157)
Investment property rentals	136,163	122,664	93,856	78,755
	4,029,841	**4,083,631**	**3,502,301**	**3,616,585**

In prior periods, the Group classified rental income from investment property as other income. Letting of investment property is one of the principal activities of the Group accounting for 3% of total revenue and 38% of the Group's profit before tax. Consequently the Group has reclassified rental income to revenue. The comparatives for prior year have been reclassified accordingly (see note 5(d)(i) and (ii)).

10. Other Income and Expenses

(a) Other income

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Gain on sale of leasehold land	255,282	-	255,282	-
Gain on sale of property, plant and equipment	1,221	2,401	1,221	2,097
Gain on surrender of leasehold land	-	-	-	110,583
Other income	41,047	20,906	19,895	9,004
	297,550	**23,307**	**276,398**	**121,684**

The profit on sale of leasehold land of Kshs'000 - 255,282 represents gains arising from the disposal of part of the Group's holding in leasehold land to a third party.

In 2012, land which was previously leased by the company to its subsidiaries – Sameer Industrial Park Limited and Sameer EPZ Limited reverted back to the holding company together with investment property erected thereon. The gain on surrender of leasehold land of Kshs'000 - 110,583 represents the proportionate amount of the carrying value of the transferred investment property.

(b) Expenses by function

(i) Cost of sales

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Prime costs				
Cost of raw materials used	1,590,010	1,677,750	1,590,010	1,677,750
Changes in inventories of work in progress and finished goods	(99,531)	9,202	(99,531)	9,202
Direct labour	137,218	120,006	137,218	120,006
	1,627,697	**1,806,958**	**1,627,697**	**1,806,958**
Factory overheads				
Indirect labour	240,805	232,248	240,805	232,176
Factory maintenance	125,872	94,426	125,418	94,180
Energy	381,179	330,443	381,179	330,443
Depreciation	59,715	72,433	49,583	68,232
Consumables	111,766	98,906	111,766	98,906
Transport and insurance	23,325	21,100	23,325	21,100
Others	26,676	47,918	26,676	42,616
	969,338	**897,474**	**958,752**	**887,653**
Cost of imported trading goods sold	**354,684**	**304,614**	**222,689**	**232,189**
Total cost of sales	**2,951,719**	**3,009,046**	**2,809,138**	**2,926,800**

(b) Expenses by function (Continued)

(ii) Operating expenses

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Selling and distribution expenses				
Distribution costs	26,980	30,281	25,032	26,485
Selling expenses	228,918	145,794	136,481	98,992
Marketing and sales promotions	100,892	96,315	84,748	76,234
	356,790	**272,390**	**246,261**	**201,711**
Administrative expenses				
Indirect staff costs	253,510	197,468	189,533	148,777
Other administrative expenses	98,593	115,167	71,719	76,598
	352,103	**312,635**	**261,252**	**225,375**
Other operating expenses				
Legal and professional fees	53,375	49,467	38,352	36,065
Travel and vehicle maintenance	51,290	35,796	26,670	20,784
Establishment expenses	75,930	86,948	39,311	65,718
Bank charges and fees	25,485	19,123	23,537	18,245
	206,080	**191,334**	**127,870**	**140,812**
Total operating expenses	**914,973**	**776,359**	**635,383**	**567,898**

(c) Expenses by nature

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Cost of raw materials used	1,590,010	1,677,750	1,590,010	1,677,750
Changes in inventories of finished goods	(99,531)	9,202	(99,531)	9,202
Cost of imported trading goods sold	356,098	304,614	222,689	232,189
Employee benefits expense *(note 10(b))*	593,531	510,638	535,945	463,945
Audit fees	5,730	7,328	3,800	5,106
Bank charges	25,485	19,123	23,537	18,245
Consumables	101,361	98,070	101,352	97,858
Depreciation and amortization	95,116	152,101	79,138	136,893
Assets write back	(13,181)	-	(13,181)	-
General expenses	116,505	124,714	95,303	95,122
Legal and professional fees	35,342	39,265	25,243	31,697
Advertising and promotions	102,114	96,460	85,780	76,234
Electricity, water and fuel	404,015	349,812	397,139	345,652
Repairs and maintenance	196,970	165,657	183,364	159,695
Sales commissions and bonuses	117,070	70,047	79,000	51,595
Rent and rates	72,046	44,144	5,663	5,442
Telephone and postage	24,405	16,848	17,302	12,118
Transport, travelling and insurance	129,923	83,959	92,714	65,301
Others	13,683	15,673	19,254	10,654
	3,866,692	**3,785,405**	**3,444,521**	**3,494,698**

10. Other Income and Expenses (Continued)

(d) Employee benefits expense

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Salaries and wages	421,869	347,189	375,877	312,307
Allowances and other benefits	135,213	128,539	126,162	120,343
Movement in leave pay accrual	(4,801)	1,018	(3,806)	49
Defined Contribution scheme	11,004	9,668	10,301	9,048
National Social Security Fund	3,938	3,038	1,103	1,012
Expenses related to defined benefit plans (Note 26 (c))	26,308	21,186	26,308	21,186
Note 10 (c)	**593,531**	**510,638**	**535,945**	**463,945**

11. Net Finance Income/ (Cost)

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Finance income				
Interest income	7,926	3,101	7,790	7,926
Dividend receivable	-	-	220,000	-
Foreign exchange gains	29,379	42,020	11,653	20,993
	37,305	**45,121**	**239,443**	**24,094**
Finance cost				
Foreign exchange losses	12,940	32,435	10,190	23,570
Interest expense on borrowings	29,486	27,825	29,134	27,428
	42,426	**60,260**	**39,324**	**50,998**
Net finance income/ (cost)	**(5,121)**	**(15,139)**	**200,119**	**(26,904)**

12. Income Taxes

(a) Amounts recognised in profit or loss

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
Current tax expense				
Current income tax	62,114	103,229	20,027	58,868
Over provision of current tax in prior years	(5,474)	(2,251)	-	(200)
	56,640	**100,978**	**20,027**	**58,668**
Deferred tax expense				
Deferred income tax *(Note 25(a))*	7,623	11,956	6,151	(430)
Over provision of deferred tax in prior years *(Note 25(a))*	(8,931)	(2,627)	(126)	(3,283)
	(1,308)	**9,329**	**6,025**	**(3,713)**
Income tax expense	**55,332**	**110,307**	**26,052**	**54,955**

Income tax expense

The Group income tax expense excludes the Group's share of income tax expense/ (credit) of its equity accounted investee of Kshs'000 - 660 (2012: Kshs'000 - (3,014)), which has been included in "share of profit/(loss) of equity accounted investee, net of income tax".

(b) Amounts recognised in other comprehensive income

	31 December 2013			31 December 2012		
Group	**Before income tax Kshs '000**	**Income tax charge Kshs '000**	**Net of income tax Kshs '000**	**Before income tax Kshs '000**	**Income tax (credit) Kshs '000**	**Net of income tax Kshs '000**
Translation differences for foreign operations	29,147	-	29,147	(57,152)	-	(57,152)
Re-measurements of defined benefits liability	(11,228)	3,368	(7,860)	1,859	(558)	1,301
	17,919	**3,368**	**21,287**	**(55,293)**	**(558)**	**(55,851)**
Company						
Re-measurements of defined benefits liability	**(11,228)**	**3,368**	**(7,860)**	**1,859**	**(558)**	**1,301**

(c) Reconciliation of effective tax rate

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:

Group	**2013 Rate %**	**2013 Kshs'000**	**2012 Rate %**	**2012 Kshs'000**
Profit before income tax		**456,521**		**298,761**
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2012 - 30%)	30.00%	136,956	30.00%	89,628
Tax effect of:				
Income not subject to income tax	(17.38%)	(79,342)	(1.14%)	(3,394)
Share of (profit)/loss of equity accounted investee	(0.06%)	(283)	0.77%	2,290
Expenses not deductible for income tax purposes	3.31%	15,100	9.03%	26,988
Over provision of current income tax in prior years	(1.20%)	(5,474)	(0.75%)	(2,251)
Over provision of deferred income tax in prior years	(1.96%)	(8,931)	(0.88%)	(2,627)
Effect of lower tax rates in EPZ zone subsidiaries	(0.59%)	(2,694)	(0.11%)	(327)
	12.12%	**55,332**	**36.92%**	**110,307**

