



2016 INTEGRATED ANNUAL REPORT AND FINANCIAL STATEMENTS

RIDE LIKE A LEGEND

If you can drive in Africa, you can drive on the moon.

The words 'no go' inspire you to go on.

You never back away from a good adventure and every
road is an open invitation for a great performance.

You sprint on tarmac, dance on gravel and cruise on water.

This is what makes you a legendary driver.

So ride like a legend, ride on Yana tyres.

Africa rides on Yana tyres.

YANA



**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
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Standard Street,
P.O. Box 8484,
00100 Nairobi GPO.

Principal Bankers

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Masaba Road, off Uhuru Highway,
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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

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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.

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ABOUT THIS REPORT

We welcome you to Sameer Africa Limited's integrated report for the year ended 31 December 2016.

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 and prospects and how these factors lead to wealth creation.

Scope, boundary and reporting framework

This report focuses on the Group's operating context and strategy, material risks and opportunities and operational and governance performance. The report covers the Group's operations in all its operating subsidiaries and its principal activities: the manufacture, importation and sale of tyres and related products and services and the letting of investment property.

Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the International Integrated Reporting Councils (IIRC's) Framework, the Capital Markets Authority's (CMA) Code of Corporate Governance for Issuers of Securities to the Public 2015, the listing rules and the Kenya Companies Act of 2015.

External assurance on the audited financial statements for the year ended 31 December 2016, has been provided by KPMG Kenya, as confirmed in the independent auditor's report on page 72. The contents of the integrated annual report have not been externally assured.

Our audit, risk and corporate governance committee provides internal assurance to the board on the Group's financial, operating and risk management controls which are assessed by the Group's internal audit function that reports to the audit, risk and corporate governance committee. The committee's report is on pages 56 to 60 of the integrated report.

Target audience and materiality

This report has been prepared with the material interests of our stakeholders in mind (page 22) to enable them to assess our performance and future prospects. This report focuses on the issues we see as being most material to our ability to create value and to deliver on our strategy.

Our response to these material issues is reflected in our strategic priorities (page 29). These strategic priorities have been identified on the basis of an assessment of how we create value (page 20), the activities and impacts of our value chain (page 19), and the material risks and opportunities facing the Group (page 24). Additional information that is not seen to be material for these purposes, but that may be of interest to other stakeholders, is provided in the annual financial statements that forms part of this integrated report.

Statement of board of directors approval

The board acknowledges their responsibility to ensure the integrity of the integrated report. In the board's opinion, this report provides a fair account of the Group's activities, material issues, relationships and performance. This report, together with the annual financial statements of the Group for the year ended 31 December 2016, were approved by the board of directors on 27 March 2017 and signed on its behalf by;

Eng Erastus Kabutu Mwangera
(FIEK, RCE, CBS)

Chairman

Allan Walmsley

Managing Director

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.

WHO WE ARE

Sameer Africa Limited (SAL) is a limited liability company first incorporated in Kenya in 1969 as Firestone East Africa Limited. The company's principal business is the manufacture and sale of tyres and allied products and the letting of investment property. We operate primarily in Kenya, with tyre operations in Tanzania, Uganda and Burundi. Sameer Africa Limited is 72.15% owned by Sameer Investments Limited, a leading economic force in East Africa with over thirty years' experience in Kenya's industrial and economic development and a provider of direct and indirect employment for over 30,000 people.

OUR MISSION AND VISION



Our Slogans

"Sameer Africa will take you there"

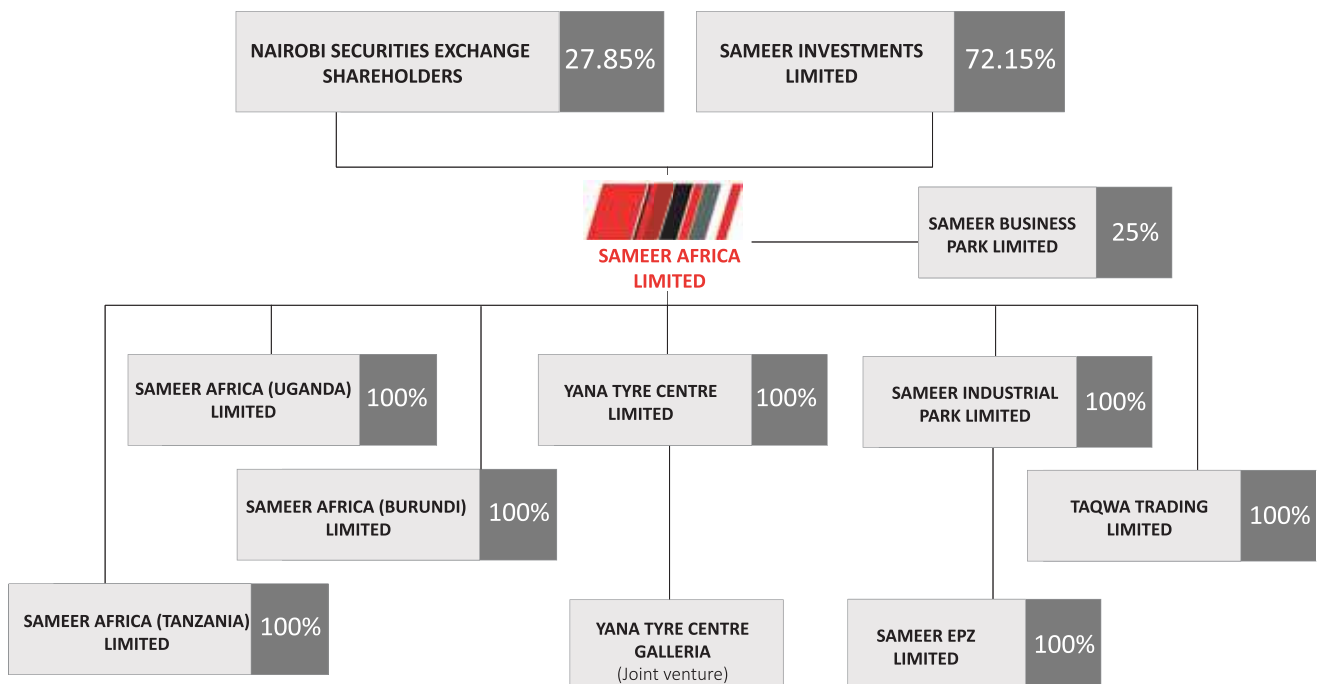
At corporate level to link with the product range for mobility

"Africa rides on Yana Tyres"

At brand level to link with the brand promise of reliability, comfort, safety and ultimate trust.



OUR STRUCTURE



HISTORICAL TIMELINE

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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.

November 1969



1988: Bridgestone Corporation purchased Firestone Tyre & Rubber Company. Sameer Investments Limited retained its shareholding in Firestone East Africa (1969) Limited.

1988

1992: Sameer EPZ licensed as Kenya's first export processing zone.

March 1992



1995

1995: The company is listed in the Nairobi Securities Exchange (then the Nairobi Stock Exchange) under the automobiles & accessories category.

1999



1999: The Group ventured into the East Africa Community by opening in Tanzania and Uganda.



April 2005

2005: The change in corporate identity, created an independent tyre producer based in Kenya that aims to supply the East African and COMESA markets.



2009: The Group opened its first tyre centre located in Koinange Street, Nairobi.



2015: The Group's offshore manufactured economy brand is introduced.

September 2016



2016: The Nairobi tyre factory shuts down and tyre manufacturing is moved off shore

1969

1988

1992

1995

1999

2005

2009

2015

2016

WHAT WE DO

Our Tyre Business

We manufacture, import and sell quality tyres engineered for African terrain. Our tyre range includes tyres for various applications including passenger vehicles, light and medium truck, truck and bus and agricultural use. Our raw materials and finished products for trade are sourced globally and delivered locally through our well established supply chain process.

We engage with our customers through our extensive dealer network, our owned and branded tyre centers and directly to large fleets, government and other consumers.

Our Property Business

The group owns a large property holding part of which is built up and on which our investment property income is derived and other parcels earmarked for future development. To learn more about how we engage with various stakeholders see page 20.

OUR TYRE BRANDS



SUMMIT TYRE
Taya poa, thamani poa

BRIDGESTONE
Your Journey, Our Passion



POPULAR SIZES

750-16 14 Ply Pamoja
225/75 R15 Moran
185/70 R 14 Eagle
205R16 Moran
195R15 Faida

185/70 R 14 Hawk
315/80 R 22.5 AP
Kifaru
195R15 Toshia
185/70 R 13 Hawk
195 R 14 Toshia

9.5 R 17.5 R294
12 R 22.5 M840
265/65 R 17 D697
245/70 R 16 D697
265/70 R 16 D697

FEATURES

Customized for African roads

Value for money

Premium & quality

OUR PROPERTY BRANDS



SAMEER EPZ LIMITED

Our fully owned subsidiaries, Sameer EPZ Limited and Sameer Industrial Park Limited let space to tenants licensed to operate in an EPZ Zone.



