sameerafrica
WE'LL TAKE YOU THERE.

2015 INTEGRATED ANNUAL REPORT AND FINANCIAL STATEMENTS

Sameer Africa Limited - Overall Winner 2015 FiRe Awards

FINANCIAL REPORTING AWARDS 2015

Sameer Africa won in four other categories namely International Financial Reporting Standards (IFRS), Industrial, Commerce and Services Listed Companies and Kenya Category.

The Company was also declared the 1st Runners Up in the Environmental and Social Responsibility Reporting Category

Registered Office & Principal Place of Business

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

Company Secretary

Edgar Jumba Imbamba
P.O. 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.

CfC Stanbic Bank Limited
CfC Stanbic Centre
Chiromo Road, Westlands
P.O. Box 72833, 00200
Nairobi

Principal Advocates

Kipkorir, Titoo & Kiara,
Posta Sacco Plaza,
P.O. 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,
P.O. Box 40612,
00100 Nairobi GPO.

Since 2014, Sameer Africa Limited has embraced integrated reporting and views it as a philosophy rather than a set of prescriptive principles. This enables us to demonstrate to stakeholders, in our own way, how we create and sustain value and work towards ensuring the long term viability of Sameer Africa Limited and its subsidiaries (the Group). Throughout this report we have attempted to demonstrate the relationship between our strategy, performance, targets, remuneration, risk management, corporate governance and prospects and how these factors lead to wealth creation.

Structure of the integrated annual report

Forward-looking statements

The integrated annual report includes forward-looking statements which relate to the possible future financial position and results of the Group's operations. These statements, by their nature, involve risk and uncertainty, as they relate to events and depend upon circumstances that may or may not occur in the future. Factors that could cause actual future results to differ materially from those in the forward-looking statements include, but are not limited to, changes in (a) global and national economic conditions, (b) our trading environment, (c) future strategies as contained in our strategic priorities and plans included in the strategic trends, (d) interest rates, (e) credit conditions and the associated risks of lending, (f) actual cash collections, (g) inventory levels, (h) gross and operating margins, (i) capital management and (j) competitive and regulatory factors.

The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported upon by the Group's external auditor.

Assurance on the audited financial statements for the year ended 31 December 2015, has been provided by the external auditor, KPMG Kenya, as confirmed in the independent auditor's report on page 117. The contents of the integrated annual report have not been externally assured.

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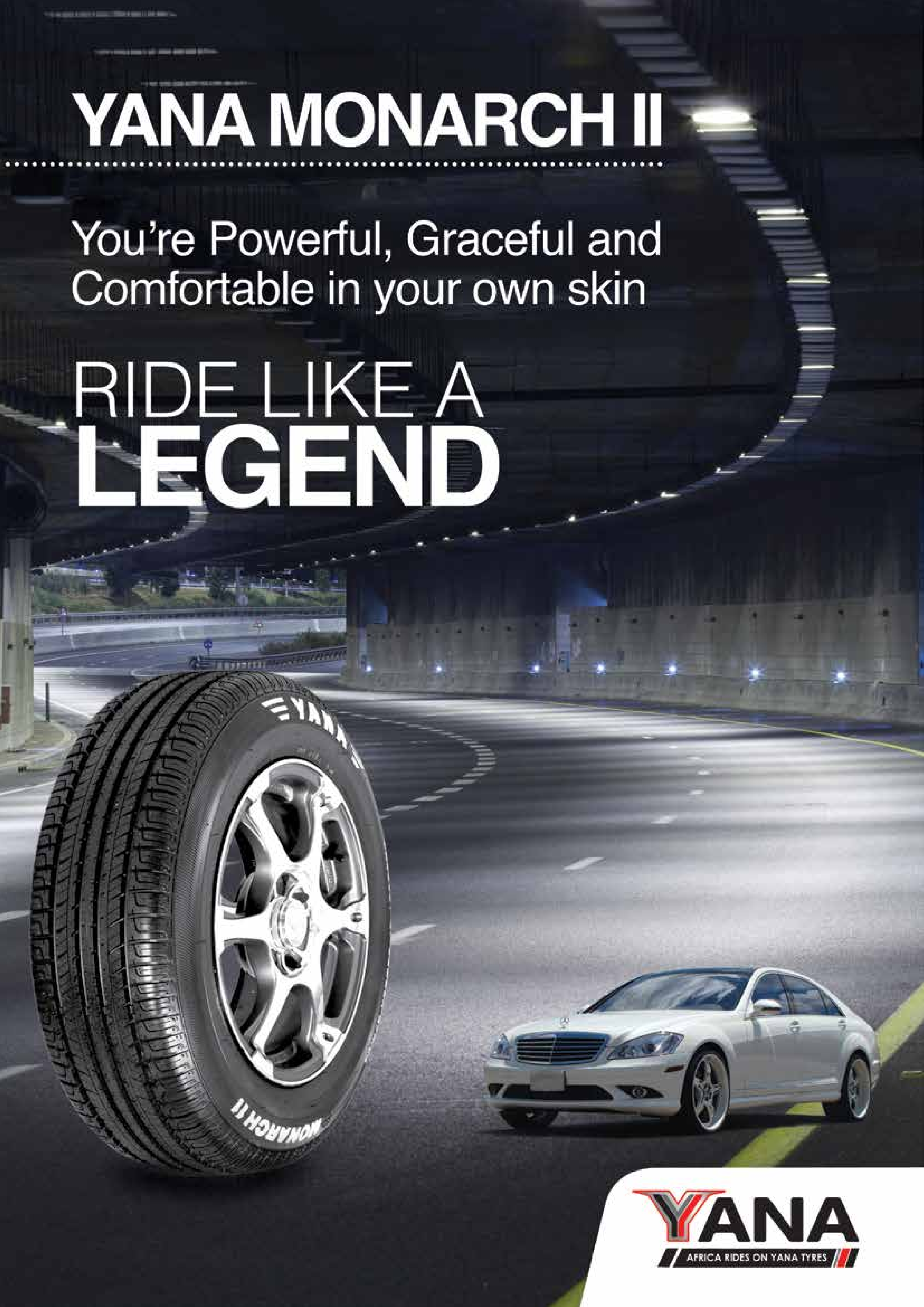

YANA MONARCH II
You're Powerful, Graceful and Comfortable in your own skin
RIDE LIKE A
LEGEND
YANA
MONARCH II
YANA
AFRICA RIDES ON YANA TYRES

1.1 Report of the Directors

The directors have pleasure in presenting their integrated annual report together with the audited financial statements for the year ended 31 December 2015.

Principal activities

The principal activities of the Group are the manufacture, importation and sale of tyres and related products and services and the letting of investment properties.

Results

The results for the year are as set out below;

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
(Loss)/profit before income tax	**5,689**	**(69,457)**	**7,896**	**(106,961)**
Income tax credit / (expense)	(21,341)	2,528	(23,645)	21,644
Loss for the year	**(15,652)**	**(66,929)**	**(15,749)**	**(85,317)**

Dividend

The directors do not recommend the payment of a dividend (2014 – Nil).

Directors

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

Eng. E. K. Mwongera	Chairman
A. Walmsley*	Managing Director
S.M. Githiga	
P. Gitonga	
A.H. Butt	
S. N. Merali	

* South African

Auditors

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

Approval of the 2015 Integrated Annual Report and Financial Statements

The directors confirm that they have collectively assessed the contents of the integrated annual report and believe it addresses the Group's material issues and risks and is a fair representation of the integrated performance of the Group. The audit, risk and corporate governance committee, which has oversight responsibility for the integrated annual report, recommended the report for approval by the board of directors. The board has therefore, approved the 2015 integrated annual report for release to shareholders.

The financial statements were approved at a meeting of the directors held on 7 April 2016.

By order of the board

Edgar J. Imbamba
Company Secretary

Date: 7 April 2016

Wakurugenzi wana furaha kuwasilisha ripoti yao jumuishi ya mwaka pamoja na taarifa za kifedha zilizokaguliwa za mwaka ulioishia 31 Desemba 2015.

Shughuli kuu

Shughuli kuu za Kundi ni utengenezaji, uagizaji kutoka nchi za nje na uuzaji wa matairi na bidhaa na huduma husika na ukodishaji wa majumba ya uwekezaji.

Matokeo

Matokeo ya mwaka ni kama ifuatavyo;

	Kundi		Kampuni	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Faida/ (Hasara) kabla ya kodi ya mapato	**5,689**	**(69,457)**	**7,896**	**(106,961)**
Kodi ya mapato iliyopokewa / (iliyolipwa)	(21,341)	2,528	(23,645)	21,644
Hasara ya mwaka	**(15,652)**	**(66,929)**	**(15,749)**	**(85,317)**

Gawio

Wakurugenzi hawapendekezi kulipa gawio (2014 – Bila).

Wakurugenzi

Wakurugenzi waliohudumu katika mwaka hadi tarehe ya ripoti hii walikuwa:

Mhandisi. E. K. Mwongera	Mwenyekiti
A. Walmsley*	Mkurugenzi Mkuu
S.M. Githiga	
P. Gitonga	
A.H. Butt	
S. N. Merali	

* Mwafrika Kusini

Wakaguzi

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

Kuidhinisha ripoti jumuishi ya mwaka 2015 na taarifa za kifedha

Wakurugenzi wanathibitisha kuwa wote kwa pamoja wametathmini yaliyomo katika ripoti jumuishi ya mwaka na wanaamini inazungumzia mambo muhimu ya kundi na tishio na ni kiashirio sawa cha utendaji jumuishi wa Kundi. Kamati ya ukaguzi,tishio na usimamizi bora wa kampuni, yenye jukumu la kuona ripoti jumuishi ya mwaka imefanywa sawa, ilipendekeza ripoti iidhinishwe na halmashauri ya wakurugenzi. Halmashauri kwa hivyo,imeidhinisha ripoti jumuishi ya mwaka 2015 itolewe kwa wanahisa.

Taarifa ya kifedha iliidhinishwa katika mkutano wa wakurugenzi uliofanyika mnamo tarehe 7 Aprili 2016.

Kwa amri ya halmashaurl

Edgar J. Imbamba
Katibu wa Kampuni

Tarehe: 7 Aprili 2016

1.3 Investor proposition - A case for investing in Sameer Africa

- Sameer Africa enters the fourth year into its five year strategic plan. Significant progress has been made in rebalancing the business, and focusing on the future growth path.

- As we enter the next critical phase of our strategy, and a drive towards a leaner and more agile company, will ensure that our investors receive fair value for their investment

- Entry into the discount segment of the tyre market with our new innovative Summit brand has placed us on the path to reclaiming our leadership position in the market.

- Retail foot print has grown to cover 27 locations in 4 countries in Africa.

- We continue to make significant strategic progress in growing and strengthening the business innovatively, commercially and financially.

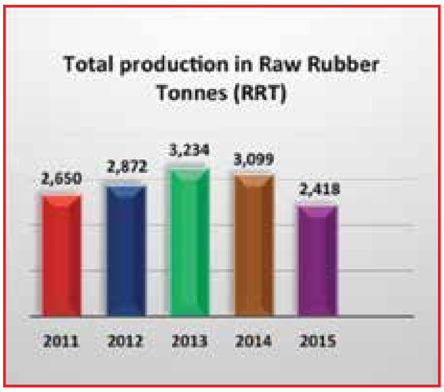
- We have incredibly diverse and talented group of people in the company who are committed to creating and delivering continuous value to our customers, our shareholders and society at large.

- There is a significant untapped growth potential for the tyre business not only within the larger East and Central Africa region, but also in export markets beyond.

- East African economies are projected to grow at an average of 6.5% per annum through 2018 driven by growth in transport, tourism, communications, mining and agriculture and supported by public investment in infrastructure.

- The Group has a huge untapped investment property portfolio. Ongoing and planned improvements to the road infrastructure will mean that the Industrial Area of Nairobi will become an improved destination for commercial office and retail developments. The Group's land holdings are valued at over Kshs 2.3 billion and investment properties valued at Kshs 1.6 billion are available for re-development. The fair vale gains of Kshs 3.7 billion have not been factored in the company balance sheet.

Revenue (Kshs' m)
3,757
4,084
4,030
3,777
3,364
2011
2012
2013
2014
2015



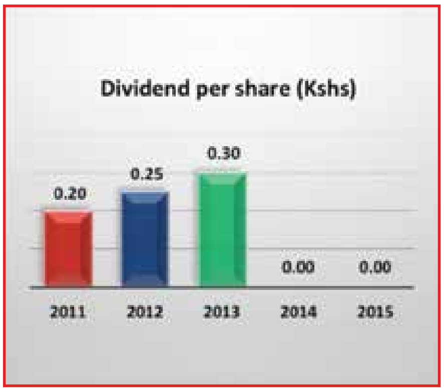
Total production in Raw Rubber Tonnes (RRT)
2,650
2,872
3,234
3,099
2,418
2011
2012
2013
2014
2015

Units sold
264,592
277,611
320,546
319,923
280,519
2011
2012
2013
2014
2015

Employees
482
477
529
537
527
2011
2012
2013
2014
2015

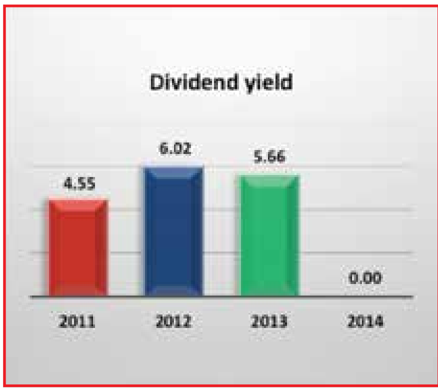
Gross Margin (%)
24%
26%
27%
25%
29%
2011
2012
2013
2014
2015

Net profit margin (%)
3%
5%
10%
(2%)
(0.5%)
2011
2012
2013
2014
2015



Dividend per share (Kshs)
0.20
0.25
0.30
0.00
0.00
2011
2012
2013
2014
2015

Earnings per share (Kshs)
0.35
0.68
1.44
(0.24)
(0.06)
2011
2012
2013
2014
2015



Dividend yield
4.55
6.02
5.66
0.00
2011
2012
2013
2014

Net assets (Kshs'm)
2,250
2,327
2,680
2,536
2,492
2011
2012
2013
2014
2015

Return on equity (%)
4%
8%
15%
(3%)
(1%)
2011
2012
2013
2014
2015

Price to earnings ratio
12.63
6.09
3.71
(24.95)
(55.83)
2011
2012
2013
2014
2015

1.5 Group five year performance

	2015 Kshs'000	2014 Kshs'000	2013 Kshs'000	2012 Kshs'000	2011 Kshs'000
Statement of Profit or Loss					
Revenue	**3,363,976**	**3,777,146**	**4,029,841**	**4,083,631**	**3,757,076**
Gross profit	**961,514**	**936,511**	**1,078,122**	**1,074,585**	**883,296**
Profit/ (loss) before income tax	**5,689**	**(69,457)**	**456,521**	**298,761**	**148,446**
Income tax (charge)/ credit	(21,341)	2,528	(55,332)	(110,307)	(51,498)
(Loss)/ profit for the year	**(15,652)**	**(66,929)**	**401,189**	**188,454**	**96,948**
Statement of Financial Position					
Assets					
Property, plant and equipment	483,019	529,659	435,967	334,259	424,558
Investment property	183,033	180,491	179,197	185,107	193,549
Equity accounted investees	122,695	115,777	116,073	115,130	122,763
Inventories	1,536,787	1,512,888	1,268,150	1,086,087	1,091,500
Receivables and prepayments	691,970	941,504	996,377	1,255,890	1,022,507
Cash and bank balances	506,684	361,616	482,833	300,619	147,558
Other assets	227,037	215,457	189,890	122,559	122,605
Total assets	**3,751,225**	**3,857,392**	**3,668,487**	**3,399,651**	**3,125,040**
Equity					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Reserves	1,100,735	1,144,732	1,287,901	935,011	858,076
Total equity	**2,492,447**	**2,536,444**	**2,679,613**	**2,326,723**	**2,249,788**
Liabilities					
Retirement benefit obligations	-	178,344	148,830	127,440	114,387
Defined contribution liability	191,873	-	-	-	-
Payables and accrued expenses	511,988	526,003	257,933	437,269	245,620
Borrowings	543,393	611,258	571,236	480,768	450,162
Other liabilities	11,524	5,343	10,875	27,451	65,083
Total liabilities	**1,258,778**	**1,320,948**	**988,874**	**1,072,928**	**875,252**
Total equity and liabilities	**3,751,225**	**3,857,392**	**3,668,487**	**3,399,651**	**3,125,040**
Key ratios					
Gross margin	**29%**	**25%**	**27%**	**26%**	**24%**
Net profit margin	**(0.5%)**	**(2%)**	**10%**	**5%**	**3%**
Earnings per share (Kshs)	**(0.06)**	**(0.24)**	**1.44**	**0.68**	**0.35**
Dividends per share (Kshs)	**-**	**-**	**0.30**	**0.25**	**0.20**
Dividend yield	**-**	**-**	**5.66**	**6.02**	**4.55**
Price to earnings ratio	**(55.83)**	**(24.95)**	**3.71**	**6.09**	**12.63**
Price to book value(Kshs)	**0.37**	**0.66**	**0.57**	**0.50**	**0.54**
Return on equity	**(1%)**	**(3%)**	**15%**	**8%**	**4%**

1.6 Wealth creation

A key measure of the sustainability of a business is the level of economic value or wealth created for stakeholders through the efficient operation of the business.

Wealth creation is the value generated from the income generating activities of the business and is determined as gross revenues, less the cost of goods, services and other operational requirements.

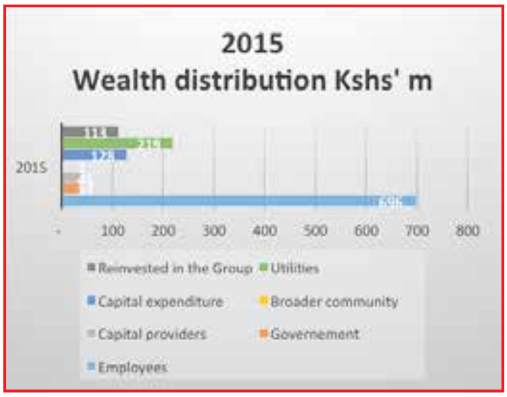
Throughout the value chain, the Group uses its unique strengths and employs its resources and relationships to generate value for a wide range of stakeholders, including:

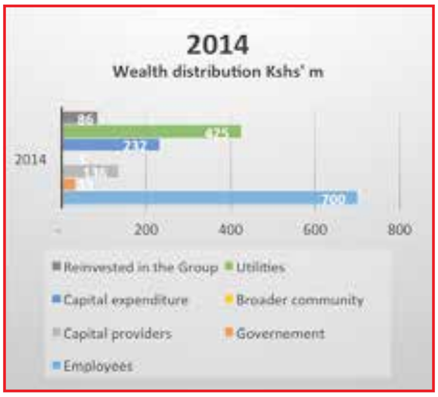
- Employees
- Shareholders and investors
- Supplies and trade partners
- Customers and the local community
- Governments and regulators

In 2015, the Group created wealth of Kshs 1.2 billion, which is 25% lower than the Kshs1.6 billion generated during the previous financial period. The table below shows how the total wealth created by the group was distributed to stakeholders, while retaining sufficient capital for continued investment in the growth of the business.

Wealth creation

	2015 Kshs' m	2014 Kshs' m
Wealth creation:		
Gross revenues received	3,522	3,897
Less: Payment to suppliers	(2,286)	(2,282)
Wealth created	**1,236**	**1,615**
Wealth distribution:		
Employees	696	700
Government	37	33
Capital providers	41	136
Broader community	2	3
Capital expenditure	128	232
Utilities	219	425
Reinvested in the Group	113	86
Wealth distributed	**1,236**	**1,615**





1.7 Chairman's statement

"Tight liquidity across all markets as well as ever-increasing competition from subsidized tyres from the East adversely affected Group performance again".

Distinguished shareholders, members of the board, ladies and gentlemen, it is with great pleasure that I welcome you all to the 47th annual general meeting of the company holding this 14th day of June 2016, at The Bomas of Kenya, off Langata Road, Nairobi, Kenya.

2015 was once again a most difficult and challenging year for Sameer Africa. Tight liquidity across all markets, ever-increasing competition from subsidized Chinese tyres and volatility in the currency markets, adversely affected Group performance. Despite a 2% decline in factory production costs, driven by lower raw material input prices and aggressive cost saving efforts, average selling prices of our flagship YANA brand declined further by 3% as against 2014, as competition from subsidized imports intensified and ensured we were unable to reverse the yield declines we have experienced since 2012.

As a result, Group revenues declined by 11% to Kshs 3.36 billion compared to Kshs 3.78 billion recorded in 2014. This decline was actually foreseen in the fourth quarter of 2014, and aggressive and effective steps were taken to reduce costs across the board. Cost savings of KShs 91 million in overheads and Kshs 118 million in factory costs allowed us to cushion the effect of falling revenues on the bottom line.

The combined effect of the decline in Group revenues, offset by our cost savings efforts resulted in the Group recording a pre-tax profit of Kshs 5.7 million compared to a loss of Kshs 69 million in 2014.

Operating and tyre manufacturing environment
Macro Environment

The global economy is estimated to have grown by 3.5% in 2015, but with uneven results across regions and countries. Performance in emerging markets softened in line with lower than expected commodity prices whilst growth in the more advanced economies improved in line with lower oil prices, low inflation and the impact of quantitative easing.

In Kenya, main macro-economic indicators remained relatively stable despite the depreciation of the shilling against major currencies and an increase in interest rates in the second half of the year. The balance of payments position improved significantly in the year on account of the Eurobond proceeds but the current account position did worsen considerably and remains of concern. The Al-Shabaab attacks in Garissa on 2 April 2015, and elsewhere also highlighted Kenya's lack of security.

The manufacturing sector as a key driver of the Vision 2030 initiative again failed to perform to expectations, but its poor performance is understandable given the low level of support that it continues to receive from Government. The sector's contribution to GDP continues to stagnate at around 9%, which is insufficient to "move the needle" in terms of employment creation and export earnings potential. This adverse performance is largely attributable to stiff and sometimes unfair competition from imported goods and the high cost of credit in comparison to competitor nations. The influx of counterfeits and un-customed goods continues to undermine the viability of the sector.

Tyre Manufacturing

The costs of raw material inputs for tyre manufacture have declined consistently over the last 4 years, fuelled primarily by the unprecedented decline in the price of natural rubber – one of the main components in tyre manufacture - and the collapse of the oil price in 2015, which translated into a reduction in the price of synthetic rubber.

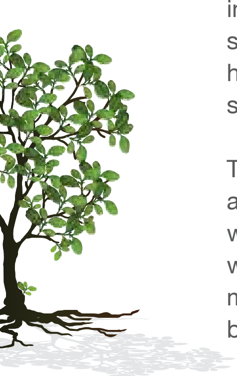
The high cost of electricity in comparison to competitor nations, however, continues to have an adverse effect on manufacturing entities across Kenya.

In 2014, I reported that your board was at an advanced stage in negotiating a partnership with a technical and equity investor to modernise the plant and related infrastructure. This modernisation is critical if we are to maintain a competitive edge. It is with regret that I must report that these negotiations collapsed in 2015, after we failed to reach agreement on the valuation of our tyre business.

Direct subsidies on tyre exports from the East continued in 2015, - on a sliding scale of up to 81% of manufacturer's sales revenue. In addition, under-invoicing and duty evasion by tyre importers across the region has also reached endemic proportions, thereby making the "playing field" extremely uneven.

To counter the effect of subsidized tyre imports on the company's margins, your board in 2014, commenced the contract manufacture of its second brand – SUMMIT - with a Chinese manufacturer, so as to take advantage of the favourable cost regime there and also to actively participate in the growing discount sector of the market. The first shipment of SUMMIT was received in the last quarter of 2014, and by end 2015, we had succeeded in expanding the line-up to 16 sizes. Sales have been very encouraging and we expect to achieve significant growth in the brand from 2016 and beyond.

Traditionally, the Group has relied on the dealer network as its principal distribution channel. The dealer network, which is shared by all the main tyre distributors, has witnessed significant change in the last 6 years with many now importing their requirements and hence becoming competitors. To address this, the board has, since 2012, continued to pursue its strategy of growing its retail network through the Yana Tyre Centres. The Group only rolled out one new tyre centre in 2015, but a further 3 centres will be opened in the first quarter of 2016. The board is confident that the long term profitability of the tyre business is dependent upon the aggressive growth of this channel.



Strategy review

Given (a) the collapse of our efforts to secure a strategic technical and equity investor (b) the continued adverse impact of imported subsidised tyres from the East and (c) a lack of Government support for local manufacturers, it became clear in 2015, that we needed to reconsider our strategy towards the tyre business. Management was consequently tasked with mapping a new strategic direction for the Group and they presented this revised strategy to the board in late 2015. The revised strategy entails the following:-

a) adopt and rigidly adhere to a three brand strategy for the tyre business – Bridgestone for the premium price segment of the market, YANA for the high price segment and SUMMIT for the economy segment.
b) Investigate the possibility and viability of off-shoring the production of YANA tyres to more cost friendly jurisdictions in China and India.
c) Continue the expansion of the Yana Tyre Centres and the service offering is to be expanded to include vehicle suspension systems, vehicle servicing, windscreen repairs etc
d) Cost reduction efforts to continue in earnest.
e) Continue efforts to unlock the value of the Group's land holdings along Mombasa Road to include a retail shopping mall and expansion of our warehouse stock for rental.

The above revised strategy was approved by the board although final approval on the YANA offshoring strategy was deferred pending finalisation of a concrete implementation plan from management that (a) properly identifies the implementation timeframe, (b) firmly identifies the sourcing points for both radial and bias YANA tyres (c) ensures no interruption in the supply pipeline and stock availability and (d) quantifies the risk profile and risk co-efficient of the project.

This implementation plan should be finalised in the third quarter of 2016, and assuming it is viable, will be subject to board approval with all regulatory approvals being sought thereafter.

Risk management

The board continued with its commitment to a process of risk management that is aligned to the principles of best practice and corporate governance.

Our business strategy depends upon us taking calculated risks in a way that does not jeopardize the direct interests of the different stakeholders. Sound assessment of risk enables us to anticipate and respond to changes in our business environment, as well as make informed decisions under conditions of uncertainty. The risk management process has been embedded in our business systems and processes, so that our response to risk remains current and dynamic. All key risks associated with major change and significant actions by the company also fall within the process of risk management.

Governance and remuneration

There was no change in the composition of the board during the year. The various board committees continued to play a vital role in supporting the board in discharging its duties.

In 2014, as part of our expanded reporting and enhanced corporate governance, the board introduced a separate and comprehensive section on governance and remuneration in the integrated report. In 2015, your board continues to report on all such key areas addressed during the year, as well as detailing future areas of emphasis. The Group's overall risk appetite was also defined in 2015, and we report on our actual "heat map" performance against such risk appetite.

The chairman of the audit, risk and corporate governance committee also reports separately, highlighting areas that the committee reviewed during the year and reporting on the significant financial reporting issues and judgements made in connection with the preparation of the Group's financial statements and risk management processes.

Social responsibility and sustainability

Our social responsibility and sustainability efforts continued unabated in 2015, given that we undertake these with the same passion as our commercial activities. Indeed, all our programs are underpinned by the fact that they are part of our strategy and not something we are forced to do by regulatory mandate.

Outlook

East African economies are projected to grow at an average of 6.5% per annum through to 2018, driven by growth in transport, tourism, communications, mining and agriculture and supported by public investment in infrastructure. However, risk to the downside does exist given that security concerns in Kenya may impact on tourism and negate the expected gains from that sector, whilst the malaise in the Chinese economy may well impact on commodity prices and inflows. Your company continues to re-align itself to new realities. Your board is therefore aware that the onslaught of subsidized tyres from the East will continue indefinitely. The introduction and growth of the SUMMIT brand will be key to securing market share in the discount sector of the market and to protect margins of our YANA brand. Nonetheless, your board will, in 2016, give serious consideration to a strategy to offshore YANA production volumes to more cost effective jurisdictions.

The sustainability of local manufacturing in the face of increased dumping and subsidized tyre imports into the market must be seriously considered as a long term threat and hard headed and permanent solutions and strategies must be adopted to safeguard the future of our tyre business. Cost reduction efforts are necessary but over time this becomes a diminishing return strategy that does not address the adverse underlying fundamentals.

In addition to the above strategy re-alignment, we will also continue to focus on our other key strategic priorities:-

Firstly, a clear focus on maintaining a healthy top line and bottom line with the priority being profitable growth. We will continue to focus our attention on increasing efficiencies across the board, re-aligning costs to protect margins and managing working capital to ensure maximum cash generation from operations.

Secondly, enhance customer contact which entails a mixture of superior customer service as well as customer loyalty programs that deliver on excellent customer relationships.

Thirdly, we will continue to supply high performance tyres that ride on a strong heritage associated with high quality, durability, reliability and safety. We will continue to develop and diversify our product offering so as to meet ever changing customer requirements.

Fourthly, we will invest in our people to achieve superior performance for our customers and shareholders alike. We are very conscious of the need to provide appropriate development for our talented workforce. Encouraging effective collaboration and teamwork across the company, within the bounds of regulation and good governance is also a key part of our strategy.

In 2016, the board will also continue to enhance governance practices and will focus relentlessly on risk management. Finally, I would like to thank all shareholders, business partners, advisors and customers for their unwavering support and goodwill. My appreciation also 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!!!

Eng. Erastus Kabutu Mwongera FIEK, RCE, CBS
Chairman

"Kwa mara nyingine, hali banifu ya kifedha katika masoko yote na pia ushindani unaoongezeka kutoka kwa matairi yaliyopewa ruzuku yanayotoka nchi za mashariki yameathiri vibaya utendaji wa kundi."

Waheshimiwa wanahisa,wanachama wa halmashauri, mabibi na mabwana, ni kwa furaha kuu ninawakaribisha nyote katika mkutano wa arobaini na saba (47) wa kila mwaka wa kampuni unaofanyika hivi leo tarehe 14 Juni 2016 katika Bomas of Kenya, kando ya barabara ya Langata Nairobi, Kenya.

Kwa mara nyingine mwaka 2015 ulikuwa mwaka mgumu sana na wenye changamoto kwa Sameer Africa. Hali ya kifedha iliyobanika katika masoko yote, ushindani unaoongezeka kutoka kwa matairi ya kichina yaliyopewa ruzuku na hali ya soko la sarafu inayobadilika mara kwa mara iliathiri vibaya utendaji wa kundi. Licha ya kushuka kwa asilimia 2 kwa gharama za utengenezaji katika kiwanda, zilizosababishwa na bei za chini za malighafi za pembejeo na juhudi shupavu za uokoaji wa gharama, bei wastani za bidhaa yetu inayoongoza ya YANA zilishuka kwa kiwango kingine zaidi cha asilimia 3 ikilinganishwa na mwaka 2014, huku ushindani ukizidi kutoka kwa bidhaa zilizoagizwa kutoka nje zilizopewa ruzuku, na kuhakikisha hatukuweza kugeuza udororaji wa mapato ambao tumeushuhudia toka mwaka 2012.

Kama natija ya hayo mapato ya kundi yalishuka kwa asilimia 11 na kufika Kshs bilioni 3.36 ikilinganishwa na Kshs bilioni 3.78 iliyosajiliwa mwaka 2014. Kushuka huku kulikuwa kumetabiriwa katika robo ya nne ya mwaka 2014, hatua madhubuti na zifaazo zilichukuliwa kupunguza gharama katika sehemu zote.Uokoaji wa Kshs milioni 91 wa gharama za matumizi na Kshs milioni 118 katika gharama za kiwanda, ulituwezesha kudhibiti athari juu ya faida kutokana na kudorora kwa mapato.

Athari inayojumuisha kudorora kwa mapato ya kundi na kukabiliwa na juhudi zetu za kuokoa gharama ilipelekea Kundi kusajili faida kabla ya kodi ya mapato ya Kshs Milioni 5.7 ikilinganishwa na hasara ya Kshs milioni 69 iliyosajiliwa mwaka 2014.

Mazingira ya uendeshaji kazi na ya utengenezaji matairi

Mazingira Mapana

Uchumi wa ulimwengu ulikadiriwa kukua kwa asilimia 3.5 katika mwaka 2015, lakini kwa matokeo tofautitofauti katika maeneo na nchi tofauti.Utendaji katika masoko yanoyoibuka ulihafifishika sambamba na bei za bidhaa zilizo chini kuliko ilivyotarajiwa, huku ukuaji katika uchumi wa nchi zilizoendelea ukiboreka sambamba na bei za chini za mafuta, kiwango cha chini cha mfumuko wa bei na kwa matokeo ya kuongezwa fedha katika uchumi.

Nchini Kenya viashiria vikuu vya kiuchumi vilibakia tulivu licha ya kupungua kwa thamani ya shilingi dhidi ya sarafu kuu na kuongezeka kwa viwango vya riba katika nusu ya pili ya mwaka. Hali ya mizania ya malipo iliboreka sana katika mwaka kutokana na mapato ya Eurobond (mikopo ya kimataifa) lakini hali ya urari wa biashara ilikuwa si ya kuridhisha na bado inazuwa hali ya wasiwasi. Mashambulizi yaliyotekelezwa na Alshabab kule Garissa tarehe 2 Aprili 2015 na kwengineko pia yalidhihirisha ukosefu wa usalama nchini Kenya.

Sekta ya utengenezaji kama kisukumo muhimu cha mpango wa ruwaza ya 2030 kwa mara nyingine kilishindwa kutenda vyema kinyume na matarajio, hata hivyo utendaji wake duni unaeleweka hasa ikizingatiwa kiwango cha chini cha msaada sekta hiyo inaendelea kupokea kutoka kwa Serikali. Mchango wa sekta hiyo kwa pato la kitaifa unaendelea kusalia palepale katika kiwango cha asilimia 9 ('hakiwashi wala hakizimi') kisichotosha kuleta mabadiliko yoyote kwa upande wa kuongeza ajira na uwezo wa mapato kutoka kwa mauzo katika nchi za nje. Utendaji huu mbaya unatokana sana na ushindani mkali na pengine usio wa haki kutoka kwa bidhaa zilizoagizwa kutoka nje na pia gharama ya juu ya kukopa ikilinganishwa na nchi shindani. Kufurika kwa bidhaa ghushi na zisizolipiwa ushuru kunaendelea kuhujumu uwezo wa sekta hiyo.

Utengenezaji Matairi

Gharama za pembejeo malighafi za utengenezaji wa matairi zimeshuka mfululizo katika miaka minne iliyopita, ikipelekewa zaidi na kushuka kwa bei za raba asili kwa namna haijashuhudiwa hapo awali –raba asili ni moja katika viungo muhimu katika utengenezaji wa matairi-na kuporomoka kwa bei za mafuta katika mwaka 2015, kulikosababisha kupungua kwa bei ya raba iliyobuniwa.

Hata hivyo gharama ya juu ya umeme, ikilinganishwa na nchi shindani, inaeendelea kuwa na athari mbaya kwa viwanda viliyomo kote nchini Kenya.

Katika mwaka 2014, niliripoti kuwa halmashauri yenu ilikuwa katika hatua iliyofika mbali ya mazungumzo na mshirika wa kiufundi na mwekezaji rasilimali kwa nia ya kukifanya kiwanda kuwa cha kisasa na vilevile pia miundo mbinu husika. Shughuli hii ya kufanya kiwanda kuwa cha kisasa ni muhimu ikiwa tunataka kudumisha nguvu za ushindani.Ni kwa masikitiko kuwa ni lazima niripoti kuwa mazungumzo hayo yalivunjika katika mwaka 2015, baada ya kutoafikiana kuhusu thamani ya biashara yetu ya matairi.

Ruzuku inayotolewa kwa vipimo vinavyobadilika moja kwa moja kwa matairi yanayotoka nchi za Mashariki vya mpaka kufikia asilimia 81 ya mapato ya mauzo ya watengenezaji iliendelea ndani ya mwaka 2015. Aidha, kuonyesha bei za chini katika ankara na ukwepaji wa kulipa ushuru katika kanda kwa waagizaji matairi kutoka nje imekuwa ni janga, hivyo basi kufanya 'uwanja' kuwa na mabonde.

Ili kukabiliana na athari katika mapato ya kampuni kutokana na matairi yaliyopewa ruzuku yanayoagizwa kutoka nje, halmashauri yenu katika mwaka 2014 ilianzisha utengenezaji kwa kandarasi wa aina ya bidhaa yake ya pili –SUMMIT- na mtengenezaji kutoka China ili kunufaika na mpango wa gharama nafuu unaopatikana huko na pia kushiriki kikamilifu katika soko linalokua la bidhaa zilizopunguzwa bei. Shehena ya kwanza ya SUMMIT ilipokewa katika robo ya mwisho ya mwaka 2014, na kufikia mwaka 2015, tulifaulu katika kupanua msururu wa bidhaa kufikia vipimo aina 16. Mauzo yamekuwa ni ya kutia moyo na tunatarajia kufikia ukuaji wa kutambulika katika aina hiyo ya bidhaa kuanzia mwaka 2016 na kuendelea.

Kimazoea, Kundi limetegemea sana mtandao wa wauzaji kama njia yake kuu ya usambazaji. Mtandao wa wauzaji, ambao unatumiwa kwa pamoja na wasambazaji wote wakuu wa matairi, umeshuhudia mabadiliko makubwa katika miaka 6 iliyopita na wengi sasa wakiagiza wenyewe mahitaji yao kutoka nje basi hatimaye wanakuwa washindani. Ili kushughulikia suala hili, Halmashauri, toka mwaka 2012 imeendelea kutekeleza mkakati wa kukuza mtandao wake wa biashara ya rejareja kupitia vituo vya matairi vya Yana. Kundi lilifungua kituo kimoja tu kipya cha matairi katika mwaka 2015, lakini vituo 3 vingine vitafunguliwa katika robo ya kwanza ya mwaka 2016. Halmashauri ina imani kuwa katika kipindi kirefu kijacho uzalishaji wa faida utategemea sana juhudi za upanuaji wa njia hii ya uuzaji.

Uchambuzi wa mkakati

Kwa (a) kuambulia patupu juhudi zetu za kupata mwekezaji wa kimkakati wa kiufundi na wa kifedha (b) kuendelea kwa athari mbaya ya matairi yaliyopewa ruzuku yanayoagizwa kutoka Mashariki na (c) ukosefu wa msaada kutoka kwa serikali kwa watengenezaji waliomo nchini, ilidhihirika wazi katika 2015, tunahitajika kubadilisha mkakati wetu katika biashara ya matairi. Idara ya wasimamizi ilipewa jukumu la kupanga mwelekeo mpya wa kimkakati wa Kundi na mwisho wa mwaka 2015 waliwasilisha mkakati uliochambuliwa. Mkakati uliochambuliwa unahusu yafuatayo:-

a) Kuchukua na kushikamana vilivyo na mkakati wa kutumia aina tatu za bidhaa kwa biashara ya matairi- Bridgestone kwa kitengo cha soko za bei ghali, YANA kwa kitengo cha bei za juu na SUMMIT kwa kitengo cha bei nafuu.
b) Kuchunguza uwezekano na kama kuna faida katika kutengeneza matairi ya YANA katika nchi za nje katika maeneo yenye gharama mwafaka huko China na India.
c) Kuendelea na upanuzi wa vituo vya matairi vya Yana na kupanua huduma zinazotolewa kujumuisha urekebishaji wa mfumo wa kuhimili mtitigo wa gari, kuimarisha gari, na kukarabati vioo vya mbele vya magari nk.
d) Juhudi za kupunguza gharama ziendelee kwa bidii zaidi.
e) Kuendeleza juhudi za kufumbua thamani ya ardhi miliki ya kundi iliyomo kando na barabara ya Mombasa kwa kuongeza kituo cha kibiashara cha maduka ya rejareja na upanuzi wa mabohari kwa ajili ya kukodisha.

Mkakati huo uliochambuliwa kama ilivyoelezwa, ulipitishwa na Halmashauri japo idhini ya mwisho ya utengenezaji wa YANA kutoka nchi za nje uliahirishwa ukingojea kumalizwa kwa mpango madhubuti wa utekelezaji kutoka kwa idara ya wasimamizi ambao (a) utabainisha vyema muhula wa utekelezaji (b) utabainisha sehemu mahususi za kupatikana matairi ya YANA ya muundo wa nusu kipenyo na ya muundo wa mshazari (c) utahakikisha hakutokuweko na usitishaji katika mtiririko wa ugavi na upatikanaji wa bidhaa (d) utatathmini wasifu wa tishio na tarakimu za tishio za mradi.

Mpango huu wa utekelezaji ni lazima ukamilishwe katika robo ya tatu ya mwaka 2016, na ikikadiriwa kuwa ina manufaa itakuwa ni sharti ipitishwe na Halmashauri kisha ifuatie kutafuta idhini za wasimamizi wa kisheria wote.

Usimamizi wa tishio

Halmashauri iliendeleza kujitolea kwake kwa utaratibu wa usimamizi wa tishio ambao unaegemea katika kanuni za utendaji bora na utawala bora wa kampuni. Mkakati wetu wa kibiashara unatutegemea sisi kuchukua hatua zilizokadiriwa ingawa ni za kutisha kwa njia isiyohatarisha maslahi ya moja kwa moja ya washika dau mbalimbali. Kutathmini kikamilifu tishio hutuwezesha kutabiri na kukabiliana na mabadiliko katika mazingira yetu ya kibiashara, vilevile kufanya maamuzi kwa ufahamu wa mambo wakati wa hali ya kutatanisha.

Taratibu za usimamizi wa tishio zimeambatanishwa na mifumo na taratibu za kibiashara ili kwamba hatua dhidi ya tishio zitakuwa ni za sasa na zinazobadilika kufuatia mabadiliko yoyote. Tishio zote kubwa zinazofungamana na mabadiliko makubwa na zinazofungamana na hatua muhimu zilizochukuliwa na kampuni pia hujumuishwa katika taratibu za usimamizi wa tishio.

Utawala na mishahara

Kulikuwa hakuna mabadiliko katika uwanachama wa halmashauri katika mwaka. Kamati mbalimbali za halmashauri ziliendelea kutekeleza majukumu muhimu ya kusaidia halmashauri kutimiza wajibu wake. Katika mwaka 2014, kama sehemu ya ripoti yetu kunjufu na utawala bora wa kampuni ulioimarishwa, halmashauri ilianzisha katika ripoti yetu jumuishi kifungu kilichotengwa na cha kina cha utawala bora wa kampuni na mishahara. Katika mwaka 2015, Halmashauri yenu inaendelea kuripoti kuhusu nyanja muhimu zote zilizoshughulikiwa ndani ya mwaka na pia vilevile kuhadithia nyanja zitakazosisitizwa katika siku zijazo. Pia katika mwaka 2015 kiwango cha uvumilivu wa tishio katika kundi kilibainishwa, na tunaripoti kuhusu 'ramani ya uharara' ya utendaji ulivyotukia kihakika ikilinganishwa na kiasi kinachokubalika cha uhimilivu wa tishio.

Mwenyekiti wa kamati ya ukaguzi,tishio na utawala bora wa kampuni, huripoti kando, akiangazia nyanja zilizochambuliwa na kamati katika mwaka na kuripoti juu ya masuala muhimu ya kifedha na maamuzi yaliyofikiwa kuhusu utayarishi wa ripoti za kundi na taratibu za usimamizi wa tishio.

Kuwajibika kijamii na uendelevu

Juhudi zetu za uwajibikaji kijamii na za uendelevu ziliendelea katika mwaka 2015 bila kusita, hasa ikizingatiwa kuwa sisi hufanya hayo kwa ari ile ile kama ari ya shughuli zetu za kibiashara. Kwa hakika, mipango yetu yote inakokotezwa na uhakika kuwa ni sehemu ya mkakati wetu na wala sio jambo tumeshurutishwa kufanya na mwongozo wa mamlaka.

Mtazamo

Uchumi wa nchi za Africa Mashariki unatabiriwa kukua kwa kiwango cha wastani cha asilimia 6.5 kwa mwaka hadi mwaka 2018, ukiendeshwa na ukuaji katika uchukuzi, utalii, mawasiliano, uchimbaji madini na ukulima na ukichangiwa na uwekezaji wa umma katika miundo mbinu. Hata hivyo kwa upande usio maridhawa kuna tishio maujudi ikizingatiwa wasiwasi kuhusu usalama nchini Kenya unaweza kuathiri vibaya shughuli za utalii na kurudisha nyuma maendeleo yanayotarajiwa kupatikana katika sekta hiyo, wakati huo huo kudhoofika kwa uchumi wa nchi ya China kunaweza kuathiri vibaya bei za bidhaa na uagizaji.

Kampuni yenu inaendelea kujizatiti ili kukabiliana na uhakika mpya wa mambo. Halmashauri yenu kwa hivyo, inafahamu vizuri hujuma ya matairi yanayopewa ruzuku itaendelea kwa muda usiojulikana.Uzinduzi na ukuaji wa bidhaa ya SUMMIT utakuwa ni muhimu katika kuchukua fungu katika sekta ya soko la bidhaa zenye punguzo la bei na kuhifadhi viwango vya mapato ya bidhaa yetu ya YANA. Hata hivyo halmashauri yenu katika mwaka 2016 itazingatia kwa makini mkakati wa utengenezaji wa matairi ya YANA kutoka nchi za nje ambako kuna maeneo yenye mifumo ya gharama nafuu.