12. Income Taxes (Continued)
(c) Reconciliation of effective tax rate (continued)

Company	2013 Rate %	2013 Kshs'000	2012 Rate %	2012 Kshs'000
Profit before income tax		**534,297**		**216,667**
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2012 - 30%)	30.00%	160,289	30.00%	65,000
Tax effect of:				
Income not subject to income tax	(31.84)%	(145,342)	(11.38)%	(33,993)
Expenses not deductible for income tax purposes	2.46%	11,231	9.18%	27,431
Over provision of current income tax in prior years	0.00%	-	(0.07)%	(200)
Over provision of deferred income tax in prior years	(0.03)%	(126)	(1.10)%	(3,283)
Income tax expense	**4.88%**	**26,052**	**25.36%**	**54,955**

(d) Reconciliation of carrying amounts

	Group		Company	
	2013 Kshs '000	**2012 Kshs '000**	**2013 Kshs '000**	**2012 Kshs '000**
Net (asset)/liability at start of year	(6,783)	35,741	8,302	37,562
Charge for the year - profit or loss *(note 12(a))*	56,640	100,978	20,027	58,668
(Charge)/ credit for the year - other comprehensive *(note 12(b))*	(3,368)	558	(3,368)	558
Income tax paid	(121,044)	(144,060)	(60,013)	(88,486)
Net (asset)/ liability at end of year	**(74,555)**	**(6,783)**	**(35,052)**	**8,302**
Represented by:				
Income tax assets	(75,171)	(22,734)	(35,052)	-
Income tax liabilities	616	15,951	-	8,302
	(74,555)	**(6,783)**	**(35,052)**	**8,302**

The group believes that its accruals for current tax liabilities / assets are adequate for all open tax years based on its assessment of various factors, including interpretations of tax laws and prior experience.

13. Earnings Per Share

(a) Basic 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.

	2013 Kshs '000	2012 Kshs '000
Profit attributable to equity holders of the Company (Kshs '000)	401,189	188,454
Weighted average number of ordinary shares in issue ('000)	278,342	278,342
Basic earnings per share (Kshs)	1.44	0.68

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders and the weighted average number of shares outstanding after adjustment for the effect of all dilutive potential ordinary shares. There were no potentially dilutive shares outstanding at 31 December 2013 or 2012. Diluted earnings per share are therefore the same as basic earnings per share.

14. Property, Plant and Equipment
(a) Reconciliation of carrying amount
(i) Group

2013:	Buildings Kshs '000	Plant & machinery Kshs '000	Motor vehicles Kshs '000	Furniture, fittings & equipment Kshs '000	Capital work in progress Kshs '000	Total Kshs '000
Cost						
At 1 January 2013	310,234	2,168,978	44,778	222,372	10,954	2,757,316
Additions	-	71,282	21,265	27,795	41,438	161,780
Assets not previously recognised	-	10,475	-	2,706	-	13,181
Transfers	-	25,539	1,865	3,209	(30,613)	-
Currency translation	-	(499)	2,422	2,553	328	4,804
Disposals	-	-	(7,440)	-	(28)	(7,468)
At 31 December 2013	**310,234**	**2,275,775**	**62,890**	**258,635**	**22,079**	**2,929,613**
Accumulated depreciation						
At 1 January 2013	195,855	2,029,242	34,137	163,823	-	2,423,057
Charge for the year	10,753	40,538	4,368	18,252	-	73,911
Currency translation	-	(881)	1,437	1,142	-	1,698
Disposal	-	-	(5,020)	-	-	(5,020)
At 31 December 2013	**206,608**	**2,068,899**	**34,922**	**183,217**	**-**	**2,493,646**
Net book value at 31 December 2013	**103,626**	**206,876**	**27,968**	**75,418**	**22,079**	**435,967**
2012 Restated						
Cost						
At 1 January 2012:						
As previously stated	336,576	2,097,797	50,112	298,458	62,788	2,845,731
Transfer to Intangible assets *(note 15(a))*	-	-	-	(102,893)	-	(102,893)
As restated	336,576	2,097,797	50,112	195,565	62,788	2,742,838
Additions	-	19,585	2,574	7,062	25,215	54,436
Write offs / assets not previously recognised	(26,342)	(1176)	-	7,183	1,409	(18,926)
Transfers	-	54,000	-	24,456	(78,456)	-
Currency translation	-	(1,228)	2,420	(7,574)	(2)	(6,384
Disposals	-	-	(10,328)	(4,320)	-	(14,648)
At 31 December 2012	**310,234**	**2,168,978**	**44,778**	**222,372**	**10,954**	**2,757,316**
Accumulated depreciation						
At 1 January 2012:						
As previously stated	196,656	1,908,700	32,665	238,641	-	2,376,662
Transfer to intangible assets *(note 15(a))*	-	-	-	(58,382)	-	(58,382)
As restated	196,656	1,908,700	32,665	180,259	-	2,318,280
Write offs / assets not previously recognised	(11,679)	1,951	-	(9,198)	-	(18,926)
Charge for the year	10,878	119,714	10,771	1,145	-	142,508
Currency translation	-	(1,123)	1,029	(4,063)	-	(4,157)
Disposal	-	-	(0,328)	(4,320)	-	(14,648)
At 31 December 2012	**195,855**	**2,029,242**	**34,137**	**163,823**	**-**	**2,423,057**
Net book value at 31 December 2012	**114,379**	**139,736**	**10,641**	**58,549**	**10,954**	**334,259**

14. Property, Plant and Equipment (Continued)
(a) Reconciliation of carrying amount (continued)

(ii) Company

	Buildings Kshs '000	Plant & machinery Kshs '000	Motor vehicles Kshs '000	Furniture, fittings & equipment Kshs '000	Capital work in progress Kshs '000	Total Kshs '000
2013:						
Cost						
At 1 January 2013	310,234	2,093,102	27,821	195,624	10,925	2,637,706
Additions	-	46,518	3,110	11,621	22,958	84,207
Write offs/ assets not previously recognised	-	10,475	-	2,706	(30,613)	13,181
Transfers	-	27,404	-	3,209	-	-
Inter-company transfer	-	-	-	(549)	-	(549)
Disposals	-	-	(7,440)	-	-	(7,440)
At 31 December 2013	**310,234**	**2,177,499**	**23,491**	**212,611**	**3,270**	**2,727,105**
Depreciation						
At 1 January 2013	195,855	1,975,563	24,733	149,082	-	2,345,233
Charge for the year	10,753	33,907	889	15,041	-	60,590
Intercompany transfers	-	-	-	(65)	-	(65)
Disposals	-	-	(5,020)	-	-	(5,020)
At 31 December 2013	**206,608**	**2,009,470**	**20,602**	**164,058**	**-**	**2,400,738**
Net book value at 31 December 2013	**103,626**	**168,029**	**2,889**	**48,553**	**3,270**	**326,367**
2012 Restated						
Cost						
At 1 January 2012:						
As previously stated	309,778	2,033,800	45,648	265,285	60,156	2,714,667
Transfer to Intangible assets *(note 15(a))*	-	-	-	(102,893)	-	(102,893)
As restated	309,778	2,033,800	45,648	162,392	60,156	2,611,774
Additions						
Write offs / assets not previously recognised	456	(3,170)	(7,499)	7,541	-	(2,672)
Additions	-	12,512	-	3,896	22,524	38,932
Transfers	-	49,960	-	14,786	(64,746)	-
Disposals	-	-	(10,328)	-	-	(10,328)
At 31 December 2012	**310,234**	**2,093,102**	**27,821**	**188,615**	**17,934**	**2,637,706**
Depreciation						
At 1 January 2012:						
As previously stated	184,521	1,867,619	41,203	192,437	-	2,285,780
Transfer to intangible assets *(note 15(a))*	-	-	-	(58,382)	-	(58,382)
As restated	184,521	1,867,619	41,203	134,055	-	2,227,398
Write offs / assets not previously recognised	456	(3,170)	(6,142)	6,184	-	(2,672)
Charge for the year	10,878	111,114	-	8,843	-	130,835
Disposal	-	-	(10,328)	-	-	(10,328)
At 31 December 2012	**195,855**	**1,975,563**	**24,733**	**149,082**	**-**	**2,345,233**
Net book value at 31 December 2012	**114,379**	**117,539**	**3,088**	**46,542**	**10,925**	**292,473**

14. Property, Plant and Equipment (Continued)

(b) Change in estimates

The policy of the Group is to review accounting estimates annually or when circumstances on which estimates used changes or as a result of new information or more experience.