Sameer Business Park, owned through our associate company Sameer Business Park Limited, is a world-class rented facility that is located conveniently along Mombasa Road.



Sameer Africa Limited lets out rented space in its Mombasa Road premises including space that was previously occupied by the tyre factory.

WHERE WE OPERATE

In country presence:

- 

Nairobi

Mombasa

Kisumu

Nakuru
- 

Thika

Machakos

Eldoret

Nyeri
- 

Dar es Salaam

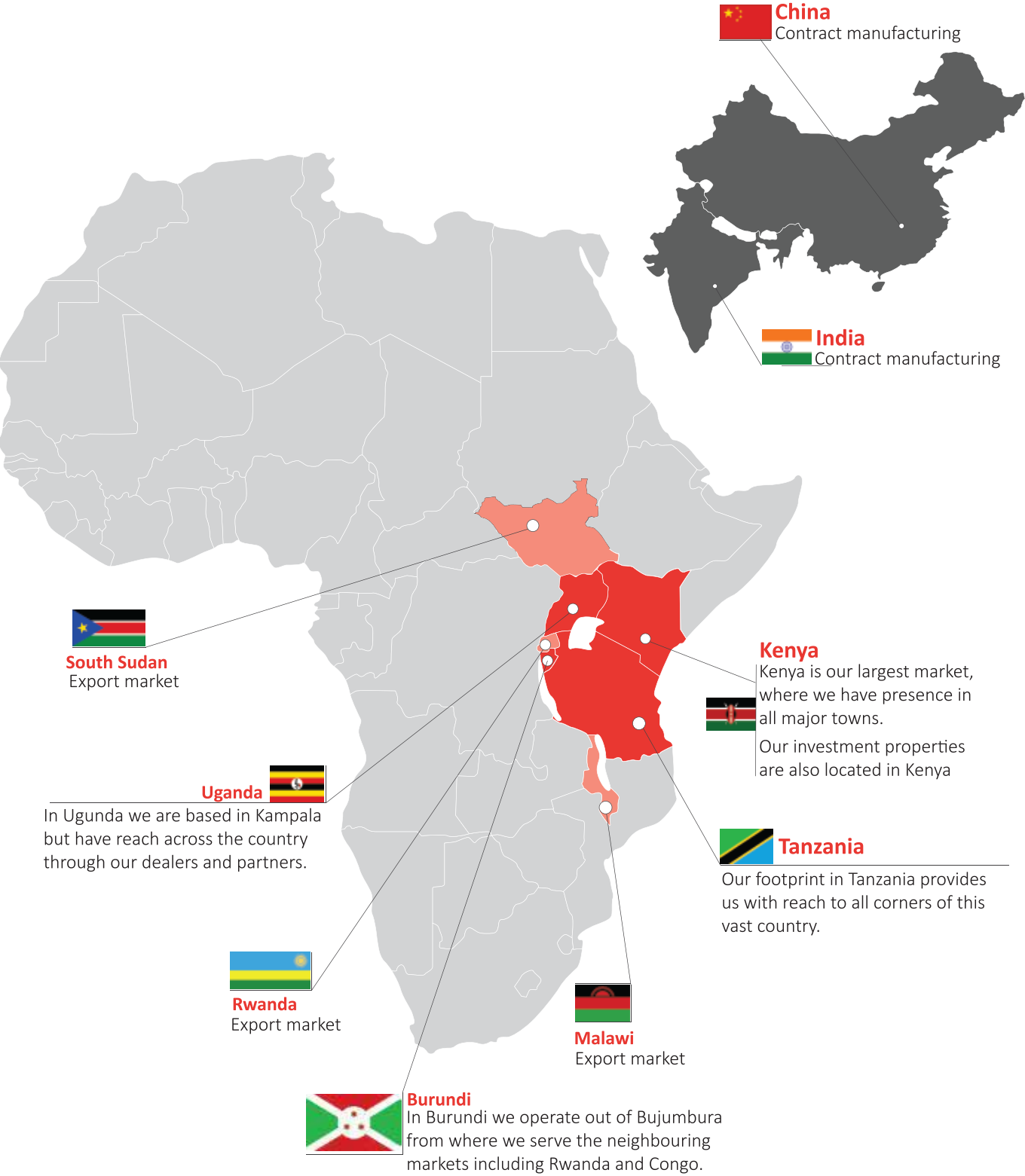
Mwanza

Arusha
- 

Kampala
- 

Bujumbura

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- KEY**
- Core market
 - Export market
 - Offshore manufacturing location

Communication from the board of directors to all stakeholders

On 29th August 2016, the board of directors unanimously approved the closure of the manufacturing facility with effect from 30 September 2016, and the outsourcing of the manufacture of its Yana brand tyres to factories domiciled in India and China.

The decision of the board was informed by a review of the performance of the business since 2006, during which period the company has seen a systematic reduction in its market share on account of cheap and subsidised tyre imports entering its markets. As a result, the high price market segment where the company's locally manufactured Yana tyres compete, has declined from a high of 62% in 2010, to only 25% today.

The 2005 reduction in customs duties under the EAC Common External Tariff (CET), the high cost of electricity and underutilization of factory capacity have also impacted the business adversely.

The board of directors do not envisage that the offshoring of Yana tyre production will have a significant impact on the trading results of the company. However, the closure of the manufacturing facility, the impairment of fixed assets, inventory and employee severance pay did impact on the financial results in 2016, as a one-off charge. As a result of this one-off charge and in compliance with the Capital Markets Act and listing rules, the board of directors issued a profit warning announcement by way of a public announcement on 31 August 2016.

The impact on customers, end-users and the supply of the Yana brand to the East African market will remain unchanged. Yana tyres will continue to be engineered under the supervision of our own chemists and engineers. We will also continue to expand our Summit Tyre offering for all markets and we will continue to distribute Bridgestone tyres in Kenya, Tanzania and Uganda.

The board of directors is optimistic that the company's new strategic direction puts it on a path to growth and future prosperity. The company will continue to invest in research and development to offer the market tyres that are purpose built for African roads and will continue with the rollout of its Yana Tyre Centre offering across East Africa.