Udumishaji wa utengenezaji nchini, mkabala na ubwagaji bidhaa unaongezeka na pia bidhaa zilizopewa ruzuku kutoka nchi za nje zinazoingia sokoni ni lazima zitambulike kama tishio la muda mrefu na ni tatizo sugu na ni lazima kuchukua hatua za kutatua na mikakati ya kudumu ili kulinda mustakbali wa biashara yetu ya matairi. Juhudi za kupunguza gharama ni muhimu, lakini baada ya muda huwa ni mkakati wenye manufaa yanayodidimia ambao hauwezi kukabiliana na athari mbaya za kimsingi.

Pamoja na kubadilisha mkakati kama ilivyotajwa awali, vilevile tutaendelea kuzingatia vipaumbele vyetu vingine muhimu vya kimkakati:

Kwanza, kuwa na mwelekeo dhahiri wa kudumisha mapato na faida za kuridhisha na kipaumbele kuwa ni ukuaji ulio na faida. Tutaendelea kuangazia hamu yetu katika kuzidisha utendaji bora katika nyanja zote, kubadilisha mfumo wa gharama ili kulinda viwango vya faida na kusimamia vyema mtaji wa kufanya kazi kuhakikisha uzalishaji wa juu wa fedha zitokanazo na uendeshaji kazi.

Pili, kuboresha mawasiliano na wateja kupitia mseto wa huduma za juu kwa wateja na pia vilevile mifumo ya kuvutia uaminifu wa wateja inayoleta uhusiano bora nao.

Tatu, tutaendelea kusambaza matairi ya utendaji wa hali ya juu ambayo yanaegemea juu ya turathi yenye nguvu inayoshirikishwa na ubora wa bidhaa wa hali ya juu, yenye kudumu, yenye kutegemewa na salama. Tutaendelea kuboresha na kutoa bidhaa aina mbalimbali ili kukidhi mahitaji ya wateja wetu yanayoendelea kubadilika.

Nne,tutawekeza kwa watu wetu ili kufikia utendaji wa juu zaidi kwa ajili ya wateja na pia vilevile wanahisa. Tunatambua umuhimu wa kuwapa wafanyakazi wetu wenye vipaji maendeleo mwafaka.Pia ni kipengele muhimu cha mkakati wetu kuhimiza ushirikiano ufaao na kufanya kazi kwa umoja kote kwenye kampuni kuambatana na miongozo na utawala bora.

Katika mwaka 2016, halmashauri pia itaendelea kuboresha desturi za utawala tukizingatia bila kusita usimamizi wa tishio.

Mwisho, ningependa kuwashukuru wanahisa wote, washirika wa kibiashara, washauri na wateja kwa usaidizi wao 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 ibariki Sameer Africa Limited na kila mmoja wenu!!!

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AFRICA RIDES ON YANA TYRES

SECTION – 2: STRATEGIC REPORT

"Given the challenging economic environment, we commenced development of a strategy that may result in the offshoring of our tyre production to lower cost jurisdictions such as China and India"

2015 witnessed the continued and unfair onslaught from subsidised tyres from the East which significantly eroded the size of the high price market segment in which our flagship YANA brand competes. The high priced segment of the market has now declined from 62% of total market in 2005, to an estimated 28% in 2015. As a result of this, higher prevailing interest rates in 2015, a significant drop in Government purchases from August 2015, and deteriorating credit discipline, total sales declined from Kshs 3.78 billion in 2014, to Kshs 3.36 billion in 2015 – a decline of 11%.

Dealer trade sales in 2015, declined by a significant 31% compared to 2014, with export sales and sales to Government declining by a further 20% and 41% respectively. Whilst raw material prices declined by 19% in 2015, compared to 2014, the benefits arising from the lower production costs were largely passed on to customers through increased discounts as a necessity to counter competition and maintain market share.

Despite the challenging economic environment, the Group continued to focus on its key strategic thrust of profitable growth for the future, maximizing retail sales and aggressive cost reduction plans. The Group rolled out only one new tyre centre in 2015, due to challenges in site acquisition, although three new sites will now open in the first quarter of 2016. Through the implementation of strict cost control strategies the Group was able to reduce overheads from Kshs 1.007 billion in 2014, to Kshs 916 million in 2015. Cost reductions in the factory were also significant with savings of Kshs 118 million in factory overheads on a cost per raw rubber tonne (RRT) basis.

The rollout of our SUMMIT fighter brand also continued in 2015, and which will allow us to bring pricing integrity and improved profit margins back to the Bridgestone and YANA brands in 2016. We intend having a total of 24 SUMMIT sizes, all positioned within the larger sub-segments of the market, by June 2016.

In 2015, we continued our strategy of rebalancing the business but work also commenced to investigate the feasibility of outsourcing YANA production to lower cost jurisdictions such as China and India. This strategy is necessary if we are to find a long term solution to the uneven playing field in which we have to compete today. Local production of tyres can never be sustainable if we have to use YANA as a fighter brand to combat subsidised tyres from the East and also un-customed tyres entering our markets.

Business review

Total tyre production declined by 22% in 2015, to only 2,418 raw rubber tonnes (RRT), down from 3,099 RRT in 2014, on account of the decline in finished goods sales as well as deliberate efforts to reduce our inventory levels. Total production costs declined by 2%, from Kshs 831,000/RRT in 2014 to Kshs 790,000/ RRT - mainly on account of the drop in the cost of raw material inputs and strict cost controls in the area of labour and energy.

We continued to witness growth in vehicle registrations in all the territories in which we operate, supported by various infrastructural projects and a growing middle class but the competitive environment continued unabated with growing imports of subsidised tyres from the East and an unprecedented growth in un-customed tyres entering the East African markets. Interest rate increases in August 2015, and a significant decline in dealer off-take volumes also impacted adversely on tyre sales volumes in 2015.

Sales revenues from our tyre business declined by 13% from Kshs 3.63 billion in 2014 to Kshs 3.19 billion in 2015. Channel performance was mixed with notable growth in sales to fleet and key accounts (34%), and OEM (93%). However, the decline in sales to both the dealer trade (31%) and the export market (20%) reversed these gains. Unit sales declined to 282,000 units as against the 320,000 units sold in 2014.

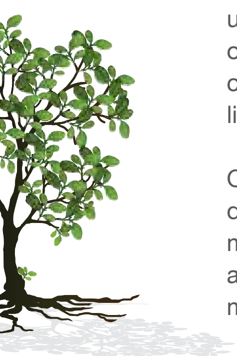
Gross profit margins improved to 29%, from the 25% recorded in 2014, in line with the reduction in raw material input prices and aggressive cost controls in the factory.

Net interest expense at Kshs 14.8 million was significantly down on the Kshs 42.9 million recorded in 2014, reflecting management's ongoing efforts to ensure optimal working capital levels. Foreign currency losses however, at Kshs 41.9 million were significantly up on the Kshs 557,000 recorded in 2014, but in line with widespread currency depreciation across the East African region.

As a result, the group recorded a pre-tax profit of Kshs 5.7 million, compared to a loss of Kshs 69 million in 2014.

Group cash generation improved to Kshs 305 million, up from Kshs 148 million in 2014, as we emphasized on working capital management by encouraging more cash sales, aggressive collection of receivables and the liquidation of excess inventory.

Our capital spend at Kshs 127 million was significantly down on the Kshs 232 million spent in 2014, as we moved to reduce expenditure on factory equipment and focused instead on the acquisition of new tyre moulds to expand the SUMMIT product line-up.



Update on our strategic priorities

We are now four years into our 2012-2016 strategic plan and Sameer Africa is now a demonstrably stronger and more efficient business – operationally, financially and innovatively.

During 2015, we achieved mixed results against our strategic priorities which are aimed at positioning the Group for future growth, whilst controlling costs and maximising the efficiency of our balance sheet.

Profitable growth

Our strategic objectives are to achieve certain targeted gross and operating margins while growing revenues. During the year however, we witnessed a downward trend against some of our objectives with a 13% decline in tyre sales attributable to the continuing decline in the size of the premium and high price market segments where our Bridgestone and YANA brands are positioned and for reasons that are neither fair nor equitable. The influx of both subsidised tyres from the East and un-customed tyres across all our markets is now so significant that it is completely distorting the playing field.

In 2015, in order to protect margins, we embarked on an aggressive program to reduce both factory conversion costs and operating expenses. This initiative yielded savings of KShs 209 million and is what cushioned the Group against the impact of the decline in sales of KShs 420 million as against 2014.

Cost saving initiatives are a game of diminishing returns however, and will not offset the impact of declining sales year after year into the future. As a result, this strategy component was re-visited in 2015, and management is now finalising an alternative strategy that may well involve the closure of the factory and a transition to multi-sourcing of YANA brand tyres from more cost friendly manufacturing jurisdictions, including China and India.

Customer focus

We remain focussed on achieving unrivalled customer satisfaction levels through effective communication, increasing direct customer contact through our Yana tyre centres, delivering quality products on time and revamping our marketing activities.

To date we have achieved an end user satisfaction index of 90% against a 2015 target of 85%.

During the year, we rolled out only one new Yana tyre centres across the region bringing the total number to seventeen. Site acquisition challenges delayed our roll out programme in 2015, but three new tyre centres will open in Q1 2016. We also completely refurbished two tyre centres in order to improve customer and street appeal. Our new Yana call centre operated throughout the year with the key objective of providing a direct link to our customers and consumers through various communication channels. To date we have collected over 980,000 contacts with whom we communicate via telephone calls, emails or sms'. The call centre will actually become a revenue centre in 2016.

Our strategy of resolving tyre claims within 48 hours declined marginally to 89%, down from 90% in 2014 and against a target of 95%. Of note is the fact that our claim ratio has dropped to only 0.36% of total tyres sold versus 0.47% in 2014, due to our continuing uniformity and quality improvement initiatives.

Innovation

During the year we launched only two new YANA tyre sizes. A total of 12 new Summit tyre sizes will be introduced in 2016. Since the commencement of our strategic plan in 2012, we have launched a total of 32 new YANA tyre sizes accounting for 29% of total revenue in 2015.

We continued to focus on factory waste and scrap reduction by reducing the number of operator-related defects during tyre curing and building, daily machine verifications, treatment of hydraulic water in powerhouse as well as repairs to certain equipment. I am delighted to report that these initiatives are bearing fruit and during 2015, we registered a 20% reduction in scrap and waste compared to 2014.

We achieved a factory utilisation of 61% at 10.9 RRT/day versus 73% at 13.2 RRT/day in 2014 and a strategic target of 80% (14.5 RRT/day). Improving factory utilization remains a significant challenge given the decline in the market segment for our YANA brand and highlights the issue of the sustainability of local manufacture.

In 2014, we reported that we were in discussions with a potential technical and equity investor to modernise our plant and related infrastructure. These negotiations were discontinued amicably in 2015, when we failed to agree on a valuation acceptable to both parties.

People and leadership

Our strategy remains to create a lean, dynamic and fit-for-purpose organisation. We aim to attract, develop and retain the right talent while inculcating a performance based culture.

During our training calendar year, running from April 2015 to March 2016, we targeted 55 staff training courses and at the close of 2015, we had conducted 43, representing 78% of target. Overall leave utilisation was 90% against a target of 90%. We continue to enforce our policy of a maximum leave carryover of 7 days per staff member.

Staff turnover in 2015, was at 7.8% versus 11% in 2014, although this ratio drops further to 5% if one excludes those who left as a result of integrity and poor performance and discipline issues.

We also continuously endeavour to improve staff communication through departmental meetings and other informal interactions. During the year, the Managing Director continued with his flagship breakfast meetings with staff in all departments where performance and strategic information is disseminated and feedback is received.

Sustainability performance

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. Environmental and social aspects have a strong link with economic performance through the investments we make in environmental management initiatives and which involve our work with employees, suppliers, customers and the community.

Environmental performance

Our activities for environmental management focus on key aspects in the operational units, manufacturing process and product output where we endeavour to minimise negative impacts and enhance positive ones.

During 2015, we carried out monthly environmental reviews focusing specifically on:-

a) Water consumption
b) Furnace oil consumption
c) Inert solids waste
d) Hazardous waste generation

Social performance

Social performance measures the company's interactions with its employees and the community.

Employees

Employee turnover in 2015 averaged 7.8% (2014 - 11%) which was within the industry acceptable level of 14%. We saw high turnover ratios recorded in manufacturing and sales but management continues to address challenges affecting staff turnover in such departments.

The company follows international standards on health and safety. There were no fatalities arising from any of our operations during the year. We however, lost 150 man days through sick leave and 149 man days through injury arising from 5 accidents; 2 at the work place and 3 away from the office. Measures have been taken to enhance employee awareness on the importance of having protective gear at all times and adhering to laid down safety regulations.

The company recognises and is sensitive to human rights and has policies against discrimination in any form.

Our employees are made aware of the expectation not to engage in any fraudulent or corrupt dealings in any of their business activities. Our policy is zero tolerance to these vices.

Product responsibility

The quality standards on our product performance, health and safety has been a key differentiator of our brands in the market. All our products come with a manufacturer's warranty; a testimony to the belief we have in our production processes.

Social responsibility

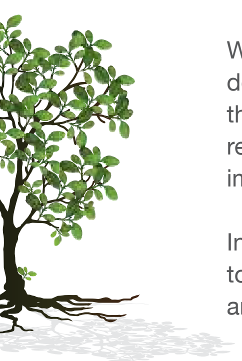
Sameer Africa's community development initiatives focus on improving the livelihoods and general wellbeing of the societies in which we operate. During the year, we supported various charities through sponsored golf tournaments and direct contributions to needy causes. On safety, we undertook technical trainings on tyre handling and safety to target groups including matatu saccos, tour operators and mechanics and succeeded in training a total of 2,078 people across the region.

Outlook

We expect the challenging operating environment, as witnessed in 2015, to persist into 2016. The influx of subsidized and un-customed tyres into our markets is likely to continue with adverse effects on both our volumes and margins. Before the end of 2016, we will have finalised a strategy that will address these challenges and ensure we safeguard the future viability of our tyre business.

The economic outlook for most African and emerging markets appears largely bearish but we remain somewhat upbeat about the East African economies. Fallout from the challenges with the Chinese economy, continued deflation, directionless capital markets, severe anxiety about quantitative easing and a fragile bond market across the western world remain key risk factors moving forward however.

We expect crude oil and rubber prices to remain depressed for most of 2016. Early indications are that raw material prices used for tyre manufacture will remain largely flat throughout 2016, with a favourable impact on our tyre production costs.



In 2016, we will focus on finalising a strategic plan to counter the adverse impact of subsidised Chinese and un-customed tyres entering our markets. This will become a critical initiative moving forward.

We will also focus on:-

- aggressive penetration into the discount sector of the market using our SUMMIT fighter brand where we now have a representative product line up. This will also allow us to re-position our pricing based on a three brand strategy, such that we can restore Bridgestone and YANA margins.
- expanding the Yana tyre centre retail footprint across the region.
- increasing our corporate and government customer base.
- focusing on cash and overall reduction in working capital levels.

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.

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.

In 2016, we will continue to look aggressively at other opportunities to unlock value from our significant property portfolio. Ongoing and planned improvements to the road infrastructure will mean that the Industrial Area of Nairobi will become an improved destination for commercial office and retail developments. We intend finalising plans for the construction of a 15,000 square metre mall along Enterprise Road at our factory premises in Industrial Area, Nairobi.

The Group would never have reached this stage of its journey without our people and the value system that forms the basis of all our endeavours. We faced significant challenges in 2015, but given these challenges we believe that we have developed strategies or are in the process of developing strategies, which will continue to see the Group prosper into the future.

We have an incredibly diverse and talented group of people in the Group who are committed to creating and delivering continuous value to our customers, our shareholders and society at large.

Allan Walmsley
Managing Director

"Kutokana na changamoto ya mazingira ya kiuchumi, tumeanza kupanga mkakati huenda matokeo yake kupelekea utengenezaji wa matairi katika maeneo yenye mifumo ya gharama nafuu kama vile China na India"

Katika mwaka 2015, tulishuhudia kuendelea kwa hujuma isiyo ya haki kutoka kwa matairi yaliyopewa ruzuku kutoka mashariki ambayo yalisababisha mmomonyoko wa fungu la soko katika kitengo cha bei ya juu ambapo bidhaa yetu inayoongoza ya YANA inashindania. Kitengo cha bei ya juu katika soko sasa kimeshuka kutoka asilimia 62 mwaka 2005 kufikia takribani asilimia 28 katika 2015. Matokeo ya, viwango vya juu vya riba vilishuhudiwa katika mwaka 2015, kushuka kwa kiasi kikubwa kwa ununuzi kutoka kwa serekali kuanzia Agosti 2015, na kupungua kwa nidhamu ya ukopeshaji, ni mauzo kupungua kutoka shilingi bilioni 3.78 katika mwaka 2014, hadi shilingi bilioni 3.36 katika mwaka 2015-upungufu wa asilimia 11.

Katika mwaka 2015, mauzo kwa wasambazaji yalipungua kwa kiasi kikubwa cha asilimia 31 ikilinganishwa na mwaka 2014, huku mauzo katika nchi za nje na kwa serekali yakipungua tena zaidi kufikia asilimia 20 na asilimia 41 mtawalia. Ingawaje bei za malighafi zilishuka kwa asilimia 19 katika mwaka 2015, ikilinganishwa na mwaka 2014, manufaa yaliyotokana na gharama za chini za utengenezaji yalipokezwa kwa wateja kupitia ongezeko la punguzo za bei kama njia muhimu ya kukabiliana na ushindani na pia kudumisha sehemu yetu ya soko.

Licha ya changamoto ya mazingira ya kiuchumi, Kundi liliendelea kuangazia msukumo wa mkakati wake muhimu wa ukuaji wenye faida kwa ajili ya mustakbali, kuongeza uuzaji wa rejareja na mipango madhubuti ya kupunguza gharama. Kundi lilifungua kituo kimoja tu cha matairi katika mwaka 2015, iliyosababishwa na changamoto za kupata maeneo, ingawa sasa maeneo matatu yatafunguliwa katika robo ya kwanza ya mwaka 2016. Kupitia utekelezaji wa mkakati uliosisitizwa wa kudhibiti gharama Kundi liliweza kupunguza gharama kutoka Kshs bilioni 1,007 mwaka 2014 hadi Kshs bilioni 916 katika mwaka 2015. Pia kulikuwa na upunguzaji wa gharama kwa kiasi cha kutambulika katika kiwanda huku Kshs milioni 118 zikiokolewa katika gharama za kawaida za kiwanda ikipimwa gharama kwa kila tani ya raba.

Pia, Katika mwaka 2015, uzinduzi wetu wa bidhaa yetu shindani ya SUMMIT uliendelea, na utatuwezesha kuleta usawa wa bei na kuboresha viwango vya faida ya bidhaa za Bridgestone na YANA katika mwaka 2016. Tunanuia kuwa na jumla ya aina ya vipimo 24 vya SUMMIT, vyote vitakuwemo katika sehemu kubwa ya vijitengo husika katika soko kufikia Juni 2016.

Katika mwaka 2015, tuliendelea na mkakati wetu wa kusawazisha tena biashara, hata hivyo, shughuli pia zilianza za kuchunguza uwezekano wa kuagiza utengenezaji wa YANA kutoka maeneo yenye mifumo ya gharama ya chini kama vile China na India. Mkakati huu ni muhimu ikiwa tunataka kupata suluhisho la uwanja wenye mabonde wa kibiashara tunamoshindania siku hizi. Utengenezaji wa matairi humu nchini hauwezi kudumu ikiwa inatubidi kutumia bidhaa ya YANA kama bidhaa shindani kukabiliana na matairi ya kutoka mashariki yaliyopewa ruzuku na pia matairi yasiyolipiwa ushuru yanayoingia kwenye soko zetu.

Uchanganuzi wa biashara

Jumla ya utengenezaji wa matairi ilishuka kwa asilimia 24 katika mwaka 2015, mpaka tani 2,364 tu za raba (mpira), chini ya tani 3,099 kwa raba katika mwaka 2014, kushuka huko kulisababishwa na mauzo yaliyofifia na pia juhudi za kusudi za kupunguza viwango vya bidhaa kwenye mabohari. Jumla ya gharama za utengenezaji zilishuka kwa asilimia 2 kutoka Kshs 831,000 kwa kila tani ya raba katika mwaka 2014 hadi Kshs 815,000 kwa tani ya raba- kutokana hasa na kupungua kwa gharama za pembejeo malighafi na kudhibiti kwa ushupavu gharama katika nyanja za mishahara na nishati.

Tumeendelea kushuhudia ongezeko la usajili wa magari katika maeneo yote tunamoendeshea kazi, ikitiwa nguvu na miradi ya miundo mbinu na tabaka la kati linalokua lakini mazingira ya ushindani yaliendelea bila kufifia ikisababishwa na kuongezeka kwa uingizaji wa bidhaa zilizopewa ruzuku kutoka nchi za masharaki na ongezeko ambalo halijaonekana tena la matairi yasiyolipiwa ushuru yakiingia katika masoko ya Afrika Mashariki. Kuongezeka kwa viwango vya riba mnamo Agosti 2015 na kushuka sana kwa viwango vya wasambazaji kuagiza mali pia hayo yaliathiri vibaya viwango vya mauzo mwaka 2015.

Mapato ya mauzo kutoka kwa biashara yetu ya matairi yalipungua kwa asilimia 13 kutoka shilingi bilioni 3.63 katika mwaka 2014 hadi shilingi bilioni 3.19 katika mwaka 2015. Utendaji wa vitengo tofauti ulikuwa na matokeo yanayotofautiana kukiwa na ongezeko la kutambulika katika mauzo kwa wamiliki wa magari mengi na wateja maalum (asilimia 34) na kwa watengenezaji waasisi wa vifaa (asilimia 93).Hata hivyo kushuka kwa mauzo ya biashara ya wasambazaji (asilimia 31) pamoja na biashara za masoko ya nje (asilimia 20) kuligeuza faida hizo. Mauzo kwa idadi yalipungua kufikia matairi 282,000 ikilinganishwa na matairi 320,000 yaliyouzwa katika mwaka 2014.

Jumla ya pato iliboreka kufikia asilimia 29 kutoka asilimia 25 iliyosajiliwa mwaka 2014 sambamba na kupungua kwa bei ya pembejeo malighafi na udhibiti wa gharama za kiwanda kwa ushupavu.

Gharama ya riba ya shilingi milioni 14.8 ilikuwa chini kwa kiasi kikubwa ikilinganishwa na shilingi milioni 42.9 iliyosajiliwa mwaka 2014, hii ikiwa ni dhihirisho la juhudi za wasimamizi zinazoendelea za kuhakikisha viwango maridhawa vya mtaji wa kufanya kazi. Hata hivyo, hasara zinazotokana na ubadilishanaji wa sarafu za kigeni za shilingi milioni 41.9 zilikuwa juu kwa kiasi kikubwa ikilinganishwa na shilingi 557,000 mnamo mwaka 2014 lakini ilikuwa sambamba na kuzorota kwa ubadilishanaji wa fedha kote katika eneo la Afrika Mashariki.

Matokeo ya hayo ni Kundi kusajili faida kabla ya kodi ya shilingi milioni 5.7 ikilinganishwa na hasara ya milioni 69 mwaka 2014.

Uzalishaji wa fedha katika Kundi uliboreka kufika Kshs milioni 305 ongezeko kutoka Kshs milioni 148 katika mwaka 2014, huku tukisisitiza usimamizi bora wa mtaji kwa kuhimiza mauzo kwa pesa taslimu, bidii ya ukusanyaji wa fedha kutoka kwa wateja wanaodaiwa na uuzaji kwa haraka wa bidhaa zilizozidi.

Matumizi ya kiraslimali ya Kshs milioni 127 yalikuwa chini sana yakilinganishwa na Kshs milioni 232 zilizotumika mwaka 2014, ikiwa ni hatua za kupunguza matumizi kwenye mitambo ya kiwanda na badala yake tukaangazia ununuzi wa vifaa vya kuokea matairi kupanua msururu wa bidhaa ya SUMMIT.

Mpasho kuhusu vipaumbele vyetu vya kimkakati

Tumeingia katika mwaka wa nne wa mpango wetu wa wa kimkakati wa mwaka 2012 hadi 2016 na Sameer Africa sasa inaweza kuonekana wazi ni yenye nguvu na ni biashara inayoendeshwa ifaavyo zaidi-kiutendakazi, kifedha na kiuvumbuzi.

Mwakani 2015, tulipata matokeo mseto ikilinganishwa na vipaumbele vya kimkakati vilivyolenga kuweka Kundi katika nafasi bora ya ukuaji katika mustakbali huku gharama zikidhibitiwa na kuzidisha uzuri wa karatasi yetu ya mizania.

Ukuaji wenye faida

Malengo yetu ya kimkakati ni kufikia viwango maalum vilivyolengwa vya faida ya jumla ya pato na utendakazi huku tukiendelea kukuza mapato. Hata hivyo, katika mwaka uliopita tulishuhudia mwenendo wa kurudi nyuma ikilinganishwa na baadhi ya malengo yetu hii ikiwa ni kushuka kwa mauzo ya matairi kwa asilimia 13 kutokana na kuendelea kushuka kwa viwango vya bei katika vitengo vya bidhaa za bei ghali na vya bidhaa za bei za juu katika soko ambapo bidhaa zetu za Bridgestone na YANA zipo na kushuka huko ni kwa sababu zisizo za haki wala si za uadilifu. Kufurika kwa matairi yaliyopewa ruzuku kutoka Mashariki na matairi yasiyolipiwa ushuru katika masoko yetu yote, imekuwa ni kwa wingi kiasi kuwa yanaharibu soko.

Ili kulinda viwango vya faida, katika mwaka 2015, tulianza mpango kwa juhudi kuu kupunguza vyote gharama za ubadilishaji kiwandani na gharama za utendakazi. Azimio hilo lilileta uokoaji wa shilingi milioni 233 na ilihafifisha athari mbaya ya kupungua kwa mauzo kwa milioni 413 ikilinganishwa na mwaka 2014.

Hata hivyo, mbinu za kupunguza gharama ni hatua zenye manufaa yanayopungua na haziwezi, tukienda katika mustakbali, kukabili athari za mauzo yanayopungua mwaka baada ya mwaka. Kwa kuzingatia hilo, mkakati huu ulifikiriwa tena katika mwaka 2015 na idara ya usimamizi sasa inamalizia mkakati badali ambao huenda ukahusisha ufungwaji wa kiwanda na kuvuka kwenda kuagiza utengenezaji wa matairi ya aina ya Yana kupitia wagavi mbalimbali kutoka maeneo yenye mifumo ya gharama nafuu za utengenezaji zikiwemo nchi za China na India.

Kuangazia wateja

Bado tunaangazia kufikia viwango visio mithili vya kuridhisha wateja kupitia mawasiliano bora, kuzidisha mawasiliano ya moja kwa moja na wateja kwa kutumia vituo vyetu vya Yana, kusambaza bidhaa za hali ya juu kwa wakati utakikanao na kufufua upya harakati zetu za masoko.

Hadi sasa tumefikia kipimo cha asilimia 90 cha kuridhisha watumiaji ikilinganishwa na kipimo kicholengwa cha mwaka 2015 cha asilimia 85.

Mwakani 2015 tulizindua kituo kimoja tu cha YANA katika kanda nzima kufikisha jumla ya vituo kumi na saba. Changamoto za upatikanaji wa maeneo zilicheleweshwa mpango wetu wa uzinduzi wa vituo hivyo katika mwaka 2015, lakini vituo vya matairi vitatu vitafunguliwa katika robo ya kwanza 2016. Na pia tulivifanyia ukarabati kamilifu vituo viwili vya matairi ili kuvutia wateja na kuwa na mandhari ya kuvutia. Kituo chetu kipya cha mawasiliano cha Yana kiliendeleza shughuli mwaka mzima kwa lengo muhimu la kutoa kiunganishi cha moja kwa moja na wateja wetu na watumiaji kupitia njia tofauti za mawasiliano. Kufikia sasa tumekusanya zaidi ya majina na anwani 980,000 ambao tunaweza kuwasiliana nao kupitia simu, barua pepe au ujumbe mfupi. Kituo cha mawasiliano kitazingatiwa kuwa ni kituo cha mapato katika mwaka 2016.

Mkakati wetu wa kutatua madai ya matairi ndani ya masaa 48 ulishuka kidogo hadi asilimia 89 kutoka asilimia 90 katika mwaka 2014. La muhimu ni kuwa kipimo chetu cha madai kimeshuka hadi asilimia 0.36 tu ya matairi yote yaliyouzwa ikilinganishwa na asilimia 0.47 katika mwaka 2014, ikiwa ni natija ya mipango yetu inayoendelea ya kuboresha bidhaa.

Uvumbizi

Katika mwaka 2015 tulizindua aina ya vipimo viwili pekee vipya vya matairi ya YANA. Jumla ya aina ya vipimo 12 vipya vya matairi ya SUMMIT vitazinduliwa katika mwaka 2016. Toka kuanza kwa utekelezaji wa mpango wetu wa kimkakati mwaka 2012, tumezindua jumla ya aina ya vipimo 32 vya matairi ya YANA vikichangia asilimia 29 ya jumla ya mapato.

Tuliendelea kuzingatia kupunguza ufujaji na bidhaa chakavu katika kiwanda kwa kupunguza makosa ya waendeshaji mitambo wakati wa kuoka matairi, na kwa ukaguzi wa kila siku wa mitambo, usafishaji wa maji ya kuendeshea mashine katika kijumba cha nishati pamoja na ukarabati wa baadhi ya mitambo. Nina furuha kuripoti kuwa hatua hizi zinazaa matunda na katika mwaka 2014 tulisajili kupungua kwa asilimia 20 kwa bidhaa chakavu na ufujaji ikilinganishwa na mwaka 2014.

Tulifikia asilimia 61 ya utumizi wa kiwanda ikiwa ni tani 10.9 za raba kwa siku ikilinganishwa na asilimia 73 ikiwa tani 13.2 za raba kwa siku katika mwaka 2014 na ikilinganishwa na lengo la kimkalati la asilimia 80 (tani 14.5 kwa siku). Uboreshaji wa kiwanda bado umebakia kuwa changamoto baada ya kuzorota kwa kitengo cha soko cha bidhaa yetu ya YANA na inaonyesha wazi tatizo la uendelevu wa utengenezaji humu nchini.

Katika mwaka 2014 tuliripoti kuwa tulikuwa katika mazungumzo na mwekezaji mtarajiwa wa kiufundi na wa mtaji ili kukijadidi kiwanda chetu na miundo mbinu husika. Mazungumzo hayo yalisitishwa kwa maridhiano katika mwaka 2015 tulipokosa kukubaliana juu ya thamani inayokubalika na pande zote mbili.

Wafanyakazi na uongozi

Mkakati wetu ungali ni wa kutengeneza shirika lenye wafanyakazi wachache wachangamfu wenye uwezo wa kufikia malengo.Tunanuia kuvutia, kukuza na kuwashikilia wafanyikazi wenye vipaji mwafaka huku tukizoezesha tabia za msingi wa utendaji.

Katika kalenda yetu ya mafunzo inayotumika kutoka Aprili 2015 hadi Machi 2016 tulilenga kufanya kozi 55 za mafunzo kwa wafanyakazi na kufikia mwisho wa mwaka 2014 tulikuwa tumeendeleza kozi 43 ikiwa ni asilimia 78 ya lengo.Uchukuwaji wa likizo ulikuwa asilimia 90 ikilinganishwa na lengo la asilimia 90.Tunaendelea kutekeleza sera yetu ya kupeleka mbele hadi mwaka mwingine siku za likizo zisizozidi siku saba pekee kwa kila mfanyakazi.

Katika mwaka 2015 kiwango cha mabadiliko ya wafanyakazi kilikuwa asilimia 7.8 ikilinganishwa na asilimia 11 katika mwaka 2014, kiwango hicho hata hivyo, kinashuka zaidi iwapo hawatahesabiwa wafanyakazi waliotoka kwa sababu za uaminifu, utendaji duni na kwa sababu za kinidhamu.

Tunaendelea pia kujaribu kuboresha mawasiliano na wafanyakazi kupitia mikutano ya idara na miamala mingine isiyo rasmi.Katika kipindi cha mwaka, Mkurugenzi Mkuu aliendelea na mikutano yake maarufu na wafanyakazi ya kiamshakinywa katika idara zote ambapo habari kuhusu utendaji na mkakati husambazwa na maoni kuchukuliwa.

Utendaji endelevu

Katika Sameer Africa msimamo wetu wa kimsingi ni kuwa tuendeshe biashara yetu kwa njia endelevu na ya kuwajibika. Daima tutahakikisha kuwa biashara yetu hivi leo haitaathiri uwezo wa washika dau wa baadaye kukidhi mahitaji yao. Masuala ya kimazingira na ya kijamii yana uhusiano thabiti na utendaji wa kiuchumi kupitia bidii tunazotia katika mipango ya usimamizi wa kimazingira na ambazo zinahusisha kushirikiana na wafanyikazi,wateja,waletaji bidhaa, wateja na jamii.

Utendaji wa kimazingira

Shughuli zetu za usimamizi wa kimazingira huzingatia masuala muhimu katika vitengo vya utendakazi, mchakato wa utengenezaji na utoaji bidhaa ambapo sisi hujaribu kupunguza athari hasi na kukuza zile chanya.

Katika mwaka 2015 tulifanya changanuzi za kimazingira ya kila mwezi tukiangazia hasa kuhusu
a) Utumiaji wa maji
b) Utumiaji wa mafuta ya tanuri
c) Taka zisizo na athari ya kemikali
d) Ukopoaji wa uchafu unaoweza kudhuru

Utendaji wa kijamii

Utendaji wa kijamii hupima muamala wa kampuni na wafanyakazi wake na pia muamala na jamii.

Wafanyakazi

Mabadiliko ya wafanyakazi katika mwaka 2015 yalikuwa katika kiwango cha wastani cha asilimia 7.8 (mwaka 2014-asilimia 11) ikiwa ni ndani ya kiwango cha asilimia 14 kinachokubalika katika sekta hii ya kibiashara. Tulishuhudia viwango vya juu vya mabadiliko hayo vikisajiliwa katika vitengo vya utengenezaji na mauzo lakini idara ya usimamizi inashughulikia changamoto zinazoathiri mabadiliko katika vitengo hivyo.

Kampuni hufuata viwango vya kimataifa katika afya na usalama. Katika mwaka hapakuwa na vifo kutokana na uendeshajikazi wetu wowote. Hatahivyo tulipoteza siku za kazi 150 kutokana na likizo za kuugua na siku 149 kutokana majeraha yaliyosababi na ajali tano; 2 zikifanyika kazini na 3 nje ya ofisi. Hatua zimechukuliwa kuzidisha ufahamu wa wafanyikazi kuhusu kutumia mavazi ya kujikinga wakati wote na kufuata kanuni zilizowekwa za usalama.

Kampuni inatambua na ni yenye hisia kali juu ya haki za kibinadamu na ina sera dhidi ya ubaguzi wa aina yoyote.

Wafanyakazi wetu hujulishwa kuhusu matakwa ya kutojihusisha na matendo ya ulaghai wala ufisadi katika harakati zao za kibiashara. Sera yetu ni kutokubali kabisa maovu hayo.

Uwajibikaji katika bidhaa

Viwango vya ubora wa utendaji wa bidhaa zetu, afya na usalama vimekuwa vitofautishi muhimu vya bidhaa zetu katika soko. Bidhaa zetu zote zina udhamini wa mtengenezaji; ikiwa ni ushuhuda wa imani tuliyo nayo na michakato yetu ya utengenezaji.

Kuwajibika kijamii

Mipango ya maendeleo ya kijamii inayoanzishwa na Sameer Africa huzingatia kuboresha maisha na ustawi wa jamii tunazoendeshea kazi miongoni mwao. Katika kipindi cha mwaka tulifadhili vyama kadhaa vya misaada kupitia kufadhili michezo ya gofu na michango ya moja kwa moja kwa wahitaji. Kwa upande wa usalama tuliandaa mafunzo juu ya utumiaji wa matairi na usalama wake kwa makundi yaliyolengwa vikiwemo vyama vya ushirika vya matatu, waendeshaji biashara za utalii na mafundi wa magari na tuliweza kufunza jumla ya watu 2,078 katika kanda.

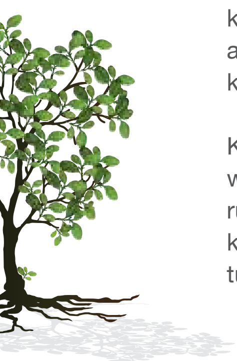
Mtazamo

Tunatarajia mazingira yenye changamoto kuendelea katika mwaka 2016 kama ilivyoshuhudiwa katika mwaka 2015. Kuna uwezekano mkubwa wa kuendelea kufurika kwa bidhaa zinazoagizwa kutoka nje zilizopewa ruzuku na matairi yasiyolipiwa ushuru na hayo yatakuwa na athari mbaya kwa idadi ya matairi tunayouza na viwango vyetu vya faida. Kabla ya mwisho wa mwaka 2016, tutakuwa tumekamilisha mkakati ambao utakabili changamoto hizi na kuhakikisha tumehifadhi uwezo wa biashara yetu ya matairi katika mustakbali.

Mtazamo wa kiuchumi wa masoko mengi ya Kiafrika na masoko yanayoibuka yanaonekana kuwa yenye bei zinazoteremka lakini tunaendelea kuwa na matumaini kuhusu uchumi wa nchi za Afrika Mashariki. Hata hivyo matokeo ya changamoto ya uchumi wa China, kuzorota kunakoendelea, masoko ya mtaji yasiyokuwa na mwelekeo, hali ya wasiwasi mkubwa juu ya kuongezwa kwa fedha katika soko na soko dhaifu la dhamana katika nchi za kimagharibi, hayo yote bado ni sababu zinazotishia tunavyoendelea mbele.

Tunatarajia bei za mafuta yasiyosafishwa na bei za raba kusalia chini katika 2016. Ishara za awali zinaonyesha kuwa bei za malighafi inayotumika kutengeneza matairi, aghalabu zitabaki kama zilivyo, ikiwa na athari nzuri kwenye gharama zetu za utengenezaji matairi.

Katika mwaka 2016, tutaangazia mpango wa kimkakati wa kukabili athari mbaya ya matairi ya China yaliyopewa ruzuku na matairi yasiyolipiwa ushuru yaingiayo katika masoko yetu. Huu utakuwa mpango muhimu tukiendelea mbele.



Vilevile tutaangazia yafuatayo:-

- Kupenyeza kwa nguvu katika sekta ya soko yenye punguzo za bei kwa kutumia bidhaa yetu ya ushindani ya SUMMIT ,soko ambamo sasa tuna bidhaa kadhaa wakilishi. Hili litatuwezesha kuweka bei zetu upya kwa misingi ya mkakati wa aina tatu za bidhaa, ili kuweza kurejesha viwango vya faida vya Bridgestone na YANA.
- Kupanua uwepo wa vituo vya matairi vya Yana katika kanda nzima.
- Kuongeza asasi yetu ya wateja wa kimashirika na Serikali.
- Kuangazia fedha na upunguzaji kwa jumla wa viwango vya mtaji wa kufanya kazi.

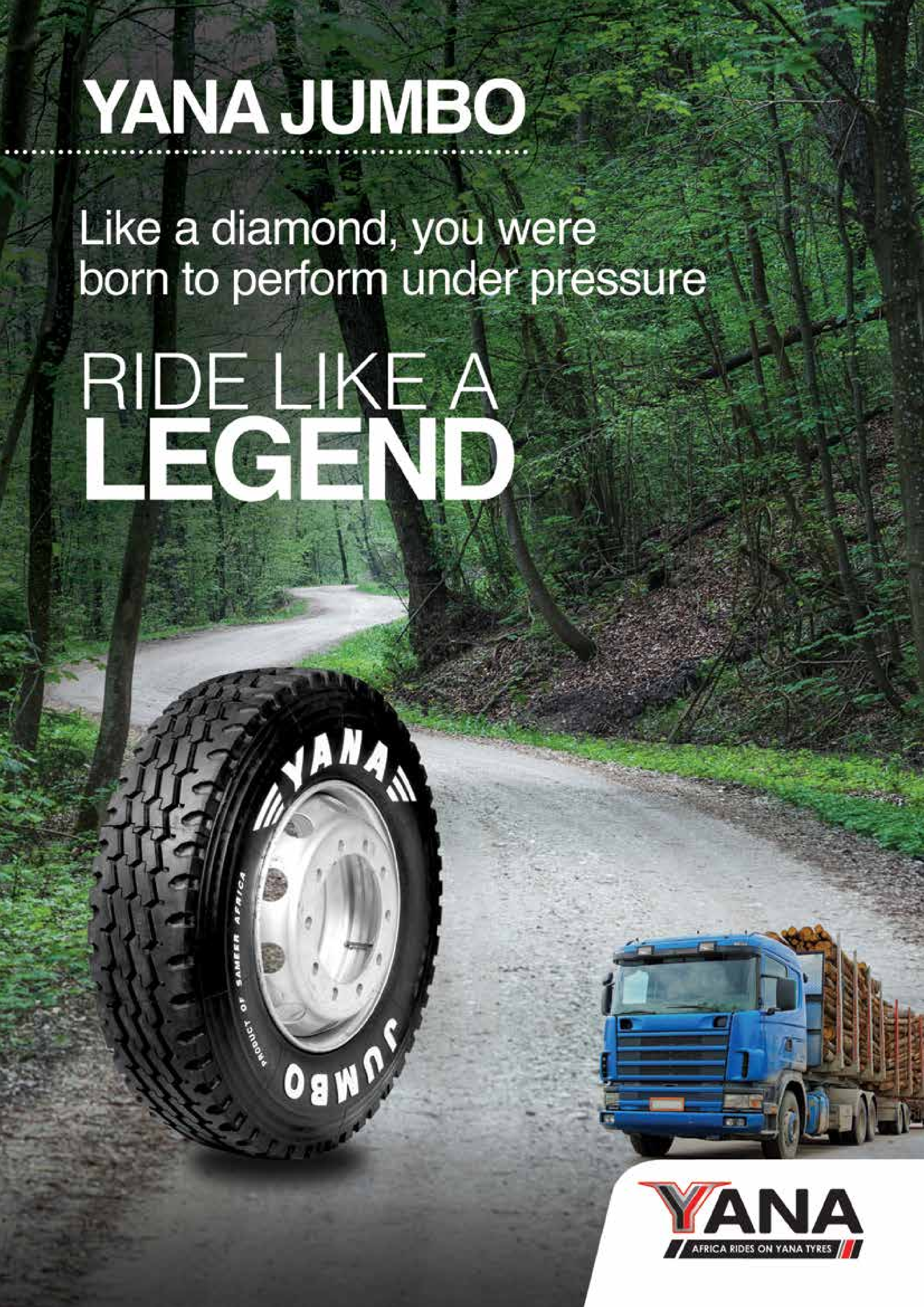
Kama hatua yetu ya kuhakikisha kufikia malengo yetu ya kimkakati kupitia wafanyakazi, tutaendelea kuboresha utafutaji wetu wa vipaji katika ngazi zote na tutaendelea kupiga msasa jitihada zetu za kuleta desturi zinazofungamana na utendaji sambamba na malengo yetu ya kimkakati.

Tutaendelea kuzingatia mkusanyiko wa majengo yetu ili kupata mapato ya juu zaidi, kwa kuwa sasa tushapangisha nafasi zote katika Sameer Industrial Park na Sameer Export Processing Zone.Vilevile tutaendelea na juhudi zetu za kupangisha Sameer Business Park lakini kulingana na mkakati wa kuleta wapangaji wa hadhi ya juu pekee kwa jumba hili la kiwango cha kimataifa.

Katika mwaka 2016, tutaendelea kutafuta kwa juhudi kuu nafasi nyingine za kufumbua thamani kutoka katika mkusanyiko usio haba wa majumba yetu.Uboreshaji wa muundo mbinu wa barabara unaoendelea na uliopangwa utamaanisha kuwa eneo la viwanda Nairobi litakuwa ni kituo kilichoboreka cha kuweka ofisi za kibiashara na majengo ya biashara za rejareja.Tunanuia kukamilisha mipango ya kujenga jumba la kibiashara la mita 15000 mraba kando na barabara ya Enterprise katika kiwanda chetu kilicho katika maeneo ya viwanda, Nairobi.

Kundi halingefika mpaka kipande hiki cha safari yake bila ya watu wetu na mfumo wa maadili ambao ndio unajenga msingi wa shughuli zetu zote.Tulikabiliwa na changamoto kubwa kubwa katika mwaka 2015, lakini kufuatia changamoto hizo tunaamini tumeandaa mikakati au tuko katika hali ya kuandaa mikakati itakayoendelea kuona Kundi linafanikiwa katika mustakbali.Tuna kundi adhimu la watu anuwai na wenye vipaji, ambao wamejitolelea kuzalisha na kutoa thamani endelevu kwa wateja wetu, wanahisa wetu na jamii kwa jumla.

Allan Walmsley
Mkurugenzi Mkuu


YANA JUMBO
Like a diamond, you were born to perform under pressure
RIDE LIKE A LEGEND
YANA
JUMBO
PRODUCT OF SAMEER AFRICA
YANA
AFRICA RIDES ON YANA TYRES

2.3.1 Who we are

Sameer Africa Limited is the only tyre manufacturing company in East and Central Africa.

Sameer Africa Limited, then, Firestone East Africa established in Kenya 1969.

1969

The Company was established in Kenya by Firestone Tyre and Rubber Company of 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.

Bridgestone Corporation purchased Firestone Tyre & Rubber Company

1988

Bridgestone Corporation purchased Firestone Tyre & Rubber Company. Sameer Investments Limited retained its shareholding in Firestone East Africa (1969) Limited.