A team of technical experts within the Group reviewed the useful lives and residual values of certain items of property, plant and equipment as at 31st December 2013. As a result of this review the Group revised the useful lives of those assets. The quantitative impact of the changes in accounting estimates is shown in note 5(b).

(c) Impairment loss and subsequent reversal

In 2012, during a physical verification and tagging exercise involving items of property, plant and equipment, items which could not be physically accounted for, were written off. During the current financial period, some of the assets previously written off amounting to Kshs'000 – 13,181 were identified in various locations and were subsequently verified and tagged. These assets have been reinstated in the current period as the amounts were not considered material to warrant retrospective application.

(d) Reclassification

The Group has in accordance with its accounting policies reclassified intangible assets previously accounted for under property, plant and equipment to the correct asset class. The impact of the changes is shown in note 5 (d) (i) and (ii).

15. Intangible Assets
Computer software

(a) Reconciliation of carrying amount

	Group and Company	
	2013 Kshs '000	**2012 Kshs '000**
Cost		
At 1 January	108,156	-
Transfer from property, plant and equipment *(Notes: 14(a), 5(d)(i) & (ii))*	-	102,893
As restated	108,156	102,893
Additions	28,007	5,263
At 31 December	**136,163**	**108,156**
Amortization		
At 1 January	59,526	-
Transfer from property, plant and equipment *(Notes: 14(a), 5(d)(i) & (ii))*	-	58,382
As restated	59,526	58,382
Charge for the year	14,942	1,144
At 31 December	**74,468**	**59,526**
Carrying amount at 31 December	**61,695**	**48,630**

(b) Re-classification

The Group accounts for computer software development and licenses costs that are not an integral part of the related hardware as intangible assets, which are amortized over their useful lives. All other computer software that form an integral part of the related hardware, are included in property plant and equipment. Computer software development and licenses costs were included in property, plant and equipment in prior periods and not disclosed separately. This has been changed to comply with disclosure requirements under IAS 38. The impact of the above changes is shown on note 5(d) (i) and (ii).

16. Investment Property

(a) Reconciliation of carrying amount

	Group		Company	
	2013 Kshs '000	2012 Kshs '000	2013 Kshs '000	2012 Kshs '000
At start of year	185,107	193,549	105,677	-
Transfer from leasehold land *(Note 17(a))*	368	-	368	-
Intercompany transfer *(Note 5(d) (ii))*	-	-	-	110,583
Disposals	(18)	-	(18)	-
Depreciation	(6,260)	(8,442)	(3,603)	(4,906)
At end of year	**179,197**	**185,107**	**102,424**	**105,677**
Comprising				
Cost	251,291	250,941	144,722	144,422
Accumulated depreciation	(72,094)	(65,834)	(42,348)	(38,745)
At end of year	**179,197**	**185,107**	**102,424**	**105,677**

Investment property comprises;

(i) Leasehold land held for future development or capital appreciation;
(ii) Residential houses
(iii) Commercial properties

Residential and commercial properties are leased to third parties. Each of the leases contains an initial lease period of 5 years with rent escalation provided for every 2 years. No contingent rents are charged. Further details on leases are included in Note 30.

Undeveloped land is held for value appreciation or for future development of investment properties. During the year to 31 December 2013, a portion of the leasehold land interest held was sold to a third party for a consideration of Kshs 255.3 million. The profit from the sale is included in other income *(See Note 10(a))*.

(b) Rental income and operating expenses

The analysis of rental income and operating expenses, including repairs and maintenance, attributable to investment property is shown below:

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Rental income	**136,163**	**122,664**	**93,856**	**78,755**
Operating expenses				
Staff costs	4,201	6,651	2,429	3,907
Administrative expenses	2,687	481	1,578	283
Security expenses	4,379	979	2,573	575
Legal and professional fees	3,379	2,950	1,985	1,733
Repairs and maintenance	2,920	1,375	1,715	807
Depreciation	6,656	10,791	3,910	6,339
Net - other expenses/ (income)	4,286	(2,067)	(30)	(489)
	28,508	**21,160**	**14,160**	**13,155**
Profit before tax	**107,655**	**101,504**	**79,696**	**65,600**

16. Investment Property (Continued)

(c) Measurement of fair value

(i) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications. The independent valuers provide fair values of the Group's investment property every 3 years.

The fair value measurement of KShs 3,593 million has been categorized as level 3 fair value based on the inputs to the valuation techniques used.

(ii) Level 3 fair value

The Group accounts for its investment property at cost less accumulated depreciation and any impairment losses. The fair value gains which would have been recognised in profit or loss had the Group accounted for its investment property at fair values would have been as follows;

	Group	Company
	2013 Kshs'000	2013 Kshs'000
Fair values		
Commercial properties	1,476,000	1,010,000
Leasehold land	2,117,000	2,117,000
	3,593,000	**3,127,000**
Carrying amounts		
Commercial properties	178,851	102,078
Leasehold land	346	346
Note 16(a)	**179,197**	**102,424**
Fair value gains not recognised in profit or loss	**3,413,803**	**3,024,576**

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures.

16. Investment Property (Continued)

(c) Measurement of fair value (Continued)

(iii) Valuation techniques and significant unobservable inputs.

The table below shows the valuation techniques used in measuring fair values as well as significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationships between unobservable inputs and fair value measurements
(a) Residential and commercial properties ***Discounted cash flows:*** The valuation model considers the present value of net cash flows to be generated from the properties taking into account expected rental growth, occupancy rates and other costs not paid by tenants. The net cash flows are discounted using the risk adjusted discount rate.	1. Expected market rental growth – 3.75% - 6% 2. Occupancy rates (90% - 95%) 3. Risk-adjusted discount rate (9%)	The estimated fair values would increase / (decrease) if:; 1. Expected rental growth were higher /(lower) 2. Occupancy rates were higher / (lower) 3. Risk-adjusted discount rate was lower / (higher)
(b) Leasehold land held for value appreciation and development ***Market approach:*** The valuation model uses prices and other relevant information generated by market transactions involving identical or similar assets. The fair value is determined as the price that would be paid to sell the land in an orderly transaction to market participants.	1. Property prices in the locality 2. Infrastructure developments	The estimated fair values would increase / (decrease); 1. If property prices were higher / (lower) 2. With improvements / (deterioration) in infrastructure

17. Prepaid Operating Lease Rentals

(a) Reconciliation of carrying amount

	Group		Company	
	2013 Kshs'000	**2012 Kshs'000**	**2013 Kshs'000**	**2012 Kshs'000**
At start of year	736	743	736	743
Transfer to investment property (note 16(a))	(368)	-	(368)	-
Amortization charge for the year	(4)	(7)	(4)	(7)
At end of year	**364**	**736**	**364**	**736**

(b) Reclassification

The Group classifies leasehold land under development of factory buildings, administration block roads and other buildings as prepaid operating leases. Undeveloped leasehold land held for future development or value appreciation is accounted for under investment property. As a result of the change in accounting policy for undeveloped leasehold and, the Group transferred the proportionate value of undeveloped land from Prepaid operating leases to Investment property, during the year.