Kind regards

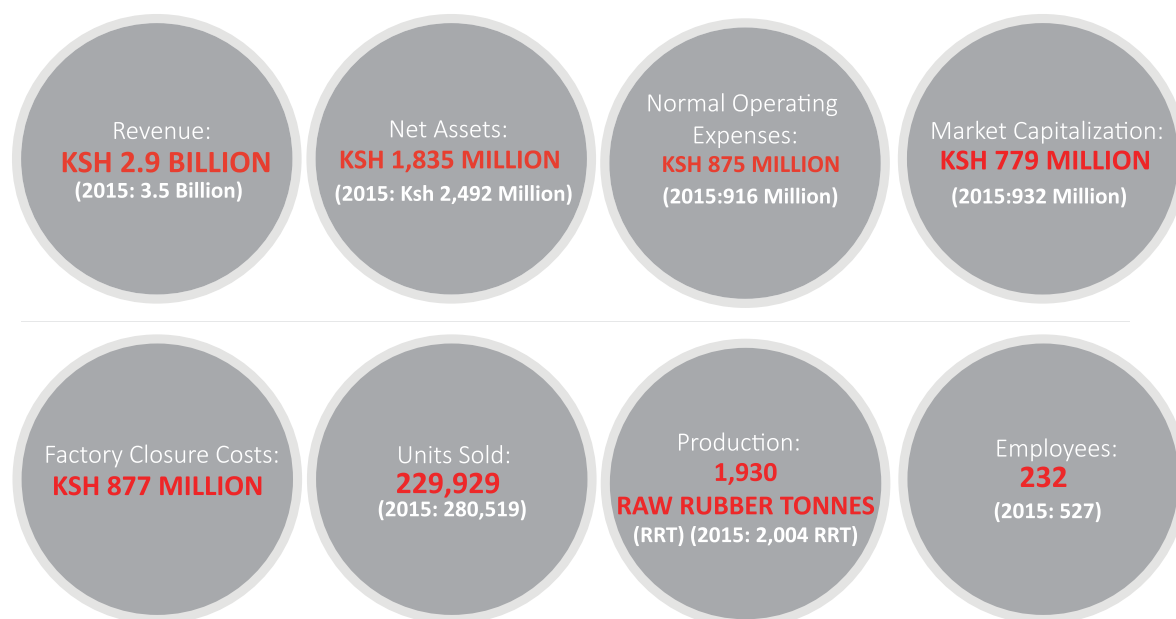
Eng. E.K. Mwongera
Chairman

PERFORMANCE HIGHLIGHTS

GROUP FIVE-YEAR PERFORMANCE

	2016	2015	2014	2013	2012
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
Revenue	2,882,230	3,363,976	3,777,146	4,029,841	4,083,631
Gross Profit	584,340	961,514	936,511	1,078,122	1,074,585
(Loss)/Profit before income tax	(821,008)	5,689	(69,457)	456,521	298,761
Income tax credit	212,955	(21,341)	2,528	(55,332)	(110,307)
(Loss)/Profit for the year	(652,101)	(15,652)	(66,929)	401,189	188,454
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	281,947	483,019	529,659	435,967	334,259
Investment property	178,496	183,033	180,491	179,197	185,107
Equity accounted investee	114,331	122,695	115,777	116,073	115,130
Inventories	1,401,321	1,536,787	1,512,888	1,268,150	1,086,087
Receivables and prepayments	716,462	691,970	941,504	996,377	1,255,890
Cash and bank balances	132,382	506,684	361,616	482,833	300,619
Other assets	465,928	227,037	215,457	189,890	122,559
Total assets	3,290,867	3,751,225	3,857,392	3,668,487	3,399,651
Equity					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Reserves	443,482	1,100,735	1,144,732	1,287,901	935,011
Total equity	1,835,194	2,492,447	2,536,444	2,679,613	2,326,723
Liabilities					
Retirement benefit obligations	-	191,873	178,344	148,830	127,440
Payables and accrued expenses	623,477	511,988	526,003	257,933	437,269
Borrowings	825,615	543,393	611,258	571,236	480,768
Other liabilities	6,581	11,524	5,343	10,875	27,451
Total liabilities	1,455,673	1,258,778	1,320,948	988,874	1,072,928
Total equity and liabilities	3,290,867	3,751,225	3,857,392	3,668,487	3,399,651
KEY RATIOS					
Gross Margin	20%	29%	25%	27%	26%
Net Profit Margin	-22.6%	-0.5%	-2%	10%	5%
Earnings Per Share (Kshs)	(2.34)	(0.06)	(0.24)	1.44	0.68
Dividends Per Share (Kshs)	0.00	0.00	0.00	0.30	0.25
Dividend Yield	0.00	0.00	0.00	5.66	6.02
Price to Earning Ratio	-1.22	-55.83	-24.95	3.71	6.09
Price to book value (Kshs)	0.00	0.37	0.66	0.57	0.50
Return on Equity	-36%	-1%	-3%	15%	8%

2016 KEY FEATURES



WEALTH CREATION

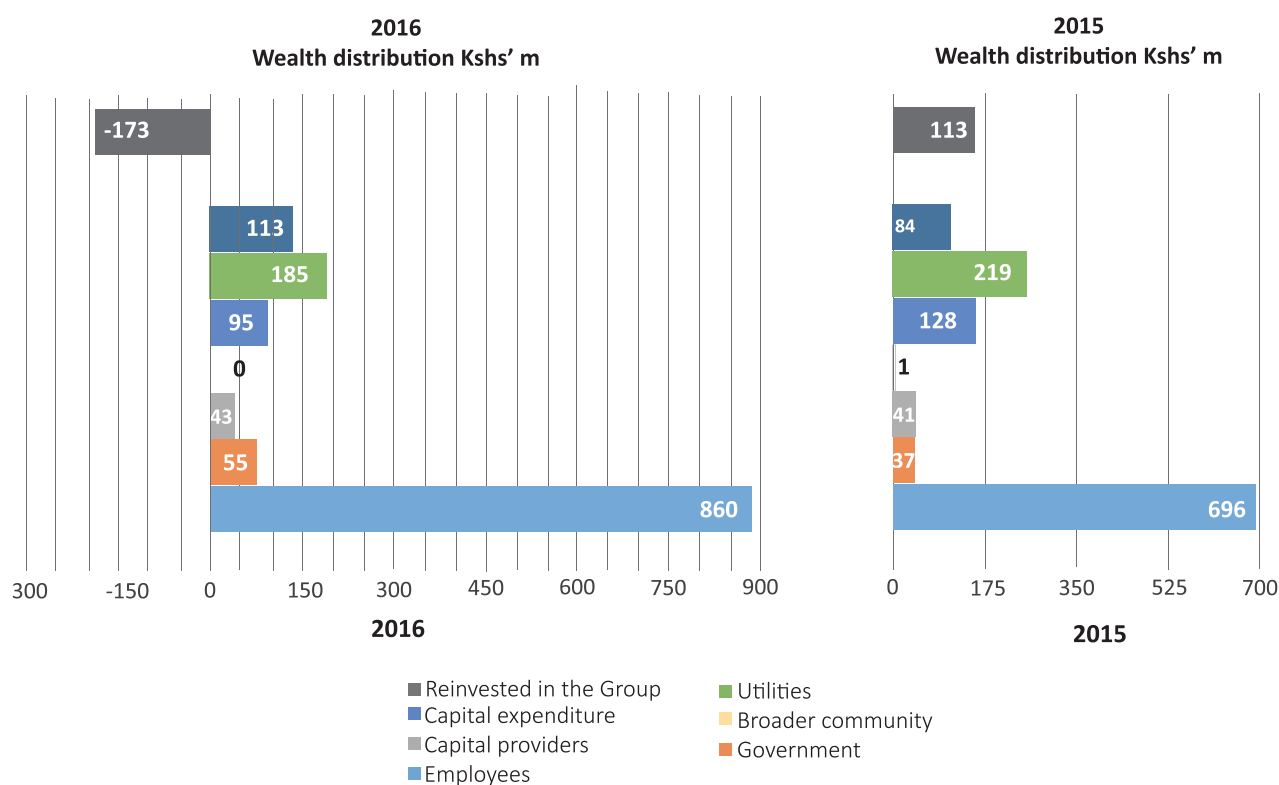
Wealth creation is the value generated from the income generating activities of the business and is determined as gross revenues, less cost of goods, services and other operational requirements.

Throughout the value chain, the Group uses its unique strengths and employs its resources and relationships to generate value for its stakeholders (see page 23)

In 2016, the Group generated wealth of Kshs 1.1 billion, which is 14% lower than the Kshs 1.2 billion generated during the previous financial period. The table below shows how the total wealth created by the group was distributed to stakeholders.

WEALTH DISTRIBUTION

Wealth Creation:	2016 Kshs' m	2015 Kshs' m
Gross revenues:	2,901	3,522
Payment to suppliers	(1,836)	(2,286)
Wealth Created	1,065	1,236
Wealth distribution		
Employees:	860	696
Government	55	37
Capital providers	43	41
Broader community	-	2
Capital Expenditure	95	128
Utilities	185	219
Reinvested in the Group	(173)	113
Wealth Created	1,065	1,236



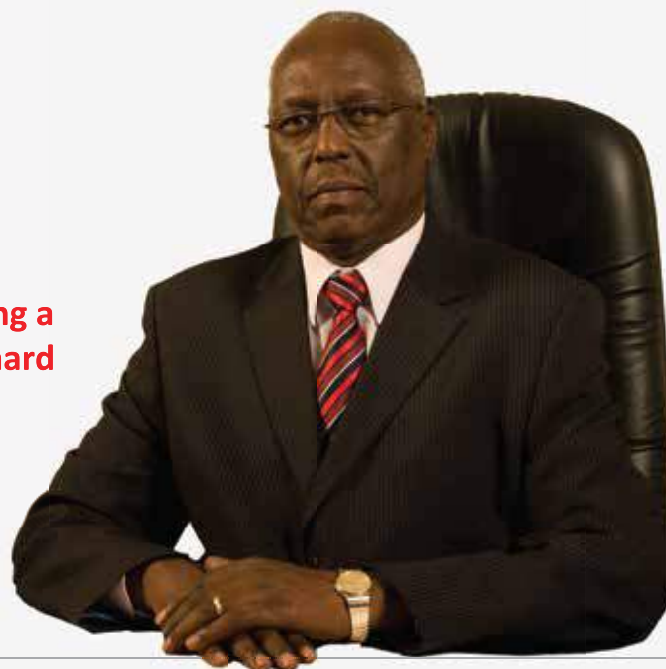
CHAIRMAN'S STATEMENT

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OUR BUSINESS

“ The Group needs to transit from being a manufacturing company to being a hard core selling organisation. ”

Eng. Erastus Mwongera



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Distinguished shareholders, members of the board, ladies and gentlemen, it is with great pleasure that I welcome you to the 48th annual general meeting of the company.

2016 was another difficult year for the Group. Tight liquidity across all markets, ever-increasing competition from subsidized Chinese tyres, currency volatility in Tanzania, Uganda and Burundi and severe foreign currency shortages across all our export markets, adversely affected Group performance.

Group revenues declined by 14% to Kshs 2.9 billion compared to Kshs 3.36 billion in 2015. Gross profit reduced to Ksh 584 million as against Ksh 962 million in 2015 due to the impairment charge on raw materials and factory equipment. However, continuing focus on overhead expense reduction, credit control and working capital optimisation assisted the Group in reducing overhead expenses and net finance costs.

As you are aware, the decline in Group revenues has been consistent since 2012, and in line with the emergence and growth of the Chinese tyre industry. As a result, and as advised last year, a new strategy had to be developed by the board in order to protect shareholder value against this very significant risk moving forward. A new sourcing strategy was consequently developed and approved and on 30 August 2016, the company announced the closure of its Mombasa Road manufacturing plant and the out-sourcing of Yana tyre production to factories in China and India.