Firestone East Africa (1969) Limited listed on the Nairobi Securities Exchange

1995

The Company is listed on the Nairobi Securities Exchange (then the Nairobi Stock Exchange) under the automobiles & accessories category.

The company's corporate identity changed to Sameer Africa Limited

2005 (Apr)

The change in corporate identity, created an independent tyre producer based in Kenya that aims to supply the East African and COMESA markets.

The Yana brand is officially launched in Nairobi

2005 (Nov)

Our brands

YANA – AFRICA RIDES ON YANA TYRES
SUMMIT TYRE – Taya poa, thamani poa
BRIDGESTONE – Your Journey, Our Passion

The **YANA** brand 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.

With a technical capability developed over 46 years of producing tyres in Kenya, the company is now able to produce a comprehensive range of tyres to meet customers' needs across 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.

Yana is a high performance tyre that rides on a strong heritage associated with high quality, durability, reliability and safety derived from its unique technical specifications. These attributes give better value for money in terms of cost per kilometer (CPK). The brand is also packaged with full warranty cover for the life of original tread of the tyre without limit as to distance covered and against any manufacturing defects in material and workmanship under normal use and service.

The Yana brand is positioned in the high value price segment of the market at a comparatively affordable price.

Summit Tyre is Sameer Africa's second tyre brand developed to serve the fast-growing discount market segment currently dominated by brands from the Asian continent. The brand is an appropriate and affordable tyre that delivers value for money without compromising on performance.

Manufactured in China under license to Sameer Africa, all the technical specifications for Summit tyre are developed by the same engineers empowered and entrusted with manufacturing Africa's number one leading tyre brand, Yana; hence the confidence in the quality and performance of Summit. The tyres are all manufactured under strict supervision of our own technical experts from Kenya to ensure that quality standards are observed.

Summit tyre therefore, encompasses high level technical specifications and uncompromised safety with guaranteed quality and to underpin this, the brand is sold on warranty.

The brand is also available in the key categories and sizes ranging from passenger, light truck, medium truck and truck & bus offered in different patterns for different vehicle applications, ensuring that the mass market needs are fully met.The unique selling propositions for the brand cut across good performance, affordability and warranty and thus the tagline "Taya poa, thamani poa".

Bridgestone is a world well-known brand under the premium tyre market segment manufactured in Japan. This premium brand has withstood performance tests across all six continents, with diversified products manufactured for varied applications to support industry and consumers across the globe.

With a global production network set to respond rapidly to customer needs, Bridgestone tyres are distributed by leading tyre companies, and Sameer Africa Limited triumphs to be one of the distributors of the brand in the East African market. The brand is committed to environmental protection and road safety and has developed education programs and corporate citizenship activities worldwide. The brand is also a proud leader in global motorsports, an aspect which stamps its superior quality and endorses trust and pride in the brand.

2.3.2 Our Business Philosophy

The Sameer Africa business philosophy is core to the success of our business. It drives our business model and strategy.

Over time, our Vision and Values have remained constant – even as our strategic objectives, commitments to stakeholders, operating model and structure and strategy have evolved. As a result, our business philosophy is not only intact, but has become better integrated, coherent and reflective of our stakeholder interests.

The Sameer Africa business philosophy is made up of three parts: Our Mission, Our Vision and Our Values. These components work together collectively to define the product and service offerings to our customers, how we interact with stakeholders and how delivery to those stakeholders is measured.

Our Mission

Provide safe mobility with unparalleled experience

Our Vision

To be the ultimate provider of innovative reliable tyre solutions

Our Slogans

"Sameer Africa will take you there"
At corporate level to link with the products range for mobility.

"Africa rides on Yana Tyres"
At brand level to link with the brand promise of reliability, comfort, safety and ultimate trust.

Our Values

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

Respect: We treat our customers, suppliers, stakeholders and each other with respect in a consistent and fair manner that promotes teamwork and embraces diversity

Innovation: We continuously develop market relevant products through innovation and efficient service delivery.

Accountability: We individually and collectively take full responsibility of our actions and hold ourselves accountable to each other and to all stakeholders.

2.3.3 Creating value for our stakeholders

Our stakeholders and related material issues

Sameer Africa's material issues are identified as those having the potential to significantly impact our business and our stakeholders.

This assists us in identifying, managing and mitigating risks. The concerns outlined below are in line with the risk management process outlined in the "Operating Context and Risk Management" section of this report.

Every material issue has the potential to influence the decision, action and performance of one or more of our stakeholder groups. Our key stakeholders are identified based on a three (3) point criteria and defines how we interact with them;

- Stakeholders who are directly or indirectly impacted by our operations and activities;
- Stakeholders towards whom we have a legal, commercial, operational, societal or ethical responsibility;
- Stakeholders who can impact on our strategy and operational decision making.

Our stakeholders include our shareholders and investors, the local community, employees, suppliers, customers and regulatory bodies.

Material issues and risks

Shareholders/Investors
- Financial returns
- Good governance
- Sustainability
- Risk management
- Capital management

Local community
- Employment opportunities
- Stakeholders responsiveness
- Factory emissions and water quality

Employees
- Health & safety
- Workers' rights
- Remuneration & incentives
- Threat to collective bargaining process
- Skills development

Suppliers
- Payment terms
- Contract terms
- Quality control
- Raw material sourcing and management

Customers
- Payment terms
- Market share
- Product positioning in the market
- Corporate and brand risk
- Contract terms

Regulatory bodies
- Taxes and County levies
- Compliance with legal regulations

How we engage with our stakeholders

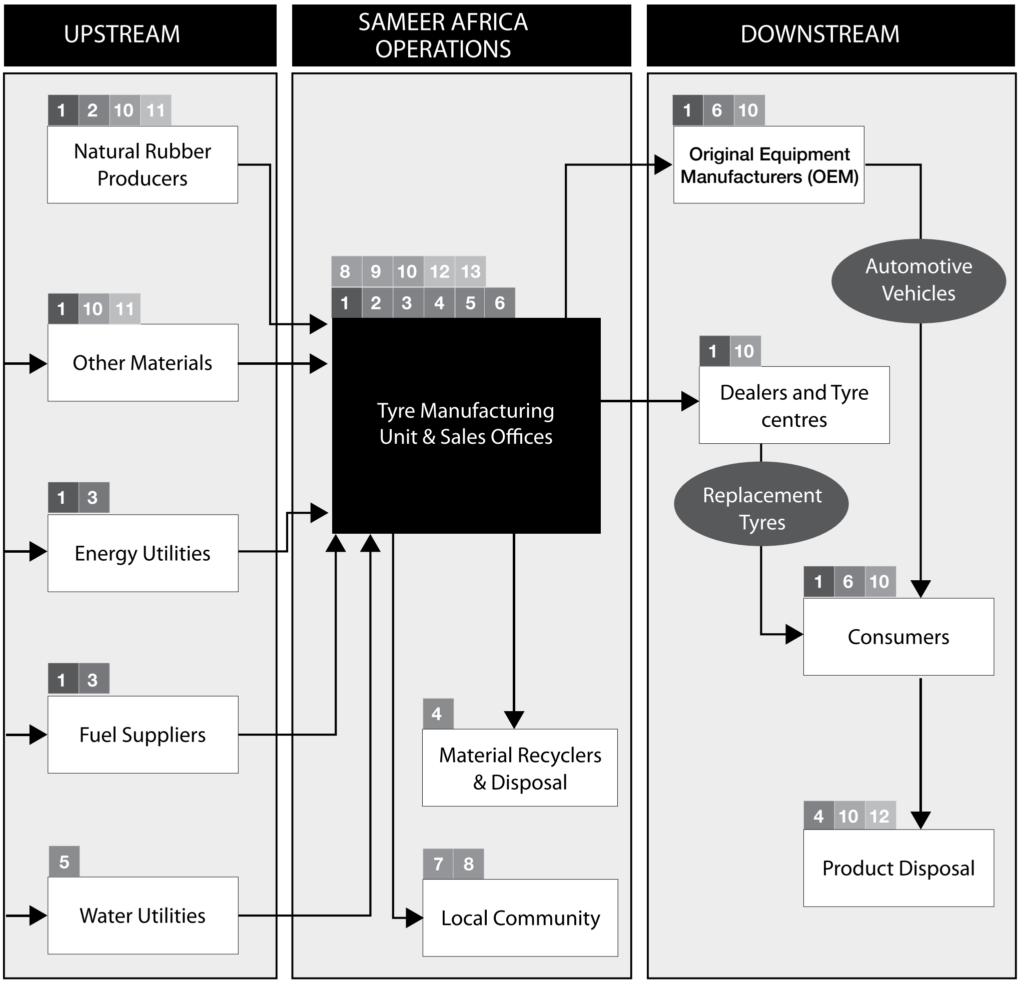
Stakeholder group	How we engage	Frequency of engagement	Outcomes & actions taken
Shareholders and investors	• Investors relations section of our websites • Financial results release • Annual General Meeting • Press briefings	• Ongoing • Semi-annually • Annually • Ongoing	• Commitment to comprehensive reporting. • Integrated reporting embraced • Compliance with IFRS reporting requirements
Local community	• Social responsibility initiatives • Direct contributions to needy cases	• Ongoing • Ongoing	• Conducted sponsorship activities • See also page 73 and 76
Employees	• Performance evaluations • On the job training • Job satisfaction surveys • Managing Directors breakfast briefings • Departmental meetings	• Semi-annually • Ongoing • Bi-annually • Quarterly • Monthly	• 85% of staff now on performance evaluation • Achieved 78% of targeted staff trainings in the year • Reduced staff turnover to 7.8% compared to 11% in 2014
Suppliers	• Procurement policy and procedures • Supplier site visits • Supplier reconciliations	• Ongoing • Ongoing • Monthly	• Supplier code of conduct • Revised policy on gifts & gratuities • Revised pre-qualification procedures
Customers	• Market activations • Product support • Technical training on tyre handling and safety • Customer satisfaction surveys	• Ongoing • Ongoing • Ongoing • Ongoing	• Conducted training to 2,078 end users • Claims settlement at 90% • Achieved a satisfaction index of 73%
Regulators	• Participation in stakeholders forums • Submission of policy recommendations	• Ongoing	• Membership in KAM / KEPSA

Material Issues across the Value Chain

Identification of material issues across the value chain provides Sameer Africa with a view of its overall impact. It gives us an opportunity to strengthen our sustainability performance with relevant stakeholders across the value chain.

Value Chain

The figure below outlines a basic schematic diagram of the value chain of Sameer Africa along with the value chain location where the organisation's material issues are impacted.

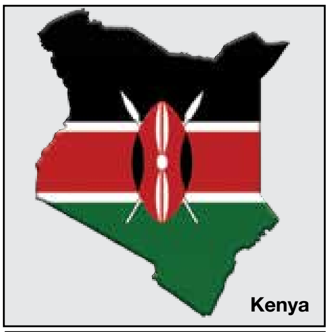


Legend - Material issues occurrence

Economic	Environmental	Social	Governance
1 Economic Performance	2 Raw Material Sourcing and Management	7 Societal Development	12 Compliance to Legal Regulations
	3 Energy Sourcing and Management & GHG Emissions	8 Employee Development and Management	13 Ethics, Transparency and Accountability
	4 Waste Generation and Management	9 Ethical and Fair Working Practices	
	5 Water	10 Product Responsibility	
	6 Environmentally Enhanced Product	11 Supplier Responsibility	

2.3.4 Our business and markets

Core markets



Kenya

Tanzania

Uganda

Burundi

Kenya is our largest market, where we have presence in the Nairobi, Mombasa, Kisumu, Nakuru, Eldoret, Nyeri, Thika and Machakos.

In **Tanzania**, our footprint extends to Dar es Salaam, Mwanza and Arusha.

In **Uganda** we are based in Kampala but have reach across the country through our dealers and partners.

In **Burundi** we operate out of Bujumbura from where we serve the neighbouring markets including Rwanda and Congo

Core business

Tyre manufacture & distribution

Our tyre factory, located in the Industrial Area of Nairobi, is the only tyre manufacturing complex in East and Central Africa. This facility manufactures Sameer Africa's own brand of Yana tyres, which are distributed through our subsidiaries and well established distribution network across East & Central Africa.

Retail – tyre care & allied services

Our retail business, trading as Yana Tyre Center Limited, operates tyre centres' in major towns in Kenya, Tanzania, Uganda and Burundi. Our retail presence is on the rise and we plan to have 50 outlets by end 2020.

Rental services

Our fully owned subsidiaries, Sameer EPZ Limited and Sameer Industrial Park lets space to tenants licensed to operate in an EPZ zone. Also, through our associate company, Sameer Business Park, the company is involved in the rental of this world-class facility that is located conveniently along Mombasa Road

Share of Group revenue

Manufacturing, distribution and regional operations	Yana Tyre Centres	Rental business
85%	**11%**	**4%**

In 2015, global economic activity remained subdued, with falling commodity prices, declining international trade and capital flows, and episodes of financial volatility.

2.4.1 External factors and trends

Economic outlook

Global growth is forecast at 3.8 percent in 2016, with uneven prospects across countries and regions. Growth in emerging market economies is softening, reflecting an adjustment to diminished medium-term growth expectations and lower revenues from commodity exports as well as country-specific factors. The outlook for advanced economies is showing signs of improvement, owing to the boost to disposable incomes from lower oil prices, continued support from accommodative monetary policy stances, and more moderate fiscal adjustment. The decline in oil prices could boost activity more than expected. Geopolitical tensions continue to pose threats and risks of disruptive shifts in asset prices remain relevant. In some advanced economies, protracted low inflation or deflation also poses risks.

Politics and security issues stood in the way of economic growth for East African countries in 2015, in the absence of further integration to allow for free movement of goods, services, people and capital. The EAC economies are expected to grow by an average of 5.8 per cent in 2015. Security concerns and uncertainties over elections in Rwanda and Kenya in 2017 have however, dampened prospects for growth in 2016.

Firmer growth ahead will depend upon continued momentum in high income countries, the stabilization of commodity prices and China's gradual transition towards a more consumption and service based growth model.

Country specific economic briefs	
Kenya	The Kenyan economy performed comparatively strongly in 2015, even in the face of global economic headwinds, such as slow growth in Europe and domestic hurdles, including weaker tourism receipts and a depreciating currency. Economic growth in Kenya is expected to accelerate slightly in 2016 to 6%, driven primarily by continued infrastructure expenditure for projects such as the Lamu Port-Southern Sudan-Ethiopia Transport (LAPSSET) corridor. The targeted infrastructure expenditures will lay the foundation for elevated GDP growth in the future. Among the planned investments is Kenya's flagship project for the Vision 2030 development programme, the standard Gauge Railway, which will connect the nation's main port of Mombasa to the capital Nairobi, further easing the flow of goods in the region.
Tanzania	Tanzania recorded strong economic growth of 7 per cent in 2015, driven by construction and financial services as well as the transportation and communications sectors. In March, the government unveiled plans to spend USD 14 billion to construct a new railway network, stressing the country's intention to become a regional transport hub. A new pipeline connecting offshore natural gas fields with Dar es Salaam, which is aimed to support the country's nascent natural gas industry, was completed in April 2015 and is expected to be operational soon. In the political arena, the October national elections which were largely peaceful, saw the election of the ruling party (CCM) candidate, John Pombe Magufuli as the new president of the Republic. Tanzania's growth prospects also moderated slightly. Focus Economics Consensus Forecast panellists see GDP at 7.0% in 2015 and 6.9% in 2016.
Uganda	Economic challenges deepened in Uganda in 2015 and 2016 promises to see more of the same. Relatively weak commodity prices are weighing heavily on earnings for traditional export goods such as coffee. Meanwhile, a general economic slowdown ensued as the country moved into general elections in 2016. The Incumbent National Resistance Movement (NRM) candidate, Yoweri Kaguta Museveni was re-elected despite claims that he had exceed the constitutional presidential term limit.
Burundi	Political unrest exploded onto the streets of Bujumbura in 2015, following the announcement by the incumbent president of his desire to run for a third term. These political tensions hampered development and growth. Long term, the future of Burundi is very promising and the acceleration of the construction of hydroelectric dam projects, mining of the reserves of nickel and the reform of both the coffee and tea sector seem to be able to bring the country's growth to 8% + and to reduce the level of poverty. To achieve this, it will take further efforts at improving economic governance and the fight against corruption.

Industry Analysis

Manufacturing Sector in Kenya

Kenya's manufacturing sector directly employs over 250,000 people while 1.4 million people are employed through the manufacturing supply and distribution chain, a representation of 13 per cent of the country's total employment.

The realization of Kenya's long-term development policy framework, Kenya Vision 2030, whose goal is for the country to become a newly industrialised economy, identifies the manufacturing sector as a key driver in the attainment of this goal. The sector is seen as an important pillar in the achievement of Kenya's development. Indeed, it contributes significantly to wage employment as well as to Kenya's merchandise exports and accounts for a significant proportion of informal employment within the small and medium-sized enterprise (SME) sector.

Over the past 10 years, Kenya's manufacturing base has remained static at around 9% of the country's GDP. Increasing this base is critical to job creation and economic growth as well as domestic and foreign investment. To re-invigorate this sector, the government through the Ministry of Industrialisation and Enterprise Development, has developed Kenya's industrial transformation programme to guide the country on its journey to industrialisation. The Ministry identifies a wide range of real and tangible opportunities where the country has natural competitive advantages, both regionally and globally and seeks to take immediate advantage of these opportunities to develop the industrial base. The program, guided by Vision 2030, identifies six key challenges: infrastructure and land availability, skills and capabilities in priority sectors, quality of inputs, cost of operation, access to markets and investor-friendly policies and developed a five-point strategy to capture these opportunities over the next ten years.

- Launch sector-specific flagship projects in agro-processing, textiles, leather, construction services and materials, oil and gas and mining services and IT related sectors that build on our comparative advantages.
- Develop Kenyan small and medium enterprises (SMEs) by supporting rising stars and building capabilities with model factories.
- Create an enabling environment to accelerate industrial development through industrial parks/ zones along infrastructure corridors, technical skills, supporting infrastructure and ease of doing business.
- Create an industrial development fund.
- Drive results through the newly formed Ministerial Delivery Unit.

2.4.2 Tyre Manufacturing Inputs

Raw materials

Raw materials for tyre manufacture have witnessed a declining trend over the last 4 years fuelled primarily by the unprecedented decline in the prices of natural rubber; the main ingredient in tyre manufacture.

Raw Material Prices 2013 to 2015 US$ PMT C&F Mombasa

Material	2013	2014	2015	Change: 2015/2013
Natural Rubber (NR)	2.69	2.04	1.53	-43%
Synthetic Rubber	2.58	2.24	1.56	-39%
Fabrics	5.13	5.20	4.90	-4%
Carbon Black	1.31	1.22	0.87	-34%
Steel Cord	2.97	2.86	2.57	-13%
Rubber Chemicals	2.78	2.74	2.56	-8%
Bead Wire	1.16	1.12	1.00	-14%
Average 2013	**2.66**	**2.49**	**2.25**	**-20%**

(a) Natural rubber outlook

Natural rubber production contracted for the first time in five years in 2014, falling by 3.4%, as some farmers withheld tapping or switched to alternative crops in response to the sharp falls in price in 2013-14. Small annual increases in production are expected, averaging 2.4%, in 2016 as prices move up in response to the tighter market conditions. The major risks for rubber production are the climate in South-east Asia, where the vast majority of rubber is grown, combined with the political situation in Thailand.

On the demand side, consumption of natural rubber is expected to have slipped 3.1% in 2015, before rising fractionally by 3.2% in 2016. Growth in India's consumption is expected to remain healthy in 2015-16 as the wider economy picks up momentum. We are also expecting stronger demand in other Asian markets, notably Indonesia and Thailand. However, there are a number of potential constraints on natural rubber consumption in 2016. The mining sector is a big consumer of natural rubber but many of these companies have been revising down capital expenditure budgets in recent months.

(b) Synthetic rubber

The decline in the oil price could lead to lower synthetic rubber prices, increasing its competitiveness vis-à-vis natural rubber. As such, we expect the pace of natural rubber consumption to slow by 3.1%.

Energy

The use of energy is critical in the tyre manufacturing process. During the mixing cycle, heat and friction are applied to the mixer to soften the rubber and evenly distribute the chemicals. During the tyre building and curing processes, steam is pumped into the chamber, expanding it to shape the tyre against the sides of the mold.

Sameer Africa uses electricity from the national grid to generate heat for vulcanisation during curing, and fuel oil in its steam generating boilers. After raw materials, energy constitutes the largest cost in the tyre manufacturing process. Consequently, the price dynamics of electricity and fuel oil significantly affect our conversion costs and consequently the pricing and margins of the final product.

(a) Electricity tariffs

Kenya has 2,150 MW of generation capacity to serve its population of more than 43 million, which constrains economic growth. Kenya is believed to possess more than 7,000 MW of undeveloped geothermal energy resources in the Rift Valley. Wind and biomass energy are also significant potential sources for power generation.

The challenges facing the electricity supply sector are mainly inadequate generation capacity arising from insufficient investment. The sector has had to resort to expensive, quick fixes such as Medium Speed Diesel (MSDs) generators running on Heavy Fuel Oil (HFO) and High Speed Diesel plants running on Automotive Gas Oil (AGO). Electricity is therefore expensive as these plants contribute over 40% of the effective capacity, with the cost of electricity generated ranging from US cents 26 to 36 per unit.

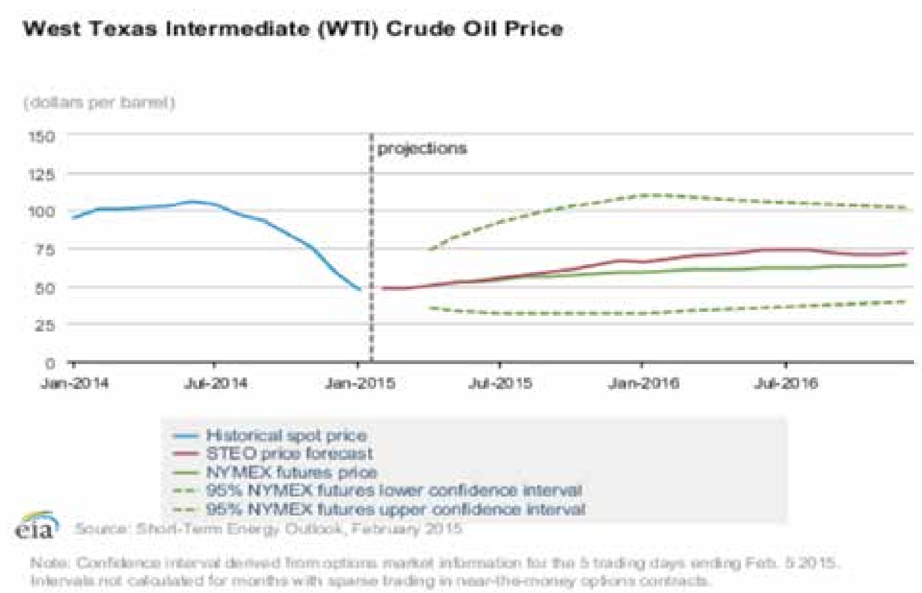
The high cost of electricity has had adverse effects for manufacturing entities in the country with the resultant high cost of manufactured output compared to outputs from countries with relatively cheaper electricity costs. Kenya aims to increase generation capacity by 5,000 MW by 2016 and by 23,000 MW by 2030. The Government of Kenya is focused on sustaining a stable investment climate for private-sector participation in energy, developing expanded transmission and distribution networks to deliver power to customers, maintaining a creditworthy off-taker, maintaining cost-reflective tariffs and reducing inefficiency in the sector to support more affordable end-user tariffs. Generation costs are expected to reduce from US cents 11.3 to 7.1 and the electricity tarrif for commercial/industrial use from US cents 14.14 to 9.0 cents with domestic rates coming down from US cents 19.78 to 10.45 cents.

(b) Crude oil prices

The price of fuel oil used in steam generation in the tyre manufacturing process is dependent upon crude oil price movements.

North Sea Brent crude oil spot prices averaged $31/bbl in January 2016, the lowest monthly average Brent price since December 2003. Brent crude oil prices averaged $52/b in 2015, down $47/b from the average in 2014. Growth in global liquids inventories, which averaged 1.8 million barrels per day (b/d) in 2015, continues to apply downward pressure on oil prices. Brent crude oil prices are forecast to average $38/bbl in 2016 and $50/bbl in 2017.

The recent decline in oil prices and associated increase in oil price volatility continues to contribute to a particularly uncertain forecasting environment and several factors could cause oil prices to deviate significantly from current projections. Among these factors is the responsiveness of supply to lower prices. Geopolitical tensions between Saudi Arabia and Iran may also prevent OPEC from coming to a consensus on cutting supply, while the degree to which non-OPEC supply growth is affected by lower oil prices will also affect market balances and prices.



(c) Recent developments in Kenya energy sector

(i) Discovery of Oil in Turkana County

In 2012, the Government announced the discovery of oil in Turkana County. This followed extensive exploratory efforts in areas such as Lamu and Isiolo. Efforts to establish the commercial viability of the oil find are underway, with an expected timeline exceeding three years before the country can become an oil producer. The discovery has been described as a major breakthrough that will contribute significantly to meeting the country's energy requirements

(ii) Confirmation of Coal Deposits

The confirmation of commercially viable deposits of coal in the Mui Basin, in Mwingi East, Mwingi Central and Mutitu Districts means that Kenya is set to join the coal mining nations of the world. This discovery of coal is expected to go a long way in filling the energy deficit in the country.

(iii) Geothermal Power Development

Kenya is endowed with vast geothermal potential and is recognized as one of the leading generators of geothermal power in Africa. It is estimated that the country has 7,000 MW – 10,000 MW of geothermal potential and it is currently Africa's largest geothermal producer at 210 MW. The discovery of commercially exploitable geothermal steam in Menengai contributed to the country's energy portfolio that will drive Kenya toward the achievement of Vision 2030. The Kenyan Government has recently initiated the Scaling-up Renewable Energy Program (SREP) investment plan in line with the national renewable energy development strategy

2.4.3 Fiscal measures

Inflation and interest rate trends

Overall, month-on-month inflation remained within the Government target range in 2015, settling at 7.0 percent by mid-year.

Overall inflation is expected to remain within the Government's medium term target range in 2015/16 supported by the monetary policy measures in place, lower international oil prices, declining international food prices which have dampened any upside risks to domestic food prices in the case of imports. and moderate electricity prices with increased output of geothermal power generation. However, the main risks to the inflation outlook include the possibility of imported inflation attributed to the depreciation in the Kenya shilling in case of a protracted global strengthening of the U.S. dollar. In addition, given the dominance of food in the consumer basket there remains a vulnerability to short-falls in the rains, and volatility in international oil prices.

Interest rates

Overall liquidity conditions were tight in the first half of 2015 with the interbank interest rate rising above the CBR from April 2015. Interest rates are expected to rise in 2015/16 in line with the tight monetary policy stance adopted by the MPC to contain inflationary expectations. Liquidity in the money market is expected to be supported by the normalization of absorption of devolved funds, and spending by the national government.

	2015	2016	2020
Inflation	7.78%	7.33%	5.33%
Bank Lending rates (KES)	17.17%	17.97%	17.97%

Source: Trading economies

Exchange rates

The Kenya shilling exchange rate against the U.S. dollar weakened gradually during the first half of 2015. This largely reflected the global strengthening of the U.S. dollar. The strengthening of the U.S. dollar reflected in part, the uncertainty on the timing of the first U.S. interest rate increase since 2008, coupled with the debt crisis in Greece. In addition, domestic factors attributed mainly to a wide current account deficit on account of increased imports of capital goods and transport equipment, against lower than expected earnings from traditional exports, exacerbated the pressure on the shilling. However, diaspora remittances remained strong during the period. The Central Bank of Kenya (CBK) interventions through direct sales of foreign exchange to commercial banks dampened short-term volatility in the exchange rate in the period.

The Kenya shilling is expected to be stable in 2015/16 on account of the monetary policy measures adopted by the CBK, the resilient diaspora remittance inflows, expectations for increased foreign direct investment in infrastructure, increased investor confidence in the economy, and the Government measures in the 2015/16 Budget to bolster security and tourism. However, the uncertainty around the timing of the increase in U.S. interest rates, the wide current account deficit and possible instability in the Eurozone due to the Greek debt crisis remain the main risks to the Kenya shilling.

2.4.4 Market dynamics

World tyre demand

Worldwide demand for tyres is projected to increase 4.1 percent per year to 3.0 billion units by 2019. In value terms, sales of tires are forecast to grow 7.1 percent per annum to $258 billion. This increase will be driven by rising incomes in developing regions, increasing ownership and average annual vehicle mileage, boosting the demand for both OE and replacement tyres.

The motor vehicle market will remain the largest outlet for tyre demand, accounting for over half of the total in 2019.

Demand for tyres in motorcycle and other applications is projected to outpace the global average and reach 990 million units in 2019. Tyre sales in this market are concentrated in fast growing developing regions, where motorcycles see heavy use as a low-cost substitute for motor vehicles. Sales of tires in other applications, such as aircraft, tractors, and industrial vehicles, will also grow at a healthy pace as manufacturing and usage of these vehicles increase.

The Asia/Pacific region holds the largest share of the world tire market and is forecast to post the fastest growth in demand through 2019. China, which accounted for one-fourth of global tire demand in 2014, will remain one of the most rapidly increasing national markets for tyres. The developing Africa/Mideast region and Central and South America will also register above average gains in tyre sales.

The African Tyre Market

….. Africa rides on Yana Tyres ….

World tyre demand

World demand to rise 4.1% annually through 2019

Motor vehicles to remain dominant market for tyres

Africa/Mideast region and Central and South America will also register above average gains in tyre sales

Demand for tyres in motorcycle and other applications is projected to outpace the global average and reach 990 million units in 2019.

The African continent is one of the fastest growing markets for the global tyre industry.

The rising demand for tyres in Africa has led to stiff competition between tyre manufacturers from all across the world seeking to garner a major share of the market for tyres in the new and emerging African markets. Traditionally, European tyre manufacturers have had a monopoly over the African markets and many European brands were top selling tyres in many African countries.

However, Chinese tyres have gained popularity in the majority of the African markets. Many developing countries, especially in Africa, are price-sensitive markets and prefer to import low-priced tyres rather than the expensive European and American brands. As a result, China has emerged as a leading exporter of tyres to many African countries in recent times.

Players in the tyre business worldwide are not renowned for fair trade practices. Kenya and indeed the whole Eastern Africa region, is no exception. In Kenya, a significant bulk of un-customed products enters the local market. International tyre manufacturers maintain that retail and wholesale prices of some foreign products in the market are well below the expected minimum if costs of production, transport, insurance and duty are considered an indication that there is illegal dumping or subsidisation at source.

Besides new tyres, there are also low-quality, second-hand tyres entering most African markets which soon wear out on the region's rough roads. Most used tyres are dumped into the African market after exceeding the legal use limit in European and other developed countries.

Despite the best efforts of the continent's tyre manufacturer's; Sameer Africa included, the onslaught of the Chinese manufacturers continues. As a consequence, margins on locally manufactured tyres have dramatically reduced.

East Africa tyre market parameters

Market potential

The East Africa tyre market (including Rwanda & Burundi) is estimated at 4 million tyres per annum. Sameer Africa share of this market is estimated at between 8% – 10 %. Almost 50% of the market is serviced by Chinese and Indian brands.

The total number of new vehicles registered in 2014, including motor cycles, was 218,178 (2013: 222,178) representing an decrease of 2% over 2013 registrations.

Vehicle Registration

Body Type	2009	2010	2011	2012	2013	2014
Saloons & station wagons	44,529	53,718	42,225	52,847	65,005	69,444
Vans & pickups	7,120	6,975	7,442	7,945	9,819	12,568
Minibuses & buses	5,540	4,864	2,113	1.716	2,297	2,423
Lorries, trucks & heavy vans	6,037	6,085	5,247	7,821	9,570	10,681
Trailers	2,883	2,379	2,556	3,761	3,973	2,925
Road construction & tractors	3,690	5,169	3,903	3,139	3,353	4,565
Total motor vehicles	69,799	79,190	63,486	77,229	94,017	102,606
Motor cycles & 3 wheelers	92,014	117,266	142,355	95,815	128,161	115,451
Total Registrations	**161,813**	**196,456**	**205,841**	**173,044**	**222,178**	**218,057**
		21%	**5%**	**-15%**	**28%**	**- 2%**

Source: Kenya Revenue Authority

The total number of licensed vehicles operating within the country has continued to grow by an average of 7% per annum from 2009. It is estimated that Kenya has approximately 1.8 million registered vehicles.

Similar growth rates have been witnessed in other East Africa economies.

Some of the envisaged changes that are likely to take place within the transport sector that will have a major impact in the next few years include:

- Increased spend on infrastructure development
- Envisaged light rail development within Nairobi metropolis and surrounding areas
- Upgrading of the Nairobi to Malaba & Kampala railway line to standard gauge
- Proposed Lamu - Isiolo - Juba / Moyale transportation corridor that will link Southern Sudan and Ethiopia to the Indian ocean

Policy changes concerning licensing of public vehicles with a carrying capacity of 14 passengers or less and the requirement that public transport providers create organized societies to manage their businesses will continue to have an impact on the tyre consumer market and should be an area of great interest for the tyre industry to leverage and innovate upon.

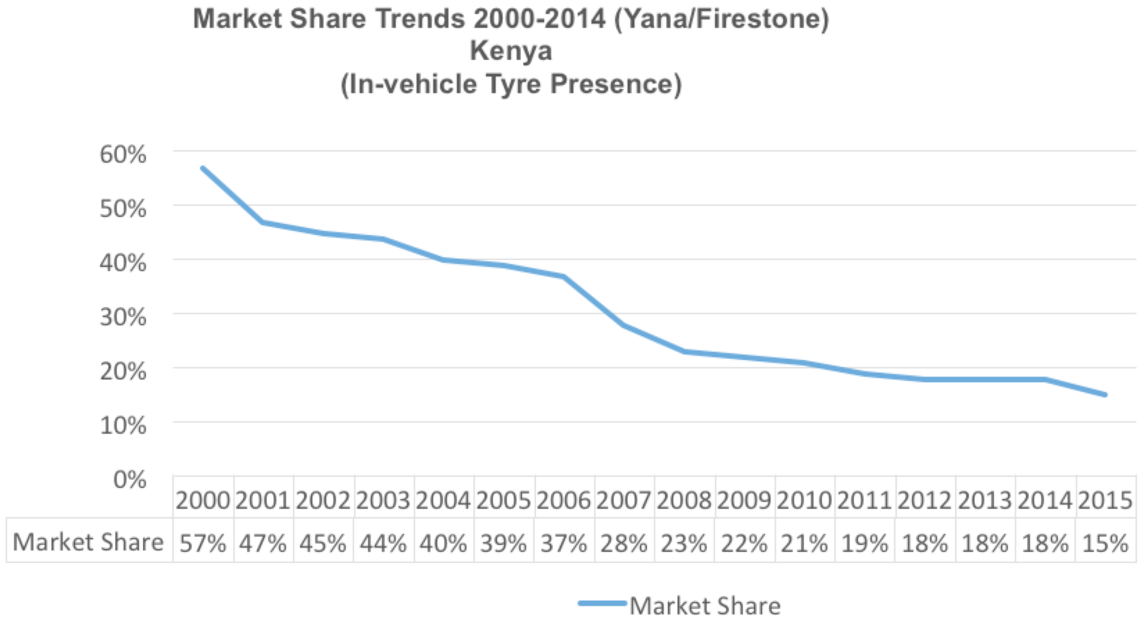
Competitive environment

The East Africa tyre market is segmented on price which characterises changing consumer spending behaviour. The market is divided into the following price segments;

- Premium segment;
- High price segment;
- Medium price segment
- Discount segment

Following an influx of cheap subsidised tyres from the East, the market has witnessed an unprecedented growth in the discount sector of the market. The discount sector grew from a low of 5% in 2005 to an estimated 48% in 2015.

Sameer Africa's leading manufactured brand – YANA is categorized under the high price sector which has declined from a high of 62% in 2005 to only 25% in 2014. The impact of the decline in this segment has adversely affected the company's market share and financial fortunes over the years.



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Market Share	57%	47%	45%	44%	40%	39%	37%	28%	23%	22%	21%	19%	18%	18%	18%	15%

The market parameters affecting locally manufactured tyres include;

a) Chinese government subsidies

Chinese government subsidies on tyre exports are as high as 81% of manufacturers sales revenue, depending upon specific stock holding units (SKU). Indeed, the United States Department of Commerce recently introduced counter-veiling duties on Chinese tyre imports into the USA of between 19% and 88%, so as to protect its own tyre industry.

b) Under-invoicing by tyre importers

Under-invoicing by tyre importers across the region has reached endemic proportions making the playing field very uneven for local tyre manufacturers. In addition, due to Kenya's porous borders, a number of tyres are imported into the country un-customed. The margin expectations of most of these importers are also low given their low operating costs. As a consequence, Sameer Africa sales to the dealer trade has declined by a further 31% in 2015, as more dealers embark on importing their own requirements.

c) Lack of government support

The manufacturing sector in Kenya has received little support from the government in terms of polices aimed at protecting local manufacturing, despite the best of lobbying efforts. The recent factory closures by Eveready and Cadbury which followed those of Reckitt Benckiser, Colgate Palmolive and Johnson & Johnson is a clear testimony of the challenges local manufacturers are faced by un-customed imports.

2.4.5 Operating context – Challenges and opportunities

The changing environment in which Sameer Africa operates presents opportunities and challenges which the board and management evaluates as they assess strategies. The current operating environment presents the following opportunities and challenges;

Challenges and opportunities	
Economic outlook	The positive economic outlook within the regional economies is likely to see growth in infrastructure projects and with it a growth in disposable incomes of the various communities. It is also expected that these developments will see a growth in the automotive industry both for personal vehicles as well as commercial and off the road vehicles. Inflation is expected to remain at single digits through to 2018, while interest rates are expected to fall.
Electricity infrastructure projects	The planned 5000MW + power project, the discovery of oil and coal and the growth in geothermal generation is likely to see a significant reduction in electricity tariffs in the coming years in Kenya. It is expected that these developments will significantly reduce factory conversion costs and with it, the eventual cost of tyres produced locally.
Tyre manufacturing inputs	The depressed raw material costs and in particular the price of natural rubber is expected to persist well into 2016. The cost of tyre manufacturing is therefore expected to remain favourable in the short term. Crude oil prices are expected to remain subdued through 2015, signifying reduced cost of fuel oil used in steam production for tyre manufacturing.
Improved logistics	A number of projects including the standard gauge railway, Lamu Port Project and LAPSET project and other infrastructure developments in the northern corridor are expected to significantly reduce logistics and transportation costs. This will not only reduce the cost of inbound materials but also the distribution costs of manufactured goods.
Dumping of subsidized imports	The continued importation of subsidized, un-customed and dumped tyres in the regional markets is expected to continue impacting negatively on our margins. Although all manufacturing entities within the country will continue to lobby for the introduction of anti-dumping duties, there is no definitive path to success here.
Economic indicators	Weaker projected global growth for 2015–16 underscores the fact that raising actual and potential output may become policy priority in most economies. Emerging market economies are then particularly exposed, as they could face a reversal in capital flows. These risks could adversely impact the projected growth rates of our regional economies.
Crude oil prices	The volatility of crude oil prices in the coming years remains a concern. Oil prices may also have overshot on the downside and could rebound earlier or more than expected if the supply response to lower prices is stronger than forecast.

The board and management have evaluated the impact of these challenges and opportunities on the Group's operations and have developed strategies to take advantage of the opportunities and address the challenges and risks.

2.4.6 Risk management

Policy Statement

The board of directors of Sameer Africa Limited ("Sameer Africa") have committed the company to a process of risk management that is aligned to the principles of best practice and corporate governance.

Our business strategy depends on us taking calculated risks in a way that does not jeopardize the direct interests of the different stakeholders. Sound assessment of risk enables us to anticipate and respond to changes in our business environment, as well as make informed decisions under conditions of uncertainty.

The risk management process has been embedded in our business systems, so that our responses to risk remains current and dynamic. All key risks associated with major change and significant actions by the company also fall within the processes of risk management.

Sameer Africa's Risk Management Policy ("RMP") supports the following corporate objectives:

- To help ensure that the risk management policy is understood and consistently applied across the group;
- To enhance compliance with relevant regulatory requirements;
- To create and protect value at Sameer Africa by contributing to the achievement of company objectives;
- To identify, measure and control risks that might impact on the achievement of Sameer Africa objectives;
- To provide a framework for the formulation of risk management strategies;
- To identify and harness opportunities; and
- To protect and enhance the reputation of the company.

Key Risks

We believe that because of the international scope of our operations, there are numerous factors that may have an adverse effect on our results and operations. The following describes the material risks that could affect Sameer Africa operations and the risk management approach to addressing those risks.

Key risks	Risk management approach
External risks	
1. Fluctuations in natural rubber and other raw materials prices and impact of ongoing global economic volatility may negatively affect our results, including cash flows and asset values. 2. Continued subsidization of the Chinese tyre industry exports is likely to have adverse effects on the company's margins and sales. 3. Actions by governments or political events in the countries in which we operate could have a negative impact on our business.	• The audit, risk and corporate governance committee and management review the changing operating environment at least annually and develop strategies to address any adverse trends. • Contract manufacturing with Chinese firms to take advantage of export subsidies. Continually lobby for legislation of anti-dumping taxes. • We engage with governments and other key stakeholders to ensure the potential adverse impacts of proposed fiscal, tax, infrastructure access and regulatory changes are understood and where possible mitigated.
Business risks	
1. Product positioning in a particular price category may affect sales and margins if market dynamics adversely change. 2. Our corporate and product brand may be affected by inadequate market research and limited marketing budgets. 3. The company's market share is subject to competition, narrow product portfolio, product quality and levels of customer service. 4. Our ability to innovate and grow our product offering may be affected by inadequate market intelligence, lengthy development cycle, and inadequate development capacity.	• Creation of a product portfolio mix that addresses consumer needs in various price segments. • Improve market research and intelligence gathering capacity and expand markets and channels. • Contract manufacturing where necessary to reduce development life cycles. • Investment in staff training and development to enhance development capacity
Financial risks	
1. Our financial results may be negatively affected by commodity prices and currency exchange rate fluctuations and interest rate risks. 2. The commercial counterparties we transact with may not meet their obligations, which may negatively impact our results. 3. If our liquidity and cash flow deteriorate significantly it could adversely affect our ability to fund our activities.	• We seek to maintain a portfolio risk management strategy. As part of this strategy, commodity prices and currency exchange rates are not hedged, and wherever possible we take the prevailing market price. • We use Cash Flow and Risk analysis to monitor any volatilities. • Credit limits and review processes are established for all customers and financial counterparties. • The audit, risk and corporate governance committee oversees these processes. Note 5 'Financial Instruments - Risk management and fair values' under the Financial Statements section which also outline our financial risk management strategy.

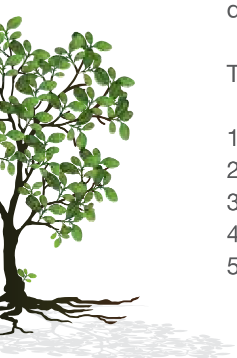
Key risks	Risk management approach
Operational risks	
1. Cost pressures and reduced productivity could negatively impact our operating margins and expansion plans 2. Breaches in our information technology security processes may adversely impact our business activities 3. Unexpected natural and operational catastrophes may adversely impact our operations. 4. Factory shutdowns arising from machinery breakdown of an ageing plant, unavailability of critical spares and raw material supplies can adversely affect production.	• The Group's concentrated effort to reduce operating costs and drive productivity improvements is expected to realise tangible results. • The capability to sustain productivity improvements is being further enhanced through continued refinements to our operating model. • Global sourcing arrangements have been established to ensure continuity of supply and competitive costs for key supply inputs. • Through the application of our risk management processes, we identify catastrophic operational risks and implement the critical controls and performance requirements to maintain control effectiveness. • Business continuity plans are to be established to mitigate consequences. • Consistent with our portfolio risk management approach, we continue to be largely insured for losses arising from property damage, business interruption and fire perils • IT security controls to protect IT infrastructure, applications and communication networks and respond to security incidents are in place and subject to regular monitoring and assessment.
Sustainability risks	
1. Sub-optimal staff performance arising from poor hiring and training practices and performance management could adversely affect results. 2. Staff turnover due to poor working conditions and uncompetitive remuneration structure could affect productivity. 3. The risk of fraud as a result of poor staff integrity and weak internal controls can seriously compromise company values. 4. A breach of our governance processes may lead to regulatory penalties and loss of reputation. 5. Safety, health, environmental and community impacts, incidents or accidents and related regulations may adversely affect our people, operations and reputation or licence to operate.	• We subscribe to best practices in our recruitment process, giving internal candidates room for growth. • We have well-structured staff development, training and performance management practices. • Our Code of Business Conduct sets out requirements related to working with integrity, including dealings with government officials and third parties. • We seek necessary approvals from relevant authorities before commencement of any project. • We are ISO 14001certified on environmental management with regular internal and external audits. • All our tyres undergo inspection before leaving the factory to ensure quality and safety standards are met.

Risk management approach

We continued our aggressive risk management strategy throughout 2015. Our commitment to risk management is unwavering and we have adopted an holistic approach to it. The risk management process is across the organization and is divided into various departments within the group and further, into the various sections within departments.