18. Investment in Subsidiaries - Company

(a) Carrying amount and investment structure

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

	Country of incorporation	% interest held	2013 Kshs'000	2012 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
Sameer Africa (Burundi) Limited	Burundi	100%	1,728	-
Taqwa Trading Limited	Kenya	100%	35,000	35,000
			193,414	**191,686**
Less: Provision for impairment (Taqwa Trading Limited)			(35,000)	(35,000)
Carrying amount			**158,414**	**156,686**

(b) Incorporation of new subsidiary

During the year, the Group invested in a new subsidiary – Sameer Africa (Burundi) Limited domiciled in the Republic of Burundi. The subsidiary principal business is the sales of tyres, tubes and flaps in the Burundi market as well as the neighbouring Rwanda and Eastern Democratic Republic of Congo markets.

The subsidiary operated for 5 months during the financial year and reported a loss before tax equivalent to Kshs'000 - 22,649 for the period.

The set up costs charged to profit or loss are shown below;

	2013 Kshs'000	2012 Kshs'000
Pre- operation staff costs	1,425	-
Pre- operation rentals	6,178	-
Legal, regulatory and company registration	1,555	-
Other set-up expenses	4,160	-
Total set up costs	**13,318**	**-**

(c) Nature and extent of significant restrictions

The company does not have any significant restrictions on any of its subsidiary companies, whether contractual, statutory or regulatory that limits its ability to access or use the assets and settle liabilities of the Group.

(d) Nature of risks associated with subsidiaries

The Group has no contractual arrangements that require the parent or its subsidiaries to provide financial support to a consolidated structured entity.

In incorporating the new subsidiary – Sameer Africa (Burundi) Limited, in addition to its initial investment, the parent company provided initial working capital support as follows.;

	2013 Kshs'000	2012 Kshs'000
Set-up expenses	13,318	-
Deposits paid	2,755	-
Non-current assets purchased	17,304	-
Total financial support	**33,377**	**-**

19. Equity Accounted Investee

(a) Carrying amount and share of profit or loss and other comprehensive income.

The Group's has an interest of 25% in the equity and voting rights of its principal associate - Sameer Business Park Limited. Sameer Business Park Limited is incorporated in Kenya and is unlisted. The principal place of business is along Mombasa Road, Nairobi.

The principal business of the associate is the letting of investment properties to third parties.

The Group accounts for its investment in associate using the equity method. The investment in associate is measured at cost less any impairment losses in the separate financial statements of the company.

The following table summarizes the carrying amount and the Group's share of profit or loss and other comprehensive income as well as the carrying cost in the financial statements of the company.

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
At start of year (2012 – company restated - see *note 5(d)(ii)*)	115,130	122,763	137,026	137,026
Share of;				
- Profit/(loss) from continuing operations (net of income tax)	943	(7,633)	-	-
- Other comprehensive income	-	-	-	-
At end of year	**116,073**	**115,130**	**137,026**	**137,026**

(b) Summarised financial information.

The summarized financial information of the associate is set out below;

	2013 Kshs'000	2012 Kshs'000
Financial position		
Non-current assets	2,216,355	2,189,853
Current assets	361,358	329,081
Current Liabilities	(109,006)	(54,000)
Non-current liabilities	(2,004,446)	(2,004,446)
Net assets	**464,261**	**460,488**
Profit or loss and other comprehensive income		
Revenues	137,808	88,354
Expenses	(134,036)	(118,920)
Profit/ (loss) after tax	**3,772**	**(30,566)**
Other comprehensive income	-	-
Total comprehensive income	**3,772**	**(30,566)**

20. Inventories

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Raw materials	266,362	309,422	266,362	309,422
Stores and supplies	287,202	226,412	287,139	226,411
Work in progress	32,296	28,762	32,297	28,762
Finished goods	682,290	521,491	473,213	396,264
	1,268,150	**1,086,087**	**1,059,011**	**960,859**

The amounts of inventories recognised as expense during the period are as shown below;

		Group		Company	
	Note	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Cost of raw materials used	10(b)(i)	1,590,010	1,677,750	1,590,010	1,677,750
Changes in inventories of work in progress and finished goods	10(b)(i)	(99,531)	9,202	(99,531)	9,202
Cost of trading goods sold	10(b)(i)	354,684	304,614	222,689	232,189
		1,845,163	**1,991,566**	**1,713,168**	**1,919,141**

The Company's borrowings are secured through a first ranking debenture over the trade receivables and inventories of the company for Kshs'000 – 926,100 shared pari –passu between the company's principal bankers (see Note 24(c)).

21. Receivables and Prepayments

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Trade receivables	602,102	755,453	296,873	498,297
Less: Provision for impairment	(80,287)	(63,228)	(15,491)	(21,423)
	521,815	**692,225**	**281,382**	**476,874**
Prepayments	238,110	342,757	186,005	284,885
Amounts due from related companies *(Note 33 (d)(i))*	4,139	24,393	3,440	24,186
Other receivables	232,313	196,515	157,069	147,410
Receivables from subsidiaries *(Note 33 (d)(i))*	-	-	260,020	94,714
	996,377	**1,255,890**	**887,916**	**1,028,069**

The Company's borrowings are secured through a first ranking debenture over the trade receivables and inventories of the company for Kshs'000 – 926,100 shared pari –passu between the company's principal bankers (see Note 24(c)).

22. Cash and Cash Equivalents

Cash and cash equivalents as shown in the statements of financial position and cash flows comprise the following;

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Cash at bank and in hand	222,148	227,895	77,711	94,132
Call deposits	260,685	72,724	260,685	72,724
Cash and bank balances in statement of financial position	**482,833**	**300,619**	**338,396**	**166,856**
Short term facilities used for cash management *(Note 24(a))*	(569,538)	(479,320)	(569,538)	(479,320)
Cash and cash equivalents in the statement of cash flows	**(86,705)**	**(178,701)**	**(231,142)**	**(312,464)**

23. Capital and Reserves

(a) Ordinary share capital

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the General Meetings of the company. All ordinary shares rank pari passu with regard to the company's residual assets.

	2013 Kshs'000	2012 Kshs'000
Authorised ordinary shares	300,000,000	300,000,000
Authorised par value (Kshs each)	5	5
Authorised share capital (KShs'000)	**1,500,000**	**1,500,000**
Issued and fully paid up capital		
Issued ordinary shares	278,342,393	278,342,393
Issued par value (Kshs each)	5	5
Issued and fully paid up capital (KShs'000)	**1,391,712**	**1,391,712**

(b) Nature and purpose of reserves

(i) Translation reserve

The translation reserve comprise all foreign currency differences arising from the translation of financial statements of foreign operations as well as the effective portion of foreign currency arising from hedges of a net investment in a foreign operation.

(ii) Retained earnings

Retained earnings comprises accumulated profit or loss from continuing operations and other comprehensive income net of any dividends declared and paid out to ordinary shareholders. Retained earnings represent amounts available to the shareholders of the Group and are usually utilised to finance business activity.

(iii) Proposed dividends

Proposed dividends are classified as a separate component of equity in the statement of changes in equity through a transfer from retained earnings. They are transferred to the dividends payable account once approved by shareholders in a general meeting.

23. Capital and Reserves (Continued)

(c) Dividends

The following dividends were declared and paid by the company during the year.

	2013 Kshs'000	2012 Kshs'000
Declared and paid		
KShs 0.25 per qualifying ordinary share (2012: KShs 0.20)	**69,586**	**55,668**

After the reporting date, the following dividends were proposed by the board of directors'.

	2013 Kshs'000	2012 Kshs'000
Proposed		
KShs 0.30 per qualifying ordinary share (2012: KShs 0.25)	**83,503**	**69,586**

Payment of dividends is subject to withholding tax at a rate of 5% for resident individuals and companies and 10% for non-resident individuals and companies. Dividends paid to resident shareholders who hold equity interest of 12.5% or more in the company are not subject to withholding tax on payment.