The combined effect of the decline in Group revenues, partly offset by our ongoing cost savings efforts, resulted in the Group recording a pre-tax profit before re-organisation costs of Kshs 12.0 million as against KShs 5.6 million in 2015.

After re-organisation costs of KShs 877 million, the group recorded a pre-tax loss of KShs 865 million.

OPERATING AND TYRE MANUFACTURING ENVIRONMENT

Macro Environment

The global economy is estimated to have grown by 3.1% in 2016, largely in line with that of 2015, but with uneven results across regions and countries.

Performance in emerging markets continued to soften 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 questionable impact of quantitative easing.

In Kenya, main macro-economic indicators remained relatively stable given the stability of the Kenya shilling, with GDP growth of 6.0% as against 5.5% in 2015. The current account deficit also narrowed from 6.8% of GDP in 2015 to 5.5% in 2016. The manufacturing sector as a key pillar 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 in protecting locally manufactured goods. The sector's contribution to GDP continues to stagnate at around 10%, which is insufficient to assist in terms of employment creation and export earnings potential.

Tyre Sourcing

With the closure of the factory in September 2016, Yana tyre production has been outsourced to factories in China and India. Our outsourcing strategy has enabled us to upgrade or revamp many of the Yana tyre patterns that had become dated and also to incorporate all of the latest tyre technologies available. We will also be able to take advantage of the economies of scale that large tyre manufacturers enjoy in terms of “factory gate” production costs.

The manufacture of the Yana tyre moulds, which will remain the property of Sameer Africa, will be completed in 2017, and thereafter we will commence trial production and factory and market testing before full introduction of the products later in the year.

Our Summit tyre brand will continue to be manufactured in China and of note is the fact that Summit tyre sales increased by 125% by value as against 2015. Indeed, the reliability, quality and pricing of the Summit tyre range has been widely embraced by the tyre markets in the region.

We continued to distribute the premier Bridgestone brand of tyres in Kenya, Tanzania and Uganda as well as the very affordable Achilles brand in Kenya, such that the Group is properly represented in all four price segments of the market.

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 seven years with many now importing their requirements. To address this, the board has, since 2012, continued to pursue its strategy of growing its retail network of Yana Tyre Centres. The group opened three new tyre centres in 2016, with a further 5 centres earmarked for opening in 2017. At end 2016, the Group had a total of 19 tyre centres in the four East African countries in which it operates.

The board is confident that the long term profitability of the tyre business is dependent upon the aggressive growth of this channel.

STRATEGY REVIEW

In 2016, the board and management developed a new strategic plan to cover the three year period 2017 – 2019. The five key pillars of the new plan are as follows:-

CHAIRMAN'S STATEMENT (CONTINUED)

STRATEGY REVIEW (CONTINUED)

- Transit aggressively from a manufacturing company to a selling organisation
- Grow the Yana Tyre Centre retail footprint
- Leasing of the former factory premises to third party lessees
- Investment to develop our vacant land portfolio.
- Rigidly adhere to a four brand strategy for the tyre business – Bridgestone for the premium price segment of the market, Yana for the high price segment, Achilles for the discount segment and Summit for the economy segment.

The new 2017 – 2019 strategic plan was approved by the board in March 2017.

RISK MANAGEMENT

The board has long committed the Group 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 responses 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 assessment and management.

GOVERNANCE AND REMUNERATION

There was one change in the composition of the board during the year. On 26 July 2016, Grace Jemutai Kemei joined the board but resigned on 9 January 2017, when she was appointed a Justice of the High Court of Kenya. We wish her all possible success in her new role.

In 2016, the various board committees continued to play a vital role in supporting the board in discharging its duties and I am continually grateful for their hard work and commitment.

Included in this integrated report are separate and comprehensive sections on governance, compliance and remuneration. We continue to report on all key governance areas addressed during the year including our efforts to comply with the 2015 Code of Corporate Governance for Issuers of Securities to the Public. Compliance with this new Code is onerous and far reaching and necessitated a full review of our

governance and compliance platforms, policies and procedures. This has been largely completed and I am delighted to report we are almost in full compliance with the new Code. All mandatory charters, policies and codes have now been uploaded onto the company website.

In addition, we also detail our policy on remuneration and how it is linked to strategy. 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 were reduced somewhat in 2016, given our focus on the factory closure and the implementation of our alternative sourcing strategy for our Yana brand of tyres. Our efforts in this area will resume in 2017, given that these activities underpin our overall corporate strategy.

OUTLOOK

East African economies are projected to grow at an average of 4.5% in 2017, up from 3.7% in 2016, driven mainly by growth in transport, tourism, communications, mining and agriculture and supported by public investment in infrastructure. However, risk to the downside does exist given the interest rate capping in Kenya, which may have a very significant and adverse impact on credit extension to the economy as a whole, the Kenya general election scheduled for August 2017, and concerns over the drought situation in many parts of Kenya.

The stop-start performance of the Chinese economy towards the latter part of 2016, may well continue to impact adversely as that country struggles with a very high level of public debt, the need for costly environmental controls and demands for improved social spending.

Your company continues to re-align itself to new economic realities. We need to urgently unlock the value of our vacant land portfolio and also transit aggressively from being a tyre manufacturing concern to being a hard core selling organisation. The board is under no illusion as to the efforts and demands that this will require and we appeal for stakeholder patience and understanding as we make the transition to:-

- Wholesale tyre distribution
- Retail motor vehicle solutions
- Property leasing and
- Property development.

The new Yana tyre sourcing strategy is also a key risk area and will be overseen in detail by the board to avoid any delays or disruptions to tyre supplies. Cost reduction and containment efforts are also critical if we are to protect profit margins under the new strategic direction that the company is embarking upon.

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

- 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 all activities, re-aligning costs to protect margins and managing working capital to ensure maximum cash generation from operations.
- Enhance customer contact which entails a mixture of superior customer service as well as customer outreach programmes that deliver on excellent customer relationships.
- 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.
- We will move aggressively into the off-the-road tyre segment where we see significant potential but is an area that we have ignored in the past given our previous focus on tyre manufacture.

In 2017, the board will also continue to enhance governance and compliance 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 Mwangera FIEK, RCE, CBS

Chairman

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OVERVIEW

“Kundi lahitajika kugura kutoka kuwa kampuni ya utengenezaji na kuwa shirika kakamavu la uzaaji”

Waheshimiwa wanahisa, wanachama wa halmashauri, mabibi na mabwana, ninawakaribisha kwa furaha kuu katika mkutano wa arobaini na nane (48) wa kila mwaka wa kampuni.

Mwaka 2016 ulikuwa mwaka mwingine mgumu kwa kundi. Hali ya fedha iliyobanika katika masoko yote, ushindani unaoongezeka kutoka kwa matairi ya Kichina yaliyopewa ruzuku, hali ya soko la fedha linalobadilika mara kwa mara nchini Tanzania, Uganda na Burundi na upungufu mkubwa wa fedha za kigeni katika masoko yetu ya nje, yaliathiri vibaya utendaji wa kundi.

Mapato ya kundi yalishuka kwa asilimia 14 kufikia shilingi bilioni 2.9 ikilinganishwa na shilingi bilioni 3.36 katika mwaka 2015. Faida ya jumla ilishuka kufika shilingi milioni 584 ikilinganishwa na shilingi milioni 962 katika mwaka 2015 kufuatia gharama ya kushuka thamani mali ghafi na vifaa vya kiwanda. Hata hivyo kuangazia kunakoendelea kwa upunguaji wa gharama za matumizi, kudhibiti uzaaji kwa mikopo na utumiaji bora wa mtaji wa kufanya kazi yalisaidia kundi katika kupunguza gharama za kawaida za matumizi na pia gharama halisi za kifedha.

Kama mjuavyo, kushuka kwa mapato ya kundi kumefululiza toka mwaka 2012, sambamba na kuibuka na kukua kwa sekta ya matairi ya Kichina. Kama natija ya hayo, na kama vile tulivyoarifu mwaka uliopita, ilibidi halmashauri, tunapoendelea mbele, kuzindua mkakati mpya ili kuhifadhi thamani kwa wanahisa dhidi ya kihatarishi hiki kikubwa. Kutokana na hayo, mkakati mpya wa uagizaji bidhaa ulizinduliwa na kuidhinishwa na mnamo tarehe 30 Agosti 2016, kampuni ilitangaza kufungwa kwa kiwanda chake kilichoko barabara ya Mombasa na kuamua kuagizia kutoka nje utengenezaji wa matairi ya Yana kutoka viwanda vilivyoko Uchina na India.