The main departments are:

1) Strategic
2) Finance
3) Sales
4) Marketing
5) Human Capital
6) Operations
7) Manufacturing
8) Information Technology
9) Legal
10) Audit and Risk

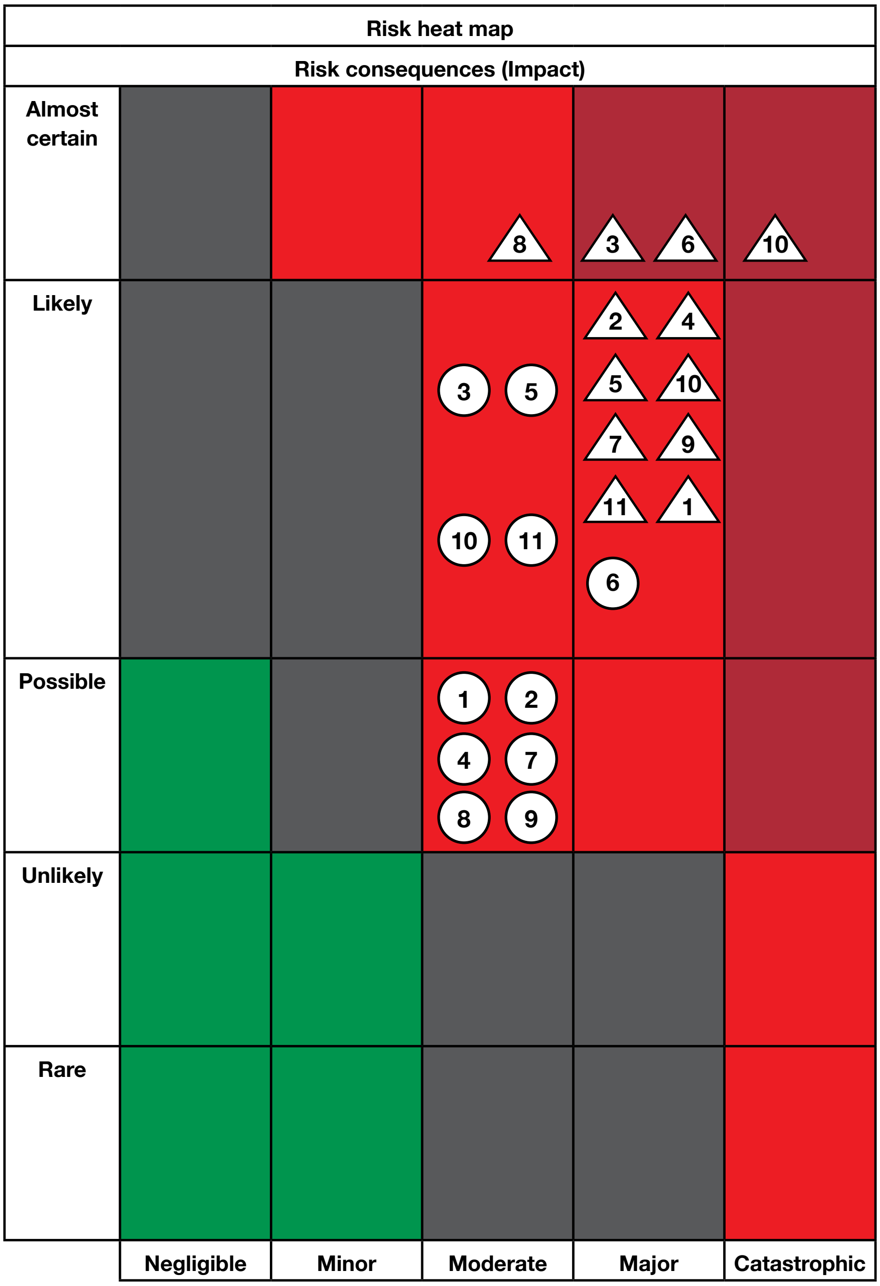


Each of these departments and their sub sections have developed their own risk registers which have been duly reviewed and adopted. The registers were developed through collective consultation and coordinated by our audit and risk department and were later presented to the executive management risk committee for deliberation.

The review of risk registers is an ongoing exercise to ensure that the process is dynamic. Also important is the monitoring of key risk indicators that have been identified for each department and sub section.

We wish to reiterate that our business strategy depends upon us taking calculated risks in a way that does not jeopardize the direct interests of different stakeholders. Sound assessment of risk enables us to anticipate and respond to changes in our business environment as well as make informed decisions under conditions of uncertainty.

Below we set out a heat map of our register of strategic risks depicting both gross and net residual risk. A heat map representation is produced quarterly for all departments highlighted above.



KEY	
○	Residual risk
△	Gross risk
	High
	Low
	Medium
	Catastrophic

	Strategic Risks
1	Product positioning in the market
2	Corporate and product brand risk
3	Market share (including competitors' actions).
4	Product innovation
5	Cost escalation
6	Capital adequacy
7	Sub-optimal staff performance
8	Staff turnover
9	ICT risks
10	Fraud
11	Factory shutdowns

Risk Health Check

During 2015, management introduced a monthly health check which effectively measures key risk indicators against preset targets (i.e. risk appetite)

This list below shows key risks per department to be monitored against preset targets.

	Risk	Indicator	Base	Target	Trend monthly Average	Risk Direction
	STRATEGIC					
1.	Sales target (Tyres, tubes and services	Percentage actual to budgeted sales	100 and above is positive	100%	75%	
2.	Gross profit	(% to turnover)	30% and above is positive	30%	26%	
3.	Total cost	Including factory costs-KSh M	330=100% 0 to 100% is positive	100%	78%	
4.	Net profit (before tax)	(% to turnover Tyre Business)	10% above is positive	10%	-4%	
5.	Fire accidents		0 is positive	0	0	
	FINANCE					
6.	Net cash position	KShs M	(100M)=100% 0 to -100 is positive result	100%	-154%	
7.	Post import finance	KShs M	-420=100% 0 to 100> is positive	100%	113%	
8.	Post import finance (Total foreign liability to stock)	As a percentage of raw materials plus finished stock	0-50% is positive	50%	42%	
9.	Working Capital days	Days	156=100% 0 to 100% is positive	100%	109%	
	SALES					
10.	Trade debtors days		45 days =100% 0 to 100% is positive	100%	114%	
11.	Lost sales		3M=100% 0 to 100% is positive	100%	149%	
12	YTC revenue		45M=100% 100% and above is positive	100%	95%	
	MARKETING					
13.	YTC opened	Number	5 and above is positive 5=100%	100%	20%	
14.	Customer satisfaction index	As measured at YTC on walk in customers	85% and above is positive	85%	87%	

	Risk	Indicator	Base	Target	Trend monthly Average	Risk Direction
	OPERATIONS					
15.	Stock (Raw materials, Work in Progress, Engineering stores and Finished goods)	KShs Billion	1.2B=100% 0 to 100% is positive	100%	117%	
16.	Vendor advances	KShs M	100M=100% 0-100% is positive	100%	95%	
17.	Full order delivery		95% and above is positive	95%	97%	
	MANUFACTURING					
18.	Factory waste	(% to throughput)	0 to 2% is positive	2%	2.1%	
19.	Conversion costs per RRT	KShs	300M=100% 0 to 100% is positive	100%	70%	
20.	Tyre claims	(% to Sales)	0 to 0.5% is positive	0.5%	0.4%	
21.	Efficiency in energy usage -electricity	KWH/RRT	3547KWH/ RRT=100% 0 to 100% is positive	100%	109%	
22.	Efficiency in energy usage-fuel oil	LTR/RRT	1007LTR/ RRT=100% 0 to 100% is positive	100%	102%	
23.	Number of unscheduled shutdowns		0 is positive	0	1	
	HUMAN RESOURCES					
24.	Leave utilization	Progressive in each month	90% and above is positive	90%	87.5%	
	SAFETY AND ENVIRONMENT					
25.	Accidents		0 is positive	0	2	
26.	Waste reduction-Hazardous	KG of waste	1189=100% 0 to 100% is positive	100%	88%	
27.	Air emission reduction	WHO STD Sox <2000mg/Nm^3 and NOx <460mg/Nm^3	100% compliance is required	100% compliance carried out once a year	100%	

TREND		
Risk is escalating Additional control measures should be put in place		Above 10% on target
Risk is stable Controls should be monitored		5%-10% difference from target
Risk is decreasing Controls should be monitored		Equals to target +/-5%

2.5.1 Strategic priorities

1 Profitable growth

2 Customer focus

3 Innovation

4 People & leadership

Sameer Africa is now four years into its five year strategic plan, that focuses on the above four key strategic priorities. There have been a number of implementation successes as well as challenges in execution. Due to continuous changes in our operating environment, management continually assesses the impact of these changes to its strategy implementation and develops appropriate strategic responses to harness the successes and respond to the challenges.

Our board and the executive committee maintains a strong focus on the strategic priorities in order to execute the corporate strategy.

1. Profitable growth

To ensure market growth and simultaneously enhance profitability, the Group has implemented a number of strategic initiatives which focus on (a) increasing our share of sales into export markets (b) strengthening our position in all core markets (c) maintaining a sustained focus on cost control and (d) expanding our retail network of tyre centres.

2. Customer focus

Our customer focus strategy aims to enhance customer contact through a combination of superior customer service and customer loyalty programs, to deliver on excellent customer relationships. We remain focussed on achieving unrivalled customer satisfaction levels through effective communication, increasing direct customer contact through our new Yana call centre, delivering quality products on time and continually revamping our marketing activities.

3. Innovation

The Sameer Africa process for customer-driven product development ensures that we maintain cutting edge tyre technology engineered to meet the challenging driving conditions in Africa. Sustainability is a core element of the Group's strategy and sustained innovation is a prioritized area for product development. The Group's manufacturing platform is continuously adapted and operations streamlined to increase productivity.

4. People and leadership

Sameer Africa has continued to attract talent country wide and internationally. Employee retention levels have since been maintained and this has been made possible by an innovative corporate culture that is dedicated to employee development, coaching and motivation. In today's rapidly evolving manufacturing sector, our employees have continued to be the leading tyre solution providers due to passion and loyalty to our brands and zeal to provide lasting solutions to our customers and shareholders. The company continued receiving thousands of applicants from fresh graduates seeking employment and internship opportunities which reflects the strength of our brand and the attractiveness of our company. All the above have been guided and achieved by talented managers whose focus is on successful implementation of the company's strategy.

Strategic objectives and 2016 focus

Strategic objective	Our 2016 focus
Profitable growth • Achieve 30% gross margin • Attain earnings before tax of not less than 10% of annual turnover • Turnover growth of at least 12% • Maintain operating overheads within 18% of revenue • Focus on factory efficiency and attain 0.28 yield per RRT	• Continue to launch additional tyre sizes under the SUMMIT fighter brand to address the declining sales trend and gain market share in the discount segment of the market. • Sustain the current cost cutting initiatives in addition to fleet rationalisation and head count review. • Realise budgeted energy savings through implementation of energy audit recommendations.
Customer focus • Achieve a customer satisfaction level of 95% • Expand market share in Kenya to 25% • Attain end user satisfaction index of 83% • Improve service experience at Yana Tyre Centres and achieve 90% satisfaction index • Ensure our products meet our customers' expectations and attain 95% claims turnaround time and 90% thumb balance ratio	• Realise eight additional tyre retail centres in Kenya and one in Tanzania. • Develop new advertising and launch in the third quarter to enhance brand recognition • Resume media advertising in the second quarter based on the "Legend" concept • Rationalise pricing and discounts around the "three brand strategy". • Attain budgeted sales through the Yana call centre.
Innovation • New and innovative products to account for 30% of turnover. • Upgrade manufacturing technologies • Identify and contract with contract manufacturers for key tyres • Achieve 80% factory utilisation	• Conclude ongoing discussions with identified contract manufacturers. • Roll-out additional sizes under the current contract manufactured label.
People and Leadership • Attract, develop and retain the right talent • Inculcate a performance based culture • Encourage leave utilisation • Have succession plans for all key positions	• Implement staff retention strategies • Attain targeted training hours per employee • Implement a structured wellness program • Improve on branch mentorship deliverables • Hold factory union collective bargaining negotiations

2.5.1 Key performance indicators

1. Profitable growth

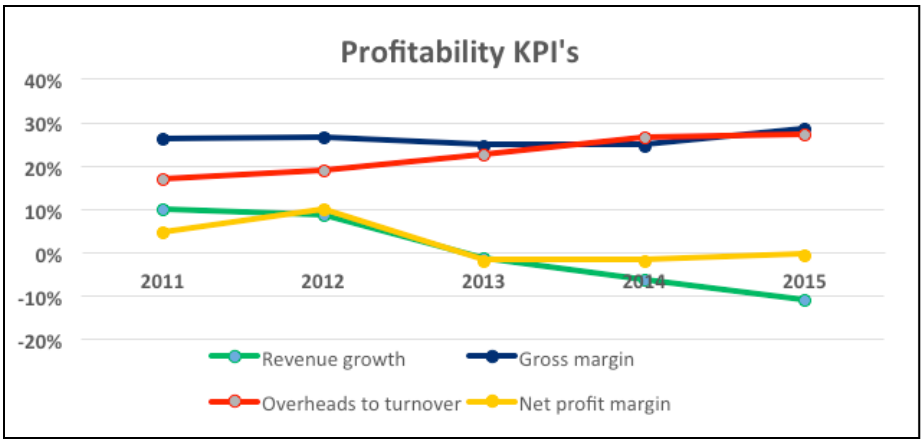
The group monitors its profitable growth using both financial and operational metrics. Top line growth is measured by sales values and units growth, while factory and sourcing profitability are measured by the gross margin. Management's containment of overhead is measured against turnover and bottom line profitability is reported by the net profit margin. Factory profitability and cost management is indicated by the yield per raw rubber tonne (RRT).

Revenue growth declined by 11% in 2015 as against 2014 revenue of Kshs 3.8 billion. The onslaught from cheap and sometimes un-customed tyres from the East continued to erode market share and entice more consumers to the discount segment of the market. Gross profit margins improved to 29%, from the 25% recorded in 2014, in line with the reduction in raw material input prices and aggressive cost controls in the factory.

Overhead to turnover remained at 2014 levels, despite significant cost savings being realised during 2015. This metric was countered by the decrease in turnover.

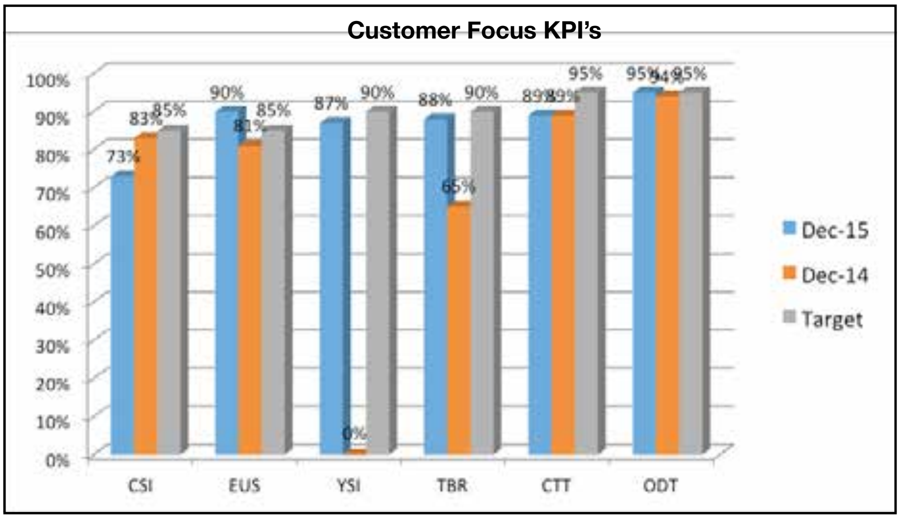
Overall, net profit margin improved from 2014's -2% to 2015's -0.5% reflecting the combined effect of lower sales offset by improved gross margins and the reduction in overheads.

Yield per RRT of Kshs 0.25 million/RRT improved by 14% over the 2014 yield of Kshs 0.22 million/RRT.



2. Customer focus

We strive to give our customers quality products and ensure they enjoy world-class services at our tyre centers. We frequently seek feedback through customer surveys and set high product and service standards. In 2015, customer satisfaction index dropped from 83% to 73%, on account of the higher pricing of Yana brand products while end user satisfaction index rose to 90% from 81% in 2014, as a result of product improvements, quick claims resolution (89% within 48 hours) and our newly introduced Summit brand. Product improvements were also reflected in significant rise in the thumb balance ratio from 65% in 2014 to 88% in 2015. To gauge the service experience at our retail centres, the YTC satisfaction index was introduced, with an initial rating of 87% which was just 3% shy of our targeted 90%. Investment in our supply chain processes realised a modest 1% improvement in order delivery times.



CSI – Customer satisfaction index. EUS– End user Satisfaction. YSI – YTC satisfaction index. TBR – Thumb balance ratio. CTT – Claims turnaround time. ODT – Order delivery time

3. Innovation

By being innovative we remain ahead of the curve in our technologies, processes and products. Our innovation deliverables focus on delivery of new products that meet customer expectations, and development of the requisite infrastructure that delivers those innovative products, at minimum cost and with no abnormal factory wastage. During the year 2 new Yana tire sizes were introduced and 12 Summit tyre sizes. We achieved a factory utilisation of 61% at 10.9 RRT/day versus 73% at 13.2 RRT/day in 2014 against a strategic target of 80% (14.5 RRT/day). Improving factory utilization remains a significant challenge given the decline in the market segment for our YANA brand and highlights the issue of the sustainability of local manufacture.

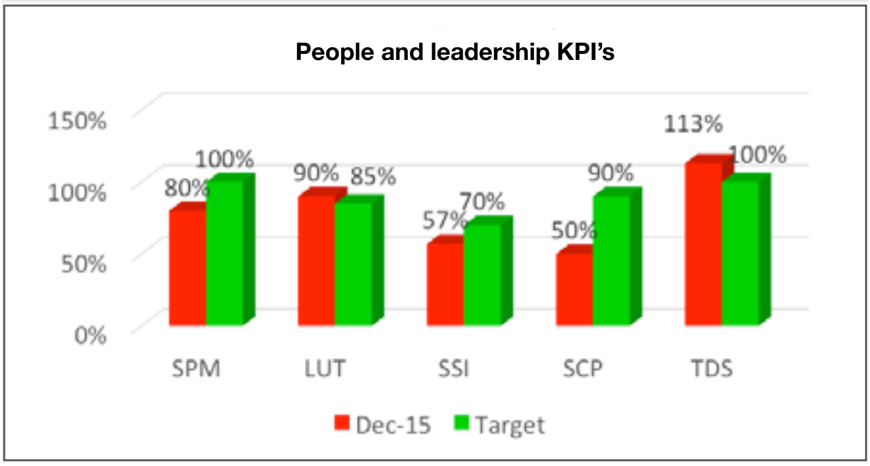
3. People and leadership

Attracting and retaining talent is at the centre of our human resource strategies. We constantly gauge our employees job satisfaction through the staff satisfaction index that polls staff sentiment on various key issues. We target to provide our staff with regular and appropriate training to keep their knowledge and skills current and put in plans to ensure that despite natural or forced staff attrition, we always have employees ready to succeed to newly vacated positions.

In return, our employees subject themselves to regular performance evaluation, which provides useful feedback on performance improvement.

Staff subject to performance review were 80% against a 100% target, the shortfall reflecting employees with frequent role changes or unstructured roles.

Leave utilisation was 5% above target, while staff satisfaction was at 57% against a target of 70%. Succession plans for key positions were 40% short of target while training days per staff exceed the targeted level by 13%.



SPM – Staff Performance Management. SSI– Staff Satisfaction Index. LUT – Leave Utilization. TDS- Training Days per Staff. SCP – Succession planning

2.5.2 2015 performance dashboard and 2016 targets

	2015				2016
KPI	**Metric**	**Actual**	**Target**	**Achievement**	**Target**
Profitable growth	Gross margin	29%	24%	🟢	25%
	Yield per RRT	0.32	0.28	🟢	0.25
	Profit before tax	0.2%	5%	🔴	5%
	Operating costs to turnover	28%	20%	🟢	20%
	Net profit margin	-1%	10%	🔴	10%
Customer focus	Customer satisfaction index	73%	85%	🟡	85%
	End user satisfaction index	90%	85%	🟢	85%
	New retail outlets opened	1	5	🔴	20%
	Claims resolution with 48 hours	89%	95%	🟡	95%
Innovation	New products qualification	4	5	🟡	5
	Units under contract manufacturer	16	24	🟡	56
	Factory capital expenditure	Ksh 127m	Kshs 160m	🟢	Kshs 20m
People and leadership	Staff performance management system	80%	100%	🟡	100%
	Staff satisfaction index	57%	70%	🟡	70%
	Leave utilisation	90%	85%	🟢	85%
	Training days per staff	113%	100%	🟢	100%
	Succession plans – key positions	50%	90%	🟡	90%

🟢 **Fully achieved** 🟡 **Partially achieved** 🔴 **Not achieved**

OVERVIEW
STRATEGIC REPORT
SUSTAINABILITY REPORT
GOVERNANCE AND REMUNERATION
FINANCIAL STATEMENTS
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2.5.3 Strategic trends

As with any multinational company, our business is subject to a range of external strategic dynamics that will inform decision making and impact our performance – both now and in the future. It is incumbent upon us to understand:

- The drivers behind these dynamics and how they interact;
- The implications for our business;
- How we can best navigate them in the short and long term.

Below, we examine the key adverse strategic trends that affected our business in 2015, and explain how we are proactively addressing the risks and opportunities that they represent.

The case for local manufacturing

Issue

1. The EAC Common External Tariff (CET) for passenger and 4x4 vehicles tyres was reduced in 2010 from 35% to 25%, while truck and bus (TBR) tyres reduced from 35% to 10%. The latter adjustment had the anomaly of putting TBR tyres under the semi-finished CET category, according to the WTO definition. Whilst this was a political decision, it had the impact of encouraging imports and exposing local manufacture to unfair competition. It was after this tariff change that General Tyres of Arusha experienced difficulties and had to close its manufacturing plant.
2. Chinese government subsidies on tyre exports are as much as 81% of manufactured sales revenue, depending upon specific tyre sizes.
3. Under-invoicing by tyre importers across the region is rampant, rendering the playing field very uneven for local tyre manufacturers and legitimate traders. In addition, due to Kenya's porous borders, a number of tyres are imported into the country un-customed.
4. The manufacturing sector in Kenya has received little support from the government in terms of polices aimed at protecting local manufacturing, despite the best of lobbying efforts.
5. The high cost of power has made tyres produced locally costly and uncompetitive compared to tyres from regimes where power tariffs are significantly lower.

Implications

As a result of the above factors, we have witnessed unprecedented growth in the discount sector of the market, mostly composed of imported tyres from the East. The high price market segment, where our locally manufactured Yana tyres are price positioned, has shrunk from a high of 62% in 2010 to only 25% today. The size of this price segment will continue to decline as the onslaught from imported tyres persists.

As the market share of locally manufactured tyres declines, the board is forced to evaluate the case for local manufacturing in the absence of other interventions. Our factory can only operate efficiently and profitably at a minimum 55% utilization (10 RRT / per day). Below this utilization level, the units produced will not be able to competitively absorb factory fixed costs.

Strategic response

The Group continues to pursue a multi-pronged approach to address the threat of subsidized and un-customed imported tyres into the market:-

1. Introduction of our SUMMIT fighter brand in 2014, the Group entered into a contract manufacturing agreement with a Chinese manufacturer to develop and produce the SUMMIT range of tyres, which is positioned to compete in the discount sector of the market. In 2015, we adopted aggressive market penetration strategies for SUMMIT in order to gain profitable market share. We will also increase the product line-up to 24 in 2016, and will market the brand locally, regionally and in emerging export markets.

2. Explore contract manufacturing both locally and overseas - we will pursue opportunities for contract manufacturing with other parties either within our plant or overseas. Local contract manufacturing will ensure that we obtain critical mass in production volumes thereby reducing conversion costs per unit through better fixed cost absorption. External contract manufacturing will be aimed at providing a wide product range to meet the growing customer demands and emerging tyre technologies.

3. Intensify lobbying efforts – we will intensify our lobbying efforts to ensure the Kenyan government moves to create a level playing field for all operators. We will also lobby, through the various industry bodies, for the introduction of countervailing duties for imported tyres in line with decisions made by other countries with significant investments in tyre manufacturing.

Cost reduction strategies

Issue

It is estimated that there are over 300 tyre importers in Kenya offering direct competition to Sameer Africa. The cost base for some of these importers is quite low and they are therefore able to operate on lower margins.

Operating costs for Sameer Africa have continued to grow in line with inflation, the growth in retail tyre centre outlets as well as our extended distribution channel structure. Operating expenses as a percentage of sales have increased from 17% in 2011 to 27% in 2014.

Implications

To effectively compete with an increasing number of tyre importers, the company needs to review its distribution and establishment structure in order to create a dynamic and "fit for purpose" organisation. Although costs have continued to grow in line with increased operations, the negative growth in sales has negatively impacted on operating margins.

Strategic response

In 2015, management devised strategies to reduce the cost base. The initiatives put in place included:-

- Review of the Group's distribution network;
- Assessment of the Group's regional offices on a cost benefit basis
- Review of the total staff establishment;
- Review of the Group's marketing strategies;
- Review of staff salary awards;
- Control over discretionary spends.

These initiatives yielded cost savings of Kshs 233 million in 2015.

Diversification

Issue

The Group's tyre business accounts for 96% of total revenue, with the property rental business accounting for the remaining 4%. The tyre business has continued to experience challenges in terms of competition, as well as volatility in the global prices of key raw material inputs. These external shocks continue to have an adverse effect on total Group profitability.

The Group, however, has a significant land bank currently valued at over KShs 2.3 billion, with significant potential for redevelopment. Advertised land prices have risen five-fold in Nairobi in the last 7 years alone, up 535% from 2007 levels. The average price per acre was little more than KShs 30m in 2007, but is more than KShs 170m today. Commercial and high-density housing are driving the pricing with the city's most expensive land in Upper Hill, at around KShs 470m per acre, followed by Kilimani at approximately KShs 370m an acre.

Implications

The continued competition in the tyre business has seen the Group's revenues decline in the last 3 years. The level of competition is expected to increase before it decreases.

To cushion the Group's profitability against the volatility of its tyre business, the board is pursuing strategies of unlocking the Group's property potential and diversifying the revenue base.

Strategic response

Other key strategic initiatives currently being undertaken include:-

- Focus on tenanting Sameer Business Park so as position it as the premier business park in Nairobi.
- Explore plans to develop warehouses, retail and/or hotel developments on the Group's land bank on Mombasa Road.
- Manage Sameer Industrial Park and Sameer EPZ Limited to world class standards;
- Explore redevelopment of the Group properties in Westlands, Nairobi for a state of the art commercial office park

2.6.1 Financial performance

The review of the Group's financial performance analysed herebelow should be read in conjunction with the Audited Annual Financial Statements which follow on pages 118 to 183.

Statement of Comprehensive income

Financial overview

	2015 Kshs'm	2014 Kshs'm	Change %
Tyre sales	3,188	3,628	-12%
Rental income	176	149	18%
Total revenues	3,364	3,777	-11%
Cost of sales	(2,402)	(2,841)	-15%
Gross profit	**962**	**936**	**3%**
Other operating income	10	45	-77%
Operating expenses	(916)	(1,007)	-9%
Operating profit/ (loss)	**56**	**(26)**	**-317%**
Net finance costs	(50)	(44)	13%
Profit / (loss) before income tax	**6**	**(70)**	**-108%**
Income tax (expense)/ credit	(21)	3	-944%
Loss for the year	(15)	(67)	-77%
Earnings per share: Basic and diluted (Kshs)	**(0.06)**	**(0.24)**	**-77%**
Other key information			
Gross margin	29%	16%	84%
Operating margin	2%	-13%	-113%
Units sold '000'	281	320	-12%
RRT sold	3,082	3,667	-16%
Cost price Kshs'm/RRT	0.78	0.77	1%

Group Revenues

Group revenues declined by 11% in 2015, compared to 2014 attributed to the continued influx of un-customed tyres into the Kenyan market and ever increasing competition from subsidised tyres from the East into the African market. In addition, social-political tensions surrounding the hotly contested general election in Tanzania and Uganda delayed purchasing decisions as market participants opted to await the election outcomes before making purchase commitments, whilst civil unrest in Burundi and a general forex shortage in the EAC/COMESA region depressed the Groups cross border trade.

In Kenya, tight liquidity and a slow-down of government disbursements to suppliers and contractors translated into a reduction in purchases from our dealer network.

Rental income was up 18% as occupancy rates in our investment properties increased, in addition to the sub-letting of excess floor space in our depots and subsidiaries.

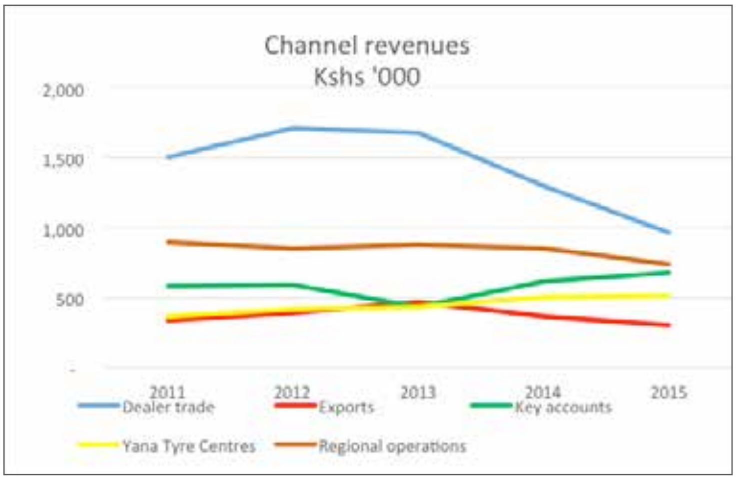
Sales of imported tyres increased by 27% driven by the recently introduced Summit brand, which has enjoyed massive market appeal and is priced to address the Group's absence from the discount segment of the market.

Revenues by Channel

Revenues by channel recorded mixed performance during the year. Key accounts sales (government, fleet and corporate) recorded a 10% growth driven by increased uptake of the truck and bus range of Summit tyres that has proved popular with fleet operators.

Yana Tyre Centre revenues grew modestly by 2% while sales to dealers continued to reduce as a number of dealers resorted to self-importation of tyres or shifted to trading in discount products that have been absent from the Groups product portfolio. The reduction in revenues from the dealer channel was 31%.

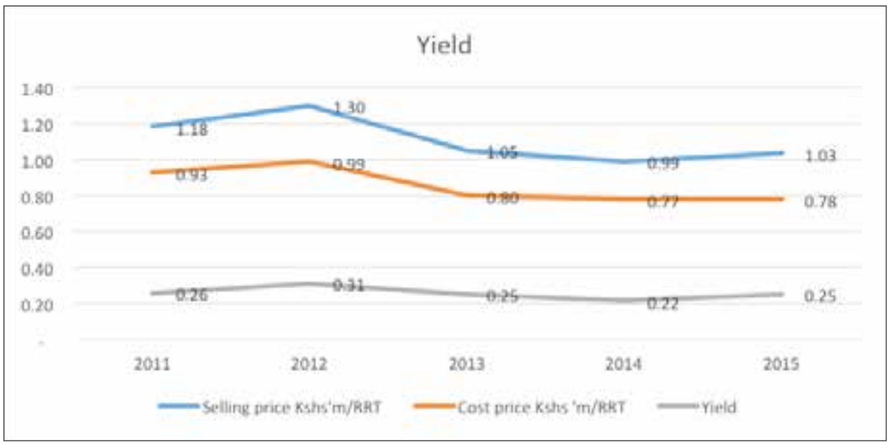
Revenues from our regional operations fell 14% as political tension from general elections in Tanzania and Uganda and civil strife in Burundi took their toll on the Group's sales.



Gross Margins

Selling prices per RRT increased on average by 4% against a cost of sales per RRT increase of 1%. To guard against margin erosion, the Group tightened the discount structure in 2015.

The yield measured as the differential between the selling price per RRT and cost price per RRT improved by 14%. Sustained reduction of raw material prices and expected sales price reviews are expected to result in a higher yield in 2016.



The effect of increased yields resulted in a gross margin increase from 25% in 2014 to 29% in 2015.

Operating expenses

Operating expenses reduced by 9% as against 2014. Management intensified its cost management initiatives across all Group companies. Sales and marketing expenditure reduced by 12% over 2014, as management right-sized the staffing at tyre centers and tightened control over vehicle movements. Administrative expenses were down 6% by cost savings following renegotiation of key service contracts and the establishment of a legal department which reduced the outsourced legal fees.

Employee compensation costs

Group employee costs comprise fixed base salaries, benefits, expenses related to retirement benefits obligation and bonus pay. Compensation costs in total were 21% of revenue up from 19% in 2014, mainly on account of increased staffing in newly opened retail centers and an 8% salary increment as contained in the collective bargaining agreement for the unionisable employees.

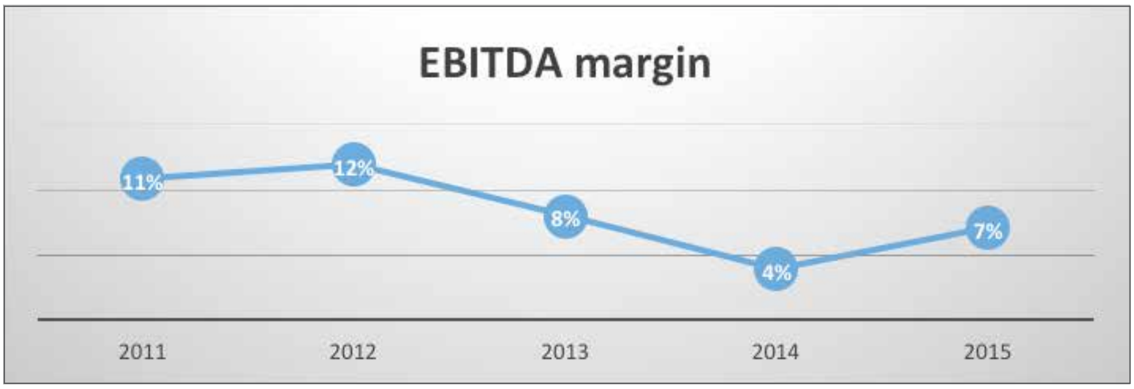
Net finance costs

Net finance costs grew from Kshs 44 million in 2014 to Kshs 50 million in 2015, fuelled mainly by the net increase in foreign exchange losses. Depreciation of the regional currencies against the US Dollar caused the increase in net foreign exchange losses. Despite the exchange losses, the Group's interest expense reduced by 22% over 2014 following management's focus on reducing outstanding debt.

Cash earnings (EBITDA)

As the Group has a number of non-cash items in the income statement it is important to focus on cash earnings to measure the true earnings potential of our business. The table below gives a reconciliation of adjusted income before tax to adjusted EBITDA. The main differences are net finance expense, depreciation and amortization, current service costs and interest obligations on retirement benefits as well as the elimination of exceptional items.

	2015 Kshs'm	2014 Kshs'm
Profit / (loss) before income tax	**6**	**(70)**
Add back:		
Net finance costs	50	44
Depreciation and amortisation	179	152
Net current service and interest costs on retirement benefit obligation	33	32
Adjusted EBITDA	268	158
EBITDA Margin	**7%**	**4%**



Focus on cost containment in 2015 saw EBITDA margin rise from the 4% recorded in 2014 to 7% in 2015.

Statement of financial position

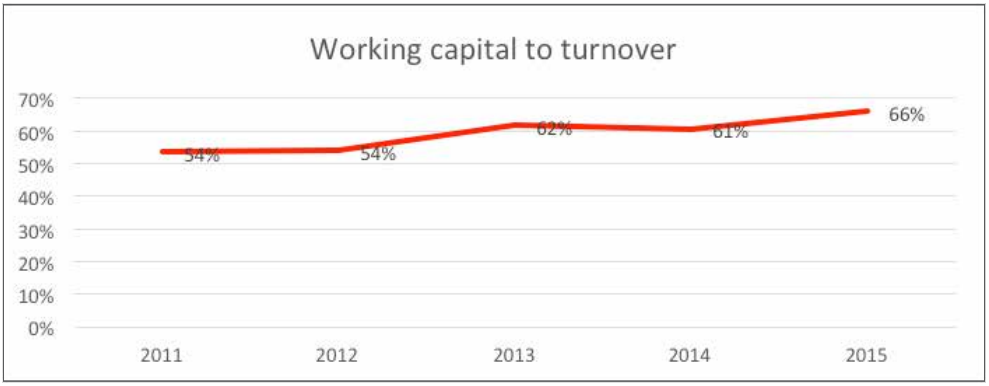
The Group's balance sheet remains strong and liquid. At 31 December 2015, total shareholders' equity was Kshs 2.50 billion with net tangible assets of Kshs 2.45 billion.

Summary Statement of Financial Position

	2015 Kshs'm	2014 Kshs'm
Cash and cash equivalents	507	362
Inventories	1,537	1,513
Trade and other receivables	692	942
Total liquid assets	**2,736**	**2,816**
Trade and other payables	(512)	(526)
Net liquid assets	**2,224**	**2,290**
Property, plant and equipment	483	530
Investment property	183	180
Equity accounted investees	123	116
Prepaid operating lease rentals	-	-
Current income tax	22	55
Net deferred tax asset	154	107
Total tangible assets	**3,189**	**3,279**
Borrowings	(543)	(611)
Retirement benefits obligation	(192)	(178)
Net tangible assets	**2,454**	**2,489**
Intangible assets	38	47
Shareholders' funds	**2,492**	**2,536**

Liquidity

Our primary sources of liquidity is cash generated from our operating activities. Our cash flows from operating activities are driven primarily by our operating results and changes in our working capital requirements. The Group works intensively to reduce tied-up capital in its working capital elements. In addition to Group-wide measures to streamline and optimize manufacturing, we have been working on reducing working capital to release resources that can instead be invested in growth activities. The work focuses on efficiency-enhancement measures in primarily four areas: trade receivables, accounts payables, inventory and procurement. The working capital program has resulted in an increase in the capital turnover-rate and a reduction in structural working capital.



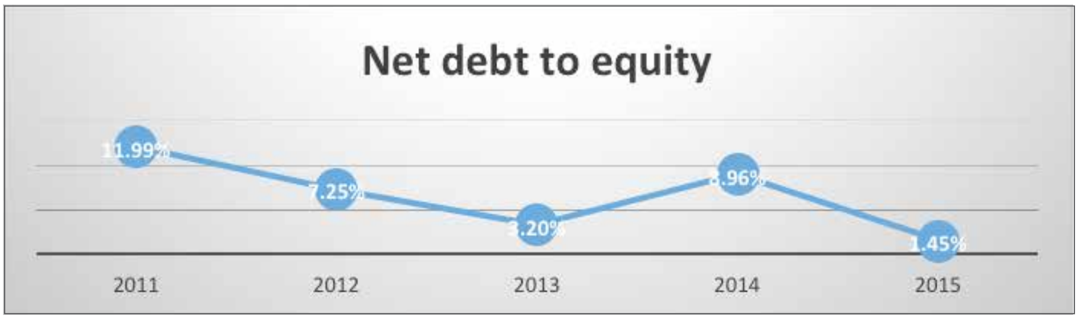
Capital management

The Group's capital management strategy focuses on two key areas:

- Investing in the organic growth of the business.
- Returning excess funds to shareholders through dividends.

During the period, capital expenditure of Kshs 168 million (2014: Kshs 232m) was incurred primarily to extend our Yana Tyre Centre retail outlets as well as tyre moulds for the Summit tyre product expansion.

Net debt



The financial net debt decreased by Kshs 213 million as a result of improved cash inflows and a sustained effort to retire outstanding debt. As a result, net debt to equity ratio decreased from 8.96% to 1.45%

Equity and return on equity

Total equity as of December 31, 2015, amounted to Kshs 2.492 billion (2014: Kshs 2.536 billion), which corresponds to Kshs 9.0 (2014: Kshs 9.5) per share.

The Group registered a negative return on equity of 1% (2014: -3%).

Statement of cash flows

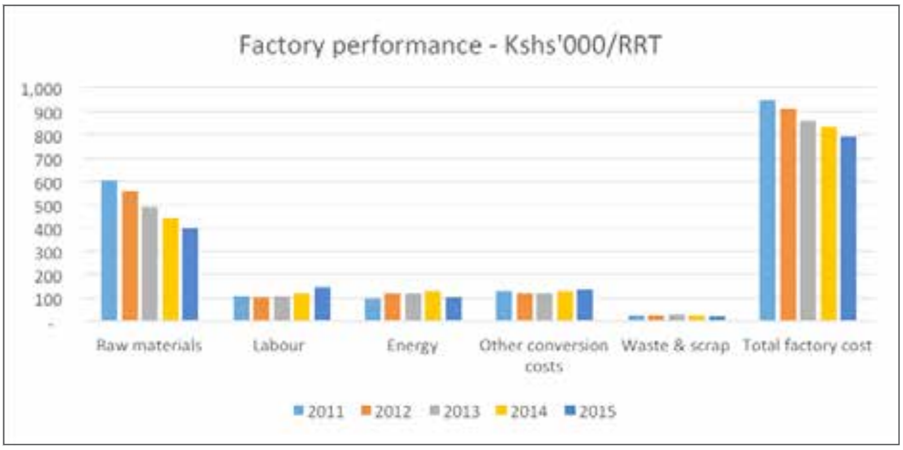
Cash flow from operated activities increased significantly to Kshs 384 million despite the decline in sales mainly on account of an increased focus on working capital reductions.

Accounting policies and standards

The accounting policies and standards applied by the Group have remained consistent with those applied during the prior period except for the adoption of new standards, amendments and interpretations. The adoption of these amendments has resulted in minor revisions to accounting policies and disclosures, but has had no impact on the Group's financial position or performance. For further information refer to note 4 of the financial statements.

2.6.2 Operational performance

Total tyre production declined by 24% in 2015, to 2,418 raw rubber tonnes (RRT) compared to 3,099 RRT produced in 2014. The factory operated less days following planned shutdowns, with a daily production average at 10.9 RRT and a productivity of 8.2 Kg/Mhr. Total production costs declined by 5%, from KShs 831,000/RRT in 2014 to KShs 790,000/RRT - mainly on account of the 21% drop in energy costs. Factory conversion costs increased by 2% to Kshs 395,000/ RRT when compared to 2014, driven mainly by the lower factory throughout.



Raw material costs have witnessed a significant decline of 34% in the last 5 years with an average annual decline of 10%. This is mainly attributable to the decline in the cost of natural rubber fuelled by a global decline in demand. We have witnessed an 8% decline in other conversion costs despite a general increase in depreciation as a result of a reduction and change of suppliers for curing bladders. Waste and scrap recorded a decline in 2015 as a result of optimisation of specifications of various equipment, descaling of calendar cooling drums among other continuous maintenance initiatives.


YANA KAZI
Makilometer za skwodi
umechapa na bado uko roho juu
RIDE LIKE A
LEGEND
YANA
KAZI
YANA
AFRICA RIDES ON YANA TYRES

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SECTION – 3: SUSTAINABILITY REPORT

3.0 Sustainability report

At Sameer Africa, we endeavour to ensure that our business today never compromises the ability of future stakeholders to meet their own needs. Environmental and social aspects have a strong link with economic performance through the investments we make in environmental management initiatives and which involve our work with employees, suppliers, customers and the community.

Our sustainability strategy is aligned to our core organisational value of accountability – "we will individually and collectively take full responsibility of our actions and hold ourselves accountable to each other and to all stakeholders".

Implementing our sustainability strategy means holding ourselves accountable for our most material social and environmental impacts in every aspect of our business from sourcing raw materials, running our manufacturing safely and efficiently to advising on the proper usage of our products. We are open on reporting of our sustainable strategies, goals and accomplishments and embrace systematic performance improvements to achieve our sustainable goals throughout the value chain. In 2015 and beyond, the Group continues to focus on aligning our sustainability strategies with UN sustainable development goals.

3.1 Creating sustainable corporate value

The material issues impacting our sustainability are:
1. Environmental impact
2. Product safety and market practices
3. Social performance and community engagement
4. Raw material sourcing and management
5. Our people

3.2 Environmental management

Our activities for environmental management focus on key aspects in the operational units, manufacturing process and product output where we endeavour to minimise negative impacts and enhance positive ones.

The company is ISO certified and subjects itself to periodic environmental audits and training. The table below summarises the year's environmental activities.