24. Borrowings

(a) Carrying amounts

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Non-current				
Finance lease liabilities	142	1,743	-	-
Current				
Short term facilities - Import loans	569,538	479,320	569,538	479,320
Finance lease liabilities	1,698	1,448	-	-
	571,236	480,768	569,538	479,320
Total borrowings	**571,236**	**482,511**	**569,538**	**479,320**

24. Borrowings (continued)
(b) Terms and repayment schedule

Group

	Currency	Nominal interest	Maturity	31 December 2013 Face value Kshs'000	31 December 2013 Carrying amount Kshs'000	31 December 2012 Face value Kshs'000	31 December 2012 Carrying amount Kshs'000
Import Financing loan - NIC	EUR	9.63%	2014	4,328	4,222	-	-
Import Financing loan - NIC	USD	9.63%	2014	175,957	170,112	4,766	4,655
Import Financing loan – Standard Chartered Bank	USD	7.60%	2014	407,243	395,204	486,539	474,665
Finance lease liabilities	USD	10%	2015	2,196	1,840	4,202	3,191
				589,724	**571,378**	**495,507**	**482,511**

Company

	Currency	Nominal interest	Maturity	31 December 2013 Face value Kshs'000	31 December 2013 Carrying amount Kshs'000	31 December 2012 Face value Kshs'000	31 December 2012 Carrying amount Kshs'000
Import Financing loan - NIC	EUR	9.63%	2014	4,328	4,222	-	-
Import Financing loan - NIC	USD	9.63%	2014	175,957	170,112	4,766	4,655
Import Financing loan – Standard Chartered Bank	USD	7.60%	2014	407,243	395,204	486,539	474,665
				587,528	**569,538**	**491,305**	**479,320**

(c) Finance lease liabilities

Group

Finance lease liabilities are payable as follows;

	Future minimum lease payments 2013 Kshs'000	Future minimum lease payments 2012 Kshs'000	Interest 2013 Kshs'000	Interest 2012 Kshs'000	Present value of future minimum lease payments 2013 Kshs'000	Present value of future minimum lease payments 2012 Kshs'000
Less than 1 year	2,027	2,017	329	569	1,698	1,448
Between 1 and 2 years	169	2,017	27	415	142	1,602
Between 2 and 5 years	-	168	-	27	-	141
	2,196	**4,202**	**356**	**1,011**	**1,840**	**3,191**

(d) Security and effective interest rates

The Company's borrowings are secured through a first ranking debenture over the trade receivables and inventories of the company for Kshs'000 – 926,100 shared pari –passu between the company's principal bankers- NIC Bank Limited and Standard Chartered Bank Kenya Limited.

The weighted average effective interest rates at the year-end were:

	2013 %	2012 %
Bank overdrafts – USD	8.25	8.35
Bank borrowings – Kshs	18.0	24.0

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 as at the reporting date.

25. Deferred Income Tax
(a) Carrying amounts

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

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
At start of year	(47,478)	(58,555)	(36,160)	(32,447)
Charge to statement of profit or loss *(Note 12(a))*	7,623	11,956	6,151	(430)
Prior year over provision *(Note 12(a))*	(8,931)	(2,627)	(126)	(3,283)
Currency translation differences	(533)	1,748	-	-
At end of year	**(49,319)**	**(47,478)**	**(30,135)**	**(36,160)**
As disclosed on the statement of financial position:				
Deferred income tax assets	(52,660)	(50,459)	(30,135)	(36,160)
Deferred income tax liabilities	3,341	2,981	-	-
	(49,319)	**(47,478)**	**(30,135)**	**(36,160)**

(b) Movement in deferred Income tax balances

Group 2013	Balance at 1 January Kshs'000	Recognised in profit or loss Kshs'000	Prior year over provisions Kshs '000	Exchange differences Kshs '000	Balance at 31 December Kshs '000
Deferred income tax asset					
Property, plant and equipment and intangibles	16,622	993	(19)	(2,469)	15,127
Investment property	-	26,592	23,301	-	49,893
Provisions	(71,114)	4,863	164	1,869	(64,218)
Tax losses	(727)	(20,385)	(32,377)	53	(53,436)
Exchange differences	4,760	(4,800)	-	14	(26)
	(50,459)	**7,263**	**(8,931)**	**(533)**	**(52,660)**
Deferred income tax liability					
Investment property	3,006	38	-	-	3,044
Provisions	-	256	-	-	256
Exchange differences	(25)	66	-	-	41
	2,981	**360**	**-**	**-**	**3,341**
Net deferred income tax asset	**(47,478)**	**7,623**	**(8,931)**	**(533)**	**(49,319)**
2012					
Deferred income tax asset					
Property, plant and equipment and intangibles	25,600	(8,778)	-	(200)	16,622
Provisions	(78,036)	(5,258)	10,620	1,560	(71,114)
Tax losses	(1,173)	10,801	(9,964)	(391)	(727)
Exchange differences	(7,934)	15,198	(3,283)	779	4,760
	(61,543)	**11,963**	**(2,627)**	**1,748**	**(50,459)**
Deferred income tax liability					
Investment property	3,068	(62)	-	-	3,006
Provisions	-	-	-	-	-
Exchange differences	(80)	55	-	-	(25)
	2,988	**(7)**	**-**	**-**	**2,981**
Net deferred income tax asset	**(58,555)**	**11,956**	**(2,627)**	**1,748**	**(47,478)**

25. Deferred Income Tax (Continued)
(b) Movement in deferred tax balances (continued)

Company 2013 Deferred income tax asset	Balance at 1 January Kshs'000	Recognised in profit or loss Kshs'000	Prior year over provisions Kshs '000	Balance at 31 December Kshs '000
Property, plant and equipment and intangibles	15,079	(553)	-	14,526
Investment property	-	14,049	-	14,049
Provisions	(55,725)	(1,690)	(126)	(57,541)
Exchange differences	4,486	(5,655)	-	(1,169)
	(36,160)	**6,151**	**(126)**	**(30,135)**
2012				
Deferred income tax asset				
Property, plant and equipment and intangibles	26,359	(11,280)	-	15,079
Provisions	(52,172)	(3,553)	-	(55,725)
Exchange differences	(6,634)	14,403	(3,283)	4,486
	(32,447)	**(430)**	**(3,283)**	**(36,160)**

(c) Unrecognised deferred tax liabilities

The group has recognised all deferred tax liabilities arising from temporary differences associated with the Group's investments in subsidiaries and equity accounted investee.

(d) Unrecognised deferred tax assets

Included in the consolidated deferred tax asset, is the Group's share of deferred tax asset of its equity accounted investee amounting to Kshs'000- 8,569. With improved occupancy rates of the investee's investment property, the directors are confident that future taxable profits will be generated by the investee to offset the tax losses. The Group has recognised all deferred tax assets attributable to its subsidiaries.

26. Retirement Benefit Obligations – Group and Company
(a) Carrying amount

	2013 Kshs'000	2012 Kshs'000
Present value of unfunded obligations:		
- Active members	134,833	115,436
- Transferred to management	12,236	11,630
- Outstanding benefits	1,761	374
Net defined benefit liability	**148,830**	**127,440**

(b) Description of the plan

The Group operates a gratuity scheme for its unionisable employees. The scheme is provided under a Collective Bargaining Agreement (CBA). The benefits are defined on retirement, death, withdrawal and ill-health retirement. The gratuity arrangement is a defined benefit scheme in nature with benefits linked to past service and salary at time of exit. Generally, on retirement, the benefit provided to members would be 22 days' pay for each complete year worked subject to an employee having worked for at least 6 years.

The key risks associated with the scheme are as follows:

(i) The benefits are linked to salary and consequently have an associated risk to increases in salary.

(ii) The benefits are defined as per the Collective Bargaining Agreement (CBA), normally effective for two years. Negotiations with the trade union could change these benefits and materially change the costs to the company.

(iii) The scheme is unfunded with no separate assets. Investment risk would therefore not arise on the arrangement.

(iv) Benefits in the scheme are payable on retirement, resignation, death or ill-health retirement. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.