Athari inayojumuisha kudorora kwa mapato ya kundi, na kukabiliwa kwa kiasi fulani na juhudi zetu zinazoendelea za kuokoa gharama, ilipelekea kundi kusajili faida ya milioni 12 kabla ya ushuru na kabla ya kuzingatia gharama za kupanga upya shirika, hii ikilinganishwa na faida ya shilingi milioni 5.6 ya mwaka 2015. Ukitoa gharama za kupanga upya shirika za milioni 877, kundi lilisajili hasara kabla ya kodi ya milioni 865.

MAZINGIRA YA UENDESHAJI KAZI NA YA UTENGENEZAJI MATAIRI**Mazingira Mapana**

Uchumi wa ulimwengu ulikua kwa takriban asilimia 3.1 katika mwaka 2016, ikilingana sana na mwaka 2015, lakini kwa matokeo tofautitofauti katika maeneo na nchi tofauti. Utendaji katika masoko yanayoibuka uliendelea

kuwa hafifu 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 swala tatanishi la athari ya kuongezwa kwa fedha katika uchumi.

Nchini Kenya, viashiria vikuu vya mazingira mapana ya kiuchumi vilibaki tulivu kwa kiasi fulani kutokana na shilingi ya Kenya, kuwa imara na kuwepo ukuaji wa asilimia 6.0 wa pato la kitaifa ikilinganishwa na asilimia 5.5 katika mwaka 2015. Nakisi ya urari wa biashara pia ilipungua kutoka asilimia 6.8 ya pato la kitaifa katika mwaka 2015 hadi asilimia 5.5 mwaka 2016. Sekta ya utengenezaji kama nguzo muhimu ya mpango wa ruwaza ya mwaka 2030 kwa mara nyingine ilishindwa 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, umeendelea kuselelea katika asilimia 10, kiwango kisichotosha kusaidia kwa upande wa kuongeza ajira na uwezo wa mapato ya mauzo katika nchi za nje.

Uagizaji Matairi

Baada ya kufunga kiwanda mnamo Septemba 2016, utengenezaji wa matairi ya Yana umeagiziwa kutoka nje katika viwanda vya Uchina na India. Mkakati wetu wa kuagizia kutoka nje umetuwezesha kuboresha au kufanya upya mitindo mingi ya matairi ya Yana ambayo ilikuwa imepitwa na wakati na pia kujumuisha teknolojia mpya zote za kisasa zilizoko za utengenezaji matairi. Pia tutanufaika na faida za utengenezaji kwa wingi wanazozifaidi watengenezaji wakubwa wa matairi hasa kwa upande wa gharama mahususi za utengenezaji.

Utengenezaji wa kalibu za matairi ya Yana, vifaa ambavyo vitaendelea kuwa mali ya Sameer Afrika, utakamilika mwaka 2017, na baada ya hayo tutaanza utengenezaji wa majaribio kisha tutaendesha majaribio ya kiwandani na majaribio katika soko kabla ya kuzindua bidhaa kikamilifu baadaye katika mwaka.

Bidhaa yetu ya Summit itaendelea kutengenezwa nchini Uchina na cha muhimu ni kuwa, kwa upande wa thamani, mauzo ya matairi ya Summit yaliongezeka kwa asilimia 125 ikilinganishwa na mwaka 2015. Kwa hakika utegemewaji, ubora wa bidhaa na bei za bidhaa mbalimbali za Summit zimekubalika sana katika soko la matairi katika kanda.

Tuliendelea kusambaza matairi ya hali ya juu ya bidhaa za Bridgestone nchini Kenya, Tanzania na Uganda na vilevile matairi yenye bei nafuu ya bidhaa za Achilles nchini Kenya, hivi kwamba kundi linawakilishwa vizuri

katika vitengo vyote vinne vya bei katika soko.

Kimazoea, Kundi limetegemea 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 saba iliyopita na wengi sasa wanaagiza wenyewe mahitaji yao kutoka nje. Kulishughulikia suala hili, halmashauri, toka mwaka 2012 imeendelea kutekeleza mkakati wa kukuza mtandao wake wa reja reja wa vituo vya matairi vya Yana. Kundi lilifungua vituo vitatu vipya katika mwaka 2016, na vitano vingine vinatarajiwa kufunguliwa katika mwaka 2017. Kufikia mwisho wa mwaka 2016 kundi lilikuwa na jumla ya vituo 19 vya matairi katika nchi nne za Afrika Mashariki ambamo kundi linafanyia biashara. Halmashauri ina imani kuwa katika kipindi kirefu kijacho uzalishaji wa faida utategemea juhudi za upanuzi wa njia hii ya uzaaji.

UCHAMBUZI WA MKAKATI

Katika mwaka 2016, halmashauri na idara ya wasimamizi iliunda mpango wa mkakati mpya utakaoendelea katika kipindi cha miaka mitatu 2017-2019. Nguzo tano muhimu za mpango huo mpya ni kama ifuatavyo

- Gura kwa juhudi kubwa kutoka kampuni ya utengenezaji na kuwa shirika la uzaaji.
- Kuza ueneaji wa vituo vya matairi vya Yana.
- Kodisha wapangaji katika jengo la zamani la kiwanda.
- Uwekezaji ili kuimarisha nafasi za ardhi zilizowazi.
- Shikamana kwa dhati na mkakati wa bidhaa aina nne katika biashara ya matairi-Bridgestone kwa kitengo cha bei ghali katika soko, Yana kwa kitengo cha bei za juu. Achilles kwa kitengo cha bei nafuu na Summit kwa kitengo cha bei zilizopunguzwa.

Mpango wa mkakati mpya wa 2017-2019 ulidhinishwa na halmashauri mnamo Machi 2017

USIMAMIZI WA VIHATARISHI

Halmashauri kwa muda mrefu imeshikamanisha kundi na mchakato wa usimamizi wa vihatarishi ambao umesawazishwa na sera bora na utawala bora wa shirika. Mkakati wetu wa kibiashara unatategemea sisi kuchukua hatua zilizokadiriwa ingawa zina vihatarishi kwa njia ambayo haitahatarisha maslahi ya moja kwa moja ya washika dau mbalimbali. Kutathmini vihatarishi kikamilifu hutuwezesha kutabiri na kukabiliana na mabadiliko katika mazingira yetu ya kibiashara, na pia hutuwezesha kufikia maamuzi kwa

TAARIFA YA MWENYEKITI (KUENDELEA)

ufahamu wa mambo tunapokuwa katika hali tatanishi.

Taratibu za usimamizi wa vihatarishi zimeambatanishwa na mifumo na taratibu za kibiashara ili kwamba hatua zetu dhidi ya vihatarishi zinabakia ni za sasa na zinabadilika kufuatia mabadiliko yoyote. Vihatarishi vyote vikubwa vinavyofungamana na mabadiliko makubwa na hatua muhimu zilizochukuliwa na kampuni pia hujumuishwa katika taratibu za usimamizi wa vihatarishi.

UTAWALA NA MISHAHARA

Kulikuwa na badiliko moja katika uwanachama wa halmashauri katika kipindi cha mwaka. Mnamo tarehe 26 Julai 2016 Grace Jemutai Kemei alijiunga na halmashauri lakini alijiuzulu mnamo tarehe 9 Januari 2017, alipoteuliwa kuwa hakimu katika mahakama kuu ya Kenya. Tunamtakia kila aina ya mafanikio katika jukumu lake jipya.

Katika mwaka 2016, kamati mbalimbali za halmashauri ziliendelea kutekeleza jukumu muhimu katika kusaidia halmashauri kutimiza wajibu wake, na ninaendelea kutoa shukurani zangu kwa kazi ngumu wanazofanya na kujitolea kwao.

Katika ripoti hii jumuishi kuna vifungu vilivyotengwa na vya kina kuhusu utawala bora wa kampuni, kufuata maagizo na kuhusu mishahara. Tunaendelea kuripoti kuhusu nyanja muhimu za utawala bora zilizoshughulikiwa ndani ya mwaka na pia vilevile juhudi zetu za kufuata maagizo ya 2015 ya utawala bora wa kampuni yanayowalazimu wanaotoa hisa kwa umma. Kufuata maagizo hayo mapya ni jambo zito na lina athari kubwa na ililazimisha uchambuzi kamili wa njia zetu za utawala na uambatanaji na maagizo, sera na utaratibu. Jambo hilo limekamilihwa pakubwa na nina furaha kuripoti tunakaribia kukamilisha utekelezaji wa maagizo hayo mapya. Mikataba inayohitajika, sera na miongozo yote sasa yamepakikiwa katika tovuti ya kampuni.

Aidha, tumeeleza wazi sera yetu ya mishahara na inavyoandamana na mikakati. Mwenyekiti wa kamati ya ukaguzi, vihatarishi 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 fedha za kundi na taratibu za usimamizi wa vihatarishi.

KUWAJIBIKA KIJAMII NA UENDELEU

Juhudi zetu za uwajibikaji kijamii na za uendelevu zilipungua kidogo katika mwaka 2016, hii ikichangiwa na kuangazia kwetu kwa ufungaji wa kiwanda na utekelezaji wa mkakati wetu wa njia mbadala ya kuagiza bidhaa zetu za matairi ya Yana. Juhudi zetu katika nyanja hii zitarejea katika mwaka 2017, kwa kuwa shughuli hizi huimarisha mkakati wetu wa shirika.