Environmental report summary			
Aspect	***2014***	***2015***	***Comments***
a) Major environmental problems	0	0	None identified
b) Trainings conducted	18	21	Key training areas; a) Introduction to environmental management systems (EMS) b) EMS policy c) Waste segregation and management d) EMS aspects and impacts identification e) Internal EMS auditors Training conducted by KEBS
c) New Regulations introduced	0	1	ISO 14001:2004 has been replaced by ISO 14001:2015 which was published on 15th September 2015
d) No of audits:	3	3	2 internal audits; 1 external audit
e) Audit findings	106 Opportunities for improvement (OFI's) raised during the internal audit. 32 Opportunities for improvement raised during the External Audit.	99 OFI's raised during the internal audit. 5 minor non-conformities raised during external audit;	5 corrective actions required: i) Legal and other requirements ii) Operational controls iii) Emergency preparedness and response iv) Monitoring and measurement v) Competence, training and awareness

Our key environmental concerns are;

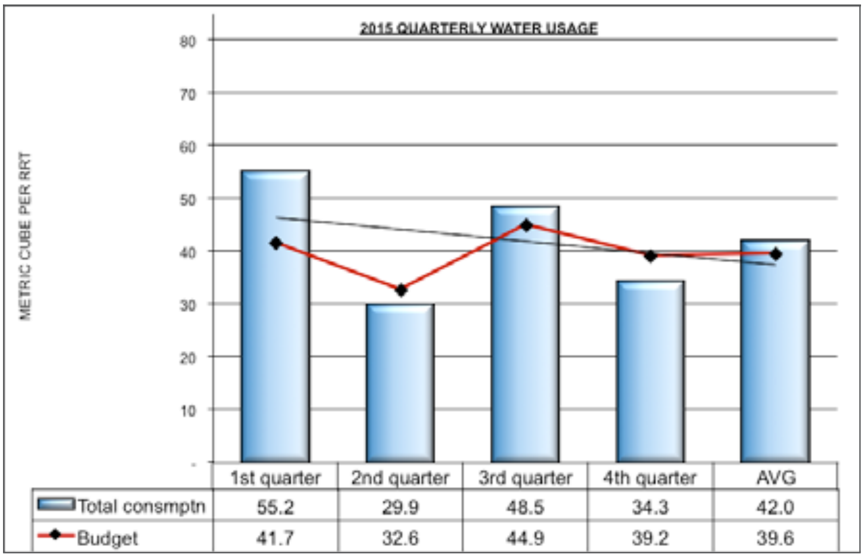
a) Water usage and safety
b) Energy saving
c) Waste management
d) Emissions control

a) Water usage and safety

We are conscious that water is a precious commodity and is increasingly becoming scarce. During the period under review a number of water saving initiatives were undertaken with the aim of reducing water consumption. Water usage increased from 33.3M3 to 41.98M3 per RRT produced. This is attributed to reduced productivity in 2015. In 2015, total productivity was 2,418 RRT compared to 3,099 RRT in 2014.

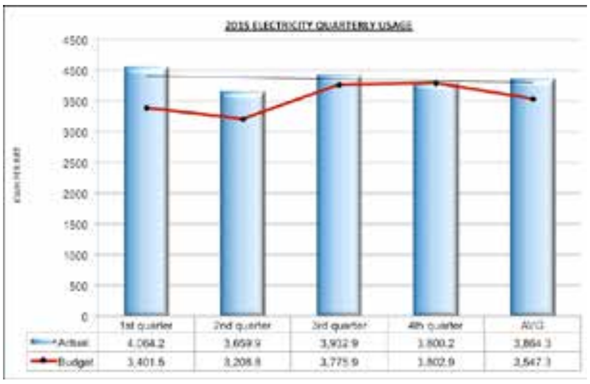
Key water saving initiatives included:

(i) Replacement of leaking hot water pump at power house
(ii) Replacement of old water pipes to eliminate leakages



(b) Energy saving

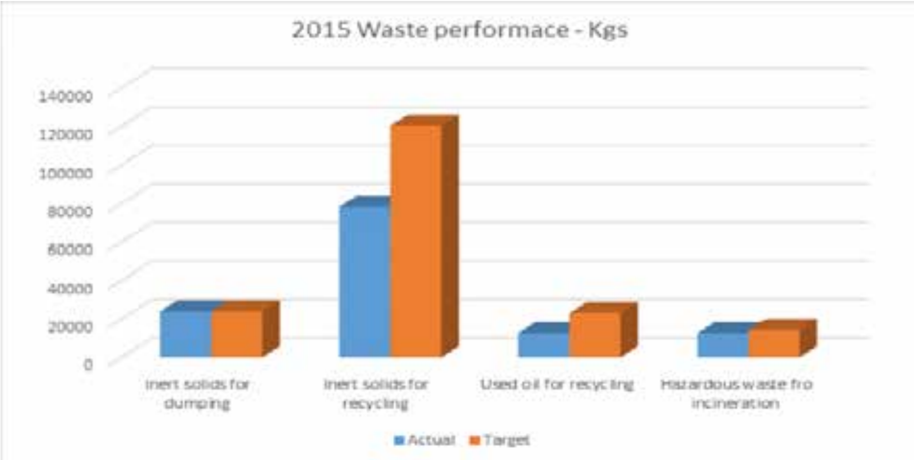
Energy costs are a key factor in the manufacturing process. As required by the Energy Regulatory Commission (ERC), we conducted an energy audit in 2015 to assess our energy-efficiency and action any improvement recommendations. Some of the energy saving initiatives undertaken during the year included; sealing air and steam leaks, reduction of critical machinery downtime and installation of a more efficient air compressor. Electricity consumption increased from 3,586kwh/RRT in 2014 to 3,864kwh/RRT. Fuel oil increased slightly from 1,002lts/RRT in 2014 to 1,032lts/RRT. This rise is attributed to reduced productivity in 2015.



(c) Waste management

The company has a well-defined waste management system in its manufacturing plant. The system takes into account requirements of the ISO 14000:2004 EMS standard and goes beyond just mere compliance requirements. All our vendors and recyclers are recognised and authorised to collect and recycle or dispose of different types of waste.

Control Measures:
In the year 2015, process improvement were carried out in Banbury, Calender, Steelastics, Horizontal Bias Cutter, Slitter and Tyre Building machines to improve process efficiency and reduce waste generation. Other issues relating to defects resulting from reinforcing materials problems were also addressed with the suppliers. Throughout the manufacturing process, we have endeavored to eliminate oil leaks which contribute greatly to hazardous waste.



(d) Emissions control

Stack emissions performance
During the year we carried out boiler and generator stack emissions testing and analyses. All the tested parameters are within the stipulated regulatory limits and continued to show improvement in the stack emission from the generator and boiler as compared to the results obtained in 2014.

IFC World Bank guidelines are as follows:

SO_2 (mg/ Nm3) 2000 (1)
NO_2 (mg/ Nm3) 2300 (1)

The following are the results obtained from the measurements.

Boiler Emissions Measurements results

	Run 1	Run 2	Run 3	Run 4	Units	Average	Corr. Conc.	Units
Oxygen	15.76	16.21	16.01	15.95	%	16.0	16.0	%
Carbon Dioxide	4.72	3.56	4.24	4.33	%	4.2	4.2	%
Carbon Monoxide	56	297	194	138	ppm	171.3	256.0	mg/m3
Sulphur Dioxide	74	70	228	372	ppm	186.0	636.1	mg/m3
NOX as NO2	177	172	171	170	ppm	172.5	422.9	mg/m3
CxHy	ND	ND	ND	ND	ppm	ND		
Stack Temperature	357	359	360	363	°C	359.8	359.8	°C

Generator Emissions Results

	Run 1	Run 2	Run 3	Run 4	Units	Average	Corr. Conc.	Units
Oxygen	15.41	16.21	15.98	15.06	%	15.7	15.7	%
Carbon Dioxide	4.81	5.23	4.23	4.15	%	4.6	4.6	%
Carbon Monoxide	276	281	215	210	ppm	245.5	345.1	mg/m3
Sulphur Dioxide	46	56	65	68	ppm	58.8	189.0	mg/m3
NOX as NO2	176	321	218	314	ppm	257.3	593.1	mg/m3
CxHy	ND	ND	ND	ND	ppm	ND		
Stack Temperature	305	305	304	303	°C	304.3	304.3	°C

Banbury Cyclone Emission Results

	Run 1	Run 2	Run 3	Units	Average	Corr. Conc.	Units
Oxygen	16.76	16.84	15.94	%	16.5	16.5	%
Carbon Dioxide	1.4	1.86	2.92	%	2.1	2.1	%
Carbon Monoxide	0	0	0	ppm	0.0	0.0	mg/m3
Sulphur Dioxide	2	2.5	2.86	ppm	2.5	9.4	mg/m3
NOX as NO2	0	1	1	ppm	0.7	1.8	mg/m3
CxHy	ND	ND	ND	ppm	ND		
Stack Temperature	30	30.4	30.4	°C	30.3	30.3	°C

Particulate Matter Measurement Results

All the occupational measurements for the Particulate Matter PM10 show that levels were within the regulatory limits.

Location	Flow rate (ℓ/min)	Volume m^3	Concentration (mg/m^3)	OEL Limits PM10 (mg/m^3)
Tube Room	2.2	0.264	0.123	5
Banbury	2.2	0.264	1.456	5

Volatile Organic Compounds (VOC) Measurements Results

Sampling of VOCs' was also concluded in 2015.According to 16200-2 the VOC's were passively sampled, laboratory analyse conducted on the samples and results obtained indicated that the VOC's were Below Detectable Limits for most compounds. See the table below:

	MRC LAB	TYRE ROOM	CEMENT HOUSE	T W A O E L - R L (mg/m^3)
Parameter				
Acetone	BDL	BDL	BDL	1780
Benzene	0.13	0.53	1.01	5ppm
Butyl acetate	BDL	BDL	BDL	710
Ethanol	BDL	BDL	BDL	980
Ethyl acetate	BDL	BDL	BDL	1400
Isopropyl alcohol	BDL	BDL	BDL	980
n-Heptane	0.35	1.98	2.35	1600
n-Hexane	0.09	0.01	0.14	70
Toluene	0.76	0.56	0.89	188
m&p Xylene	BDL	BDL	BDL	435
o-Xylene	BDL	BDL	BDL	435

BDL- Below Detectable Limit

3.3 Product safety

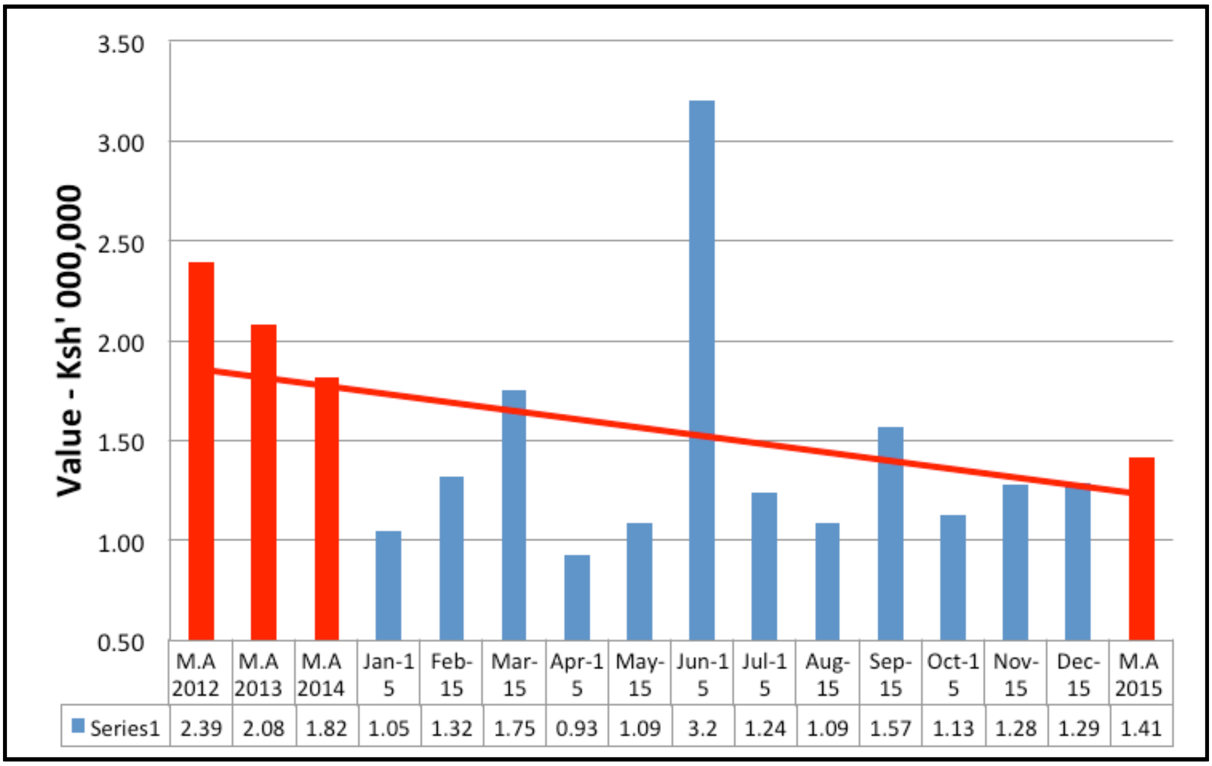
At Sameer Africa, the safety of our customers, our employees and the community is at the core of our business philosophy. Each product manufactured by us either under the Yana label or the Summit label goes through rigorous indoor testing and through stringent quality control checks before sale.

Other measures taken by the Group to ensure product safety include:

(i) All our products bear the KEBS standardisation mark of quality
(ii) All our products are sold with a one year warranty, and,
(iii) Our production processes are ISO certified.

Our claim ratio has been improving over the years as we continue to invest in improvements in our manufacturing process. In 2015 the claim ratio reduced to 0.36% against a target of 0.50%.

2012 to 2015 Product Claims Trend - Value



Responsible marketing and advertising

Being cognisant of the fact that inaccurate advertising messages lead to inappropriate consumer decision and product perceptions, Sameer Africa prides itself in "telling it as it is". We shout about our great products, quickly recall products that we feel could endanger the lives of our customers and ruthlessly destroy any production runs that do not meet our high manufacturing standards.

Responsible competition

The group subjects itself to fair competition by charging a just price for its products and ensuring accurate taxes and duties are paid to all revenue and other government bodies in the jurisdictions where we operate. Our tendering procedures are transparent and above board and where we feel aggrieved, we follow due process in receiving what we believe is fair treatment. In 2015, the group lodged two appeals with the Public Procurement Oversight Authority (PPOA), contesting tender awards where the group was not satisfied with the various awards. We are optimistic that the PPOA will rule in our favour.

3.4 Social performance and community engagement

In 2015, Sameer Africa participated in various social responsibilities to improve the livelihoods and well being of society through the following initiatives.

Charitable Sports
Sameer Africa sponsored and participated in a number of sports that were structured to help the needy improve their well-being, wildlife conservation and eradicating and creating awareness of human pandemics in the society.

As part of the Sameer group of companies, we contributed Kshs. 2 million to the Beyond Zero Campaign, which is an initiative of the First Lady of Kenya with the aim of stopping new HIV infections and improving maternal and child health through buying mobile clinics in counties.

Sameer Africa also participated in the Standard Chartered Marathon, which is a community initiative by Standard Chartered Bank dubbed as "Seeing is Believing" aimed at raising funds for the needy in the community with vision problem.

The company further sponsored the Canada Golf Tournament organized to help under privileged persons. The tournament, held on 26th June 2015, had proceeds from it donated to the Starehe Girls Centre to support several girls in their tuition, accommodation, school supplies, food and uniforms.

In addition, Sameer Africa contributed in kind through donation of tyres to Lake Nakuru National Park in "Cycle with Rhino Campaign" in rehabilitating 51 Kms of electric fence and community conservation education around the park. Sameer Africa also sponsored the Diabetes Walk as well as the Cerebral Palsy Walk in which funds raised were used to sensitize both the public and policy makers on the alarming phenomena of people living with undiagnosed diabetes and supporting the people with cerebral palsy in society respectively.

Road Safety Campaigns
A good percentage of road fatalities are tyre-related and over the years Sameer Africa has engaged in grass-root road safety campaigns across the country by training organized motor groups on tyre safety and maintenance. This continued in 2015 in which the main focus was on the military, corporates, fleets, KTDA and institutions. The company trained a total of 1,997 drivers from 219 different bodies.

3.5 Sustainable supply chains

3.5 Sustainable Supply Chains

Our supply chains create value across the economies where our group companies operate. A secure and stable supply chain is key to ensuring our long-term business performance. We have a clear interest in mitigating risk and in supporting suppliers in strengthening their sustainability in ways that benefit them as well as us. We source goods and services from a wide variety of businesses around the world and our procurement systems depend on relationships with local, regional, and global suppliers.

Sameer Africa's Policy for Sustainable Supply Chains

In 2015, we developed policies to ensure that Group's business is conducted responsibly throughout its supply chains. In order to communicate this orientation to suppliers, we developed codes of conduct that form the guiding principles of our supply chain interactions and we expect all our suppliers and service providers to understand, embrace and abide by.

The Group's suppliers' code of conduct includes the following key principles:

1. *Fair competition*, this principle makes reference to the Restrictive Trade Practices, Monopolies and Price Control Act (Cap 504, Laws of Kenya).
2. *Ethical behaviour*; emphasising the Groups anti-corruption stance and demanding ethical behaviour from all employees. The section details the Groups position on bribes, conflict of interest, gifts and other courtesies
3. *Employment relations*, this section requires fair employment practises by suppliers and specifically prohibits child labour, forced labour or employment discrimination.
4. *Regulatory compliance*, which requires our supply chain operators to provide proof of their compliance with necessary legal and other regulatory requirements.

3.6 Our people

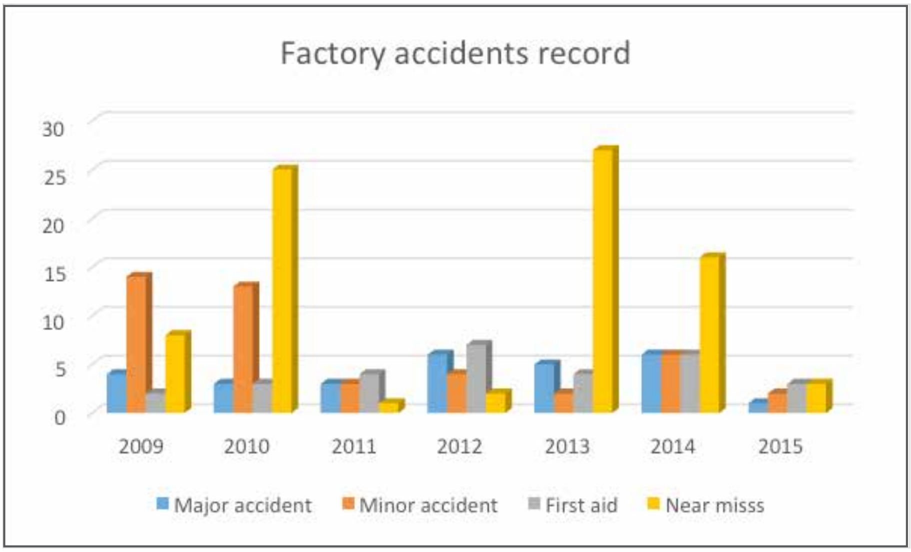
1. Staff wellness

Health and wellness has always formed an integral part of Sameer Africa's credentials. The company has therefore always endeavoured to promote this, not just within its employees, but also amongst the entire community within which it operates.

In 2014, Sameer Africa evolved its 'Wellness' scheme. The scheme boosts awareness amongst staff members and by extension their families and dependents on how to be well physically, mentally, emotionally and mentally healthy despite the many adversities that people go through in life.

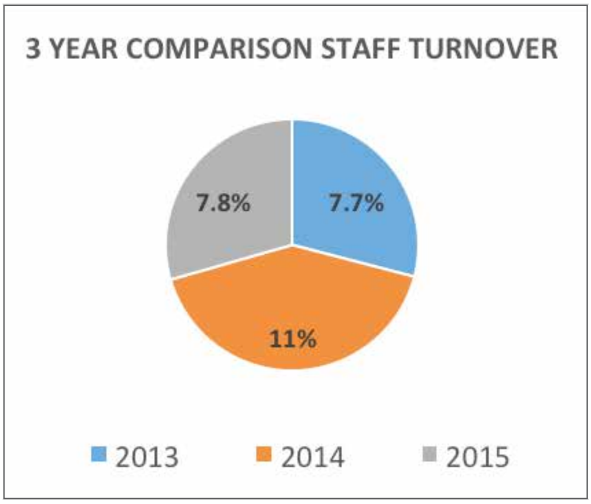
The scheme has been reaching out to staff through emails and notice boards on issues ranging from stress management, importance of exercise, financial wellbeing and how to safeguard oneself from the Ebola pandemic amongst others.

Workplace safety for our people is closely monitored to ensure that employees can concentrate on productive enterprise without fear for their safety. Our accident records have continued to improve each year as we take a proactive approach to improving safety in the factory.



2. Staff turnover

2015 experienced a lower turnover of 7.8% as compared to a turnover of 11% in 2014.This is within the acceptable industry average of 14%



3. Recruitment

There was low recruitment in 2015 due to the slow staff movement rate. During 2015:-

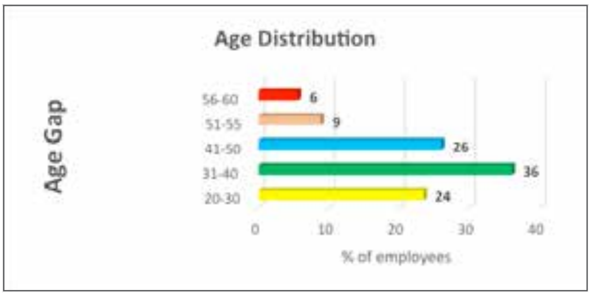
- Job combination and enrichment was adopted where possible which ensured employees were exposed to more areas of their respective departments in turn increasing their career expertise.
- Employees affected by job combination in the tyre centers were deployed to new upcoming tyre centers
- Out of 26 staff entrants 18 were replacements, 8 new positions
- Out of the 26 positions filled, 7 were interns promoted to permanent positions
- 11 employees were promoted during the period
- 86% of vacant positions were filled on time while 14% were behind the acceptable time frame

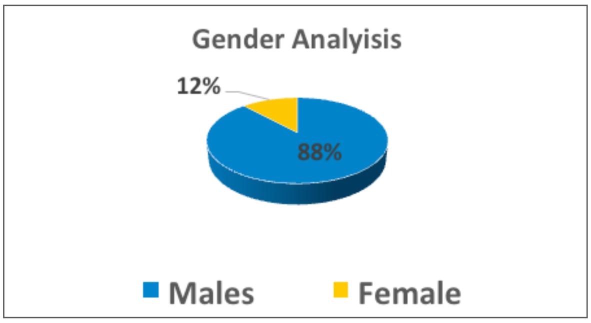
4. Staff Development

As illustrated in the preamble and our strategic objective, employee development is key to ensuring our customers continue to receive world-class services and products. In 2015, the learning and development target was achieved at 113 against the planned 70%. Notably NITA recognized and reimbursed costs of training by 60%.

5. Demographics

The majority of our staff fall within Generation X which is the mid 30s to early 40s. While we strive to retain staff within the company, our focus is to ensure equitable spread of all ages and recruitment of a younger workforce for a sustainable succession plan in the future. Our target is to have female representation of 30%, however the nature of the business as a manufacturing plant limits recruitment to male candidates.





6. Milestones

In 2015 were:

- Aligned our reward system to performance.
- Maintained excellent industrial relations
- Resolved key gaps that had been raised in the employee satisfaction index
- Enhanced retirement benefits of our unionisable employees from a gratuity to a provident fund.

7. 2016 and beyond

We shall focus to inculcate a superior performance management system that will ensure a productive workforce that is fully motivated, customer focused and competitively remunerated. Team work and collaboration across the group shall be enhanced within the bounds of good governance.

1, 2 and 3. Canada Golf Tournament sponsored in support of Starehe Girls Centre

4. First Lady Margaret Kenyatta receives Kshs 2 Million in donation towards the Beyond Zero campaign, from Mr Sameer Merali and PA to Sameer Group Chairman Mr Peter Gitonga in March 2015.

5. Kinyanjui Training College - Training on tyre safety and maintenance as part of grass roots road safety initiative.

6. ISO/TS 16949 Quality Management Systems re-certification audit in July 2015.

Contents

SECTION – 4: GOVERNANCE AND REMUNERATION

4.1 Board of Directors

Peter M. Gitonga | **Akif H. Butt** | **Eng. Erastus K. Mwongera**

Allan Walmsley *Stephen M. Githiga* *Sameer N. Merali* *Edgar Imbamba Company Secretary*

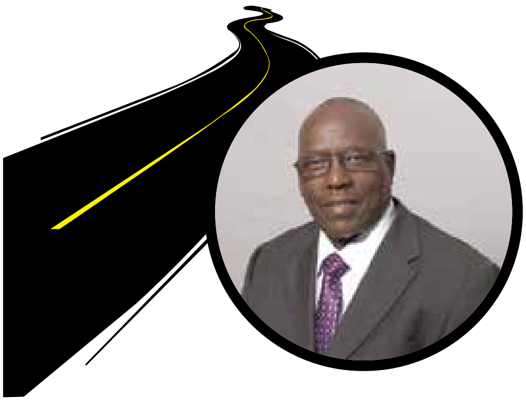
Directors

Eng. E. K. Mwongera	Chairman
A. Walmsley *	Managing Director
S. N. Merali	
A. H. Butt	
S. M. Githiga	
P. M. Gitonga	

* South African

Company Secretary

Edgar Jumba Imbamba
P.O. 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 immediate past Chairman and current board member of the Federation of Kenya Employers. He is also the current Chairman of Kenya National Highways Authority.

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.

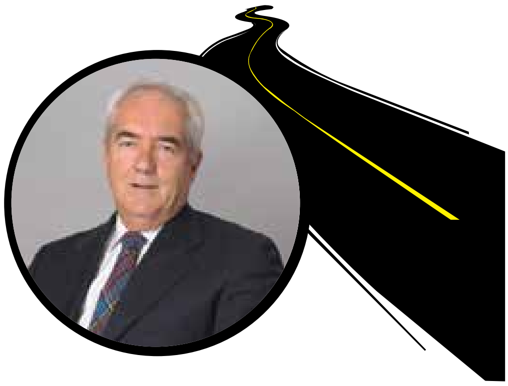
From 2006 to 2009, Eng. Mwongera was chairman of the Kenya Airports Authority during a time of major rehabilitation, modernization and expansion of Kenya's international and national airports and airstrips.

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 charitable organizations.

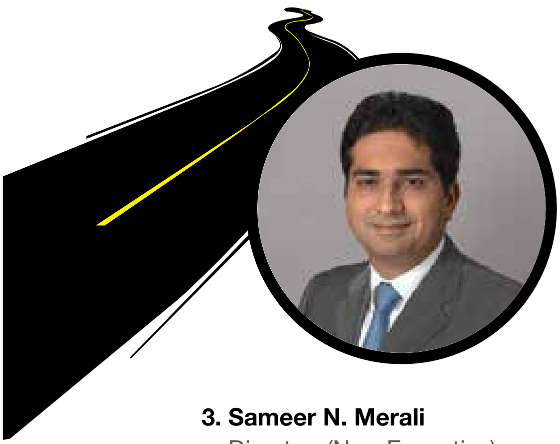
Eng. Mwongera is the chairman of the board of directors of Sameer Africa Limited and also the chairman of the nominations and remuneration committee.



2. Allan Walmsley
Managing Director (Executive)

Mr. 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).

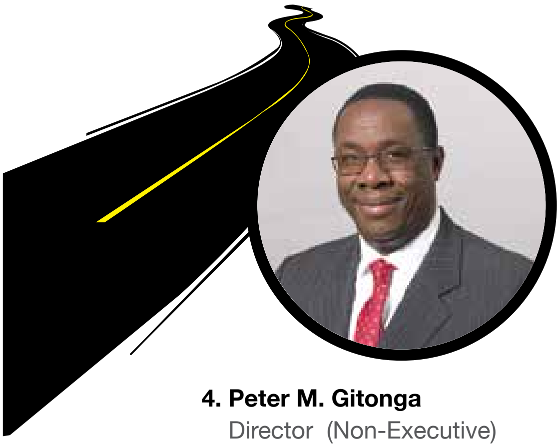
Allan holds a Bachelor's Degree in Accountancy and is also a Chartered Accountant.



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 the Chief Executive Officer of Sameer Investments Limited and a Director of 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.

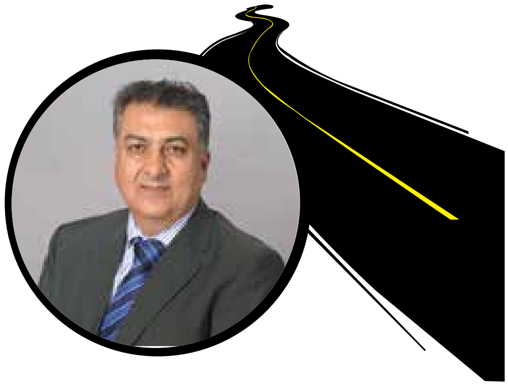


4. Peter M. Gitonga
Director (Non-Executive)

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, the finance and investment and the audit, risk and corporate governance committees of the board.

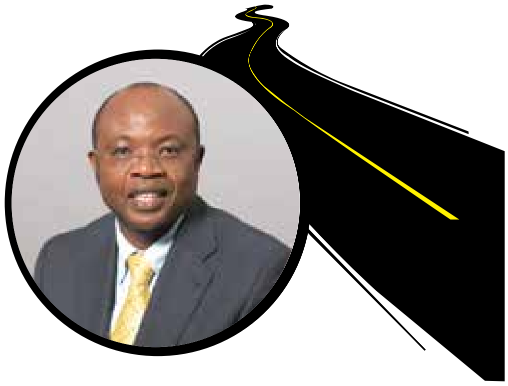
He is also a Director of Meru County Microfinance Corporation, the Chairman of Excel Girls High School and a Board member of Abothuguchi Secondary school.



5. 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.



6. Stephen M. 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.

4.2 Executive Committee

John Kabare
General Manager, Manufucturing

Jackline Omuka
Head of Human Resource

Eric Githinji
Ag. General Manager, Finance & Strategy

Steve Mwenda
General Manager, Sales & Marketing

Allan Walmsley
Managing Director

Romulus Omondi
General Manager,
Operations

Richard Opiyo
Chief Information
Officer

Hassan Awadh
Head of Audit
and Risk

Edgar Imbamba
Company
Secretary

1. Allan Walmsley
Managing Director (Executive)

Mr. 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 Mwenda – General Manager
Sales & Marketing

Mr. Steve Mwenda is responsible for developing, leading and implementing the company's marketing strategy and programmes to deliver sustainable and profi table 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. Eric Githinji
Ag. General Manager – Finance & Strategy

Mr. Eric Githinji is responsible for leading the financial management, reporting and controlling function for optimal utilization of company's financial resources and assets, he also ensures compliance with regulatory requirements and appropriate reporting standards.

Eric joined the company in January 2012 as Finance Manager and has previously served as Financial Controller with the Amiran Kenya Group.

Eric holds a Bachelor of Commerce degree from the University of Nairobi and is a Certified Public Accountant- CPA (K) and a member of the Institute of Certified Public Accountants of Kenya.

4. John Kabare
General Manager – Manufacturing

Mr. 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.

4.2 Executive Committee

5. Romulus Omondi
General Manager - Operations

Mr. 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, fi nished 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.

6. Jackline Omuka
Head of Human Resources

Ms. 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 Managemand Institute of Human Resource Management.

7. Hassan Awadh
Head of Audit and Risk

Mr. 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).

8. Richard Opiyo
Chief Information Offcer

Mr. 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.

9. Edgar Imbamba
Company Secretary

Mr. Edgar Imbamba is an Advocate of the High Court of Kenya and a practicing Certifi ed 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.

4.3 Chairman's Governance statement

Dear Shareholder,

The board believes that a high standard of corporate governance is a key contributor to the long-term success of the company. The board remains committed to ensuring that a combination of good leadership and the highest standards of corporate governance are maintained through a robust internal framework of systems and controls underpinned by the right values and culture. This framework of policies and processes is regularly reviewed against developments in the legislative, regulatory and governance landscape.

This governance report comprises the following sections:
- Corporate governance.
- Audit committee report.
- Remuneration report.

The role of the Board

The board's main role is to work with the executive team, providing support and advice to complement and enhance the work undertaken. The board consistently challenges processes, plans and actions and exercises a degree of rigorous enquiry and intellectual debate. This serves to promote continuous and sustained improvement across the business. The board consisted of a majority of non-executive directors throughout the year. Further details of our board composition and appointments are set out in the governance report.

Governance Report

In addition to scheduled formal board and committee meetings, there are meetings for cross interaction among the members of the board and the executive management team (Exco). These meetings provide value add from the engagement of the board members in all their interactions with the company management, formal or otherwise. The company has a policy and programme for induction and continuing professional development for directors. On appointment, each director takes part in a comprehensive induction programme. To enhance performance and effectiveness, the board has established a process for the annual development of the board, its committees and individual directors. We remain committed to sharing our business vision with our shareholders by maintaining regular open dialogue and effective communication. We believe that continued engagement with our shareholders is highly beneficial to all parties as it helps to build a greater understanding of our investors' views, opinions and concerns.

The CMA Code of Corporate Governance Practices

As a listed company, Sameer Africa is governed by the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Listed Companies in Kenya. I am pleased to report that the board has incorporated the recommended practices in the CMA code into its own code of corporate governance and included in this report on pages 97 to 105 is a self-assessment of the group's compliance with the new code as at end 2015.

Eng. Erastus K. Mwongera,
Chairman,

7 April 2016

4.4 Corporate governance

How the board works

Our role

The board is collectively responsible for delivering the long-term success of the Group by:

- Establishing the strategic direction of the group and overseeing and monitoring its activities.
- 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.
- Reviewing corporate strategy, major plans of action, policies, business plans and overseeing major capital expenditure and business acquisitions.
- Ensuring that the requirements of all stakeholders are fully understood and met.
- 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.
- Selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning.
- Ensuring the continuity of the group via formal disaster recovery procedures and the establishment of a clear succession plan.
- Establishing an appropriate risk management framework which effectively identifies and manages all risks in line with the group's overall risk appetite.
- Ensuring that the internal and external audit functions are effective and that robust accounting and internal control systems are in place.
- 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.
- 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.

There is a schedule of specific matters reserved to the board for decisions which is available and is clearly documented and understood by management.

Our meetings

The number of meetings held during the year and attendance of directors is set out in the table on page 89. The board agrees an annual schedule of matters it wishes to consider at each of its meetings and those of its committees. The schedule ensures that all relevant matters are considered and receive appropriate attention.

Meetings are normally held at the company's head office along Mombasa Road, Nairobi.

Board meetings are structured around the following areas:

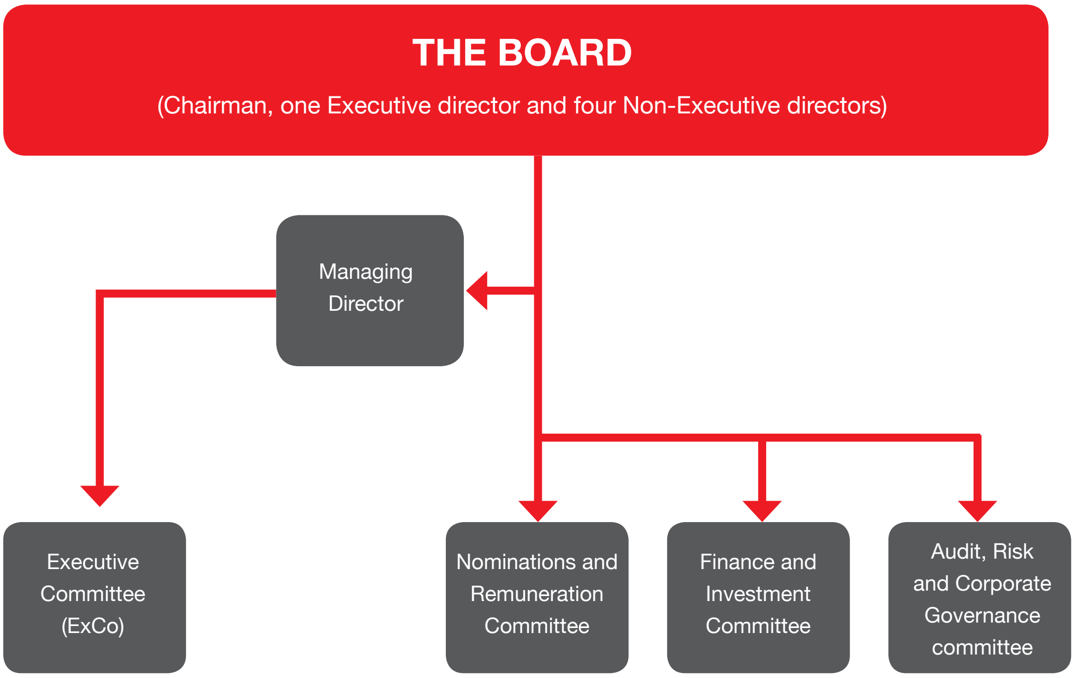
- Operational and functional updates
- Financial updates
- Strategy and risk
- Progress against strategy
- Other reporting and items for approval
- Feedback from committees

Senior executives and other staff are regularly invited to attend meetings for specific items.
In addition to formal board and committee meetings, meetings take place between the board members and executive committee (Exco) where departmental performance is reviewed in detail every quarter.

What we focused on in 2015	• Business performance review • Engagement with a strategic and equity partner • Enterprise risk management • Corporate governance practices
Our agenda for 2016	• Board performance evaluation • Business performance review • Contract manufacturing considerations • Property business strategy

Our Governance Structure

The diagram above shows Sameer Africa's governance structure.
The board has approved a formal framework for the approval of expenditure within the company around this governance structure.



Who is on our Board and how we work as a team

Composition and appointments

The Composition of the Board is set out on pages 78 to 81.

In accordance with the company's articles of association, one third of the non-executive directors retire annually at the company's annual general meeting (AGM) and if eligible, and offer themselves, they may be so re-elected in that meeting. In the last AGM held on 29th May, 2015 Mr. Stephen Maina Githiga retired under the rotation rule and being eligible offered himself for re-election and was duly elected.

As per the articles, the directors retiring by rotation are shown in the notice of the 47th annual general meeting on page 186.

Non-executive directors are expected to commit sufficient time to the company and the board activities and the board is satisfied that each of the non-executive directors committed sufficient time to the business of the company during the year.

Directorships of board members on other listed entities as at 31 December 2015	
Eng. Erastus K. Mwongera	Director at National Bank of Kenya Limited
Sameer N. Merali	Director at Sasini Limited
Akif H. Butt	Director at Sasini Limited Director at Eveready East Africa Limited

Skills and experience

There are job descriptions in place for each of the chairman, the managing director, and the non-executive directors which have been agreed by the board.

The board is of the view that the non-executive directors are independent in both character and judgement. They constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The board works well together, bringing strong, independent, balanced judgement, knowledge and experience to the board's deliberations. Each non-executive director has appropriate skills and experience such that their views carry significant weight in the board's decision making.

Board members meetings and members' 25th attendance for 2015

Board Member	Position	24th March 2015	29th May 2015	29th July 2015	10th Sept 2015	25th Nov 2015
Eng. Erastus K Mwongera	Chairman, Independent	√	√	√	√	√
Allan Walmsley	Managing director, Executive	√	√	√	√	√
Stephen M. Githiga	Independent	√	√	√	-	√
Akif H. Butt	Non-Executive	√	√	-	√	√
Peter M. Gitonga	Non-Executive	√	√	√	√	√
Sameer N. Merali	Non-Executive	√	-	√	√	√
Edgar Imbamba	Company Secretary	√	√	√	√	√

Board Committees

The board has delegated certain responsibilities to its committees. The terms of reference for each committee are reviewed annually and are clearly documented.

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.
- 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 and departments.

Audit, risk and corporate governance committee meetings and members' attendance for 2015

Committee Member	Position	20th March 2015	22nd July 2015	12th November 2015
Stephen M. Githiga	Chairman (Non-executive director)	√	√	√
Peter M. Gitonga*	Member	-	√	√
Allan Walmsley	Managing Director	√	√	√
Sameer N. Merali	Member	√	√	-
Hassan Awadh	Head of Risk and Compliance	√	√	√
Martin Makundi	General Manager Finance & Strategy	√	√	√
Edgar Imbamba	Company Secretary	√	√	√

*Appointed on 25th March 2015

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 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 board procedures are comprehensive and are properly formalized.
- Rewarding the results of the annual employee appraisal exercise.

Nominations and remunerations committee meetings and members' attendance for 2015

Committee Member	Position	20th March 2015	22nd July 2015	14th November 2015
Eng. Erastus K Mwongera	Chairman (Independent, non-executive director)	√	√	√
Peter M. Gitonga	Member	√	√	√
Allan Walmsley	Managing Director	√	√	√
Jackline Omuka	Head of Human Resources	√	√	√
Edgar Imbamba	Company Secretary	√	√	√

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.

Finance and investments committee meetings and members' attendance for 2015

Committee Member	Position	20th March 2015	21st July 2015	17th November 2015
Akif H. Butt	Chairman (Non-executive director)	√	-	√
Allan Walmsley	Managing Director	√	√	-
Peter M. Gitonga	Member	√	√	-
Martin Makundi	General Manager Finance and Strategy	√	√	√
Edgar Imbamba	Company Secretary	√	√	√

Effectiveness

Evaluation

The board has established an ongoing evaluation and development process. The process focuses on roles and responsibilities, culture, balance of skills and experience, diversity and how the board works together. In particular, it focuses on how effective the directors are in assisting the executive team in achievement of the strategy.

In 2016, the board embarked on evaluating how well it performed in 2015 collectively as a board and for each individual director. The process will also involve evaluating the performance of the board committees in executing their mandate.

At the end of the process, further feedback will be given and a programme for future development agreed and a further health check review will be undertaken annually.

Board tenure

All directors are required by the company's articles of association to be elected by shareholders at the first AGM following their appointment by the board. Subsequently, all directors are subject to annual re-election by shareholders as per the rotation rules in the articles of association.

Succession planning

The board has agreed a succession planning framework to ensure that;

- board tenure is appropriate and encourages fresh thinking and new ideas;
- the board is sufficiently diverse but most importantly has the appropriate mix of generalist and specialist skills; and;
- non-executive directors have the appropriate level of independence, from the executive and each other.

When planning succession within a company consideration is given to emergency cover together with medium and long-term succession.

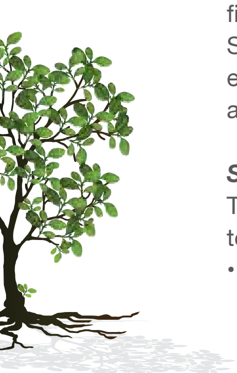
Diversity

It is the board's policy to retain a strong but relatively small board bringing a balance of in depth commercial and technical experience. Although given the size of the board specific formulaic targets are not appropriate it is our intention to increase the gender diversity of board membership as the opportunity arises.

Induction

The company has a policy and programme for induction and continuing professional development of directors. On appointment, each director takes part in a comprehensive induction programme where they:

- receive information about the Group in the form of presentations by executives from all parts of the business and on the regulatory environment;
- meet representatives of the company's key advisers;
- receive information about the role of the board and the matters reserved for its decisions, the terms of reference and membership of board committees and the powers delegated to those committees;
- receive information about the company's corporate governance practices and procedures and the latest financial information about the Group; and;



- are advised of their legal and other duties and obligations as a director of a listed company.

This is supplemented by visits to key locations, including the factory, our Yana Tyre Centres and meetings with major shareholders where appropriate.

Additional specific induction programmes are in place when non-executive directors join committees.

Continuing professional development
During their period in office, the directors are continually updated on the Group's businesses and the competitive and regulatory environments in which they operate. This is done through:
- updates and papers which cover changes affecting the Group and the market in which it operates;
- meetings with senior executives
- regular updates on changes to the legal and governance requirements of the Group and in relation to their own position as directors; and presentations given at board and committee meetings on business matters and technical update sessions from external advisers where appropriate.

As part of their professional development, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

Conflicts of interest
The board has delegated the authorisation and resolution of conflicts to the nomination and remuneration committee and has adopted a Conflicts of Interest Policy.

The board has considered in detail the current external appointments of the directors which may give rise to a situational conflict and has authorised potential conflicts where appropriate.

This authorisation can be reviewed at any time but will always be subject to annual review. The board is confident that these procedures operate effectively.

Insurance and indemnities
The company maintains liability insurance for its directors and officers which is renewed on an annual basis. The company has also entered into deeds of indemnity with its directors.

Our Shareholders

Relations with shareholders

The board attaches a high priority to effective communication with shareholders and has regular and open dialogue with our institutional investors. The board believes that continued engagement with our shareholders is beneficial to both the company and its stakeholders as it helps to build a greater understanding of investors' views, opinions and concerns.

Our executive team meet with institutional investors throughout the year to keep them updated on the company's performance when such information is sought. These range from one-to-one meetings to group presentations including the full year and interim results and the AGM. Specifically, following the full year and interim results, meetings are held with representatives of our largest shareholder.

The company has made available an 'investor relations' web page where it communicates with its shareholders on major happenings including interim and annual financial results.

Board of director's shareholding
As at 31 December 2015, director's shareholding was as below:

Director	Shareholding
Peter Gitonga	12,750
Akif H. Butt	450
Sameer N. Merali	15,000
Akif H. Butt (jointly with another party)	20,000

Principal shareholders and share distribution

Principal shareholders

The ten largest shareholdings in the company and the respective number of shares held at 31 December 2015 are as follows:

Name	Number of Shares	%
1. Sameer Investments Limited	200,817,982	72.15%
2. Patrick Njogu Kariuki	5,570,800	2.00%
3. BNP Paribas (Suisse) SA	4,417,600	1.59%
4. Best Investment Decisions Limited	1,942,100	0.70%
5. Kenyalogy.Com Limited	1,919,900	0.69%
6. Kenya Commercial Bank Nominees Limited A/C 915b	1,892,517	0.68%
7. Mohamed Muin Ud Din A Malik	1,369,800	0.49%
8. Ameerali K Abdulrasul Somji	1,286,771	0.46%
9. Swani Coffee Estate Limited	1,228,360	0.44%
10. Craysell Investments Limited	1,093,500	0.39%

Distribution of shareholders

Share range	Number of shareholders	Number of shares	%
0 - 500	7,814	2,184,441	0.78%
501 – 5,000	5,176	8,226,556	2.96%
5,001 – 10,000	481	3,661,268	1.32%
10,001 – 100,000	518	16,122,829	5.79%
100,001 – 1,000,000	78	25,536,369	9.17%
Over 1,000,000	11	222,610,930	79.98%
Total	**14,078**	**278,342,393**	**100%**

Annual General Meeting (AGM)

The AGM will be held on 14th June, 2016. (Further details can be found on page 186). The notice of meeting sets out the resolutions being proposed. The notice, together with any related documents, is made available to shareholders on our website. Last year all resolutions were passed unanimously by acclamation.