26. Retirement Benefit Obligations – Group and Company (Continued)
(c) Movement in defined benefit liability

	2013 Kshs'000	2012 Kshs'000
Balance at 1 January	**127,440**	**114,387**
Included in profit or loss		
Current service cost net of employees' contributions	10,117	5,778
Interest on obligation	16,191	15,408
Included in other comprehensive income	**26,308**	**21,186**
Net actuarial losses/(gains)in the net liability recognised in the year:		
- experience adjustments arising from changes in demographic assumptions	3,199	-
- experience adjustments arising from changes in financial assumptions	8,029	(1,859)
	11,228	(1,859)
Other movements		
Contributions paid by the employer	(16,146)	(6,274)
Balance at 31 December	**148,830**	**127,440**

(d) Actuarial assumptions

	2013 Kshs'000	2012 Kshs'000
Discount rate (% p.a)	12.180%	13.013%
Expected return on scheme assets (% p.a)	0.0%	0.0%
Future salary increases (% p.a)	8.0%	8.0%
Future pension increases (% p.a)	N/A	N/A
Mortality assumptions - Males	A1945-52 Males	A1945-52 Males
Mortality assumptions - Females	A1945-52 Females	A1945-52 Females
Weighted average duration of defined benefit obligations (years)	13.9	12.8

The key actuarial assumptions used in valuation of the defined benefit obligation include the following;

(i) The valuation method used is the Projected Unit Credit (PUC) Method;
(ii) The discount rate taken at 12.18% is the estimated yield on the auction results of the 10-year Treasury Bond dated 27th January 2014. Management considers this rate to be appropriate for the purposes of the valuation of the defined benefit obligations.
(iii) Mortality has been expressed as the probability of death occurring with the next year for an individual at a specific age. The mortality rate used for current employees was A1945/52 as published by the Institute of Actuaries.
(iv) Withdrawal rates have been assumed on the basis of past trends and experience with similar schemes.

26. Retirement Benefit Obligations – Group and Company (Continued)
(e) Impact on future cash flows

(i) Sensitivity analysis

	Base	Discount rate increased by 1%	Salary escalation increased by 1%	Discount rate decreased by 1%	Salary escalation decreased by 1%	Demographic assumptions increased by 10%	Demographic assumptions as increased by 10%
Discount Rate	12.18%	13.18%	12.18%	11.18%	12.18%	12.18%	12.18%
Salary Increases	8.00%	8.00%	9.00%	8.00%	7.00%	8.00%	8.00%
Demographic Assumptions	No change	No change	No change	No change	No change	+ 10%	- 10%
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Net liability at start of period	**127,440**	**127,440**	**127,440**	**127,440**	**127,440**	**127,440**	**127,440**
Net expense recognised in profit or loss	26,308	25,535	27,233	27,204	25,500	26,638	26,289
Net actuarial losses recognised in the other comprehensive income	11,228	2,466	21,566	21,248	2,067	11,839	10,940
Employer contributions	(16,146)	(16,146)	(16,146)	(16,146)	(16,146)	(16,146)	(16,146)
Net liability at end of period	**148,830**	**139,295**	**160,093**	**159,746**	**138,861**	**149,771**	**148,523**

(ii) Funding arrangements

The current arrangements are unfunded with no pre-determined contributions. The Company however meets benefit payments on a pay- as-you-go basis. The company's benefit outgo as at 31 December 2013 was Kshs'000 - 16,146 (2012: Kshs'000 - 6,274)

(iii) Expected contribution for the financial year 2014

Management estimate that contributions to the scheme in the next financial year will be Kshs'000 - 10,913.

(iv) Maturity profile of the defined benefit obligations

Maturity profile - Active members

Time to maturity of members	**2013 Kshs'000**	**2012 Kshs'000**
Less than 1 year	14,833	12,716
Between 1 year and 5 years	27,758	22,768
More than 5 years	92,242	79,952
	134,833	**115,436**

At 31 December 2013, the weighted average duration of the Defined Benefit Obligations was 13.9 years (2012: 12.8 years)

27. Payables and Accrued Expenses

(a) Carrying amount

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Trade payables	171,521	231,421	161,651	213,614
Amounts due to related companies *(Note 33(d)(ii))*	4,543	7,290	4,543	7,290
Amounts due to subsidiaries *(Note 33(d)(ii))*	-	-	94,338	266,093
Accrued expenses and other payables	81,869	198,558	45,517	149,529
	257,933	**437,269**	**306,049**	**636,526**

(b) Leave pay accrual

Included in Accrued expenses and other payables is the provision for leave pay. The Group's provision for leave pay represents leave earned by its employees but not taken as at the reporting date. The policy of the Group is to allow a maximum carryover of 7 days leave per employee at the end of each financial year.
The movement in the leave pay accrual account at 31 December 2013 was as follows;

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Balance at 1 January	12,061	11,043	9,306	9,257
Additional provisions	28,416	19,929	25,200	17,847
Utilised in the year	(33,217)	(18,911)	(29,006)	(17,798)
Balance at 31 December	**7,260**	**12,061**	**5,500**	**9,306**

28. Unclaimed Dividends

(a) Carrying amount

	Group and Company	
	2013 Kshs '000	2012 Kshs '000
Unclaimed dividends	6,776	6,776

The Group pays dividends to shareholders through its Share Registrars. In the past the group would recall amounts from the Registrars which have remained unclaimed for a considerable period of time. The balances so recalled represent the carrying amounts.

(b) Analysis of total unclaimed dividends

In addition to amounts already recalled by the group noted above, there are also unclaimed dividends held by the Registrars. The analysis of the total unclaimed dividends for the group is as follows;

	Group and Company	
	2013 Kshs '000	2012 Kshs '000
Amounts held by the company	6,776	6,776
Amounts held by the Registrars	10,355	8,768
Total unclaimed dividends	**17,131**	**15,544**

28. Unclaimed Dividends (Continued)
(c) Unclaimed Financial Assets Act

The Unclaimed Financial Assets Act was enacted as an Act of Parliament in Kenya in December 2011. The Act provides for the reporting and dealing with unclaimed financial assets and the establishment of the Unclaimed Financial Assets Authority (UFAA) and the Unclaimed Financial Assets Trust Fund.
Under the provisions of the Act, unclaimed dividends payable by the Group and the associated ordinary shares are considered to be unclaimed assets. The group made its report to the Authority in respect of unclaimed assets on 1st November 2013.

The Unclaimed Financial Assets Authority has set a cut-off of 3 years dormancy for unclaimed assets. The unclaimed dividends of the Group which have been dormant for more than 3 years and which are subject to be remitted to the Authority amount to Kshs'000 – 9,830. This amount had not been paid to the Authority as at the reporting date.

Once unclaimed assets are paid to the Authority, the Authority assumes custody and responsibility for the safekeeping of the assets and indemnifies the payee against any future liability in respect of those assets.

29. Statement of Cash Flows – Reconciliation of Receipts and Payments

		Group		Company	
Cash receipts from customers	**Note**	**2013 Kshs'000**	**2012 Kshs'000**	**2013 Kshs'000**	**2012 Kshs'000**
Revenue	9	4,029,841	4,083,631	3,502,301	3,616,585
Other income	10(a)	41,047	20,906	19,895	9,004
Net foreign exchange gains/(losses)		13,735	5,072	4,301	(3,060)
Translation differences		25,509	(53,177)	-	-
Movement in trade and other receivables		259,513	(233,383)	140,153	(137,792)
		4,369,645	**3,823,049**	**3,666,650**	**3,484,737**
Cash payments for purchases					
Opening inventory stock	20	(1,086,087)	(1,091,500)	(960,859)	(919,666)
Cost of sales	10(b)(i)	2,951,719	3,009,046	2,809,138	2,926,800
Closing inventory stock	20	1,268,150	1,086,087	1,059,011	960,859
Retirement benefits paid	26(c)	16,146	6,274	16,146	6,274
Movement in trade payables		59,900	(15,954)	51,963	(35,313)
		3,209,828	**2,993,953**	**2,975,399**	**2,938,954**
Adjustments for non-cash expenses					
Depreciation and amortization	10(c)	95,116	152,101	79,138	136,893
Expenses related to defined benefit plans	26(c)	26,308	21,186	26,308	21,186
Asset write back	10(c)	(13,181)	-	(13,181)	-
		108,243	**173,287**	**92,265**	**158,079**
		3,101,585	**2,820,666**	**2,883,134**	**2,780,875**
Cash payments for expenses					
Other operating expenses	10(b)(ii)	914,973	776,359	635,383	567,898
Movement in accruals and other payables		119,437	(175,695)	278,514	(146,288)
		1,034,410	**600,664**	**913,897**	**421,610**

30. Operating Leases
(a) Lease as lessee

The Group leases business premises and warehouses in various locations where it carries out its business. It also leases residential premises for its senior management in countries outside the domicile country and expatriates. The leases typically run for a period of 5 years with an option to renew after the expiry date. Lease payments are negotiated either annually or after every 2 years. One of the leased premises is sublet by the Group to a third party for lease periods coinciding with the principal lease term.