MTAZAMO

Uchumi wa nchi za Afrika Mashariki unatabiriwa kukua kwa kiwango cha wastani cha asilimia 4.5 katika mwaka 2017, ikiwa ni ongezeko kutoka

asilimia 3.7 katika mwaka 2016.

Ukiendeshwa na ukuaji katika uchukuzi, utalii, mawasiliano, uchimbaji madini na ukulima na ikichangiwa na uwekezaji wa umma katika miundo mbinu. Hata hivyo kwa upande usio maridhawa vihatarishi vinapatikana hasa kutokana na kuwekwa mipaka ya kiwango cha riba nchini Kenya, ambayo yaweza kuwa na athari kubwa na mbaya katika upeanaji wa mikopo katika uchumi kwa jumla, pia uchaguzi mkuu nchini Kenya uliopangwa kufanyika Agosti 2017, na wasiwasi kuhusu hali ya ukame katika sehemu nyingi za Kenya. Kusitasita kwa utendaji wa uchumi wa Uchina katika awamu ya mwisho ya mwaka 2016, huenda ukaendelea kuathiri vibaya kwa kuwa nchi hiyo inakabiliwa na kiwango cha juu cha madeni ya umma, na matakwa ya hatua zenye gharama kubwa za kudhibiti mazingira na kutakaniwa matumizi ya kijamii yaliyoboreshwa.

Kampuni yenu inaendelea kujizatiti ili kukabiliana na uhakika mpya wa hali ya kiuchumi. Tunahitajika kufumbua kwa haraka thamani ya ardhi yetu iliyo wazi na kugura kwa juhudi kubwa kutoka kampuni ya utengenezaji matairi na kuwa shirika kakamavu la uzaaji.

Halmashauri inafahamu juhudi na mahitaji yatakayotatikana na tunawarai washika dau wawe na uvumilivu na uelewa tunapofanya mabadiliko katika:

- Usambazaji wa matiri kwa jumla
- Uuzaji wa rejareja wa suluhisho za magari
- Ukodishaji wa majumba na
- Ujengaji majumba

Mkakati mpya wa uagizaji wa matairi ya Yana pia ni jambo lina vihatarishi vikubwa na litaangaziwa kwa kina na halmashauri ili kuepuka kuchelewa au kukatizwa kwa uagizaji matairi. Upunguzaji na udhibiti wa gharama ni muhimu pia kama tunataka kuhifadhi viwango vya faida chini ya mwelekeo wa mkakati mpya ambao kampuni imeuanza.

Pamoja na kusawazisha mkakati uliotajwa awali, tutaendelea kuangazia vipaumbele vyetu vingine muhimu vya kimkakati:-

- kuangazia wazi udumishaji wa mapato na faida za kuridhisha huku kipaumbele ikiwa ni ukuaji unaoleta faida. Tutaendelea kuangazia hamu yetu katika kuzidisha utendaji bora kwenye harakati zote, kusawazisha gharama ili kulinda viwango vya faida na kusimamia vyema mtaji wa kufanya kazi ili kuhakikisha uzalishaji wa juu wa fedha zitokanazo na uendeshaji kazi.
- kuboresha mawasiliano na wateja kupitia mseto wa huduma za juu kwa wateja na mipango ya kuwafikia wateja ambayo italetta uhusiano wa hali ya juu nao.

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

- tutajitosa kwa nguvu katika kitengo cha matairi yanayotumika nje ya njia za kawaida ambacho tunaona kina matumaini makubwa lakini ni kitengo tulikuwa tumekipa mgongo hapo awali kutokana na kushughulika kwetu na utengenezaji wa matairi.

Katika mwaka 2017, halmashauri itaendelea kuboresha mienendo bora ya utawala wa kampuni na uwajibikaji na tutaangazia usimamizi wa vihatarishi bila ya kusita.

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 wafanyakazi kwa juhudi na mchango wao katika ukuaji endelevu wa Sameer Africa Limited.

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

Mhandisi. Erastus Kabutu Mwongera
FIEK, RCE, CBS

Mwenyekiti

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“ Given our move to offshore manufacturing and the widespread success of the Summit brand, we are confident we can reverse the adverse revenue trend of the past five years. ”

Allan Walmsley

OUR BUSINESS

2016 again witnessed the onslaught from Chinese subsidised tyres 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 2010, to an estimated 25% in 2016. As a result of this, a significant drop in Government purchases, increasing credit indiscipline and an export market that essentially collapsed in 2016 due to widespread hard currency shortages and civil unrest, total sales declined from KShs 3.4 billion in 2015, to KShs 2.9 billion in 2016 – a decline of 14%.

Dealer trade sales in 2016, declined by a significant 20% compared to 2015, with export sales declining by a further 47%.

Given the challenging economic environment and as highlighted to shareholders last year, the company finalised an alternative sourcing strategy for its flagship Yana brand that was approved by the board in August 2016. As a consequence, on 30 August 2016, the company announced the closure of its tyre manufacturing plant and the outsourcing of Yana tyre production to factories in China and India. The factory was closed at the end of September 2016.

The rollout of our Summit fighter brand continued in 2016, and which allowed us to bring pricing integrity and improved profit margins back to the Bridgestone and Yana brands. We currently have 20 Summit tyre sizes, all positioned in the significant discount segment of the market and in 2016, we were able to grow Summit sales volumes by a significant 184%.

BUSINESS REVIEW

Total tyre production at the time of factory closure in September 2016, declined by 4% to 1,930 raw rubber tonnes (RRT) from 2,004 RRT for same period 2015. Total production costs declined by 9%, from KShs 815,000/RRT in 2015 to KShs 740,000/RRT- mainly on account of the continued drop in the cost of raw material inputs and strict cost controls in the area of labour, maintenance and energy.

Sales revenues from our tyre business declined by 13% from KShs 3.19 billion in 2015, to KShs 2.78 billion in 2016. Channel performance was mixed with notable growth in sales to original equipment manufacturers

(155%) and through the Yana Tyre Centres (28%). However, the decline in sales to both the dealer trade (20%) and the export market (47%) reversed these gains. Unit sales declined to 230,000 units as against the 281,000 units sold in 2015.

Gross profit margins reduced to 20% from 29% recorded in 2015 as a result of factory closure costs. Net finance costs at KShs 35.6 million were significantly down on the KShs 56.7 million recorded in 2015, reflecting management's ongoing efforts to ensure optimal working capital levels.

Factory closure costs totalled KShs 877 million, comprising of KShs 179 million in fixed asset impairment charges, KShs 405 million of impairment charges for raw materials and engineering spares and KShs 293 million in staff redundancy costs. As a result of these closure costs, the group recorded a pre-tax loss of KShs 865 million, compared to a profit of KShs 5.6 million in 2015. Excluding this one off charge, profit before tax would have been KShs 12 million.

To fund the factory closure, the Group drew down on its cash reserves, supplemented by short term borrowings. Cash and cash equivalents thus decreased by KShs 654 million in 2016, compared to an increase of KShs 206 million in 2015.

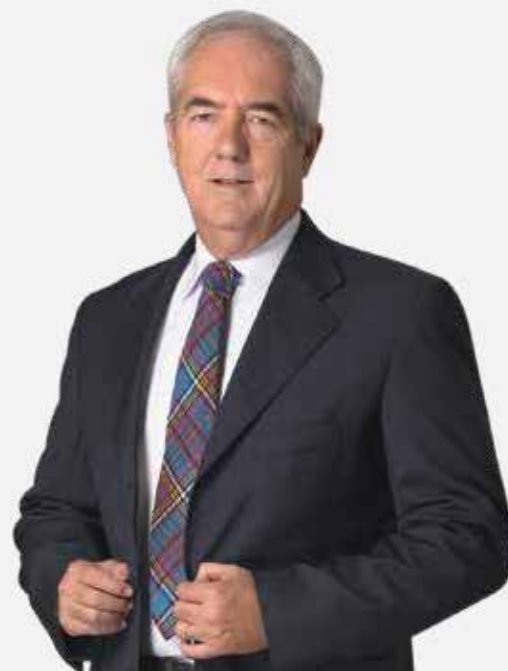
Our capital spend at KShs 95 million was significantly down on the KShs 127 million spent in 2015, as we moved to reduce expenditure on factory equipment and focused instead on the acquisition of new tyre moulds to expand the SUMMIT product line-up and the expansion of the Yana tyre centre footprint.

UPDATE ON OUR STRATEGIC PRIORITIES

During 2016, 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 15% decline in sales attributable to the continuing decline in the size of the premium and high price tyre market



segments where our Bridgestone and YANA brands are positioned. The influx of both subsidised Chinese tyres and un-customised tyres across all our markets impacted adversely.