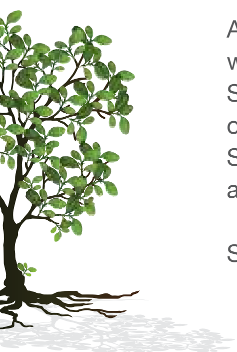
In 2015 the meeting was attended by 777 shareholders.

At the forthcoming meeting, the chairman and managing director will review the group's current trading performance which is followed by a question and answer session.

Separate resolutions are proposed on each substantially separate issue and all resolutions are taken by acclamation or on a poll if there is no unanimous agreement.

Shareholders who are not able to attend the meeting can send and vote through a proxy. The form of proxy is available on page 191.

Save in exceptional circumstances, all members of the board will attend the AGM.



Dear Shareholder,

Once again, we set out the audit, risk and corporate governance committee's report for 2015.

The report comprises of:
- Internal controls
- ERM organizational chart
- Risk management
- Corporate governance and compliance review
- Our auditors
- What we focused on in 2015

The internal audit, risk management and compliance function is a critical component in ensuring that we underpin our ability to execute and implement strategy. The principal objectives of the committee are to support the maintenance and continual upgrade of our control environment and to ensure the integrity of the financial information provided to all stakeholders within an environment where risk amelioration is maximized.

The committee seeks to not just respond to change but to support and challenge management to develop controls as they anticipate future risks and opportunities.

The committee met three times in 2015, and received various reports touching on the internal control environment, risk management and corporate governance and in turn reported to the main board on its findings. In addition, the committee continually follows up to ensure all outstanding matters are properly and completely closed out.

Composition of the committee

The committee is composed of entirely non-executive directors - namely Stephen M. Githiga (Chairman), Sameer N. Merali and Peter M. Gitonga.

The meetings were all attended by the Managing Director, General Manager Finance and Strategy, and the Head of Risk and Compliance, by invitation. The company secretary also attends the meetings and takes the minutes.

In reporting to you we seek to engage the shareholders and provide an insight into the workings of the committee in the areas of internal control, risk management, corporate governance and compliance.

Stephen M Githiga
Chairman, audit, risk and corporate governance committee.

7 April 2016

Board Audit, Risk and Corporate Governance Committee

The committee is composed of highly qualified individuals who are financially literate and vastly experienced.

The board audit, risk and corporate governance committee:

- reviews and approves the yearly audit plan.
- reviews the year end and interim financial statements
- reviews key accounting policies and judgements
- monitors the effectiveness of the internal control environment
- reviews changes to financial reporting standards
- monitors the work of the internal auditors.
- engages regularly with the external auditors and receives their reports.
- considers and reviews the external auditors fees.
- reviews all risk management reports
- reviews internal audit reports.
- reviews all corporate governance reports.
- reports to the main board.
- follows up for closure of all issues raised.

Internal Controls

The board of directors is responsible for the system of internal control. Through the audit, risk and corporate governance committee the board is committed to continuously ensure adequate and effective control procedures are in place with a view to safe guarding company assets and stakeholder interests. Through constant interaction with management and with the assistance of the internal audit department, the committee is able to evaluate the effectiveness of set internal controls.

The committee continuously seeks to ensure the implementation and maintenance of adequate, effective and properly communicated internal control procedures by management. Management is also required to ensure that the processes and procedures are operating seamlessly and achieve the desired objectives.

The committee is appraised regularly in respect of weaknesses noted, the corrective actions taken and any improvement recommendations provided.

Approval of the annual audit plan is a critical component in ensuring the effectiveness of internal controls and the general control environment.

In 2015, all internal controls were in place and functioning as required. Areas of improvements were identified and implemented. No significant control deficiencies were noted either by the external or internal auditors.

Risk Management

Background

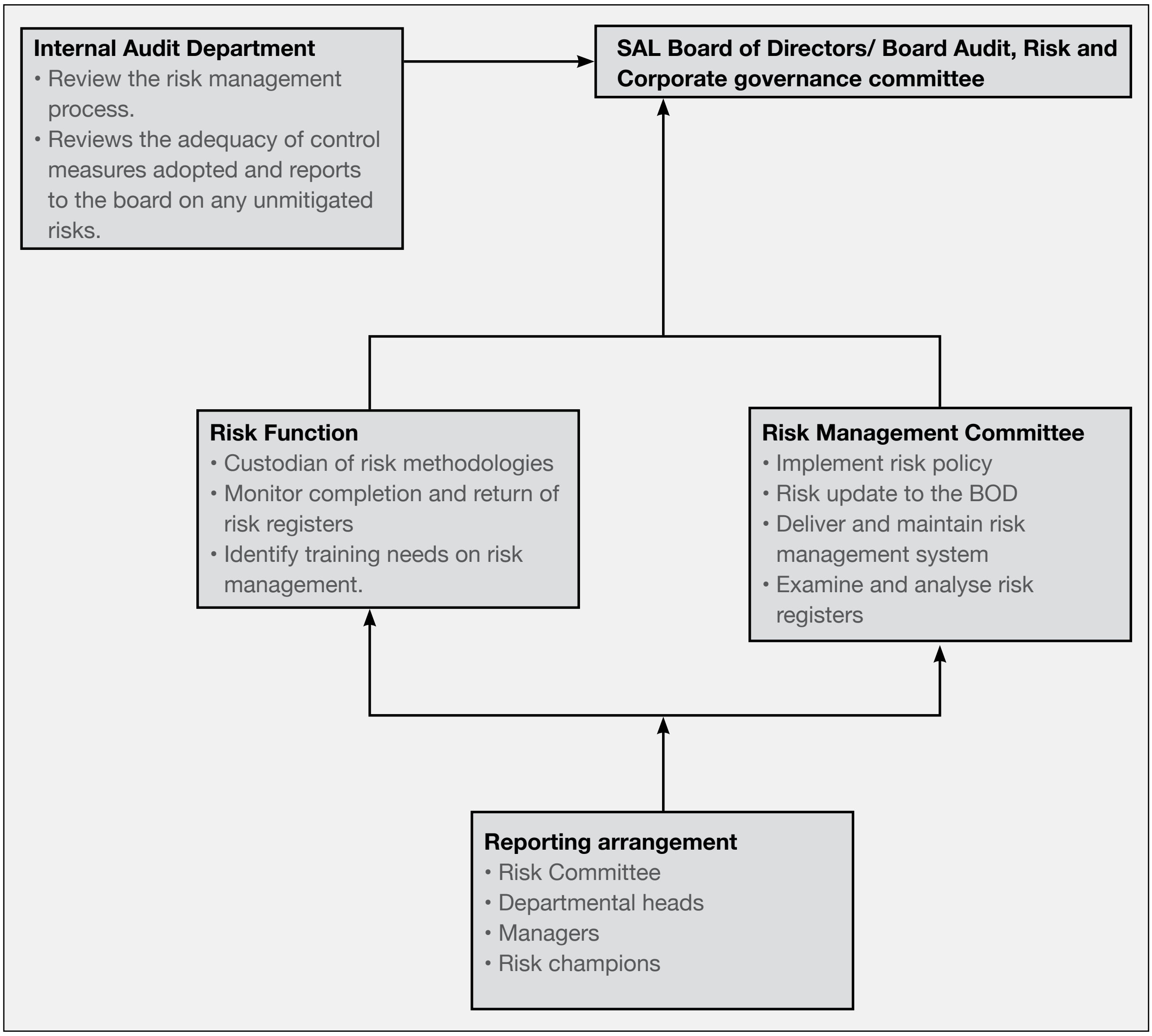
The risk management function was effectively implemented in Sameer Africa in 2014. Since that time significant gains have been made in terms of risk identification and quantification, the adoption of risk amelioration strategies, awareness creation through training and ongoing monitoring and reporting.

Our risk management program has allowed us to timeously identify events and situations that pose significant risk to the group, to be able to control the negative impact of such risks and also to take advantage of the numerous opportunities that arise from time to time in our business environment. The introduction of risk management at Sameer Africa is also in line with global best practice.

ERM Organization Chart

Risk management is the responsibility of all staff in Sameer Africa. The risk management policy is now embedded within the current organizational structure and follows existing communication channels. The following diagram depicts the parties in the risk management system and their relationships.

ERM Organization Chart



During 2015, the risk management framework was finalized and implemented, risk registers completed and updated periodically and there was a significant progress in inculcating the risk management culture within the Group.

Corporate governance and compliance review

In 2015, the committee continued with its review of the Code of Business Conduct and Ethics for Directors and Executive Management.

The committee also continued with its review of all corporate governance issues including the group's compliance with the draft CMA Code of Corporate Governance Practices for Listed Companies. The CMA code has since been officially published in the Kenya Government Gazette in March 2016. Included below is a self-assessment of the group's compliance with the new code. The committee in 2016, will vigorously pursue implementation of the Code before the deadline.

	REQUIREMENT	REMARK	BY WHEN
1	**Board composition, appointment and procedures** Every company shall be headed by an effective Board which shall offer strategic guidance, leadership and control of the company	In compliance	
2	**The Board shall be of a sufficient size.**		
	a) The Board shall be of such a number that enables the requirements of the company's business to be met. The size of the Board shall not be too large to undermine an interactive discussion during Board meetings or too small such that the inclusion of wider expertise and skills to improve the effectiveness of the Board and the formation of its committees is compromised	Correct size	
	b) The board shall have a policy to ensure achievement of diversity in its composition.	To be implemented	October 2016
3	**Fiduciary duties of the board:** **The board shall establish clear roles and responsibilities in discharging its fiduciary and leadership functions**		
	a) Related party transactions • The board shall put in place a policy on related party transactions • All related party transactions shall meet the requirements of the law and be approved by the board before being executed	Policy to be put in place	July 2016
	b) Have an appropriate balance of skills, experience, independence and knowledge of the company and its business to enable them discharge their respective duties and responsibilities effectively	In compliance but under continuous assessment.	July 2016
	c) Have a transparent and documented procedure for appointment of new Board members	The board charter covers this and there is a procedure in place.	
	d) Establish clear functions reserved for the board and those functions delegated to management	Yet to be formalised	
	e) Establish policies to ensure that the Board members are independent	Yet to be done but we have standards defining independent director.	
	f) Formalize its ethical standards through the development of a Code of Ethics and Conduct and ensure it is compiled with;	There is an existing code of ethics for directors and management. There is need to put in place methods to evaluate compliance	To implement evaluation by end of Q2/2016
	g) Establish periodical review and make public its Board charter;	Charters are under review. Not shared with public	October 2016
	h) Ensure the company complies with the Constitution, all applicable laws and regulations in line with accepted national and international standards, as well as its internal policy;	In compliance	
	i) Be accountable to the Company's shareholders	In compliance	

	REQUIREMENT	REMARK	BY WHEN
4	**The Board of directors of each company shall be responsible for formulating policies, procedures and guidelines, which ensure that:**	Code to be circulated	May 2016 by the Company Secretary
	a) All directors, chief executive officers and management are made fully aware of the requirements of this code;	In compliance	
	b) All management decisions are made in accordance with prudent corporate governance practices and the shareholders of each institution are responsible for the appointment of a competent and dedicated Board of directors	In compliance	
	c) Define the company's mission, vision, its strategy, goals risk policy, plans and objectives, including approval of its annual budgets	In compliance	
	d) Capital expenditures and review corporate performance and strategies at least on a quarterly basis	In compliance	
	e) Identify the corporate business opportunities as well as principal risks in its operating environment, including the implementation of appropriate measures to manage such risks or anticipate changes impacting on the corporate business	In compliance	
	f) Establish and implement a system that provides necessary information to the shareholders, including shareholder communication policy for the company	To be implemented	
	g) Monitor the effectiveness of the corporate governance practices under which the company operates and propose revisions as may be required from time to time	In compliance	
	h) Take into consideration the interests of the company's shareholders in its decision making process.		
5	Members of the board should clearly understand the organisation's expectations of them in terms of allocation of individual responsibilities. To this end, formal letters of appointment setting out the key terms and conditions relative to their appointment are useful and should be given. The functions of management, which are mainly in the area of execution include; planning, organizing, staffing, co-ordinating, controlling, reporting and budgeting.	To be improved	
6	A person offering himself or herself for appointment as a Board member shall disclose any conflict or potential conflict that may undermine their position or duties as a director	There has to be declarations by directors to non-existence or otherwise of conflict of interest	By next board meeting – July 2016
7	The role of Chairman and Chief Executive Officer shall not be exercised by the same person	In compliance	
8	The Chairperson of a public listed Company shall be independent and non-executive.	In compliance	

	REQUIREMENT	REMARK	BY WHEN
9	**The board shall:** a) Evaluate the performance of the Chairperson, the CEO and Company Secretary on an annual basis b) Publish a summary of the evaluation results in the annual report of the company	 Yet to be done Yet to be done	By next board meeting – July 2016 Next AGM 2017
10	**Board committees** The board shall: a) Establish relevant committees to enable it discharge its mandate including internal audit, risk management, remuneration, board nominations, finance, investments and governance b) Ensure that the committees shall be appropriately constituted with members who have the necessary skills and expertise to handle the responsibilities allocated to them c) Appoint chairpersons of the committees d) Determine the procedure and process within which the committees may be allowed to engage independent professional advise at the company's expense e) Review the effectiveness and performance of the committees annually ***Nomination committee*** The board shall appoint a nominating committee consisting of at least three independent and non-executive board members. The nominating committee shall: a) Recommend new nominees for appointment to the Board b) Assess the performance and effectiveness of the directors of the company The chairperson of the nominating committee shall be an independent board member. ***Audit committee*** a) The board shall establish an audit committee of at least three independent and non-executive directors, with written terms of reference, which deal clearly with its authority and duties. b) The Chairperson of the Audit committee shall be an independent and non-executive director. c) The board shall ensure that at least one of the members of the audit committee holds a professional qualification in audit or accounting and be in good standing with their professional body.	In compliance In compliance In compliance Contained in charters but a procedure needs to be put in place. This to be done. Not complying. In compliance In compliance In compliance The committee has three members of which only one is independent. All terms are spelt out in charters. Complies but the nine year rule may affect independence. In compliance	April 2016 June 2016 July 2016

	REQUIREMENT	REMARK	BY WHEN
11	**Board balance;**		
	a) The board shall comprise a balance of executive and non-executive directors, with a majority of non-executive directors.	In compliance	
	b) Independent and non-executive directors should be at least one third of the total number of board members.	In compliance	
	c) An independent board member shall serve for a term not exceeding nine years and may thereafter be re-designated as a non-independent member.	Important to note	
12	**Age limit for board members**	Noted	
	There shall be an age limit for the members of the board. An age limit of seventy years is recommended		
13	**Limit of directorships:**		
	a) A director of a listed company other than a corporate director shall not be a director in more than three public listed companies at any one time.	In compliance	
	b) Where a corporate director has appointed an alternate director, the appointment of such alternate shall be restricted to two public listed companies at any one time.	N/A	
	c) An executive or managing director of a listed company shall be restricted to one other directorship of another listed company	In compliance	
14	**Alternate board members**		July 2016
	a) The qualification and procedure for nomination and appointment of alternate board members shall be the same as that required in the appointment of a substantive board member.	N/A	
	b) A principal director whether a body corporate or a natural person shall have one alternate director	Not complying	
	c) A body corporate shall not be nominated as alternate director	In compliance	
	d) An alternate director shall not be appointed as a member of the audit committee.	In compliance	
15	**Company secretary**		
	The board shall be assisted by a suitably qualified and competent company secretary who shall be a member of the Institute of Certified Public Secretaries of Kenya.	In compliance	
	A more detailed guideline on the company secretary is as follows:		
	a) The board shall have power to appoint or remove the company secretary	In compliance	

	REQUIREMENT	REMARK	BY WHEN
	b) The board shall empower the company secretary to enable him or her effectively carry out his or her role.	In compliance	
	c) The company secretary shall not be a member of the board.	In compliance	
	d) The company secretary shall provide guidance to the board on its duties and responsibilities and on other matters of governance.	In compliance	
	e) The company secretary shall ensure the timely preparation and circulation of the Board and Committee minutes and other relevant papers	In compliance	
	f) The company secretary shall assist the board with evaluation exercise.	To be implemented	July 2016
	g) The company secretary shall coordinate the governance audit process.	To be implemented	September 2016
	h) The company secretary shall have custody of the organization's seal and shall account to the board for its use and maintain a record of its use.	To be implemented	July 2016
	i) The company secretary shall maintain and update the register of conflict of interest.	To be implemented	August 2016
	j) The company secretary shall facilitate effective communication between the organization and the shareholders.	In compliance but under continuous review	
16	**Policies and procedures**		
	The board shall establish formal and transparent policies and procedures for:		
	a) Remuneration	Not yet fully compliant	July 2016
	b) Effective communication with stakeholders	Not yet fully compliant	July 2016
	c) Corporate disclosure policies and procedures	Not yet fully compliant	July 2016
	d) Dispute resolution for internal and external disputes	Not yet fully compliant	July 2016
	e) Policies and procedures to attract and retain board members. These policies and procedures should be approved by shareholders	Not yet fully compliant	July 2016
17	**Shareholders**		
	a) The board should facilitate the effective exercise of the rights of shareholders	In compliance	
	b) The boards should ensure there is equitable treatment of all holders of the same class of issued shares	In compliance	
	c) The shareholders shall appoint independent auditors at each Annual General Meeting	In compliance	

	REQUIREMENT	REMARK	BY WHEN
18	**Financial reporting:**		
	a) The board shall develop structures to;		
	i. Independently verify and safeguard the integrity of financial reporting	In compliance	
	ii. Ensure the truthful and factual presentation of the Company's financial position.	In compliance	
	b) The board shall explain in the company's annual report the board's responsibility for preparing the annual report and accounts, with a statement by the auditor about their reporting responsibilities.	In compliance	
19	**Compliance with laws, regulations and standards**		
	a) Applicable laws and regulation, national and international standards, as well as its internal policies	In compliance	
	b) The board shall organize for a legal and compliance audit to be carried out on a periodic basis.	To be implemented	Sept 2016
	c) The board shall ensure the following:		
	i) Save for when the independent legal and compliance audit is carried out an internal legal and compliance audit shall be carried out on an annual basis with the objective of establishing the level adherence to applicable laws, regulations and standards	To be implemented	Sept 2016
	ii) That a comprehensive independent audit is carried out at least once every two years by a legal professional in good standing with the law Society of Kenya.	To be implemented	Sept 2016
	iii) That the findings from the audit acted upon and any non-compliance issues arising corrected as necessary.	To be implemented	As per audits conducted
20	**Governance audit**		
	a) The board shall ensure that a governance audit is carried at least annually to confirm the company the company is operating on sound governance practices.	To be implemented	October 2016
	b) The board shall subject the company to an annual governance audit by a competent and recognized professional accredited for the purpose by the Institute of Certified Public Secretaries of Kenya (ICPSK), in order to check on the level of compliance with sound governance practices	To be implemented	October 2016
21	**The rights of shareholders:**		
	a) The board shall recognize, respect and protect the rights of shareholders	In compliance	
	b) The board shall facilitate the effective exercise of the rights of shareholders.	In compliance	

	REQUIREMENT	REMARK	BY WHEN
22	**Equitable treatment of shareholders** a) The board shall ensure that all shareholders are treated equitably	 In compliance	
23	**The media and corporate governance** a) The board shall proactively engage the media on dissemination of important company information and issues relating to good corporate governance in order to inform and protect investors and other stakeholders	 In compliance	
24	**Managing stakeholder relations principle** a) The board shall proactively manage the relationship with stakeholders. b) The board shall have a stakeholders inclusive approach in its practice of corporate governance and shall identify its various stakeholders	 To be improved To be improved	
25	**Resolving internal and external disputes principle** a) The board shall establish a formal process to resolve both internal and external disputes. b) The board shall ensure the established channels of dispute resolution are used in the first instance.	 To be implemented To be implemented	 July 2016 July 2016
26	**Internal control – systems** a) The board shall put in place an effective system of internal control. b) The board shall establish and review on a regular basis the adequacy and integrity of the company's internal control systems and the management of information systems, including compliance with applicable laws,	 In compliance In compliance	
27	**Timely and balanced disclosure principle** a) The board shall promote timely and balanced disclosure of all material information concerning the company. b) The board shall ensure the company has appropriate corporate disclosure policies and procedures.	 In compliance To be implemented	 July 2016
28	**Internal control systems:** The board shall; a) Establish and review on a regular basis the adequacy and integrity of the Company's internal control systems for acquisition and divestitures and management of information systems including compliance with applicable laws, regulations, rules and guidelines. b) Set out its responsibility for internal control in the board charter . c) Ensure the effectiveness of the company's risk management and internal control practices on an annual basis.	 In compliance In compliance In compliance	

	REQUIREMENT	REMARK	BY WHEN
	In addition items recently gazetted (details to be verified) a) Adoption of a pay for performance formula for remunerating board members and top managers such as CEO and CFOs (the rules do not set what percentage of an executive's total pay shall be tied to company performance) b) Make full disclosure of directors take home pay. Give a clear breakdown of what each director earns in terms of basic salary, allowances, cash bonuses, share options and insider borrowing laws, regulations, rules and guidelines	New requirement. Currently seeking details. New requirement. Currently seeking details. But remuneration is declared in our annual report.	July 2016
29	**Remuneration of Board members** a) Companies shall remunerate board members fairly and responsibly	To be noted	
30	**Level of remuneration** The board shall determine the remuneration of the directors a) The board of directors shall set up an independent remuneration committee or assign a mandate to a nomination committee or such other committee executing the functions of a nomination committee, consisting mainly of independent and non-executive directors to recommend to the board the remuneration of the executive and non-executive directors and the structure of their compensation package b) The director's remuneration shall be sufficient to attract and retain directors to run the company effectively and shall retrospectively be approved by shareholders in an Annual General Meeting. c) The executive directors' remuneration, shall include an element that is linked to corporate performance, including a share option scheme, so as to ensure the maximization of the shareholders' value. d) The remuneration of the executive directors shall include an element that is linked to corporate performance, including a share option scheme, so as to ensure the maximization of the shareholders' value. e) The remuneration of non-executive directors shall be competitive and in line with remuneration for other non – executive directors in the same industry. f) The remuneration package to directors shall be appropriately disclosed.	In compliance In compliance In compliance New requirement. Currently seeking details. In compliance but currently under review with a view to bench marking. In compliance	
31	**Promoting sustainability** The board shall ensure that the company's strategies promote the sustainability of the company	In compliance	

	REQUIREMENT	REMARK	BY WHEN
32	**Conflict of interest** The board shall put in place a policy to manage conflict of interest.	To be implemented	July 2016
33	**Annual board work plan** The board shall develop an annual work-plan to guide its activities	In compliance	
34	**Board evaluation tool kit** The board shall determine and agree on its annual evaluation tool kit	In compliance	July 2016
35	**Board induction and continuous skills development principle** All board members shall receive induction on joining the board and shall update their skills and knowledge at regular intervals	In compliance	
36	**Access to information** The board shall establish procedures to allow its members access to relevant accurate and complete information and professional advise in order to discharge its duties effectively	In compliance	
37	Transparency and succession planning in appointing directors	To develop policy	July 2016
38	The code to be implemented immediately but not later than one year after its publication in the Kenya Gazette ie 4th March 2016	Noted	

Our auditors

Internal Audit

The Group has a robust internal audit function headed by the Head of Risk and Audit.

The members of staff in this department are qualified and highly skilled and are members of the Institute of Certified Public Accountants (ICPAK) with some also members of ISACA - the international association of information technology governance.

The risk and audit department utilises a risk based audit methodology whereby more focus is given to those areas identified as high risk, as identified by the departmental risk committees and risk registers. Internal audit programs are then designed to fully compliance test related internal checks and controls.

The department provides assurance on matters of internal control, risk and governance and also provides consultancy services on process enhancement and improvement.

The department is independent and reports directly to the board audit, risk and corporate governance committee and has unrestricted access to all records and individuals within the group.

The staff in the department attend various continuing professional development (CPD) training programs to maintain their knowledge and skills related to their duties.

During the year the internal audit department carried out internal audit engagements and follow up assignments in financial and non-financial areas of the Group as follows:-

- Compliance status by branches and YTC shops.
- Furnace oil (energy) usage and record management
- Stock controls, levels, movement and valuation
- Review of allowances applicability and recoverability
- Customers settlement and outstanding receivables
- Bank reconciliations
- Service provision at our YTCs both quality wise and financials
- Sales trend analysis

External Auditors

The committee recommended to the board the engagement of KPMG as external auditors for the year ending 2016. The committee ensures the objectivity and independence of the external auditor by focusing on the rotation of key personnel, the adequacy of audit resources and policies in relation to non-audit work. The committee also monitors the other services being provided to the group by its external auditor and has developed a formal policy to ensure this does not impair their independence or objectivity. The policy is based upon five key principles which underpin the provision of other services by the external auditor. These are that the auditor may not provide a service which:-

a) places them in a position to do their own work
b) creates any mutuality of interest
c) results in the auditor developing close personal relationships with any employees
d) results in the auditor functioning as a manager or employee
e) places the auditor in the role of advocate for the company

The agreed fees for the group and its subsidiaries for the financial year 2015 was Kshs 6.29 million (2014-Kshs 5.9 million). During the year, the committee considered the performance and audit fees of the external auditor and recommended to the board that a resolution for the reappointment of KPMG for the 2016 financial year be proposed to shareholders at the annual general meeting to be held in June 2016.

During the year KPMG also provided tax consultancy services to the group. These services did not in any way compromise their independence or objectivity in discharging their regular audit assignment.

What we focused on in 2015

Throughout the year the committee continued to focus on the integrity of the group financial reporting, the effectiveness of the internal control environment, the effectiveness of the risk management function and compliance with best practice in terms of corporate governance.

Financial Reporting

Complex and discrete transactions

There were no complex or discrete transactions on or off the balance sheet made by management that were identified during the year.

Impairment losses

During the year the committee continued with the fair value assessment of accounts receivables and evaluated management's estimates of impairment losses arising therefrom. Significant improvements were noted in the control environment relating to credit evaluation and extension. Further strengthening of controls in this area was highlighted by the committee for future management action.

Pension Accounting

In 2015, the board resolved to convert the in-house, defined benefit gratuity scheme for employees in the union to a non-contributory provident scheme. The process is ongoing and should be concluded in 2016.

Filing of statutory returns

The committee reviewed the filing of various returns in the regions that the group operates and were satisfied with the compliance.

Inventory holdings

The committee reviewed inventory levels and recommended for management to always maintain optimum levels and product mix in order to curb costs associated with stock outs.

Operations at the Sameer Industrial Park and Export Processing Zones

The committee reviewed and was satisfied with various controls instituted and that there was proper focus on adherence to the Export Processing Zone Authority requirements and regulations.

Revenue Growth

The committee also reviewed the adverse trend in revenues over the past six years and recommended to management to focus on maintaining and growing market share. As a result management has initiated a number of promotional campaigns to increase revenue. In addition, management is focusing aggressively on growing the tyre centre retail footprint, leveraging off the new call centre and maximizing sales under the new SUMMIT tyre brand.

Information technology

Information technology remains a key factor in business performance and a number of unique challenges usually face this area of business. During 2015, management moved aggressively to resolve all IT issues previously raised by both internal and external audit. These included:-

- Access controls within the SAP system.
- Activity logs activation.
- Incident management.
- Infrastructure upgrades and migration.

Cyber security continues to be an area of focus. This is managed by ensuring against external and internal threats and by ascertaining vulnerabilities through monitoring and conducting user awareness campaigns such as password management and hardware usage and care.

Dear shareholders,

On behalf of the board, I present the directors' remuneration report for the year ended 31 December 2015. Remuneration in 2015 reflects the performance of the business in the context of a depressed market environment throughout the year whilst recognising the significant achievements made by the executive team in reshaping the company. This report covers the remuneration governance arrangements and the remuneration outcomes for the executive director, non-executive directors and other members of the Exco, including disclosure requirements which comply with the relevant accounting standards.

Link to strategy

Our corporate strategy sets out our purpose, values and how we measure our success. In framing how we remunerate our executives we are guided by the measures of success contained therein. They are designed to ensure that executives take a long-term approach to decision-making and to minimise activities that focus only on short-term results at the expense of longer-term business growth and success. The committee has considered the ways in which risk management and the long-term horizon are reflected throughout the group's remuneration arrangements for all executives, and is satisfied that our approach reinforces the desired behaviours.

Remuneration outcomes for 2015

Due to difficult trading environment and depressed financial performance and tight liquidity, the committee did not recommend any salary increases for 2015. This strengthens alignment with shareholders and the future performance of the company and with the interests of investors in funds managed by the company.

Summary

This year's remuneration report takes into account the challenging trading environment and reduced financial performance. It also takes cognisance of the long term turn-around measures the executive has put in place to return the company to growth and profitability.

Eng. E. K. Mwongera
Chairman,
Nominations and Remuneration Committee

7 April 2016

Who is on the Committee?

The nominations and remuneration committee is comprised of the following directors;

- Eng. E. K. Mwongera (Chairman)
- Mr. P. M. Gitonga (Non – Executive Director)
- Mr. A. Walmsley (Managing Director)

4.6.1 How the Committee works

What is our role?

The role of the committee is primarily to:

- review the ongoing appropriateness, relevance and effectiveness of the group remuneration policy including in relation to retention and development;
- approve the remuneration policy and strategy for the executive director, Exco and other senior executives;
- approve the design of the company's annual bonus arrangements, including the performance targets that apply for the Exco and other senior executives; and
- determine the award levels for the Exco and other senior executives based on performance against annual bonus targets.

Principles considered when setting remuneration

The company operates in a particularly competitive trading environment. We aim to balance the need to attract and retain high quality talent essential to the company's success with the need to be cost-effective and to reward exceptional performance. The committee has developed a remuneration policy for the company which balances these factors, while taking into account the prevailing best practice and a fair outcome for investors.

The company's bonus and the sales force incentive (SFI) schemes are tied to the achievement of challenging performance targets which align remuneration with our strategy to deliver strong business performance and create shareholder value.

Individuals should be rewarded for success and performance measured over clear timescales. The remuneration package is focused on rewarding sustained long-term performance and aligning executives with the shareholder experience.

4.6.2 What we did in 2015

In addition to the remuneration review described in the chairman's letter, during 2015 our work was broadly in three areas:

Setting targets

- setting the business targets and executives' balanced scorecards for 2015, aligned with the business plan for the year;
- carrying out periodic reviews of actual performance against targets during the year.
- agreed the base salaries for the executive committee with effect from 1 January 2015 using the same process as applied to the wider employee population;
- agreed on the remuneration packages for new appointments to the executive committee.

The committee reports regularly to the board on its work. An annual review of the performance of the committee is due in early 2016. Feedback will be sought from the chief executive, head of human resources and other board members.

4.6.3 Remuneration policy

Executive directors' remuneration policy

Aligning the interests of the executive directors with those of shareholders and with group's strategic goals is central to Sameer Africa's remuneration policy.

In line with shareholders' interests being managed within a robust governance framework, the company aims to retain and incentivise high calibre executive directors by paying competitive base salary and benefits, together with a short-term annual bonus and terminal benefits linked to:

- Profits and contribution;
- The achievement of individual objectives, which are consistent with the strategy of the company and building sustainable profitability;
- The achievement of long-term strategic KPIs in line with the long-term focus of the company;
- The creation of long-term shareholder value;
- Ongoing oversight of a robust risk management framework;
- Maintenance of strong capital and liquidity positions; and
- Addition of senior talent, building succession for leadership and setting a strong governance structure for the board's delegated authorities.

The table below summarises the main elements of the remuneration packages for the Executive Director.

Function	Purpose & link to strategy	Operation	Performance metrics
Basic Salary	Reflects the individual's skills, responsibilities and experience. Supports the recruitment and retention of executive directors of the calibre required to deliver the business strategy within the competitive market environment the company operates.	Reviewed annually and paid monthly in cash. Consideration is typically given to a range of factors when determining salary levels, including: • Personal and companywide performance. • Typical pay levels in relevant markets for each executive whilst recognising the need for an appropriate premium to attract and retain superior talent, balanced against the need to provide a cost-effective overall remuneration package. • The wider employee pay review. • Basic salary is subject to tax and other statutory deductions such as NSSF and NHIF.	Continued good performance. Overall individual and business performance is considered when setting and reviewing salaries.
Housing Allowance	Allowances paid monthly to cater for executive housing. Determined on the basis of housing rates for executives	Paid monthly in cash and is subjected to tax under the PAYE system	None
Provision for an income in retirement	To provide competitive post-retirement benefits or cash allowance as a framework to save for retirement. Supports the recruitment and retention of an Executive Directors of the calibre required to deliver the business strategy.	Executives can choose to participate in the Sameer Africa defined contribution scheme or receive a gratuity allowance. Contributions are set as a percentage of base salary. Post-retirement benefits do not form part of the base salary for the purposes of determining incentives. Contract gratuity is payable at the end of the contract period and is subject to tax under the PAYE system.	None. The maximum contributions for gratuity allowances for the executive directors are 25% of base salary.
Benefits	To provide non-cash benefits which are competitive in the market in which the executive is employed. Ensures the overall package is competitive and provides financial protection for executives and their families.	The company provides a range of market competitive benefits including leave passages, private medical insurance and other life benefits. Additional benefits include company car and club membership subscriptions. Other ad-hoc benefits such as relocation can be offered, depending on personal circumstances. Non- cash benefits are taxable in accordance with the Income Tax Act.	None

Function	Purpose & link to strategy	Operation	Performance metrics
Performance bonus	Incentivises executives and senior management to achieve key strategic outcomes on an annual basis. Focus on key financial metrics and objectives to deliver the business strategy.	Measures and targets are set annually based on business plans at the start of the financial year and pay-out levels are determined by the committee following the year-end based on performance against objectives. Paid once per annum. The Committee has the discretion to amend the bonus pay-out should any formulaic assessment of performance not reflect a balanced view of overall business performance for the year.	The bonus is based on the remuneration committee's assessment of executive directors' performance over the financial year against objectives, which cover: 1. Strategy, structure and people 2. P&L performance and sales 3. Financial health 4. Risk, compliance and reputation

Performance measures selection and approach to target-setting

Annual objectives are set according to immediate priorities identified by the board and management and are reviewed and adjusted annually to reflect changing priorities. The annual bonus is assessed against both financial and individual targets determined by the committee. This enables the committee to reward both annual financial performance delivered for shareholders and performance against specific financial, operational or strategic objectives set for each executive, which are closely linked to the strategic priorities of the business.

The committee sets targets for long-term incentive plans taking into account external forecasts, internal budgets and business priorities. Targets are set to be appropriately challenging in this context with maximum performance being set at a level which is considered to be the delivery of exceptional performance.

When considering performance outcomes, the committee will look beyond formulaic results to ensure the outcomes align with the overall business performance.

The long-term incentive measures are in line with the long-term strategic focus of the company and are reviewed as part of the annual board strategic review.

Non-executive directors' remuneration policy

Non-executive directors have formal letters of appointment. These do not contain any notice provisions or provision for compensation in the event of early termination. Non-executive directors are encouraged to build a shareholding in the company.

The table below summarises the main elements of remuneration for non-executive directors:

Function	Purpose & link to strategy	Operation	Performance metrics
Fees	To attract and retain non-executive directors of the highest calibre and experience relevant to Sameer Africa. Directors' fees are fixed and payable monthly in arrears.	The committee determines the directors' fees at a level that is considered to be appropriate, taking into account the size and complexity of the business and the expected time commitment and contribution of the role. Fees are reviewed annually by the board at the year-end taking into account market benchmarks for non-executives of companies of similar size and complexity with consideration of sector relevance. The chairman's remuneration is recommended by the remuneration committee and approved by the board. Director's fees are subject to tax under the PAYE regulations.	None

Function	Purpose & link to strategy	Operation	Performance metrics
Sitting allowances	To encourage directors' full participation in board and committee meetings.	Sitting allowances are paid on the basis of actual meetings attended by each director.	None
Benefits	Non- executive directors are currently not entitled to any other benefits	N/A	None

Service contracts and loss of office

The executive director has a renewable two (2) year service contract that provides for 3 months' notice on either side. There are no special provisions that apply in the event of a change of control.

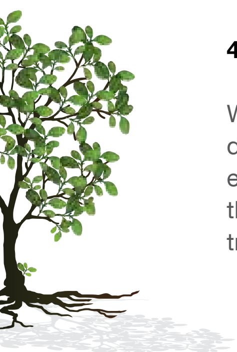
A payment in lieu of notice, including base salary, allowances and contractual provision for an income in retirement is provided for and payable if:
• either party terminates the employment of the executive with or without due notice; or
• termination is agreed by mutual consent. The company may also make a payment in respect of outplacement costs where appropriate.

The table below shows the current service contracts and exit payment obligations of the executive director – Mr. Allan Walmsley.

Element	Condition
Contract period	2 years contract from 1st August 2012 Renewed for a further 2 years from 1st August 2014 to 31st July 2016
Notice period (by either party)	3 months
Contractual entitlement annual bonus.	None
Provisions for contract termination	Under the contract terms, either party can opt to terminate contract gratuity earned including the notice period immediately by making a payment in lieu of the notice period or part thereof.
Termination due to incapacitation or ill health	Full payment for the first 30 days of absence including accrued gratuity. Thereafter the remuneration committee may issue a notice to discontinue any further payments

To protect the Group's business interests the executive director's' service contract contains covenants which restrict his ability to solicit or deal with clients and his ability to disclose trade secrets and confidential information during the tenancy of his directorship.

When considering exit payments, the remuneration committee reviews all outstanding incentive awards and assesses outcomes that are fair to both shareholders and participants.



4.6.4 External appointments

With specific approval of the board, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them. Mr. Allan Walmsley is currently a non-executive director of First Assurance Company Kenya Limited. The company, whose managing director is also the chairman of the audit, risk and corporate governance committee has been treated as a related party and the transactions with the company and outstanding balances disclosed under the relevant note . (see note 32.)

4.6.5 Annual report on remuneration

The following section provides details of how Sameer Africa's remuneration policy was implemented during the financial year ended 31 December 2015.

Remuneration committee membership in 2015

The remuneration committee is comprised of the chairman, the managing director and one non-executive director. All committee meetings in 2015 were attended by all its members.

At the invitation of the committee, the company secretary and head of human resources attended selected agenda items requiring their contribution.

No individual participated in the discussion or approval of his or her own compensation.

The committee follows relevant legal and regulatory requirements including the principles and provisions of the CMA Code of Corporate Governance for Listed Entities and relevant labour laws.

The committee seeks professional services of an externally appointed remuneration advisor as may be necessary.

Key activities

In 2015 the committee's key activities included:

- Reviewed the revised remuneration reporting structure and approved the directors' remuneration report.
- Continued working closely with the audit, risk and corporate governance committee in reviewing current and future risks around setting remuneration.
- Reviewed the committee's terms of reference in the light of the evolving CMA governance guidelines.

The committee held three (3) meetings during the year. In these meetings the committee monitored and implemented regulatory and best practice updates.

Advisers

The committee invites independent consultants to provide advice on specific remuneration issues.

In 2013, the board engaged the services of BPC Africa consultants to carry out a salary and benefits alignment review. The objectives of the review included;

- Study of the results of the Hay Remuneration Survey previously done by the Hay Group;
- Discuss and agree the panel companies required for comparison and alignment;
- Get the specific salary and benefits information from the remuneration survey;
- Identify the benchmark jobs in every salary grading range for comparison purposes;
- Get the detailed total salary and make up for all the benchmark jobs for Sameer Africa and compare with those of the Hay remuneration results;
- Analyze, discuss and agree the reward policy and guidelines in terms of the percentile where to pitch and reward principles;
- Analyze and agree the bonus or variable pay incentive scheme; both the functionality and application;
- Draw up a new salaries & benefits design with inbuilt talent principles.

As a follow up to the review done by the advisers, the committee continued to implement key recommendations which included;

- Making technical adjustments to the base pay and benefits in a number of areas which were evaluated below the agreed percentile;
- Internal equity and alignment of the individual benefits to the approved benefits per grade;
- Development of salary policy guidelines;
- Variable pay objectives and bonus payment guidelines.

Remuneration for executive director and exco

The table below sets out the total remuneration received by the executive director and members of the executive committee (exco) for the year ended 31 December 2015 and the prior year.

Mr. Allan Walmsley	2015 Kshs '000	2014 Kshs '000
Basic pay and other allowances	20,760	20,760
Non-cash benefits	649	724
Pension / gratuity	4,500	4,502
Bonus pay	-	-
	25,909	**25,986**
Executive Committee (Exco)		
Basic pay and other allowances	47,323	45,404
Non-cash benefits	146	182
Pension / gratuity	2,921	2,635
Bonus pay	-	-
	50,390	**48,221**

Short-term annual bonus.

The committee reviewed the performance of the company for financial year 2015, together with the individual balanced scorecard of the executive director, members of exco and other senior executives. Based on the financial performance of the company, the committee did not approve the payment of a bonus.

The payment of bonus is anchored on the overall corporate financial performance and no bonus is paid when the company registers a loss irrespective of mitigating factors and individual performance.

Long-term incentives.

The company does not currently have a share option scheme for its executive directors and members of exco. However management is encouraged to invest in the company's shares through the Nairobi Securities Exchange.

Remuneration for non-executive directors

The table below sets out the total remuneration received by each non-executive director for the year ended 31 December 2015 and the prior year.

	2015			2014		
	Fees Kshs '000	Sitting allowances Kshs '000	Total Kshs '000	Fees Kshs '000	Sitting allowances Kshs '000	Total Kshs '000
Eng. E.K. Mwongera	2,700	40	2,740	2,700	40	2,740
Mr. S.M. Githiga	480	40	520	480	40	520
Mr. A.H. Butt	480	40	520	480	40	520
Mr. S.N. Merali	480	40	520	480	40	520
Mr. P.M. Gitonga	480	80	560	480	80	560
	4,620	**240**	**4,860**	**4,620**	**240**	**4,860**


The trees give you
a standing ovation
RIDE LIKE A
LEGEND
YANA
AFRICA RIDES ON YANA TYRES

SECTION 5 : FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of the consolidated and separate financial statements of Sameer Africa Limited set out on pages 118 to 125 which comprise the consolidated and separate statements of financial position at 31 December 2015, 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.

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

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent 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 subsidiarie's ability to continue as a going concern and have no reason to believe the Group and the company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 7 April 2016 and were signed on its behalf by:

EKMwongera

Eng. Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

Allan Walmsley
Managing Director

KPMG

Report on the financial statements

We have audited the consolidated and separate financial statements of Sameer Africa Limited set out on pages 118 to 125 which comprise the statements of financial position at 31 December 2015, 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 116, 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 2015, the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the 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 and statement of profit or loss and other comprehensive income of the company are in agreement with the books of account.

The Engagement Partner responsible for the audit resulting in this independent auditors' report is FCPA Eric Aholi - P/1471.

KPMG Kenya

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

7 April 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 Kshs'000	2014 Kshs'000
Revenue	8	3,363,976	3,777,146
Cost of sales	9 (b) (i)	(2,402,462)	(2,840,635)
Gross profit		**961,514**	**936,511**
Other operating income	9 (a)	10,123	44,934
Selling and distribution costs	9 (b) (ii)	(296,018)	(336,305)
Administrative expenses	9 (b) (ii)	(443,418)	(469,975)
Other operating expenses	9 (b) (ii)	(176,687)	(200,789)
Operating profit /(loss)		**55,514**	**(25,624)**
Finance income	10	146,236	41,516
Finance costs	10	(202,979)	(85,053)
Share of profit/(loss) of equity accounted investees (net of income tax)	18 (a)	6,918	(296)
Profit/(loss) before income tax		**5,689**	**(69,457)**
Income tax (expense)/credit	11 (a)	(21,341)	2,528
Loss for the year		**(15,652)**	**(66,929)**
Other comprehensive income (net of tax)			
(a) Items that will never be reclassified to profit or loss			
Actuarial gains/(losses) on re-measurement of defined benefit liability	25 (c)	13,068	(7,496)
Related tax at 30%	24 (b)	(1,671)	2,249
		11,397	**(5,247)**
(b) Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations (page 122)		(39,742)	12,510
Total other comprehensive income for the year		**(28,345)**	**7,263**
Total comprehensive income for the year		**(43,997)**	**(59,666)**
Earnings per share: Basic and diluted (Kshs)	12	**(0.06)**	**(0.24)**

The notes set out on pages 126 to 183 form an integral part of these financial statements.