The Group also leases commercial vehicles for use by its sales force in selling and marketing activities. Vehicle leases run for a period of 4 years with no option for renewal.

(i) Future minimum lease payments

At 31 December 2013, the future minimum lease payments under current leases are as follows:

	Group		Company	
	2013 Kshs'000	**2012 Kshs'000**	**2013 Kshs'000**	**2012 Kshs'000**
Motor vehicles				
Not later than 1 year	43,738	38,268	43,738	38,268
Later than 1 year and not later than 5 years	66,030	94,175	66,030	94,175
	109,768	**132,443**	**109,768**	**132,443**
Leases for premises				
Not later than 1 year	60,346	61,224	26,463	18,693
Later than 1 year and not later than 5 years	152,040	113,675	88,865	53,895
Later than 5 years	-	11,438	-	6,292
	212,386	**186,337**	**115,328**	**78,880**

(ii) Amounts recognised in profit or loss

At 31 December 2013, the net lease expense recognised in profit or loss was as follows:

	Group		Company	
	2013 Kshs'000	**2012 Kshs'000**	**2013 Kshs'000**	**2012 Kshs'000**
Lease expense	101,040	81,050	64,624	51,516
Sub - lease income	(443)	(413)	-	-
Net lease expense	**100,597**	**80,637**	**64,624**	**51,516**

(b) Lease as lessor

The Group leases out its investment properties to third parties. Most of the leases are for a period of five years with an option for renewal and rent escalation every 2 years.

(i) Future minimum lease rentals

	Group		Company	
	2013 Kshs'000	**2012 Kshs'000**	**2013 Kshs'000**	**2012 Kshs'000**
Leases for investment properties				
Not later than 1 year	155,882	130,249	92,239	78,360
Later than 1 year and not later than 5 years	367,205	403,476	240,930	301,481
	523,087	**533,725**	**333,169**	**379,841**

(ii) Amounts recognised in profit or loss

Rental income from investment properties and maintenance expenses included in operating expenses are shown on Note 16(b)

31. Commitments

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

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Property, plant and equipment	**61,890**	**67,584**	**61,890**	**67,584**

32. Contingent Liabilities

There are various pending tax matters relating to assessments by the revenue authorities in the 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.

33. Related Party Transactions

(a) Parent and ultimate controlling party

The Group's majority shareholding is held by Sameer Investments Limited a company incorporated in Kenya. The parent company held equity interest and voting rights in the company of 72.15% (2012: 57.24%). During the year, the parent company increased its shareholding in the company by acquiring all shares previously held by Bridgestone Corporation, which held 14.9% of the company's shares.

The ultimate controlling party is Yana Towers Limited; a company incorporated in Kenya.

Neither the parent nor the ultimate controlling party nor any intermediary parents produces consolidated financial statements available for public use.

(b) Transactions with key management personnel.

(i) Key management compensation

Key management compensation comprised the following;

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Short-term employee benefits	67,624	62,840	62,205	57,926
Post-employment benefits	2,287	1,811	2,153	1,663
Total	**69,911**	**64,651**	**64,358**	**59,589**

(ii) Directors shareholding

At 31 December 2013 directors' shareholding in the company was as follows;

	2013 Kshs'000	2012 Kshs'000
Peter Gitonga	12,750	12,750
Akif H. Butt	450	450
Issa A. Timamy	450	450
Sameer N. Merali	15,000	15,000
Akif H. Butt (jointly with another party)	20,000	20,000

33. Related Party Transactions (Continued)

(b) Transactions with key management personnel (continued)

(iii) Directors' remuneration

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Fees as directors	5,747	6,958	5,747	6,958
Other emoluments (included under key management compensation above)	21,296	18,601	21,296	18,601
Total remuneration of directors of the company	**27,043**	**25,559**	**27,043**	**25,559**

(iv) Key management personnel transactions

A legal firm associated with a former director of the company – Mr. I.A. Timamy also provided legal and company secretarial services to the Group. Amounts billed were based on normal market rates for such services and were due and payable under normal payment terms. The aggregate value of fees paid during the year amounted to Kshs 860,560 (2012 : Kshs - 850,563) The outstanding balances as at 31 December 2013 was Kshs Nil (2012 - Kshs Nil).

(c) Transactions with other related parties

In addition to the parent and the ultimate controlling party, the Group also has other companies that are related through common shareholdings or common directorships.

Transactions with related parties included the following;

(i) Sale of goods and services

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
Subsidiaries				
Sameer Africa (Tanzania) Limited	-	-	320,230	357,690
Sameer Africa (Uganda) Limited	-	-	124,783	133,754
Sameer Africa (Burundi) Limited	-	-	63,024	-
Yana Tyre Centre Limited	-	-	259,965	245,564
	-	**-**	**768,002**	**737,008**
Associate				
Sameer Business Park Limited	**297**	**26**	**297**	**26**
Other related parties				
Ryce East Africa Limited	16,355	14,654	16,355	14,654
Ryce Southern Sudan	-	15,226	-	15,226
Sameer Agriculture & Livestock	-	621	-	448
Eveready Batteries (K) Limited	738	283	143	223
Liquid Telekom (formerly Altech Kenya Data Networks)	1,764	9,429	1,764	9,429
Sasini Limited	1,164	1,377	-	-
	20,021	**41,590**	**18,262**	**39,980**

33. Related Party Transactions (Continued)

(c) Transactions with other related parties (continued)

(ii) Purchase of goods and services

	Group		Company	
	2013 Kshs'000	**2012 Kshs'000**	**2013 Kshs'000**	**2012 Kshs'000**
Parent	**418**	**2,048**	**418**	**2,048**
Sameer Investments Limited				
Other related parties				
Ryce East Africa Limited	46,454	40,135	46,454	40,135
First Assurance Company Limited	20,117	35,635	20,117	35,635
Airtel Kenya Limited	7,528	3,752	7,528	3,752
Sameer Management Limited	5,000	5,000	5,000	5,000
Liquid Telekom (formerly Altech Kenya Data Networks)	2,230	260	2,230	260
Sasini Limited	1,241	780	1,241	780
Sameer Agriculture & Livestock	47	-	47	-
	82,617	**85,562**	**82,617**	**85,562**

(iii) Other related party transactions

Dividends paid to parent company

The Group pays dividends to its parent company as approved by shareholders in general meetings. Dividends paid to the parent company – Sameer investments Limited during the year amounted to Kshs'000 - 39,833(2012: Kshs'000 - 31,867)

Banking facilities

A related party – Equatorial Commercial Bank provides banking facilities to the Group. The facilities which have been utilized by the Group from the bank include;

- Banking services
- Import letters of credit
- Spot and forward exchange transactions

The outstanding balances included in cash and cash equivalents as at 31 December 2013 as are follows.

	Group		Company	
	2013 Kshs'000	**2012 Kshs'000**	**2013 Kshs'000**	**2012 Kshs'000**
Bank Balances	2,222	7,506	2,222	7,506
Term deposits	260,685	61,879	260,685	61,879
	262,907	**69,385**	**262,907**	**69,385**

Transfer of property and other assets

During the year 2012, leasehold land sub-leased to subsidiary companies - Sameer Industrial Park Limited and Sameer EPZ Limited by the holding company Sameer Africa Limited, was surrendered back to the holding company. The surrender included investment property erected on the leasehold land. No consideration was paid by the holding company for the transferred assets (see note 10(a) and 16(a)).