In 2016, in order to protect margins, we continued our program to reduce both factory conversion costs and operating expenses. This initiative ensured that we were able to contain overheads at below 2015 levels but as stated last year, cost saving initiatives provide diminishing returns and cannot indefinitely offset the impact of declining sales year after year. As a result, this strategy component was reset in 2016, and culminated in the decision to discontinue on-shore manufacturing and transit to multi-sourcing of Yana brand tyres from more cost friendly manufacturing jurisdictions in 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 92% against a 2016 target of 85%.

During the year, we rolled out three new Yana tyre centres across the region bringing the total number to nineteen.

Site acquisition challenges again delayed our roll out programme in 2016, but we aim to open five new centres in 2017. Our new Yana call centre operated throughout the year with the key objective of providing a direct link to our customers through various communication channels. The call centre is now a very strong revenue centre and generated direct sales of KShs 29.0 million in 2016.

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UPDATE ON OUR STRATEGIC PRIORITIES (CONTINUED)

Our strategy of resolving tyre claims within 48 hours improved to 90%, up from 89% in 2015, and against a target of 95%. Of note is the fact that our claim ratio has dropped to only 0.34% of total tyres sold versus 0.36% in 2015, due to our ongoing uniformity and quality improvement initiatives.

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 the year we targeted 50 staff training courses and at the close of 2016, we had conducted 34, representing 68% of target. Overall leave utilisation was only 56% against a target of 90% given that the factory closure in September 2016, caused severe disruption to leave schedules for non-unionisable staff. This will be normalised in 2017. We continue to enforce our policy of a maximum leave carry over of 7 days per staff member.

Staff turnover in 2016, was at 9.0% versus 7.8% in 2015, although this ratio reduces to 4% (5% in 2015) if staff who left as a result of integrity, poor performance and discipline issues are excluded.

SUSTAINABILITY PERFORMANCE

At Sameer Africa, the bedrock principle is that we conduct our business in a sustainable and responsible manner. We strive to ensure that our business today never compromises the ability of future stakeholders to meet their own requirements. Environmental and social aspects have a strong link with economic performance, through the investments we make in environmental management initiatives and which also involves our work with employees, suppliers, customers and the community.

Environmental performance

Our environmental management activities 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 2016, we carried out monthly environmental reviews focusing specifically on:-

- Minimising water consumption
- Minimising furnace oil consumption
- Reducing inert solid waste generation and
- Reducing hazardous waste generation

Social performance

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

Employees

Employee turnover in 2016 averaged 9.0% (2015 – 7.8%) which was within the industry acceptable level of 14%.

We saw high turnover ratios recorded in finance, sales and marketing and 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. The company has a "Wellness" program which is used to raise awareness on the personal wellbeing of our employees. In 2016, however, we ran no programmes given our focus on the factory closure. This programme will be re-activated in 2017.

The company recognises and is sensitive to human rights and has policies against discrimination in any form. Our employees are also 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 and sourcing processes.

Social responsibility

Sameer Africa's community development initiatives focus on improving the livelihoods and general wellbeing of the societies in which we operate. With our focus on the factory closure in 2016, we were not as active in this area as we had planned. This will be reversed in 2017. On safety, we undertook technical trainings on tyre handling and safety to target groups including tour operators and mechanics and succeeded in training a total of 1,119 people across the region.

OUTLOOK

We expect the challenging operating environment, as witnessed in 2016, to persist into 2017. The influx of subsidized and uncustomed tyres into our markets will continue. However, given our move to offshore manufacture and the widespread success of the Summit brand across all our markets, we are confident that we can reverse the adverse revenue trend of the past five years.

The economic outlook for most African and emerging markets remain largely bearish, but we remain upbeat about the East African economies. GDP growth for the East Africa region is forecast at 4.5%, up from the 3.7% recorded in 2016. Fallout from the structural challenges of the Chinese economy, fears of deflation in Western Europe, the Brexit phenomenon, falling commodity prices and severe anxiety about quantitative easing will remain key risk factors to the downside moving forward, however.

We expect natural rubber prices to continue increasing from their low in July 2016, and

this will translate to increased free-on-board prices for all imported tyres. Indeed, all tyre manufacturers started increasing prices in January 2017.

Chinese tyre manufacturers will also be adversely impacted by environmental controls that have been introduced to control boiler stack emissions and which have also severely affected all carbon black producers in that country.

In 2017, we will also focus on:-

- continued penetration into the discount sector of the market using our Summit fighter brand where we now have a representative product line up.
- expanding the Yana tyre centre retail footprint across the region.
- increasing our corporate fleet and government customer base.
- leasing of the former factory premises
- finalising the concept design and business case for a shopping mall development of 45,000 square metres at our premises along Mombasa Road, Nairobi.
- 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 90% occupancy at Sameer Industrial Park and 89% at Sameer Export Processing Zone.

In 2017, 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.

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 2016, but given these challenges we believe that we have developed strategies or are in the process of developing strategies, which will 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

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RIPOTI YA MKURUGENZI MKUU

“Kutokana na uamuzi wetu wa kutengeneza matairi katika nchi za nje na mafanikio makubwa ya bidhaa ya Summit, tuna imani kuwa tunaweza kugeuza mwenendo wa mauzo mabaya ya miaka mitano iliyopita”

Mwaka 2016 kwa mara nyingine ulishuhudia hujuma kutoka kwa matairi ya Kichina yaliyopewa ruzuku 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 ya jumla ya soko katika mwaka 2010, kufikia takriban asilimia 25 katika mwaka 2016. Kama natija ya hilo, na pia kushuka sana kwa ununuzi kutoka kwa serikali, na ongezeko la utovu wa nidhamu katika ukopeshaji na kuporomoka kwa mauzo katika soko za nchi za nje katika mwaka 2016 kulikosababishwa na ukosefu mkubwa wa fedha za kigeni na michafuko ya kisiasa, jumla ya mauzo yalishuka kutoka shilingi bilioni 3.4 katika mwaka 2015 kufika shilingi bilioni 2.9 katika mwaka 2016-kushuka kwa asilimia 14.

Mauzo kwa wasambazaji katika mwaka 2016, yalipungua kwa kiasi kikubwa cha asilimia 20 ikilinganishwa na mwaka 2015, na mauzo katika nchi za nje yakipungua kwa asilimia 47 zaidi.

Kutokana na changamoto za mazingira ya kiuchumi, na kama ilivyoashiriwa kwa wanahisa mwaka jana, kampuni ilikamilisha mkakati wa uagizaji mbadala wa bidhaa yetu inayoongoza ya Yana ulioidhinishwa na halmashauri Agosti mwaka 2016. Natija ya hilo, mnamo tarehe 30 Agosti mwaka 2016, kampuni ilitangaza kufungwa kwa kiwanda chake cha utengenezaji matairi, na hilo la uagizaji kutoka nje wa utengenezaji wa matairi ya Yana kutoka Uchina na India. Kiwanda kilifungwa mwisho wa Septemba mwaka 2016.

Uzinduzi wa bidhaa yetu shindani ya Summit uliendelea katika mwaka 2016, na ilituwezesha kuleta usawa wa bei na kuboresha viwango vya faida ya bidhaa za Bridgestone na Yana. Hivi sasa tuna aina ya vipimo 20 vya matairi ya Summit, vyote vimewekwa katika kitengo muhimu cha soko ya matairi yaliyopunguzwa bei na katika mwaka 2016 tuliweza kukuza viwango vya mauzo ya Summit kwa asilimia kubwa ya 184.

UCHANGANUZI WA KIBIASHARA

Jumla ya utengenezaji wa matairi wakati wa kufunga kiwanda mnamo Septemba mwaka 2016, ilishuka kwa asilimia 4 kufikia tani 1,930 za raba kutoka tani 2,004 za raba wakati kama huo mwaka 2015. Jumla ya gharama za utengenezaji zilishuka kwa asilimia 9 kutoka shilingi 815,000 kwa tani ya raba hadi shilingi 740,000 kwa tani ya raba - ikichangiwa pakubwa na kuendelea kushuka kwa gharama za pembejeo malighafi na kudhibiti gharama kwa ushupavu katika nyanja za mishahara,

ukarabati na nishati.

Mapato ya mauzo kutoka kwa biashara yetu ya matairi yalipungua kwa asilimia 13 kutoka shilingi bilioni 3.19 mwaka 2015 hadi shilingi bilioni 2.78 katika mwaka 2016. Utendaji wa vitengo ulikuwa na matokeo yaliyotofautiana kukiwa na ongezeko la kutambulika katika mauzo kwa watengenezaji waasisi wa vifaa (asilimia 155) na mauzo kupitia vituo vya matairi vya Yana (asilimia 28). Hata hivyo, kupungua kwa mauzo katika biashara kwa wasambazaji (asilimia 20) pamoja na kupungua kwa biashara za masoko ya nje (asilimia 47) kuligeuza faida hizo. Mauzo kwa idadi yalipungua kufika matairi 230,000 ikilinganishwa na matairi 281,000 yaliyouzwa katika mwaka 2015.