Company Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 Kshs'000	2014 Kshs'000
Revenue	8	2,777,105	3,281,226
Cost of sales	9 (b) (i)	(2,147,888)	(2,706,110)
Gross profit		**629,217**	**575,116**
Other operating income	9 (a)	1,950	37,526
Selling and distribution costs	9 (b) (ii)	(166,968)	(202,469)
Administrative expenses	9 (b) (ii)	(304,428)	(337,725)
Other operating expenses	9 (b) (ii)	(111,219)	(140,719)
Operating profit /(loss)		**48,552**	**(68,271)**
Finance income	10	77,413	28,763
Finance costs	10	(118,069)	(67,453)
Profit/(loss) before income tax		**7,896**	**(106,961)**
Income tax (expense)/credit	11 (a)	(23,645)	21,644
Loss for the year		**(15,749)**	**(85,317)**
Other comprehensive income (net of tax)			
Items that will never be reclassified to profit or loss			
Actuarial gains/(losses) on re-measurement of defined benefit liability	25 (c)	13,068	(7,496)
Related tax	24 (b)	(1,671)	2,249
		11,397	**(5,247)**
Total other comprehensive income for the year		**11,397**	**(5,247)**
Total comprehensive income for the year		**(4,352)**	**(90,564)**

The notes set out on pages 126 to 183 form an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2015

	Note	2015 Kshs '000	2014 Kshs '000
ASSETS			
Non-current assets			
Property, plant and equipment	13 (a)	483,019	529,659
Intangibles	14	38,196	47,115
Investment property	15 (a)	183,033	180,491
Prepaid operating lease rentals	16 (a)	357	361
Equity accounted investees	18	122,695	115,777
Deferred income tax	24 (b)	158,380	111,878
Total non-current assets		**985,680**	**985,281**
Current assets			
Inventories	19	1,536,787	1,512,888
Receivables and prepayments	20	691,970	941,504
Current income tax	11 (c)	30,104	56,103
Cash and bank balances	21	506,684	361,616
Total current assets		**2,765,545**	**2,872,111**
TOTAL ASSETS		**3,751,225**	**3,857,392**
EQUITY (Page 122)			
Share capital	22 (a)	1,391,712	1,391,712
Retained earnings		1,248,452	1,252,707
Translation reserve		(147,717)	(107,975)
Total equity		**2,492,447**	**2,536,444**
LIABILITIES			
Non-current liabilities			
Deferred income tax	24 (b)	4,573	4,609
Retirement benefit obligations	25 (a)	-	178,344
Total non-current liabilities		**4,573**	**182,953**
Current liabilities			
Defined contribution liability	26 (a)	191,873	-
Payables and accrued expenses	27 (a)	511,988	526,003
Current income tax	11 (c)	6,951	734
Borrowings	23 (b)	543,393	611,258
Total current liabilities		**1,254,205**	**1,137,995**
Total liabilities		**1,258,778**	**1,320,948**
TOTAL EQUITY AND LIABILITIES		**3,751,225**	**3,857,392**

The financial statements on pages 118 to 183 were approved by the Board of Directors on 7 April 2016 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 126 to 183 form an integral part of these financial statements

Company Statement of Financial Position

as at 31 December 2015

	Note	2015 Kshs '000	2014 Kshs '000
ASSETS			
Non-current assets			
Property, plant and equipment	13 (a)	314,168	361,596
Intangibles	14	37,980	46,777
Investment property	15 (a)	99,656	101,118
Prepaid operating lease rentals	16 (a)	357	361
Investment in subsidiaries	17	158,414	158,414
Equity accounted investees	18	137,026	137,026
Deferred income tax	24 (b)	91,931	69,533
Total non-current assets		**839,532**	**874,825**
Current assets			
Inventories	19	1,324,490	1,238,627
Receivables and prepayments	20	683,712	952,019
Current income tax	11 (c)	-	21,869
Cash and bank balances	21	445,096	233,667
Total current assets		**2,453,298**	**2,446,182**
TOTAL ASSETS		**3,292,830**	**3,321,007**
EQUITY (Page 123)			
Share capital	22 (a)	1,391,712	1,391,712
Retained earnings		535,476	539,828
Total equity		**1,927,188**	**1,931,540**
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	25	-	178,344
Total non-current liabilities		**-**	**178,344**
Current liabilities			
Defined contribution liability	26 (a)	191,873	-
Payables and accrued expenses	27 (a)	625,728	600,015
Current income tax	11 (c)	4,648	-
Borrowings	23 (b)	543,393	611,108
Total current liabilities		**1,365,642**	**1,211,123**
Total liabilities		**1,365,642**	**1,389,467**
TOTAL EQUITY AND LIABILITIES		**3,292,830**	**3,321,007**

The financial statements on pages 118 to 183 were approved by the Board of Directors on 7 April 2016 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 126 to 183 form an integral part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital Kshs'000	Retained earnings Kshs'000	Translation reserve Kshs'000	Proposed dividends Kshs'000	Total Kshs'000
2015					
At start of year	**1,391,712**	**1,252,707**	**(107,975)**	**-**	**2,536,444**
Comprehensive income for the year					
Loss for the year	-	(15,652)	-	-	(15,652)
Other comprehensive income					
Net actuarial losses on re-measurement of defined benefits obligation	-	11,397	-	-	11,397
Foreign currency translation differences on foreign operations	-	-	(39,742)	-	(39,742)
Total comprehensive income	**-**	**(4,255)**	**(39,742)**	**-**	**(43,997)**
At end of year	**1,391,712**	**1,248,452**	**(147,717)**	**-**	**2,492,447**

	Share capital Kshs'000	Retained earnings Kshs'000	Translation reserve Kshs'000	Proposed dividends Kshs'000	Total Kshs'000
2014					
At start of year	**1,391,712**	**1,324,883**	**(120,485)**	**83,503**	**2,679,613**
Comprehensive income for the year					
Loss for the year	-	(66,929)	-	-	(66,929)
Other comprehensive income					
Net actuarial losses on re-measurement of defined benefits obligation	-	(5,247)	-	-	(5,247)
Foreign currency translation differences on foreign operations	-	-	12,510	-	12,510
Total comprehensive income	**-**	**(72,176)**	**12,510**	**-**	**(59,666)**
Transactions with owners recorded					
Dividends paid (Note 22(c))	-	-	-	(83,503)	(83,503)
Total transactions with owners	**-**	**-**	**-**	**(83,503)**	**(83,503)**
At end of year	**1,391,712**	**1,252,707**	**(107,975)**	**-**	**2,536,444**

The notes set out on pages 126 to 183 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital Kshs'000	Retained earnings Kshs'000	Proposed dividends Kshs'000	Total Kshs'000
2015				
At start of year	**1,391,712**	**539,828**	**-**	**1,931,540**
Comprehensive income for the year				
Loss for the year	-	(15,749)	-	(15,749)
Other comprehensive income				
Net actuarial losses on re-measurement of defined benefits obligation	-	11,397		11,397
Total comprehensive income	-	(4,352)	-	(4,352)
At end of year	**1,391,712**	**535,476**	**-**	**1,927,188**
2014				
At start of year	**1,391,712**	**630,392**	**83,503**	**2,105,607**
Comprehensive income for the year				
Loss for the year	-	(85,317)	-	(85,317)
Other comprehensive income				
Net actuarial losses on re-measurement of defined benefits obligation	-	(5,247)	-	(5,247)
Total comprehensive income	**-**	**(90,564)**	**-**	**(90,564)**
Transactions with owners recorded directly in equity				
Dividends paid (Note 22(c))	-	-	(83,503)	(83,503)
Total transactions with owners	**-**	**-**	**(83,503)**	**(83,503)**
At end of year	**1,391,712**	**539,828**	**-**	**1,931,540**

The notes set out on pages 126 to 183 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Note	2015 Kshs '000	2014 Kshs '000
Cash flows from operating activities			
Cash receipts from customers	29	3,534,598	3,884,543
Cash payments for purchases	29	(2,171,162)	(2,781,571)
Cash payments for expenses	29	(979,756)	(869,040)
Cash generated from operating activities		**383,680**	**233,932**
Interest paid	10	(41,166)	(52,558)
Income tax paid	11(c)	(37,466)	(33,201)
Net cash generated from operating activities		**305,048**	**148,173**
Cash flows from Investing activities			
Interest received	10	26,391	9,578
Purchase of property, plant and equipment	13 (a)	(116,019)	(219,285)
Purchase of intangible assets	14 (a)	(9,862)	(6,943)
Additions to investment property	15 (a)	(1,736)	(5,466)
Proceeds from disposal of property, plant and equipment		2,535	3,002
Net cash used in investing activities		**(98,691)**	**(219,114)**
Cash flows from financing activities			
Dividends paid		-	(83,503)
Surrender of unclaimed assets	28(c)	-	(6,776)
Repayment of borrowings	23(a)	(150)	(1,690)
Net cash absorbed by financing activities		**(150)**	**(91,969)**
Increase/(decrease) in cash and cash equivalents		**206,207**	**(162,910)**
Movement in cash and cash equivalents:			
At start of year		(249,492)	(86,705)
Increase/(decrease) in cash and cash equivalents		206,207	(162,910)
Effects of exchange movements on cash held		6,576	123
At end of year	21	**(36,709)**	**(249,492)**

The notes set out on pages 126 to 183 form an integral part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2015

	Note	2015 Kshs '000	2014 Kshs '000
Cash flows from operating activities			
Cash receipts from customers	29	3,020,568	3,255,595
Cash payments for purchases	29	(2,009,481)	(2,632,548)
Cash payments for expenses	29	(610,846)	(494,493)
Cash generated from operating activities		**400,241**	**128,554**
Interest paid	10	(41,078)	(52,155)
Income tax paid	11(c)	(21,197)	(2,322)
Net cash generated from operating activities		**337,966**	**74,077**
Cash flows from Investing activities			
Interest received	10	21,436	8,487
Purchase of property, plant and equipment	13 (a)	(78,222)	(136,021)
Purchase of intangible assets	14 (a)	(9,853)	(6,595)
Proceeds from disposal of property, plant and equipment		2,535	2,998
Net cash used in investing activities		**(64,104)**	**(131,131)**
Cash flows from financing activities			
Dividends paid		-	(83,503)
Surrender of unclaimed assets	28(c)	-	(6,776)
Net cash absorbed by financing activities		**-**	**(90,279)**
Increase/(decrease) in cash and cash equivalents		**273,862**	**(147,333)**
Movement in cash and cash equivalents:			
At start of year		(377,441)	(231,142)
Increase/(decrease) in cash and cash equivalents		273,862	(147,333)
Effects of exchange movements on cash held		5,282	1,034
At end of year	21	**(98,297)**	**(377,441)**

The notes set out on pages 126 to 183 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2015

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 2015 comprise the company, its subsidiaries, and associates (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 company's 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 7.

3. Significant Accounting Policies

Except for changes noted in Note 4, 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.

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

(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 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

The Group's interest in equity accounted investees, comprise its interest in an associate and a joint venture.
Associates are those entities 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.
A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets or obligations to the net liabilities of the arrangement.
Interests in the associate and joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements includes the Group's share of profit or loss and other comprehensive income of the equity accounted investees until the date on which significant influence or joint control ceases.

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

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 equity accounted investees 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.

3. Significant Accounting Policies (Continued)

(b) Foreign currencies (continued)

(ii) Foreign operations

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:

- 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 services have been rendered and when it is probable that the economic benefits associated 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) Staff gratuity (Defined Benefit Plan)

The Group has a defined benefit plan for its unionisable 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 thirty two days basic pay for each completed year of service subject to an employee having worked for a minimum period of six years.

3. Significant Accounting Policies (Continued)

(f) Employee benefits (continued)

(i) Staff gratuity (Defined Benefit Plan) (continued)

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, while its unionisable employees contribute to a defined provident scheme. Both schemes are managed by independent fund managers. 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.

(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.

3. Significant Accounting Policies (Continued)

(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 initially recorded at cost and subsequently depreciated.

After initial recognition, plant and equipment is carried at historical cost less accumulated depreciation and any accumulated 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.

(ii) 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.

(iii) 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.

(iv) 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

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

*Plant & machinery comprise of the following sub-asset classes, with their respective annual rates of depreciation.

Tyre & tube molds and fittings	0 - 4 years
Tyre building equipment	4 - 8 years
Compounding machines	8 - 12 years
Tyre curing equipment	12 - 19 years

(v) 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.

3. Significant Accounting Policies (Continued)

(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.

(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.

3. Significant Accounting Policies (Continued)

(m) Impairment (continued)

***(i) Financial assets* (continued)**

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 equal 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

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

4. New Standards, Amendment and Interpretations

(a) New standards and interpretations that are effective in the year of reporting

- **Defined benefit plans – Employee contributions (Amendments to IAS 19)**

The amendments introduced reliefs that reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedience if they are:

- Set out in the formal terms of the plan;
- Linked to service; and
- Independent of the number of years of service.

When contributions are eligible for practical experience, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014.

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

4. New Standards, Amendment and Interpretations (Continued)

(b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2015

A number of new standards and amendments to standards are effective for annual periods ending later than 31 December 2015 and earlier application is permitted, however the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

New standard or amendments	Effective for annual periods beginning on or after
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
• Disclosure Initiative (Amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments (2014)	1 January 2018
• IFRS 16 Leases	1 January 2019

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The Group's contribution of assets into the joint venture is in form of a lease whereby the group retains ownership and control over the contributed assets. The amendments to IFRS 10 and IAS 28 would therefore have no impact on the Group's transaction with its equity accounted investees.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.
Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

4. New Standards, Amendment and Interpretations (Continued)

(b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2015 (continued)

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) (continued)

The Group has assessed its joint arrangement as a joint venture as opposed to a joint operation and accounted for it using the equity method. The adoption of amendments to IFRS 11 would therefore have no impact on the accounting treatment of its equity accounted investees.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries. The following tables illustrates the impact the amendments to IAS 27 – Equity Method in Separate Financial Statements, would have on the separate financial statements of the company:

Company Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015:

	As reported Kshs'000	*Amendments to IAS 27 - Subsidiaries* Kshs'000	*Amendments to IAS 27 -Associate* Kshs'000	As restated Kshs'000
Revenue	2,777,105	-	-	2,777,105
Cost of sales	(2,147,888)	-	-	(2,147,888)
Gross profit	**629,217**	**-**	**-**	**629,217**
Operating expenses and income	(621,321)	-	-	(621,321)
Share of loss in subsidiaries (net of tax)	-	(16,378)	-	(16,378)
Share of profit in equity accounted investees (net of tax)	-	-	6,030	6,030
Income tax	(23,645)	-	-	(23,645)
Loss for the year	**(15,749)**	**(16,378)**	**6,030**	**(26,097)**
Total other comprehensive income	11,397	-	-	11,397
Total comprehensive income	**(4,352)**	**(16,378)**	**6,030**	**(14,700)**
Company statement of financial position:				
At 1 January 2015				
Investment in subsidiaries	158,414	705,125	-	863,539
Equity accounted investees	137,026	-	(17,131)	119,895
Other assets	3,025,567	-	-	3,025,567
Total assets	**3,321,007**	**705,125**	**(17,131)**	**4,009,001**
Total liabilities	1,389,467	-	-	1,389,467
Equity	1,931,540	705,125	(17,131)	2,619,534
Total equity and liabilities	**3,321,007**	**705,125**	**(17,131)**	**4,009,001**
At 31 December 2015				
Investment in subsidiaries	158,414	645,534	-	803,948
Equity accounted investees	137,026	-	(11,101)	125,925
Other assets	2,997,390	-	-	2,997,390
Total assets	**3,292,830**	**645,534**	**(11,101)**	**3,927,263**
Total liabilities	1,365,642			1,365,642
Equity	1,927,188	645,534	(11,101)	2,561,621
Total equity and liabilities	**3,292,830**	**645,534**	**(11,101)**	**3,927,263**

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

4. New Standards, Amendment And Interpretations (Continued)

(b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2015 (continued)

Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.

The new requirements are effective from 1 January 2016, with earlier adoption permitted.
The amendment will not have a significant impact on the Group's financial statements as the Group does not have any agricultural assets.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The adoption of these changes will not affect the amounts and disclosures of the Group's property, plant and equipment and intangible assets. The group does not use revenue based depreciation methods.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The adoption of this standard is not expected to have an impact the financial statements of the Group or the Company given that the Group's business is not subject to government rate regulations.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

The Group or the ultimate parent do not fit within the description of investment entities neither do they account for subsidiaries at fair value through profit or loss. Consequently these changes will not affect the amounts and disclosures of the Group's interests in other entities.

4. New Standards, Amendment And Interpretations (Continued)

(b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2015 (continued)

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

The adoption of these changes will impact on the disclosure and presentation of the group's financial statements. In particular changes are expected in the following areas;

(i) Materiality – the changes may require a review of the materiality of items where standards require specific disclosure as well as the manner in which the Group aggregates material items.

(ii) Disaggregation and subtotals – the changes would affect aggregations in the Group and company statements of profit or loss and other comprehensive income and statements of financial position. Additional sub-totals may also be required.

(iii) Notes structure - The amendments clarify that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order. The changes may affect the way the Group structures its notes to the financial statements.

(iv) Presentation of items of OCI arising from equity accounted investments – the amendments in respect of items of Other Comprehensive income (OCI) would not affect the Group disclosure of interests in other entities as the Group's equity accounted investees do not have elements of OCI.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption is permitted.

The adoption this standard is unlikely to affect the way the Group recognises revenue. The nature of the company's sales of goods and services, provide for the recognition at a point in time, the transaction price is known with certainty and the performance obligations of the parties to the sale contract is clear and unambiguous.

IFRS 9: Financial Instruments (2014)

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard has a mandatory effective date for annual periods beginning on or after 1 January 2018, with ealier application permitted. 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.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

4. New Standards, Amendment And Interpretations (Continued)

(b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2015 (continued)

***IFRS 16: Leases* (continued)**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

(b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

(a) short-term leases (i.e. leases of 12 months or less) and;

(b) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The adoption of this standard is expected to have a significant impact on the financial statements of the Group and Company as shown below.

Statement of Financial Position
As at 1 January 2015

	As reported		Adoption of IFRS 16		As restated	
	Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000
Property, plant and equipment	529,659	361,596	274,726	50,718	804,385	412,314
Other non-current assets	455,622	513,229	-	-	455,622	513,229
Total non-current assets	**985,281**	**874,825**	**274,726**	**50,718**	**1,260,007**	**925,543**
Total current assets	2,872,111	2,446,182	-	-	2,872,111	2,446,182
Total assets	**3,857,392**	**3,321,007**	**274,726**	**50,718**	**4,132,118**	**3,371,725**
Other liabilities	1,320,948	1,389,467	274,726	50,718	1,595,674	1,440,185
Equity	2,536,444	1,931,540	-	-	2,536,444	1,931,540
Total equity and liabilities	**3,857,392**	**3,321,007**	**274,726**	**50,718**	**4,132,118**	**3,371,725**

4. New Standards, Amendment And Interpretations (Continued)

(b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2015 (continued)

Statement of Financial Position
As at 31 December 2015

	As reported		Adoption of IFRS 16		As restated	
	Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000
Property, plant and equipment	483,019	314,168	177,814	24,166	660,833	338,334
Other non-current assets	502,661	525,364	-	-	502,661	525,364
Total non-current assets	**985,680**	**839,532**	**177,814**	**24,166**	**1,163,494**	**863,698**
Total current assets	2,765,545	2,453,298	-	-	2,765,545	2,453,298
Total assets	**3,751,225**	**3,292,830**	**177,814**	**24,166**	**3,929,039**	**3,316,996**
Other liabilities	1,258,778	1,365,642	198,113	29,597	1,456,891	1,395,239
Equity	2,492,447	1,927,188	(20,299)	(5,431)	2,472,148	1,921,757
Total equity and liabilities	**3,751,225**	**3,292,830**	**177,814**	**24,166**	**3,929,039**	**3,316,996**

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015

	As reported		Adoption of IFRS 16		As restated	
	Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000
Revenue and other income	3,374,099	2,779,055	-	-	3,374,099	2,779,055
Operating costs (excluding depreciation and amrotisation)	(3,139,601)	(2,586,774)	118,828	30,435	(3,020,773)	(2,556,339)
Earnings before income tax, depreciation and amortisation	**234,498**	**192,281**	**118,828**	**30,435**	**353,326**	**222,716**
Depreciation and amortisation	(178,984)	(143,729)	(96,912)	(26,552)	(275,896)	(170,281)
Operating profit	**55,514**	**48,552**	**21,916**	**3,883**	**77,430**	**52,435**
Net finance cost	(56,743)	(40,656)	(42,215)	(9,314)	(98,958)	(49,970)
Share of profit of equity accounted investees	6,918	-	-	-	6,918	-
Profit before tax	**5,689**	**7,896**	**20,299**	**(5,431)**	**(14,610)**	**2,465**
Income tax	(21,341)	(23,645)	-	-	(21,341)	(23,645)
(Loss)/profit for the year	**(15,652)**	**(15,749)**	**20,299**	**(5,431)**	**(35,951)**	**(21,180)**
Total other comprehensive income	(28,345)	11,397	-	-	(28,345)	11,397
Total comprehensive income	**(43,997)**	**(4,352)**	**20,299**	**(5,431)**	**(64,296)**	**(9,783)**

4. New Standards, Amendment And Interpretations (Continued)

(b) New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2015 (continued)

Statement of Cash Flows for the year ended 31 December 2015

	As reported		Adoption of IFRS 16		As restated	
	Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000
Cash flows from:						
Operating activities	305,048	337,966	76,613	21,121	381,661	359,087
Investing activities	(98,691)	(64,104)	-	-	(98,691)	(64,104)
Financing activities	(150)	-	(76,613)	(21,121)	(76,763)	(21,121)
Increase in cash and cash equivalents	**206,207**	**273,862**	**-**	**-**	**206,207**	**273,862**

5. 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, analysed 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.

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

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.

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	
	2015 Kshs '000	**2014 Kshs '000**	**2015 Kshs '000**	**2014 Kshs '000**
Trade receivables (net)	443,476	564,729	219,102	332,526
Other receivables (including amounts due from related parties)	167,372	241,897	406,327	493,986
Note 20	**610,848**	**806,626**	**625,429**	**826,512**

At 31 December 2015, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows;

	Group		Company	
	2015 Kshs '000	**2014 Kshs '000**	**2015 Kshs '000**	**2014 Kshs '000**
Kenya	373,320	567,242	354,370	542,996
Uganda	80,941	71,769	-	-
Tanzania	123,352	133,673	84,380	131,788
Burundi	33,235	33,942	186,679	151,728
	610,848	**806,626**	**625,429**	**826,512**

5. Financial Instruments - Risk Management and Fair Values (Continued)
(a) Credit risk (continued)
***Exposure to credit risk* (continued)**

At 31 December 2015, the maximum exposure to credit risk for trade and other receivables by type of counter party was as follows:

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Fleet customers	161,453	106,406	95,951	64,204
Dealers	121,519	308,861	25,131	154,800
Government	41,045	46,525	20,488	32,456
Oil Companies	23,618	10,176	23,618	10,176
Export customers	41,999	59,661	41,999	59,661
Rental customers	21,953	9,208	5,866	5,149
Related parties	35,260	23,892	305,754	318,242
Others	164,001	241,897	106,622	181,824
	610,848	**806,626**	**625,429**	**826,512**

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 2015 is as follows;

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Rental deposits	30,116	14,789	6,065	6,065
Irrevocable letters of credit	15,783	60,942	60,942	60,942
Other trade deposits	54,359	16,333	16,333	16,333
	100,258	**92,064**	**83,340**	**83,340**

The Group had issued the following financial guarantees as at 31 December 2015.

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Customs bonds	10,000	10,000	10,000	10,000
Other guarantees	7,295	9,987	7,001	9,693
	17,295	**19,987**	**17,001**	**19,693**

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

Impairment losses

The aging of trade receivables at the reporting date was:

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Not past due	**44,349**	**147,311**	**14,160**	**78,564**
Past due but not impaired				
:by 31 to 60 days	88,448	160,250	53,505	105,634
:by 61 to 90 days	88,206	101,621	46,241	65,619
:by 91 to 180 days	136,057	100,645	94,991	52,558
:over 181 days	86,416	54,902	10,205	30,151
Total past due but not impaired	**399,127**	**417,418**	**204,942**	**253,962**
Total unimpaired	**443,476**	**564,729**	**219,102**	**332,526**
Impaired	**48,328**	**33,179**	**23,592**	**7,209**
Total trade receivables	**491,804**	**597,908**	**242,694**	**339,735**

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 if they are available.

As at 31 December 2015, the analysis of the credit quality of trade receivables that are neither past due nor impaired was as follows.

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Secured	2,465	17,300	2,465	17,300
Externally credit rated	786	272	-	-
Over 4 years trading history with the group	14,138	86,824	2,681	57,916
2-4 years trading history with the group	1,293	3,026	4,899	563
1-2 years trading history with the group	25,667	21,181	3,926	709
Higher risk	-	18,708	189	2,076
	44,349	**147,311**	**14,160**	**78,564**

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

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Balance at 1 January	33,179	80,287	7,209	15,491
Impairment loss recognised	20,555	25,459	16,815	6,974
Recoveries made	(5,406)	(8,208)	(432)	(3,215)
Amounts written off	-	(64,359)	-	(12,041)
Balance at 31 December	**48,328**	**33,179**	**23,592**	**7,209**

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

Cash and cash equivalents

The Group held cash and cash equivalents of Kshs'000 – 506,684 (2014: Kshs'000 -361,616). 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		**Contractual cash flows**				
31 December 2015:	**Carrying amount Kshs '000**	**1 - 3 months Kshs '000**	**3 months - 1 year Kshs '000**	**1-2 years Kshs '000**	**Over 2 years Kshs '000**	**Total Kshs '000**
Non - derivative financial liabilities						
Short term facilities	543,393	562,929	-	-	-	562,929
Trade and other payables	368,163	368,163	-	-	-	368,163
At 31 December 2015	**911,556**	**931,092**	**-**	**-**	**-**	**931,092**
31 December 2014:						
Non - derivative financial liabilities						
Finance lease liabilities	150	165	-	-	-	165
Short term facilities	611,108	708,485	-	-	-	708,485
Trade and other payables	314,906	314,906	-	-	-	314,906
At 31 December 2014	**926,164**	**1,023,556**	**-**	**-**	**-**	**1,023,556**

5. Financial Instruments - Risk Management and Fair Values (Continued)
(b) Liquidity risk (continued)

(ii) Company		**Contractual cash flows**				
31 December 2015:	**Carrying amount Kshs '000**	**1 - 3 months Kshs '000**	**3 months - 1 year Kshs '000**	**1-2 years Kshs '000**	**Over 2 years Kshs '000**	**Total Kshs '000**
Non - derivative financial liabilities						
Short term facilities	543,393	562,929	-	-	-	562,929
Trade and other payables	551,214	551,214	-	-	-	551,214
At 31 December 2015	**1,094,607**	**1,114,143**	**-**	**-**	**-**	**1,114,143**
31 December 2014:						
Non - derivative financial liabilities						
Short term facilities	611,108	708,485	-	-	-	708,485
Trade and other payables	464,964	464,964	-	-	-	464,964
At 31 December 2014	**1,076,072**	**1,173,449**	**-**	**-**	**-**	**1,173,449**

(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.

5. Financial Instruments - Risk Management and Fair Values (Continued)
(c) Market risk (continued)

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 2015				31 December 2014			
	USD '000	TZS '000	UGX '000	BIF '000	USD '000	TZS '000	UGX '000	BIF '000
Financial assets								
Cash and cash equivalents	36	526,299	249,463	148,052	2,285	1,172,109	320,940	388,236
Trade receivables	1,691	2,730,661	2,274,972	291,660	1,482	2,807,987	1,990,868	457,819
	1,727	**3,256,960**	**2,524,435**	**439,712**	**3,767**	**3,980,096**	**2,311,808**	**846,055**
Financial Liabilities								
Finance lease liabilities	-	-	-	-	2	-	-	-
Short term facilities	(3,649)	-	-	-	(4,414)	-	-	-
Trade and other payables	(928)	(37,309)	(30,529)	(30,060)	(448)	(2,372)	(64,478)	-
	(4,577)	**(37,309)**	**(30,529)**	**(30,060)**	**(4,860)**	**(2,372)**	**(64,478)**	**-**
Net financial exposure	**(2,850)**	**3,219,651**	**2,493,906**	**409,652**	**(1,093)**	**3,977,724**	**2,247,330**	**846,055**

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

	Average rate		Year-end spot rate	
	2015	**2014**	**2015**	**2014**
USD	98.6967	88.1825	102.3114	90.5978
TZS	0.0485	0.0522	0.0474	0.0524
UGX	0.0303	0.0332	0.0303	0.0327
BIF	0.0635	0.0567	0.0666	0.0582

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.

5. Financial Instruments - Risk Management and Fair Values (Continued)
(c) Market risk (continued)
(i) Foreign exchange risk (continued)

		Profit or loss	
Effect in Kshs '000	**% movement**	**Strengthening**	**Weakening**
31 December 2015			
Currency			
USD	3%	(6,125)	6,125
TSH	10%	10,675	(10,675)
UGX	5%	2,911	(2,911)
BIF	3%	1,056	(1,056)
31 December 2014			
USD	3%	(2,084)	2,084
TSH	10%	10,285	(10,285)
UGX	5%	2,205	(2,205)
BIF	3%	3,415	(3,415)

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 2015 would have had on the translation reserve are shown below:

Uganda
At 31 December 2015, if the Ugandan Shilling had weakened/strengthened by 5% (2014: 5%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the other comprehensive income would have been Kshs 7,570,155 (2014: Kshs 8,149,617) higher/lower.

Burundi
At 31 December 2015, if the Burundi Franc had weakened/strengthened by 3% (2014: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been Kshs 1,462,790 (2014: Kshs 871,925) higher/lower.

Tanzania
At 31 December 2015, if the Tanzanian Shilling had weakened/strengthened by 10% (2014: 10%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been Kshs 15,608,327 (2014: Kshs 22,286,360) higher/lower.

Company exchange risk from recognised financial assets and liabilities

At 31 December 2015, if the Kenya Shilling had weakened/strengthened by 3% against the US dollar with all other variables held constant, company profit for the year would have been Kshs 6,125,354 (2014: Kshs 2,083,728) higher/lower, mainly as a result of US dollar denominated financial instruments.

5. Financial Instruments - Risk Management and Fair Values (Continued)
(c) Market risk (continued)
(i) Foreign exchange risk (continued)

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	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Fixed rate instruments				
- Financial assets (Note 21)	287,286	170,403	287,286	170,403
- Financial liabilities (Note 23 (a))	(543,393)	(611,258)	(543,393)	(611,108)
Exposure	**(256,107)**	**(440,855)**	**(256,107)**	**(440,705)**

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.

(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.

5. Financial Instruments - Risk Management and Fair Values (Continued)
(d) Capital management (continued)

	Group		Company	
	2015 Kshs '000	**2014 Kshs '000**	**2015 Kshs '000**	**2014 Kshs '000**
Total borrowings (Note 23)	543,393	611,258	543,393	611,108
Less: Cash and cash equivalents (Note 21)	(506,684)	(361,616)	(445,096)	(233,667)
Net debt	36,709	249,642	98,297	377,441
Total equity	2,492,447	2,536,644	1,927,188	1,931,540
Total capital	**2,529,156**	**2,786,286**	**2,025,485**	**(2,308,981)**
Gearing ratio	**1.45%**	**8.96%**	**4.85%**	**16.35%**

(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.

6. 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. Inter-segment pricing is determined on an arm's length basis.

6. Operating Segments (Continued)

(b) Information about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) after tax is used to measure performance because management believes that this information is the most relevant in evaluating results of the respective segments relative to other entities in similar operations.

	Reportable segments									
	Manufacturing & distribution		Regional operations		Yana Tyre centres		Rental business		Total	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
External revenues	2,005,704	2,324,244	743,889	840,638	437,888	463,336	176,495	148,928	3,363,976	3,777,146
Inter-segment revenues	661,994	860,736	-	-	-	-	-	-	661,994	860,736
Segment revenue	**2,667,698**	**3,184,980**	**743,889**	**840,638**	**437,888**	**463,336**	**176,495**	**148,928**	**4,025,970**	**4,637,882**
Segment (loss)/ profit before tax	(99,097)	(198,558)	(91,783)	(78,512)	39,107	95,516	151,120	118,045	(653)	(63,509)
Income tax	3,897	48,805	25,612	22,513	(11,914)	(30,536)	(37,669)	(32,562)	(20,074)	8,220
Segment (loss)/ profit after tax	**(95,200)**	**(149,753)**	**(66,171)**	**(55,999)**	**27,193**	**64,980**	**113,451**	**85,483**	**(20,727)**	**(55,289)**
Interest income	21,436	8,487	538	480	4,417	611	-	-	26,391	9,578
Interest expense	(41,078)	(52,155)	(88)	(403)	-	-	-	-	(41,166)	(52,558)
Depreciation and amortization	(144,906)	(121,526)	(14,518)	(14,629)	(14,345)	(10,382)	(5,215)	(5,206)	(178,984)	(151,743)
Share of profit /(loss) of equity accounted investees.	6,030	3,822	-	-	888	(4,118)	-	-	6,918	(296)
Segment assets	**3,435,070**	**3,442,001**	**617,538**	**747,079**	**387,415**	**379,619**	**215,090**	**238,743**	**4,655,113**	**4,807,442**
Equity accounted investees	137,026	137,026	-	-	-	-	-	-	137,026	137,026
Capital expenditure	(78,221)	(142,964)	(5,323)	(22,719)	(30,914)	(60,158)	(1,736)	(5,853)	(116,194)	(231,694)
Segment liabilities	**(1,449,041)**	**(1,472,212)**	**(337,096)**	**(363,546)**	**(153,833)**	**(168,108)**	**15,989**	**(494)**	**(1,923,981)**	**(2,004,360)**

6. 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.

	2015 Kshs'000	2014 Kshs'000
(i) Revenues		
Total revenues for reportable segments	4,025,970	4,637,882
Elimination of intersegment revenues	(661,994)	(860,736)
Consolidated revenue	**3,363,976**	**3,777,146**
(ii) Profit before tax		
Segments profit before tax	(653)	(63,509)
Acturial gains on remeasurment of defined benefit liability	(13,068)	-
Share of profit/(loss) on equity accounted investee	6,918	(296)
Inter-segment unrealised profits	12,492	(5,652)
Consolidated profit before tax	**5,689**	**(69,457)**
(iii) Assets		
Total segment assets	4,655,113	4,807,442
Elimination of inter-segment;		
-Net unrealised profits on inventories	(3,540)	(16,035)
- Receivables	(663,604)	(690,353)
Investment in subsidiaries	(222,414)	(222,414)
Share of loss of equity accounted investees	(14,330)	(21,248)
Consolidated total assets	**3,751,225**	**3,857,392**
(iv) Liabilities		
Total segment liabilities	1,922,307	2,005,360
Elimination of inter-segment payables	(663,529)	(684,412)
Consolidated total liabilities	**1,258,778**	**1,320,948**

(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 benefits assets and deferred tax assets.

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

	2015 Kshs'000	2014 Kshs'000
(i) Revenues		
Country of domicile		
Kenya	2,117,111	2,420,490
All foreign countries		
Uganda	217,724	227,446
Tanzania	475,104	520,756
Burundi	71,887	98,440
Others	482,150	510,014
Consolidated revenue	**3,363,976**	**3,777,146**
(iii) Non-current assets		
Country of domicile		
Kenya	769,233	773,389
All foreign countries		
Uganda	2,112	6,041
Tanzania	27,365	51,323
Burundi	28,590	42,650
Consolidated total non-current assets	**827,300**	**873,403**

(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.

7. 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:

- ***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.

- ***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.

7. Critical Accounting Estimates and Judgements (Continued)
(a) Critical accounting estimates and assumptions (contiued)

- ***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.

- ***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 and equipment have been determined based on previous experience and anticipated disposal values when the assets are disposed.

- ***Investment property***

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

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

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

(i) Note 3 (a): Consolidation – 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.

8. Revenue

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Sales of manufactured goods	2,485,908	3,082,180	2,217,596	2,862,054
Sales of imported goods	707,686	563,347	471,257	345,380
Rendering of services	18,920	14,218	1,666	292
Discounts, claims and warranties	(25,033)	(31,527)	(22,822)	(22,747)
Investment property rentals	176,495	148,928	109,408	96,247
	3,363,976	**3,777,146**	**2,777,105**	**3,281,226**

9. Other Operating Income and Expenses

(a) Other income

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Gain on sale of property, plant & equipment	495	3,002	495	2,998
Other income	9,628	41,932	1,455	34,528
	10,123	**44,934**	**1,950**	**37,526**

(b) Expenses by function

(i) Cost of sales

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Prime costs				
Cost of raw materials used	956,300	1,371,496	956,300	1,371,496
Changes in inventories of finished goods	(135,882)	(113,855)	(135,882)	(113,855)
Direct labour	179,640	146,954	179,195	146,954
	1,000,058	**1,404,595**	**999,613**	**1,404,595**
Factory overheads				
Indirect labour	206,285	263,194	206,258	263,194
Factory maintenance	105,318	114,120	105,137	114,120
Energy	235,046	396,618	235,046	396,618
Depreciation	122,569	132,862	108,123	119,558
Consumables	87,007	109,688	87,007	109,688
Transport and insurance	24,877	22,049	24,511	22,049
Others	11,461	15,341	10,528	15,341
	792,563	**1,053,872**	**776,610**	**1,040,568**
Cost of imported trading goods sold	**609,841**	**382,168**	**371,665**	**260,947**
Total cost of sales	**2,402,462**	**2,840,635**	**2,147,888**	**2,706,110**

9. Other Operating Income and Expenses (Continued)

(b) Expenses by function (continued)

(ii) Operating expenses

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Selling and distribution expenses				
Distribution costs	24,592	33,580	21,453	30,385
Selling expenses	189,599	198,281	88,030	95,919
Marketing and sales promotions	81,827	104,444	57,485	76,165
	296,018	**336,305**	**166,968**	**202,469**
Administrative expenses				
Indirect staff costs	311,259	298,187	219,617	217,258
Other administrative expenses	132,159	171,788	84,811	120,467
	443,418	**469,975**	**304,428**	**337,725**
Other operating expenses				
Legal & professional fees	48,151	72,901	24,730	51,752
Travel and vehicle maintenance	32,852	27,240	24,589	17,725
Establishment expenses	70,116	80,383	44,103	53,974
Bank charges and fees	25,568	20,265	17,797	17,268
	176,687	**200,789**	**111,219**	**140,719**

(c) Expenses by nature

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Cost of raw materials used	956,300	1,371,496	956,300	1,371,496
Changes in inventories of finished goods	(135,882)	(113,855)	(135,882)	(113,855)
Cost of imported trading goods sold	609,841	382,168	371,665	260,947
Employee benefits expense (Note 9 (d))	695,786	700,202	604,026	617,305
Audit fees	6,290	5,900	4,060	3,840
Bank charges	25,568	20,265	17,797	17,268
Consumables	78,618	100,581	78,618	100,581
Depreciation and amortization	178,984	151,743	143,729	123,614
General expenses	82,961	97,585	54,080	71,702
Legal and professional fees	30,342	50,562	16,196	36,783
Advertising and promotions	81,928	103,605	57,508	75,231
Electricity, water and fuel	219,062	425,194	222,333	413,644
Repairs and Maintenance	187,668	220,735	165,671	210,337
Sales commissions and bonuses	49,013	49,802	46,371	29,510
Rent and rates	82,729	79,416	6,819	5,879
Telephone and postage	28,338	30,155	17,711	19,251
Transport, travelling and insurance	105,320	117,036	78,448	88,684
Others	35,719	55,114	25,053	54,806
Total cost of sales, selling and distribution, administrative and other operating expenses	**3,318,585**	**3,847,704**	**2,730,503**	**3,387,023**

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9. Other Operating Income and Expenses (Continued)

(d) Employee benefits expense

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Salaries and wages	417,680	450,836	360,776	398,418
Allowances and other benefits	213,888	202,299	182,158	176,218
Leave pay accrual	(4,793)	(1,176)	(3,426)	(1,584)
Defined contribution scheme	32,327	11,682	30,871	10,922
National Social Security Fund	4,098	4,974	1,061	1,744
Expenses related to defined benefit plans (Note 25 (c))	32,586	31,587	32,586	31,587
Note 9(c)	**695,786**	**700,202**	**604,026**	**617,305**

10. Net Finance Costs

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Finance income				
Interest income	26,391	9,578	21,436	8,487
Foreign exchange gains	119,845	31,938	55,977	20,276
	146,236	**41,516**	**77,413**	**28,763**
Finance costs				
Foreign exchange losses	161,813	32,495	76,991	15,298
Interest expense on bank borrowings	41,166	52,558	41,078	52,155
	202,979	**85,053**	**118,069**	**67,453**
Net finance costs	**(56,743)**	**(43,537)**	**(40,656)**	**(38,690)**

11. Income Taxes

(a) Amounts recognised in profit or loss

	Group		Company	
	2015 Kshs '000	2014 Kshs '000	2015 Kshs '000	2014 Kshs '000
Current tax expense				
Current income tax	55,575	55,921	33,607	19,076
Under/(Over) provision of current tax in prior years	14,107	(1,285)	14,107	(1,322)
	69,682	**54,636**	**47,714**	**17,754**
Deferred tax expense (Note 24)				
Deferred income tax	(49,213)	(57,587)	(25,560)	(39,398)
Over provision of deferred tax in prior year	872	423	1,491	-
	(48,341)	**(57,164)**	**(24,069)**	**(39,398)**
Income tax expense/(credit)	**21,341**	**(2,528)**	**23,645**	**(21,644)**

11. Income Taxes (Continued)

(a) Amounts recognised in profit or loss (continued)

The Group income tax (credit) /expense excludes the Group's share of income tax expense/ (credit) of its equity accounted investee of Kshs'000 – 3,166: 2014: Kshs'000- 1,894, which has been included in "share of profit/ (loss) of equity accounted investee, net of tax".

(b) Reconciliation of effective tax rate

The tax on the Group's and company's (loss) /profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Group

	2015		2014	
	Rate %	**Kshs '000**	**Rate %**	**Kshs '000**
Profit/(Loss) before income tax		**5,689**		**(69,457)**
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2014 - 30%)	30%	1,707	30%	(20,837)
Tax effect of:				
Share of (profit)/loss of equity accounted investee	(51.63%)	(2,938)	2.52%	(1,748)
Expenses not deductible for income tax purposes	172.53%	9,816	(31.95%)	22,192
Investment property transfer wrte-back	(6.52%)	(371)	0.53%	(371)
Under / (over) provision of current income tax in prior years	247.93%	14,107	1.85%	(1,285)
Under/(over) provision of deferred income tax in prior years	15.33%	872	(0.61%)	423
Effect of lower tax rates in Sameer EPZ Ltd	(32.55%)	(1,852)	1.30%	(902)
Income tax expense/(credit)	**375.09%**	**21,341**	**3.64%**	**(2,528)**

Company

	2015		2014	
	Rate %	**Kshs '000**	**Rate %**	**Kshs '000**
Profit/(Loss) before income tax		**7,896**		**(106,961)**
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2014 - 30%)	30%	2,369	30%	(32,088)
Tax effect of:				
Expenses not deductible for income tax purposes	71.90%	5,678	(11%)	11,766
Under provision of current income tax in prior years	178.67%	14,107	1.24%	(1,322)
Under/(over) provision of deferred income tax in prior years	18.88%	1,491	0.00%	-
Income tax expense/(credit)	**299.46%**	**23,645**	**20.24%**	**(21,644)**

11. Income Taxes (Continued)

(c) Reconciliation of carrying amounts

	Group		Company	
	2015 Kshs'000	**2014 Kshs'000**	**2015 Kshs'000**	**2014 Kshs'000**
Net asset at start of year	(55,369)	(74,555)	(21,869)	(35,052)
Charge for the year - profit or loss (note 11(a))	69,682	54,636	47,714	17,754
Charge for the year - other comprehensive income	-	(2,249)	-	(2,249)
Income tax paid	(37,466)	(33,201)	(21,197)	(2,322)
Net (asset)/ liability at end of year	**(23,153)**	**(55,369)**	**4,648**	**(21,869)**
Represented by:				
Income tax assets	(30,104)	(56,103)	-	(21,869)
Income tax liabilities	6,951	734	4,648	-
	(23,153)	**(55,369)**	**4,648**	**(21,869)**

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.

12. 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.

	2015	**2014**
Loss attributable to equity holders of the Company (Kshs '000)	(15,652)	(66,929)
Weighted average number of ordinary shares in issue ('000)	278,342	278,342
Basic loss per share (Kshs)	(0.06)	(0.24)

(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 2015 or 2014. Diluted earnings per share are therefore the same as basic earnings per share.