33. Related Party Transactions (Continued)
(d) Outstanding balances

At 31 December 2013, outstanding balances with related parties comprised the following;

	Group		Company	
	2013 Kshs'000	2012 Kshs'000	2013 Kshs'000	2012 Kshs'000
(i) Amounts due from:				
Subsidiaries				
Taqwa Trading Limited	-	-	28,645	28,645
Sameer Africa(Tanzania) Limited	-	-	111,682	66,069
Sameer Africa(Uganda) Limited	-	-	13,573	-
Sameer Africa(Burundi) Limited	-	-	106,120	-
	-	**-**	**260,020**	**94,714**
Associate				
Sameer Business Park Limited	**-**	**545**	**-**	**545**
Other related parties				
Ryce East Africa Limited	3,440	4,488	3,440	4,488
Ryce Southern Sudan	-	4,318	-	4,318
Liquid Telekom (formerly Altech Kenya Data Networks)	-	14,835	-	14,835
Eveready Batteries (K) Limited	144	-	-	-
Sasini Limited	555	207	-	-
	4,139	**23,848**	**3,440**	**23,641**
	4,139	**24,393**	**3,440**	**24,186**
(ii) Amounts due to:				
Subsidiaries				
Yana Tyre Centre Limited	-	-	40,022	91,687
Sameer Africa (Uganda) Limited	-	-	-	34,825
Sameer Industrial Park Limited	-	-	400	107,269
Sameer EPZ Limited	-	-	53,916	32,312
	-	**-**	**94,338**	**266,093**
Parent				
Sameer Investments Limited	**69**	**42**	**69**	**42**
Other related parties				
Ryce East Africa Limited	3,903	6,971	3,903	6,971
First Assurance Company Limited	22	-	22	-
Airtel Kenya Limited	-	1	-	1
Ryce Southern Sudan	532	-	532	-
Liquid Telekom (formerly Altech Kenya Data Networks)	-	276	-	276
Sameer Agriculture & Livestock	17	-	17	-
	4,474	**7,248**	**4,474**	**7,248**
	4,543	**7,290**	**4,543**	**7,290**

(e) Bad debts provisions

No doubtful debts provision or expense has been made in respect of receivables outstanding from related parties. The group has reviewed individually the outstanding balances for impairment loss and based on the review considers the amounts to be recoverable.

Final inspection of the finished products to ensure that defective products do not enter the market from the production line.

Other Information

TYRE CARE TIPS FROM SAMEER AFRICA LIMITED

The functions of tyres

- Supporting the weight of the vehicle
- Absorbing road shocks
- Transmitting traction and braking forces
- Changing an maintaining direction of travel

What tires are right for your vehicle?

Consider:

- Manufacturer's recommendation on tyre size and inflation pressure.
- The load, speed and driving habits.
- The most common terrain / road conditions.
- The tyre design & construction in all aspects.
- Seek expert advice before choosing a tyre

Dangers of low inflation pressure

- Overheating of tyres leading to bursts
- Irregular tyre wear
- Reduced tyre life - 10% pressure reduction causes 5-10% less life
- Reduced fuel economy - 10% pressure reduction can cause 1.4% extra fuel consumption
- Always use the recommended inflation pressure

Dangers of excessive inflation pressure

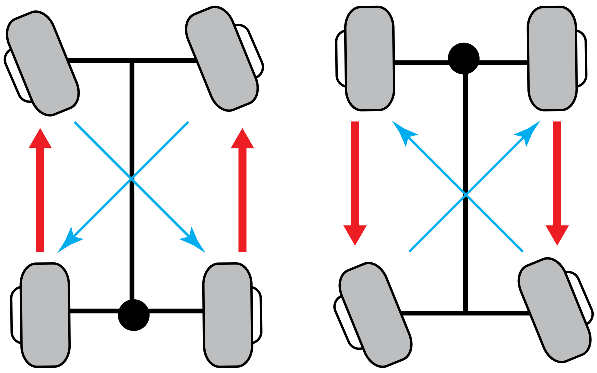
- Reduced riding comfort
- Irregular wear – concentrated at the centre
- Reduced tyre life
- Tyre bursts – hence accidents
- Always use the recommended inflation pressure

Benefits of wheel alignment

- Increased wear resistance – longer tyre life
- Better vehicle control and braking
- Softer steering
- Safer cornering

What to check before you drive

- Correct air pressure
- Sufficient tread depth
- Any irregular wear
- Any tear or crack



Proper tyre rotation

- Is critical since it ensures even wearing of all tyres
- Can increase tyre life by up to 20%
- Newer tyres require frequent rotation
- Rotate tires regularly : tyres should be rotated every 5000kms, to prevent irregular wear and prolonged tyre life
- Ask your Yana Tyre Centre experts for more advice on tyre rotation

Important tyre care tips for Africa

- Ensure correct inflation pressure
- Rotate your tyres regularly
- Check your wheel alignment often
- Avoid speeding
- Seek expert advice on specific tyre care problems

What unique tyre features are suitable for African road conditions?

- Reinforced side walls to resist damage caused by pot holes, objects, sharp road edges, curbs and rough terrain
- Reinforced bead and tread area to withstand varied load, unique usage habits and possible abuse
- Warranty/guarantee on purchase of new tyres
- Reliable, durable and relevant tyres

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 23rd May 2014 at 11.30 am and any adjournment thereof.

As witness my/our hand(s) this_______________________day________________2014

Signature____

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

Notes:

1. To be valid this proxy must be deposited at the registered office of the company not less than 24 hours before the appointed time for holding the meeting.
2. If the appointer is a corporation, the proxy must be executed under its common seal or under the hands of an officer or attorney duly authorized in writing.
3. To be valid, a form of proxy must be duly completed and signed by the member and must be lodged at the offices of the Company's share registrars, Custody and Registrars 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, namteua/tunamteua

____

Au akikosa yeye, alieteuliwa kama mwenyekiti wa mkutano kuwa mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa kila Mwaka wa kampuni utakaofanyika katika majengo ya Kampuni kando ya barabara ya Mombasa, Nairobi tarehe 23 Mei,mwaka 2014, saa tano na nusu asubuhi na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu siku hii ya_______________Mwezi wa __________________2014

Sahihi____

Isipokuwa ikishauriwa vingine,mwakilishi atapiga kura anavyofikiria ni sawa.

Maelezo:

1. Ili kuwa halali fomu hii ya uwakilishi lazima ifikishwe kwenye ofisi iliosajiliwa ya kampuni katika muda usiopungua masaa ishirini na nne kabla ya wakati uliowekwa wa kufanyika mkutano.
2. Ikiwa anaeteua ni shirika, lazima uwakilishi ufanywe kwa kutumia muhuri wake wa kawaida au kwa kutiwa sahihi na afisa au wakili alieidhinishwa kwa maandishi.
3. Ili kuwa halali fomu ya uwakilishi lazima ijazwe kikamilifu na kutiwa sahihi na mwanachama na lazima ifikishwe katika ofisi za wasajili wa hisa za kampuni ,Custody and Registrars Services Limited, ghorofa ya 6 jumba la Bruce, barabara ya Standard S.L.P 8484-00100 Nairobi au Kutumwa kwa njia ya posta kuwafikia wasajili wa hisa kwa muda usiopungua masaa 24 kabla ya wakati uliowekwa wa kufanyika mkutano.

FOLD 2

Affix
Stamp
Here

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

FOLD 1

sameerafrica
WE'LL TAKE YOU THERE.®

FOLD 3

Insert Flap Inside


KILIMO


YANA
TYRE CENTRE


YANA


YANA
TYRE CENTRE
RECEPTION


BRIDGESTONE
YANA


YANA
TYRE CENTRE
BRIDGESTONE
YANA


YANA
YANA

Kenya

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sameerafrica
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