13. Property, Plant and Equipment

(a) Reconciliation of carrying amounts

Group 2015:	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 2015	340,999	2,426,955	66,051	320,720	2,700	3,157,425
Additions	860	71,846	3,732	27,087	12,494	116,019
Transfers from capital work in progress	-	2,681	-	27	(2,708)	-
Transfer to investment property (Note 15)	-	(9,706)	-	-	-	(9,706)
Currency translation	-	(143)	(3,271)	(973)	(1)	(4,388)
Disposals	-	-	(3,746)	-	-	(3,746)
At 31 December 2015	341,859	2,491,633	62,766	346,861	12,485	3,255,604
Accumulated depreciation						
At 1 January 2015	217,267	2,155,906	35,816	218,777	-	2,627,766
Charge for the year	11,837	105,783	10,289	27,998	-	155,907
Transfer to investment property (Note 15)	-	(4,575)	-	-	-	(4,575)
Currency translation	-	(677)	(2,953)	(1,174)	-	(4,804)
Disposal	-	-	(1,709)	-	-	(1,709)
At 31 December 2015	229,104	2,256,437	41,443	245,601	-	2,772,585
Carrying amounts At 31 December 2015	**112,755**	**235,196**	**21,323**	**101,260**	**12,485**	**483,019**
2014:						
Cost						
At 1 January 2014	310,234	2,275,775	62,890	258,635	22,079	2,929,613
Additions	30,765	135,993	11,806	35,162	5,559	219,285
Assets not previously recongnised	-	-	959	-	-	959
Transfers from capital work in progress	-	13,758	-	10,995	(24,753)	-
Transfer from intangibles (Note 14)	-	-	-	15,315	-	15,315
Currency translation	-	1,429	(746)	613	(185)	1,111
Disposals	-	-	(8,858)	-	-	(8,858)
At 31 December 2014	340,999	2,426,955	66,051	320,720	2,700	3,157,425
Accumulated depreciation						
At 1 January 2014	206,608	2,068,899	34,922	183,217	-	2,493,646
Charge for the year	10,659	85,744	9,712	22,675	-	128,790
Assets not previously recognized	-	-	959	-	-	959
Transfer from intangibles (Note 14)	-	-	-	12,570	-	12,570
Currency translation	-	1,263	(919)	315	-	659
Disposal	-	-	(8,858)	-	-	(8,858)
At 31 December 2014	217,267	2,155,906	35,816	218,777	-	2,627,766
Carrying amounts At 31 December 2014	**123,732**	**271,049**	**30,235**	**101,943**	**2,700**	**529,659**

13. Property, Plant and Equipment (Continued)
(a) Reconciliation of carrying amounts (continued)

Company 2015:	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 2015	318,531	2,299,485	17,318	234,249	-	2,869,583
Additions	298	70,014	-	6,837	1,073	78,222
Transfers from capital work in progress	-	281	-	27	(308)	-
Disposals	-	-	(3,746)	-	-	(3,746)
At 31 December 2015	318,829	2,369,780	13,572	241,113	765	2,944,059
Accumulated depreciation						
At 1 January 2015	217,040	2,085,490	12,787	192,670	-	2,507,987
Charge for the year	10,493	95,587	1,188	16,345	-	123,613
Disposals	-	-	(1,709)	-	-	(1,709)
At 31 December 2015	227,533	2,181,077	12,266	209,015	-	2,629,891
Carrying amounts At 31 December 2015	**91,296**	**188,703**	**1,306**	**32,098**	**765**	**314,168**
2014:						
Cost						
At 1 January 2014	310,234	2,177,499	23,491	212,611	3,270	2,727,105
Additions	8,297	113,749	2,685	5,731	5,559	136,021
Transfers from capital work in progress	-	8,237	-	592	(8,829)	-
Transfer from intangibles	-	-	-	15,315	-	15,315
Disposals	-	-	(8,858)	-	-	(8,858)
At 31 December 2014	318,531	2,299,485	17,318	234,249	-	2,869,583
Accumulated depreciation						
At 1 January 2014	206,608	2,009,470	20,602	164,058	-	2,400,738
Charge for the year	10,432	76,020	1,043	16,042	-	103,537
Transfer from intangibles (Note 14)	-	-	-	12,570	-	12,570
Disposals	-	-	(8,858)	-	-	(8,858)
At 31 December 2014	217,040	2,085,490	12,787	192,670	-	2,507,987
Carrying amounts At 31 December 2014	**101,491**	**213,995**	**4,531**	**41,579**	**-**	**361,596**

(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 review by a team of technical experts within the Group in 2015 confirmed that no additional information was gained during the year to warrant any revisions.

(c) Transfer to investment property

During 2015, equipment previously classified under property, plant and equipment was transferred to investment property (Note 15 (a)). This equipment forms an integral part of the building that it is part of.

14. Intangible Assets

Computer software

(a) Reconciliation of carrying amounts

	Group		Company	
	2015 Kshs'000	**2014 Kshs'000**	**2015 Kshs'000**	**2014 Kshs'000**
Cost				
At 1 January	127,791	136,163	127,443	136,163
Transfer to property, plant and equipment (Note 13)	-	(15,315)	-	(15,315)
Currency translation	(33)	-	-	-
Additions	9,862	6,943	9,853	6,595
At 31 December	137,620	127,791	137,296	127,443
Amortisation				
At 1 January	80,676	74,468	80,666	74,468
Transfer to property, plant and equipment (Note 13)	-	(12,570)	-	(12,570)
Charge for the year	18,748	18,778	18,650	18,768
At 31 December	99,424	80,676	99,316	80,666
Carrying amount at 31 December	**38,196**	**47,115**	**37,980**	**46,777**

(b) 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. Up to financial year 2014, computer software development and licenses costs were included in property, plant and equipment and not disclosed separately. This was changed in 2014 to comply with disclosure requirements under IAS 38.

15. Investment Property

(a) Reconciliation of carrying amounts

	Group		Company	
	2015 Kshs'000	**2014 Kshs'000**	**2015 Kshs'000**	**2014 Kshs'000**
At start of year	180,491	179,197	101,118	102,424
Transfer from plant & machinery (Note 13)	9,706	-	-	-
Additions	1,736	5,466	-	-
Transfer from plant & machinery (Note 13)	(4,575)	-	-	-
Depreciation	(4,325)	(4,172)	(1,462)	(1,306)
	183,033	**180,491**	**99,656**	**101,118**
At end of year				
Comprising				
Cost	267,754	256,295	144,787	144,772
Accumulated depreciation	(84,721)	(75,804)	(45,131)	(43,654)
At end of year	**183,033**	**180,491**	**99,656**	**101,118**

15. Investment Property (Continued)

(a) Reconciliation of carrying amounts (continued)

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.

(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	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Rental income	**176,495**	**148,928**	**109,408**	**96,247**
Operating expenses				
Staff costs	4,697	4,398	2,485	2,538
Administrative expenses	2,730	12,131	1,784	1,973
Security expenses	4,523	6,571	2,526	4,464
Legal and professional fees	6,190	2,693	1,671	-
Repairs and maintenance	2,646	1,744	2,101	219
Depreciation	5,207	5,206	1,462	1,459
Net - other expenses/ (income)	(618)	(1,860)	-	-
	25,375	**30,883**	**12,029**	**10,653**
Net rental income	**151,120**	**118,045**	**97,379**	**85,594**

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15. Investment Property (Continued)

(c) Measurement of fair value

(i) Fair value hierarchy

The fair value of investment property is determined by external, independent property valuers, having appropriate recognised professional qualifications every 3 years. In the intervening periods between valuations, management adjusts fair values on the basis of annual housing index reports provided by professional consultants. During the year, management used the "The Hass Property Index" report provided by Hass Consult – a Real Estate Consultancy firm in association with Investment Managers Stanlib. The annual growth rate used to value the group's investment properties as at 31 December 2015, was 6.6% (2014: 8.4%)

The fair value measurement of – Group Kshs'000 -4,152 (2014 Kshs'000 -3,895); Company Kshs'000 - 3,613 (2014 Kshs'000 – 3,390); 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	
	2015 Kshs'000	**2014 Kshs'000**	**2015 Kshs'000**	**2014 Kshs'000**
Fair values				
Commercial properties	1,705,583	1,599,984	1,167,099	1,094,840
Leasehold land	2,446,287	2,294,828	2,446,287	2,294,828
	4,151,870	**3,894,812**	**3,613,386**	**3,389,668**
Carrying amounts				
Commercial properties	182,695	180,149	99,318	100,776
Leasehold land	338	342	338	342
	183,033	**180,491**	**99,656**	**101,118**
Fair value gains not recognised in profit or loss	**3,968,837**	**3,714,321**	**3,513,730**	**3,288,550**

(iii) Valuation techniques and significant unobservable inputs.

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

15. Investment Property (Continued)

(c) Measurement of fair value (continued)

(iii) Valuation techniques and significant unobservable inputs **(continued)**

Valuation technique	Significant unobservable inputs	Inter-relationships between unobservable inputs and fair value measurements
(a) Investment property ***Discounted cash flows:*** The valuation model considers the present value of net cash flows to be generated from the property 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 (2015 and 2014: 3.75-6%) 2. Occupancy rates (2015 and 2014: 90% - 95%) 3. Risk-adjusted discount rate (2015 and 2014:9%)	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. Increase with improvements in infrastructure.

16. Prepaid Operating Lease Rentals
(a) Reconciliation of carrying amount

	Group and Company	
	2015 Kshs'000	**2014 Kshs'000**
At start of year	361	364
Amortisation charge for the year	(4)	(3)
At end of year	**357**	**361**

(b) Classification

The Group classifies leasehold 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.

17. Investment In Subsidiaries - Company
(a) Investment and 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	2015 Kshs'000	2014 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	1,728
Taqwa Trading Limited	Kenya	100%	35,000	35,000
			193,414	193,414
Less: Provision for impairment			(35,000)	(35,000)
Carrying amount			**158,414**	**158,414**

The provision for impairment relates to Taqwa Trading Limited which ceased trading with effect from 1 January 2007 and has since been dormant.

(b) 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.

(c) 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.

18. Equity Accounted Investees

The following table summarizes the carrying amounts and the Group's share of profit or loss and other comprehensive income of its equity accounted investees as well as the carrying amounts in the financial statements of the company.

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Carrying amount				
Interest in associates (Note 18(a))	125,925	119,895	137,026	137,026
Interest in joint venture (Note 18(b))	(3,230)	(4,118)	-	-
At end of year	**122,695**	**115,777**	**137,026**	**137,026**

Reconciliation of carrying amount - Group

	2015			2014		
	Associate Kshs'000	Joint venture Kshs'000	Total Kshs'000	Associate Kshs'000	Joint venture Kshs'000	Total Kshs'000
At 1 January 2015	119,895	(4,118)	115,777	116,073	-	116,073
Share of profit /(loss)	6,030	888	6,918	3,822	(4,118)	(296)
At end of year	**125,925**	**(3,230)**	**122,695**	**119,895**	**(4,118)**	**115,777**

18. Equity Accounted Investees (Continued)
(a) Associate

The Group's has an interest of 25% (2014: 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.

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

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
At start of year	119,895	116,073	137,026	137,026
Share of profit from continuing operations (net of tax)	6,030	3,822	-	-
At end of year	**125,925**	**119,895**	**137,026**	**137,026**

(ii) Summarised financial information

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

	2015 Kshs'000	2014 Kshs'000
Financial position		
Non-current assets	2,426,910	2,237,698
Current assets	89,417	384,553
Current liabilities	(20,182)	(141,766)
Non-current liabilities	(1,992,476)	(2,000,934)
Net assets	**503,669**	**479,551**
Profit or loss and other comprehensive income		
Revenue	301,737	210,931
Expenses	(277,619)	(195,641)
Profit after tax	24,118	15,290
Other comprehensive income	-	-
Total comprehensive income	**24,118**	**15,290**

18. Equity Accounted Investees (Continued)
(b) Joint venture

Yana Tyre Centre – Galleria is the only joint arrangement in which the Group participates. The Group's subsidiary, Yana Tyre Centre Limited and Discount Tyres Limited entered into a joint arrangement to operate a tyre centre within Galleria Mall in the upmarket area of Karen, Nairobi County. The joint venture is structured as a separate business in which the Group has residual interest in the net assets and / or obligations to the residual liabilities of the joint arrangement.

In accordance with the agreement, both the Group and the other investor leased initial building structures and operating equipment to the joint venture at an annual rental charge of 10% (2014 – 20%) of the value of the assets. There was no initial direct capital investment by either party and the agreed interest in the joint venture by either party is 50%. The day-to-day management and operation of the joint venture business is vested on the group at an agreed management fee pegged on sales.

Profits before tax are shared equally between the parties but only after recouping any prior period losses. Any losses are absorbed by the Group except losses incurred in the first six (6) months of operation – which are shared equally. Any working capital requirements by the joint venture are financed by the Group at interest rates equivalent to rates charged to the Group by third party lenders.

The joint venture operated for the whole year in 2015 (2014- 11 months). The following table summarizes the financial information of the joint venture as included in its own financial statements as well as the Group's residual interest in the joint venture and of its share of profit or loss.

Group **Percentage of ownership**	**2015** **Kshs'000** **50%**	**2014** **Kshs'000** **50%**
Non - current assets	5,046	1,190
Current assets (including cash and cash equivalents :		
KShs 699,000 (2014 – KShs 2,114,000)	12,749	9,245
Non-current Liabilities (Borrowing from the Group)	(14,319)	(10,202)
Current liabilities	(10,314)	(8,847)
Retained earnings - deficit	8,614	-
Net liabilities – 100%	**1,776**	**(8,614)**
Group's share of net obligations in the joint venture	**888**	**(4,118)**
Revenue	47,950	26,681
Cost of sales	(24,028)	(13,922)
Staff costs	(3,929)	(4,574)
Depreciation	(631)	(143)
Interest expense	(1,193)	(588)
Lease charges	(1,545)	(2,833)
Management fees	(1,678)	(1,868)
Other expenses	(13,170)	(11,367)
Profit/(Loss) and total comprehensive income - 100%	**1,776**	**(8,614)**
Group's share of profit/(loss) and total comprehensive income	**888**	**(4,118)**

19. Inventories

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Raw materials	311,251	270,865	311,251	270,865
Stores and supplies	331,830	301,741	329,661	284,532
Work in progress	17,278	30,893	17,278	30,893
Finished goods	876,428	909,389	666,300	652,337
	1,536,787	**1,512,888**	**1,324,490**	**1,238,627**

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

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Cost of raw material used	956,300	1,371,496	956,300	1,371,496
Changes in inventories of work in progress and finished goods	(135,882)	(113,855)	(135,882)	(113,855)
Cost of trading goods sold	609,841	382,168	371,665	260,947
	1,430,259	**1,639,809**	**1,192,083**	**1,518,588**

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 (Note 23).

20. Receivables and Prepayments

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Current				
Trade receivables	491,804	597,908	242,694	339,735
Less: Provision for impairment	(48,328)	(33,179)	(23,592)	(7,209)
	443,476	**564,729**	**219,102**	**332,526**
Amounts due from related companies (Note 33(e)(i))	35,260	23,892	6,049	6,080
Other receivables	132,112	218,005	100,573	175,744
Receivables from subsidiaries (Note 33(e)(i))	-	-	299,705	312,162
Trade and other receivables	610,848	806,626	625,429	826,512
Prepayments	81,122	134,878	58,283	125,507
Receivables and prepayments	**691,970**	**941,504**	**683,712**	**952,019**

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 (Note 23).

21. Cash and Cash Equivalents

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

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Cash at bank and in hand	219,398	191,213	157,810	63,264
Call deposits	287,286	170,403	287,286	170,403
Cash and bank balances in statement of financial position	**506,684**	**361,616**	**445,096**	**233,667**
Short term facilities used for cash management (Note 23)	(543,393)	(611,108)	(543,393)	(611,108)
Cash and cash equivalents in the statement of cash flows	**(36,709)**	**(249,492)**	**(98,297)**	**(377,441)**

22. 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.

	2015	2014
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	278,342,373	278,342,373
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.

22. Capital and Reserves (Continued)

(c) Dividends

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

	2015	2014
Declared and paid		
Kshs Nil per qualifying ordinary share (2014: Kshs 0.30)	**-**	**83,503**

Payment of dividends is subject to withholding tax at a rate of 5% for resident individuals and companies at 10% for non-resident individuals and companes. 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.

23. Current Borrowings

	Group		Company	
(a) Carrying amounts	**2015 Kshs'000**	**2014 Kshs'000**	**2015 Kshs'000**	**2014 Kshs'000**
Short term facilities - Import loans	543,393	611,108	543,393	611,108
Finance lease liabilities	-	150	-	-
	543,393	611,258	543,393	611,108
Total borrowings	**543,393**	**611,258**	**543,393**	**611,108**

(b) Terms and repayment schedule

				31 December 2015		31 December 2014	
Group	**Currency**	**Nominal interest**	**Maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Import Financing loan – NIC Bank	USD	8.11%	2016	205,407	200,016	175,957	96,317
Import Financing loan – Standard Chartered Bank	USD	6.94%	2016	50,002	48,880	150,887	138,848
Import Financing loan - CfC Stanbic Bank	USD	5.32%	2016	176,883	173,220	215,991	211,607
Bank overdraft – NIC Bank	USD	8.00%	2016	130,637	121,277	165,650	164,336
Finance lease liabilities	USD	10.00%	2015	-	-	165	150
				562,929	**543,393**	**708,650**	**611,258**

				31 December 2015		31 December 2014	
Company	**Currency**	**Nominal interest**	**Maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Import Financing loan – NIC Bank	USD	8.11%	2016	205,407	200,016	175,957	96,317
Import Financing loan – Standard Chartered Bank	USD	6.94%	2016	50,002	48,880	150,887	138,848
Import Financing loan - CfC Stanbic Bank	USD	5.32%	2016	176,883	173,220	215,991	211,607
Bank overdraft – NIC Bank	USD	8.00%	2016	130,637	121,277	165,650	164,336
				562,929	**543,393**	**708,485**	**611,108**

23. Current Borrowings (Continued)
(c) Finance lease liabilities - Group

	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Less than 1 year	-	165	-	15	-	150

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.

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

	2015 %	2014 %
Bank overdrafts – USD	6.38	8.25
Bank borrowings – Kshs	19.74	14.50

In the opinion of the directors, the carrying amounts of borrowings approximate to their fair values. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the statement of financial position date.

24. 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	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
At start of year	(107,269)	(49,319)	(69,533)	(30,135)
Charge to statement of profit or loss(Note 11 (a))	(49,213)	(57,587)	(25,560)	(39,398)
Prior year under provision	872	423	1,491	-
Recognised in other comprehensive income	1,671	-	1,671	-
Currency translation differences	132	(786)	-	-
At end of year	**(153,807)**	**(107,269)**	**(91,931)**	**(69,533)**
As disclosed on the balance sheet:				
Deferred income tax assets	(158,380)	(111,878)	(91,931)	(69,533)
Deferred income tax liabilities	4,573	4,609	-	-
	(153,807)	**(107,269)**	**(91,931)**	**(69,533)**

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

Group 2015	Net balance at 1 January Kshs'000	Recognised in profit or loss Kshs'000	Recognised in other comprehsive income Kshs'000	Prior year (under) / over provisions Kshs'000	Exchange differences Kshs'000	Net balance at 31 December Kshs'000
Deferred income tax asset						
Property, plant and equipment and intangibles	(1,695)	(25,278)	-	1,141	20	(25,812)
Investment property	63,928	15,344	-	-	-	79,272
Provisions	(75,952)	(17,760)	-	(129)	722	(93,119)
Tax Losses	(100,884)	(14,790)	-	28	(1,197)	(116,843)
Acturial gains and losses on retirement benefit obligations	-	-	1,671	-	-	1,671
Effects of movements in exchange rates	2,725	(6,861)	-	-	587	(3,549)
	(111,878)	**(49,345)**	**1,671**	**1,040**	**132**	**(158,380)**
Deferred income tax liability						
Investment property	4,409	(23)	-	311	-	4,697
Effects of movements in exchange rates	200	155	-	(479)	-	(124)
	4,609	**132**	**-**	**(168)**	**-**	**4,573**
Net deferred income tax asset	**(107,269)**	**(49,213)**	**1,671**	**872**	**132**	**(153,807)**
Group 2014						
Deferred income tax asset						
Property, plant and equipment and intangibles	15,127	(16,890)	-	(2)	70	(1,695)
Investment property	49,893	14,035	-	-	-	63,928
Provisions	(64,218)	(11,506)	-	-	(228)	(75,952)
Tax Losses	(53,436)	(46,795)	-	-	(652)	(100,883)
Effects of movements in exchange rates	(26)	2,726	-	-	24	2,724
	(52,660)	**(58,430)**	**-**	**(2)**	**(786**	**(111,878)**
Deferred income tax liability						
Investment property	3,044	1,494	-	(129)	-	4,409
Provisions	256	(768)	-	512	-	-
Effects of movements in exchange rates	41	117	-	42	-	200
	3,341	**843**	**-**	**425**	**-**	**4,609**
Net deferred income tax asset	**(49,319)**	**(57,587**	**-**	**423**	**(786)**	**(107,269)**

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

Company 2015	Net balance at 1 January Kshs'000	Recognised in profit or loss Kshs'000	Recognised in other comprehsive income Kshs'000	Prior year (under) / over provisions Kshs'000	Net balance at 31 December Kshs'000
Deferred income tax asset					
Property, plant and equipment and intangibles	(4,188)	(24,612)	-	1,491	(27,309)
Investment property	15,253	1,104	-	-	16,357
Provisions	(70,601)	(3,590)	-	-	(74,191)
Acturial gains and losses on retirement benefit obligations	-	-	1,671	-	1,671
Tax Losses	(9,931)	9,931	-	-	-
Exchange differences	(66)	(8,393)	-	-	(8,459)
	(69,533)	**(25,560)**	**1,671**	**1,491**	**(91,931)**
2014					
Deferred income tax liability					
Property, plant and equipment and intangibles	14,526	(18,714)	-	-	(4,188)
Investment property	14,049	1,204	-	-	15,253
Provisions	(57,541)	(13,060)	-	-	(70,601)
Tax losses	-	(9,931)	-	-	(9,931)
Exchange differences	(1,169)	1,103	-	-	(66)
	(30,135)	**(39,398)**	**-**	**-**	**(69,533)**

(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 investees.

(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 - 3,883 (2014 - Kshs'000 - 6,821). 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.

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

	2015 Kshs'000	2014 Kshs'000
Present value of unfunded obligations:		
- Active members	-	165,250
- Transferred to management	-	13,094
Net defined benefits liability	**-**	**178,344**

25. Retirement Benefit Obligations – Group and Company (Continued)

(b) Description of the plan

The Group operated a gratuity scheme for its unionisable employees upto 31 May 2015. The scheme was provided under a Collective Bargaining Agreement (CBA). The benefits were defined on retirement, death, withdrawal and ill-health retirement. The gratuity arrangement was 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 were as follows:

(i) The benefits were linked to salary and consequently have an associated risk to increases in salary.
(ii) The benefits were 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 was unfunded with no separate assets. Investment risk would therefore not arise on the arrangement.
(iv) Benefits in the scheme were payable on retirement, resignation, death or ill-health retirement. The actual cost to the Company of the benefits was therefore subject to the demographic movements of employees.

(c) Movement in defined benefits obligation

	2015 Kshs'000	2014 Kshs'000
Balance at 1 January	**178,344**	**148,830**
Included in profit or loss		
Current service cost net of employees' contributions	5,093	13,236
Interest on obligation	9,680	18,351
Losses on settlement and curtailments	17,813	-
	32,586	**31,587**
Included in other comprehensive income		
Net actuarial (gains)/losses in the net liability recognised in the year:		
- experience adjustments arising from changes in demographic assumptions	(16,714)	4,053
- experience adjustments arising from changes in financial assumptions	3,646	3,443
	(13,068)	**7,496**
Other movements		
Contributions paid by the employer	(145)	(9,569)
Settlements on transfer to defined contribution arrangements (Note 26(a))	(197,717)	-
	(197,862)	**(9,569)**
Balance at 31 December	**-**	**178,344**

The defined benefits obligation as at 31 May 2015 was transferred to a defined contribution arrangement. Further details are included in Note 26.

25. Retirement Benefit Obligations – Group and Company (Continued)

(d) Actuarial assumptions

	2015	2014
Discount rate (% p.a)	13.248%	12.941%
Expected return on scheme assets (% p.a)	0.0%	0.0%
Future salary increases (% p.a)	9.0%	8.9%
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 benefits obligation (years)	13.9	13.9

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

(i) The valuation method used was the Projected Unit Credit Method (PUC);
(ii) In the absence of a deep and liquid market for long-term corporate bonds and with a highly volatile yield on government bonds, the actuary assumed a long-term rate of discount of 13.248% (2014: 12.941%) This rate was the implied yield on a 15-year bond issued by the Central Bank of Kenya as listed on the Nairobi Stock Exchange. Management considers this rate to be appropriate for the purposes of the valuation of the defined benefits obligation;
(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 A1949/52 as published by the Institute of Actuaries; and
(iv) Withdrawal rates have been assumed on the basis of past trends and experience with similar schemes.

(e) Impact on future cash flows

(i) Sensitivity analysis

	Base	Discount rate increased by 1%	Salary escalation increase by 1%	Discount rate decreased by 1%	Salary escalation decrease by 1%	Demographic assumption increased by 10%	Demographic assumption increased by 10%
Discount Rate	13.25%	14.25%	13.25%	12.25%	13.25%	13.25%	12.18%
Salary Increases	9.00%	9.00%	10.00%	9.00%	8.00%	9.00%	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	**178,344**	**178,344**	**178,344**	**178,344**	**178,344**	**178,344**	**178,344**
Net expense recognised in profit or loss	32,586	13,426	38,947	38,517	12,887	26,616	24,585
Net actuarial losses recognised in the other comprehensive income	(13,068)	6,092	(19,429)	(18,999)	6,631	(7,098)	(5,067)
Employer contributions	(145)	(145)	(145)	(145)	(145)	(145)	(145)
Settlement on transfer to DC arrangements	(197,717)	(197,717)	(197,717)	(197,717)	(197,717)	(197,717)	(197,717)
Net liability at end of period	-	-	-	-	-	-	-

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

(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 2015 was Kshs'000 – 145 (2014: Kshs'000 – 9,569)

(iii) Expected contribution for the financial year 2016

Following the conversion of the scheme to a defined benefit contribution scheme (Note 26), the Group will not make any further contributions towards this scheme (2014: Kshs '000 -13,029).

(iv) Maturity profile of the defined benefits obligation

Maturity profile - Active members

Time to maturity of members	**2015 Liability Kshs'000**	**2014 Liability Kshs'000**
Less than 1 year	-	15,434
Between 1 year and 5 years	-	31,613
More than 5 years	-	118,203
	-	**165,250**

At 31 December 2015, the weighted average duration of the Defined Benefits Obligation was 13.9 years (2014: 13.9 years)

26. Defined Contribution Scheme

(a) Carrying amount

	Group and company	
	2015 Kshs'000	**2014 Kshs'000**
Defined benefit liability transferred (Note 25 (b))	197,717	-
Benefits paid	(9,659)	-
Closing defined contribution liability transferred	188,058	-
Add: Employer defined contributions	5,791	-
Less: Defined contribution benefit payable	(1,976)	-
Balance at 31 December	**191,873**	**-**

(b) Description of the scheme

As at 31 May 2015, the directors resolved to transfer the members' accrued defined benefits to a defined contribution provident fund. The benefits to be transferred were determined by the actuary based on service and salary as at 31 May 2015.

The transfer of funds to the defined contribution provident fund had not been completed as at 31 December 2015, pending the completion of the registration of the provident fund. However, accrued benefits are expected to be transferred to the fund after registration procedures are finalised. Consequently, the amount of benefits to be transferred to the Defined Contribution Provident Fund are shown as a current liability under the caption - Defined Contribution Liability

27. Payables and Accrued Expenses

(a) Carrying amounts

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Trade payables	351,180	301,562	323,141	269,197
Amounts due to related companies (Note 33(e)(ii))	16,983	13,344	16,983	13,344
Amounts due to subsidiaries (Note 33(e)(ii))	-	-	211,090	182,423
Accrued expenses and other payables	143,825	211,097	74,514	135,051
	511,988	**526,003**	**625,728**	**600,015**

(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 carried-over 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 accrual account at 31 December 2015 was as follows:

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Balance at 1 January	6,084	7,260	3,916	5,500
Additional provisions	79,519	38,800	26,612	34,077
Utilised in the year	(84,312)	(39,976)	(30,038)	(35,661)
Balance at 31 December	**1,291**	**6,084**	**490**	**3,916**

28. Unclaimed Dividends

(a) Carrying amount

	Group and company	
	2015 Kshs'000	2014 Kshs'000
Unclaimed dividends	**-**	**-**

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 would have represented 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	
	2015 Kshs'000	2014 Kshs'000
Amounts held by the Registrars	-	6,536
Total unclaimed dividends	**-**	**6,536**

(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 1 November 2014.

The Unclaimed Financial Assets Authority has set a cut-off of 3 years dormancy for unclaimed assets. During the year, the Group forwarded unclaimed dividends of Kshs Nil (2014: Kshs 6,776,296) to the Authority.

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

	Note	Group		Company	
		2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Cash receipts from customers					
Revenue	8	3,363,976	3,777,146	2,777,105	3,281,226
Other income	9 (a)	9,628	41,932	1,455	34,528
Net foreign exchange gains/ (losses)		(48,798)	(1,918)	(26,299)	3,944
Translation differences		(39,742)	12,510	-	-
Movement in trade and other receivables	20	249,534	54,873	268,307	(64,103)
Cash collections from customers		**3,534,598**	**3,884,543**	**3,020,568**	**3,255,595**
Cash payments for purchases					
Opening inventory stock	19	(1,512,888)	(1,268,150)	(1,238,627)	(1,059,011)
Cost of sales	9 (b)	2,402,462	2,840,635	2,147,888	2,706,110
Closing inventory stock	19	1,536,787	1,512,888	1,324,490	1,238,627
Retirement benefits paid	25,26	9,804	9,569	9,804	9,569
Movement in trade payables	27 (a)	(49,618)	(130,041)	(53,944)	(107,546)
		2,386,547	**2,964,901**	**2,189,611**	**2,787,749**
Adjustments for non-cash expenses					
Depreciation and amortization	9 (c)	178,984	151,743	143,729	123,614
Expenses related to defined benefit plans	25 (c)	32,586	31,587	32,586	31,587
Movement in defined contribution liability	26 (a)	3,815	-	3,815	-
		215,385	**183,330**	**180,130**	**155,201**
Cash payment for purchases		**2,171,162**	**2,781,571**	**2,009,481**	**2,632,548**
Cash payments for expenses					
Other operating expenses	9(b)(ii)	916,123	1,007,069	582,615	680,913
Movement in accruals and other payables	27(a)	63,633	(138,029)	28,231	(186,420)
Cash payments for expenses		**979,756**	**869,040**	**610,846**	**494,493**

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. 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 parties 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 2015, the future minimum lease payments under current leases are as follows.

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Motor vehicles	44,737	43,741	28,499	43,741
Not later than 1 year	12,870	30,465	8,152	30,465
Later than 1 year and not later than 5 years	**57,607**	**74,206**	**36,651**	**74,206**
Leases for premises	75,183	69,618	3,512	1,748
Not later than 1 year				
Later than 1 year and not later than 5 years	99,454	131,834	-	-
	174,637	**201,452**	**3,512**	**1,748**

(ii) Amounts recognised in profit or loss

	Group 2015	Group 2014	Company 2015	Company 2014
Lease expense	118,828	26,552	30,435	35,654
Sub - lease income	(22,685)	(5,910)	-	-
	96,143	**20,642**	**30,435**	**35,654**

(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	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Leases for investment properties				
Not later than 1 year	90,378	133,168	62,205	111,416
Later than 1 year and not later than 5 years	254,659	235,026	209,056	181,309
	345,037	**368,194**	**271,261**	**292,725**

(ii) Amounts recognised in profit or loss

Rental income from investment properties and maintenance expenses included in operating expenses are shown on Note 15(b).

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31. Commitments

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

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Property, plant and equipment	**67,866**	**68,689**	**59,917**	**61,249**

32. Contingent Liabilities

A subsidiary has disputed an assessment by the revenue authority of the subsidiaries jurisdiction. Although the subsidiary has appealed against the assessment, should the appeal not be successful, then additional tax, interest, penalties and legal costs are estimated to amount to Kshs 67 million. Based on legal and tax advice, the directors believe that the defence against the action will be successful.

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% (2014: 72.14%).

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	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Basic pay	61,486	59,600	55,975	54,506
Other allowances	13,023	13,037	11,380	11,658
Pension / gratuity	8,015	11,891	7,421	11,638
Leave pay	2,067	1,326	1,524	1,071
Total	**84,591**	**85,854**	**76,300**	**78,873**

(ii) Directors' shareholding

At 31 December 2015 directors' shareholding in the company was as follows:

	2015 Shares	2014 Shares
Peter Gitonga	12,750	12,750
Akif H. Butt	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	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Directors' remuneration				
Fees as directors	4,860	4,860	4,860	4,860
Other emoluments (included under key management compensation above)	25,909	30,048	25,260	30,048
Total remuneration of directors of the company	**30,769**	**34,908**	**30,120**	**34,908**

(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	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Subsidiaries				
Sameer Africa (Tanzania) Limited	-	-	247,763	372,614
Sameer Africa (Uganda) Limited	-	-	85,610	139,301
Sameer Africa (Burundi) Limited	-	-	46,023	66,106
Yana Tyre Centre Limited	-	-	282,597	282,715
	-	**-**	**661,993**	**860,736**

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
Joint Venture				
Yana Tyre Centre – Galleria	**25,173**	**20,163**	**25,173**	**16,832**
Other related parties				
Ryce East Africa Limited	17,971	12,304	15,471	12,304
Ryce Southern Sudan	3,082	-	3,082	-
Sameer Agriculture & Livestock	6,519	3,503	-	-
Eveready Batteries (K) Limited	279	867	150	362
Sasini Limited	1,147	1,431	-	-
	28,998	**18,105**	**18,703**	**12,666**

33. Related Party Transactions (Continued)
(c) Transactions with other related parties (continued)

(ii) Purchase of goods and services

	Group and Company	
	2015 Kshs'000	**2014 Kshs'000**
Other related parties		
Ryce East Africa Limited	39,684	51,586
First Assurance Company Limited	33,234	21,935
Sameer Management Limited	5,000	5,000
Sasini Limited	803	815
Sameer Investments	226	-
Sameer Agriculture & Livestock	16	-
	78,963	**79,336**

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 – Nil (2014: Kshs'000 – 60,247)

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
- Fixed and call deposits
- Import letters of credit

The outstanding balances included in cash and cash equivalents as at 31 December 2015 as are follows:

	Group and Company	
	2015 Kshs'000	**2014 Kshs'000**
Bank balances	6,277	915
Term deposits	287,286	170,403
	293,563	**171,318**

Working capital support

In line with the joint venture agreement, the Group provided working capital support to Yana Tyre Centre – Galleria joint venture arrangement. Details of amounts loaned and interest earned are shown below:

	Group	
	2015 Kshs'000	**2014 Kshs'000**
Total amount advanced	22,793	10,317
Interest income earned	1,193	611

33. Related Party Transactions (Continued)
(e) Outstanding balances

At 31 December 2015, outstanding balances with related parties comprised the following;

	Group		Company	
	2015 Kshs'000	2014 Kshs'000	2015 Kshs'000	2014 Kshs'000
(i) Amounts due from:				
Subsidiaries				
Taqwa Trading Limited	-	-	28,646	28,645
Sameer Africa(Tanzania) Limited	-	-	84,380	131,788
Sameer Africa(Burundi) Limited	-	-	186,679	151,729
	-	**-**	**299,705**	**312,162**
Associate				
Sameer Business Park Limited	-	1,465	-	1,465
Joint venture				
Joint venture with Discount Tyres	**25,822**	**15,629**	**2,117**	**1,370**
Other related parties				
Ryce East Africa Limited	4,481	3,056	3,857	3,056
Sameer Agricultural & lifestock	4,726	2,966	-	-
Eveready Batteries (K) Limited	198	408	75	189
Sasini Limited	33	368	-	-
	9,438	**6,798**	**3,932**	**3,245**
Total due from other related parties	**35,260**	**23,892**	**6,049**	**6,080**
(i) Amounts due to:				
Subsidiaries				
Yana Tyre Centre Limited	-	-	67,789	60,822
Sameer Industrial Park Limited	-	-	36,008	14,983
Sameer Africa(Uganda) Limited	-	-	21,666	23,563
Sameer EPZ Limited	-	-	85,627	83,055
	-	**-**	**211,090**	**182,423**
Other related parties				
Ryce East Africa Limited	12,975	13,004	12,975	13,004
First Assurance Company Limited	3,554	-	3,554	-
Sasini Limited	409	340	409	340
Sameer Investments	45	-	45	-
	16,983	**13,344**	**16,983**	**13,344**

(f) 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.

(g) Trading terms and settlement

All transactions with related parties are at an arm's length basis and in the ordinary course of business. Outstanding balances are to be settled in cash. No guarantees have been given or received to any related party.


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You've got the power of
4 stallions at your feet
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LEGEND
YANA
AFRICA RIDES ON YANA TYRES

SECTION 6: OTHER RELEVANT INFORMATION

Notice of the 47th Annual General Meeting

Notice is hereby given that the 47th Annual General Meeting of members will be held at Bomas of Kenya situated along Forest Edge Road, off Langata Road, Nairobi on Tuesday 14th June 2016, at 11.30 am 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 46th Annual General Meeting held on Friday 29 May 2015.

3. Financial Statements and Reports
To receive, consider and if deemed fit, adopt the financial statements for the year ended 31 December 2015, together with the reports thereon of the directors and the auditors.

4. Election of Director:

To elect a director:
i) In accordance with Article 92 of the company's Articles of Association, Mr. Sameer Naushad Merali retires by rotation and being eligible, offers himself for re-election.

5. Directors Emoluments
To approve the directors emoluments.

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

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

By Order of the Board

Edgar Imbamba
Company Secretary
29 April 2016, Nairobi

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, Nairobi, to reach their offices not less than 48 hours before the meeting or be posted to the company secretary through P.O. Box 30429-00100, Nairobi to reach him not less than 48 hours before the time appointed for holding the meeting.

Ilani ya Mkutano Mkuu wa 47 wa Kila Mwaka

Ilani inatolewa hapa kuwa mkutano mkuu wa kila mwaka wa arobani na saba (47) wa wanachama utafanyika Bomas of Kenya, Nairobi Jumanne tarehe 14 Juni 2016 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 wa kutosha.

2. Kuthibitisha kumbukumbu
Kuthibitisha kumbukumbu za mkutano mkuu wa pamoja wa kila mwaka wa arobaini na sita (46) uliofanyika ijumaa tarehe 29 Mei 2015.

3. Taarifa na ripota za fedha
Kupokea, kuchunguza na ikithibitishwa sawa, kukubali taarifa ya matumizi ya fedha ya mwaka ulioishia 31 Desemba 2015, pamoja na taarifa za wakurugenzi na wakaguzi.

4. Uchaguzi wa mkurugenzi:

Kumchagua mkurugenzi
1.) chini ya kifungu 92 cha Makala ya chama ya kampuni, Bwana Sameer Naushad Merali anastaafu kwa zamu na kuwa anastahili anajitolea kuchaguliwa tena.

5. Malipo ya wakurugenzi
Kuidhinisha malipo ya wakurugenzi.

6. Kuteua Wakaguzi
Kuwateua tena KPMG kama wakaguzi wa kampuni na kuwaidhinisha wakurugenzi kuamua malipo yao ya mwaka wa kifedha unaofuata.

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

Kwa Amri ya Halmashauri

Edgar Imbamba
Katibu wa Kampuni
29 Aprili 2016, Nairobi

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, Nairobi, iwafikie katika muda usiopungua masaa 48 kabla ya mkutano au kutumwa kwa katibu wa Kampuni kwa njia ya posta kutumia anwani S.L.P 30429-00100, Nairobi, imfikie katika muda usiopungua masaa 48 kabla ya wakati uliowekwa wa kufanyika mkutano.


YANA FAIDA
Makilometer za skwodi
umechapa na bado uko roho juu
RIDE LIKE A
LEGEND
FAIDA
PRODUCT OF SAMEER AFRICA
YANA
YANA
AFRICA RIDES ON YANA TYRES

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

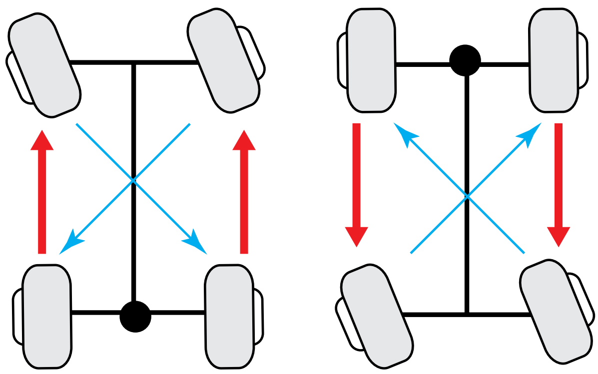
- Reduced riding comfort
- Irregular wear – concentrated at the centre
- Reduced tyre life
- Tyre bursts – hence accidents
- Always use the recommended inflation pressure

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 Bomas of Kenya, situated along Forest Edge Road, off Langata Road, Nairobi on 14th June, 2016 commencing at 11.30 am and any adjournment thereof.

As witness my/our hand(s) this ______________________day_______________2016

Signature_____________________________

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

Notes:

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, Nairobi, to reach their offices not less than 48 hours before the meeting or be posted to the company secretary through P.O. Box 30429-00100, Nairobi to reach him not less than 48 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 Bomas of Kenya, iliyo kando ya barabara Forest Edge, kutokea barabara ya Langata , Nairobi tarehe 14 Juni, mwaka 2016, saa tano na nusu asubuhi na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu siku hii ya____________________Mwezi wa ______________________2016

Sahihi____

Isipokuwa ikishauriwa vingine, mwakilishi atapiga kura anavyofikiria ni sawa.

Maelezo:

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 silazima 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, Nairobi, iwafikie katika muda usiopungua masaa 48 kabla ya mkutano au kutumwa kwa katibu wa Kampuni kwa njia ya posta kutumia anuani S.L.P 30429-00100, Nairobi, imfikie katika muda usiopungua masaa 48 kabla ya wakati uliowekwa wa kufanyika mkutano.

FOLD 2

Affix
Stamp
Here

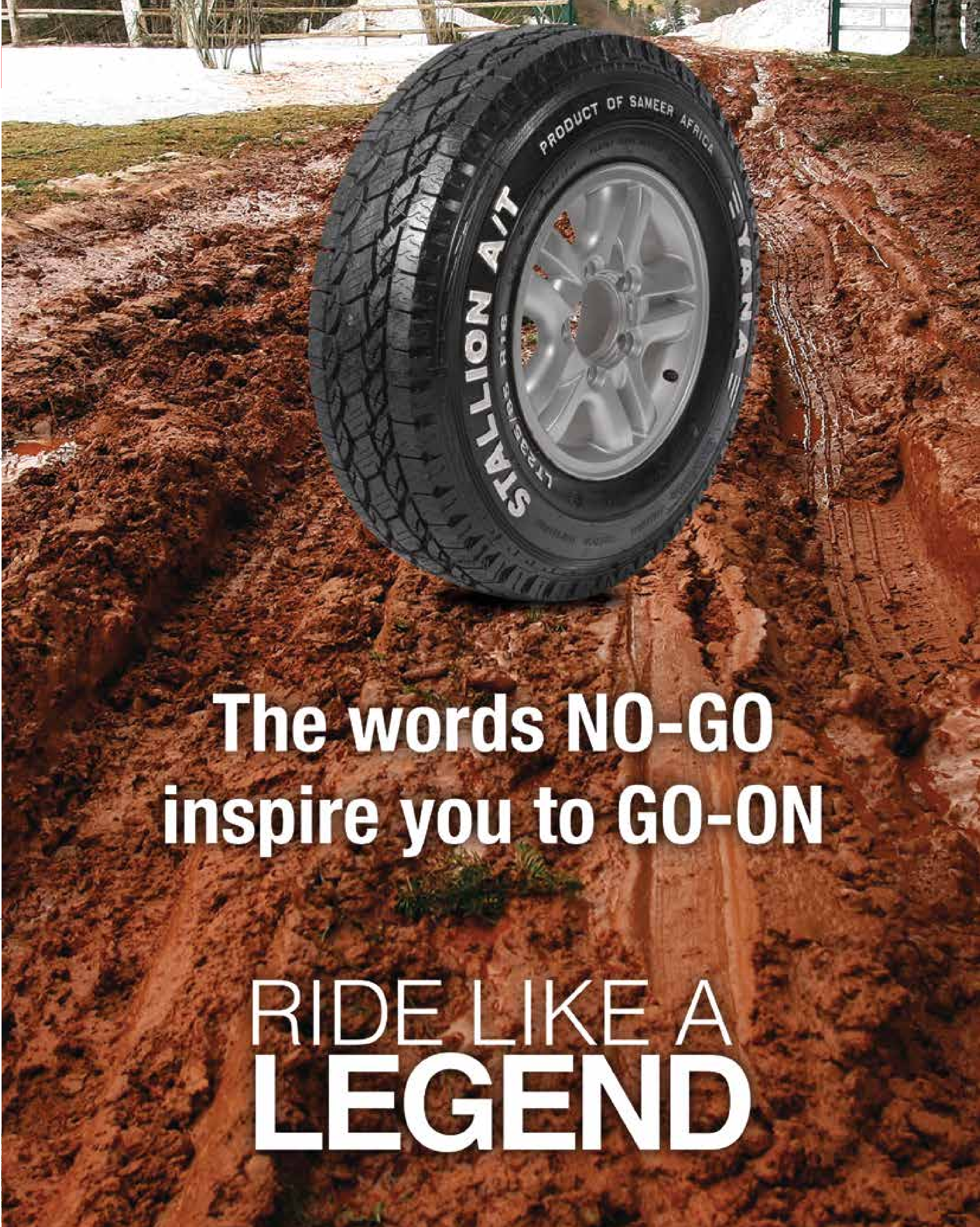
To The Company Secretary
Sameer Africa Limited
P.O.Box 30429-00100
Nairobi, Kenya

sameerafrica
WE'LL TAKE YOU THERE.®

FOLD 3

FOLD 1

Insert Flap Inside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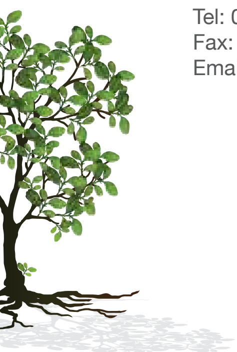

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