Faida ya jumla ilishuka kufikia asilimia 20 kutoka asilimia 29 iliyosajiliwa katika mwaka 2015 hayo yakiwa ni matokeo ya gharama za kufunga kiwanda.

Gharama za kifedha za shilingi milioni 35.6 zilikuwa chini mno kuliko shilingi milioni 56.7 zilizosajiliwa mwaka 2015, hii ikidhihirisha juhudi za wasimamizi zinazoendelea za kuhakikisha viwango maridhawa vya mtaji wa kufanya kazi.

Gharama za kufunga kiwanda zilikuwa jumla ya shilingi milioni 877, ikijumlisha shilingi milioni 179 za gharama za kushuka thamani ya mali zisizohamishika, shilingi milioni 405 gharama za kushuka thamani malighafi na vipuri vya uhandisi na shilingi milioni 293 gharama za kupunguza wafanyakazi. Kama natija ya gharama hizi za kufunga kiwanda, kundi lilisajili hasara kabla ya kodi ya shilingi milioni 865, ikilinganishwa na faida ya shilingi milioni 5.6 katika mwaka 2015. Faida kabla kodi ingekuwa shilingi milioni 12 bila ya gharama hii ya mara moja.

Ili kugharamia ufungaji wa kiwanda, kundi lilitoa akiba zake na kuongezea na mikopo ya muda mfupi. Kwa sababu hiyo fedha taslim na fedha nyingine zilipungua kwa shilingi milioni 654 katika mwaka 2016 ikilinganishwa na ongezeko la shilingi milioni 206 katika mwaka 2015.

Matumizi ya mtaji ya shilingi milioni 95 yalikuwa chini sana ya matumizi ya shilingi milioni 127 yaliyotumiwa katika mwaka 2015, kwa kuwa tulikimbilia kupunguza matumizi ya kugharamia vifaa vya kiwanda na badili yake tukaangazia kupata kalibu mpya za matairi ili kupanua msururu wa bidhaa ya SUMMIT na kupanua ueneaji wa vituo vya matairi vya Yana.

MPASHO KUHUSU VIPAUMBELE VYETU VYA KIMKAKATI

Katika Mwaka 2016, tulipata matokeo mseto ikilinganishwa na vipaumbele vyetu 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 mapato na viwango maalum vya utenda kazi, huku tukikuza mapato. Hata hivyo, katika mwaka uliopita tulishuhudia mwenendo wa kurudi nyuma ukilinganishwa na baadhi ya malengo yetu kukiwa na kudorora kwa mauzo kwa asilimia 15 kutokana na kuendelea kupungua kwa fungu katika soko la kitengo cha matairi ya bei ghali na bei za juu ambamo bidhaa zetu za Bridgetone na YANA zipo. Kulikuwa na athari mbaya kwa kufurika kwa matairi ya Kichina yaliyopewa ruzuku na matairi yasiyolipiwa ushuru katika masoko yetu yote.

Ili kulinda viwango vya faida, katika mwaka 2016, tuliendelea na mpango wa kupunguza gharama za ubadilishaji kiwandani na gharama za utendakazi. Azimio hilo lilihakikisha tuliweza kudhibiti matumizi chini ya viwango vya mwaka 2015 lakini kama ilivyoielezwa mwaka uliopita, hatua za kupunguza gharama huwa na matokeo yenye manufaa yanayoendelea kupungua na haziwezi kukabili abadi athari za mauzo yanayodorora mwaka baada ya mwaka.

Kama natija ya hayo, sehemu hii ya mkakati iliundwa upya katika mwaka 2016, na iliambulia uamuzi wa kusitisha utengenezaji humu nchini na kugura kuagiza bidhaa za matairi ya Yana kutoka kwa vyanzo mbalimbali kutoka maeneo yenye gharama maridhawa ya Uchina na India.

Kuangazia wateja

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

Hadi sasa tumefikia kipimo cha asilimia 92 cha kuridhisha watumiaji ikilinganishwa na kipimo kilicholengwa katika mwaka 2016 cha asilimia 85.

Katika mwaka tulizindua vituo vitatu vipya vya matairi vya Yana katika kanda nzima kufikia jumla ya vituo kumi na tisa. Katika mwaka 2016, changamoto za upatikanaji wa maeneo kwa mara nyingine zilichelewesha mpango wa uzinduzi wa vituo lakini tunalenga kuzindua vituo vitano vipya katika mwaka 2017. Kituo chetu kipya cha mawasiliano kiliendelea shughuli zake mwaka mzima kwa lengo muhimu la kutoa kiunganishi cha moja kwa moja na wateja wetu kupitia njia tofauti za mawasiliano. Kituo cha mawasiliano ni kituo madhubuti sana cha mapato na kilizalisha mauzo ya moja kwa moja ya shilingi milioni 29 katika mwaka 2016.

RIPOTI YA MKURUGENZI MKUU (KUENDELEA)

Mkakati wetu wa kutatua madai ya matairi ndani ya masaa 48 uliboreka kufikia asilimia 90, ikiwa ni ongezeko kutoka asilimia 89 katika mwaka 2015 na ikilinganishwa na lengo la asilimia 95. La muhimu ni uhakika kuwa kipimo chetu cha madai kimeshuka hadi asilimia 0.34 tu ya matairi yote yaliyouzwa ikilinganishwa na 0.36 mwaka 2015, ikiwa ni natija ya mipango yetu inayoendelea ya kusawazisha na kuboresha bidhaa.

Wafanyakazi na uongozi

Mkakati wetu ungali ni kutengeneza shirika lenye wafanyakazi wachache, wenye uwezo anuwai na wa kutosha malengo ya kiutendaji. Tunanuia kuvutia, kukuza na kuwashikilia wafanyakazi wenye vipaji mwafaka huku tukiozesha tabia za msingi wa utendaji.

Katika mwaka tulilenga kufanya kozi 50 za mafunzo ya wafanyakazi na kufikia mwisho wa mwaka 2016 tulikuwa tumeendesha kozi 34 ikiwa ni asilimia 68 ya lengo. Uchukuwaji wa likizo kwa jumla ulikuwa asilimia 56 ikilinganishwa na lengo la asilimia 90 kwa vile kufungwa kwa kiwanda mnamo Septemba 2016, kulisababisha kutatizika sana mpango wa likizo kwa wafanyakazi wasio wanachama wa vyama vya wafanyakazi. Hayo yatarudishwa kawaida katika mwaka 2017. Tunaendelea kutekeleza sera yetu ya kupeleka mbele hadi mwaka mwingine siku za likizo zisizozidi siku saba pekee kwa kila mfanyakazi.

Katika mwaka 2016, kiwango cha mabadiliko ya wafanyakazi ilikuwa ni asilimia 9 ikilinganishwa na asilimia 7.8 mwaka 2015, ijapokuwa kiwango hiki kinashuka hadi asilimia 4 (asilimia tano mwaka 2015) iwapo wafanyakazi walioondoka kwa sababu za uaminifu, utendaji duni na kwa utovu wa nidhamu hawatahesabiwa.

UTENDAJI ENDELEU

Katika Sameer Africa msimamo wetu wa kimsingi ni kuwa tuendeshe biashara yetu kwa njia endelevu na ya kuwajibika. Tunajitahidi kuhakikisha kuwa biashara yetu hivi leo haitaathiri uwezo wa washika dau wa baadaye kukidhi mahitaji yao. Masuala ya kimazingira na kijamii yana uhusiano thabiti na utendaji wa kiuchumi kupitia uwekezaji tunaofanya katika mipango ya usimamizi ya kimazingira na ambayo pia inahusisha kushirikiana na wafanyakazi, waletaji bidhaa, wateja na jamii.

Utendaji wa kimazingira

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

Katika mwaka 2016 tulifanya changanuzi za kimazingira kila mwezi tukiangazia hasa kuhusu:-

- Utumiaji wa maji kwa kiasi
- Utumiaji wa mafuta ya tanuri kwa kiasi
- Kupunguza taka ngumu

- Kupunguza ukopoaji wa taka zinazoweza kusababisha madhara.

Utendaji wa kijamii

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

Wafanyakazi

Mabadiliko ya wafanyakazi katika mwaka 2016 yalikuwa wastani asilimia 9 (mwaka 2015 asilimia 7.8) yakiwa ni ndani ya kiwango cha asilimia 14 kinachokubalika katika sekta hii ya kibiashara. Tulishuhudia viwango vya juu vya mabadiliko katika idara ya fedha, uuzaji na masoko lakini idara ya usimamizi inaendelea kushughulikia changamoto zinazoathiri mabadiliko ya wafanyakazi katika idara hizo.

Kampuni hufuata viwango vya kimataifa vya afya na usalama. Katika mwaka uliopita, hapakuwa na visa vya vifo kutokana na uendeshajikazi wetu wowote.

Kampuni ina mpango wa 'afya bora' unaotumiwa kuzidisha ufahamu juu ya afya ya kibinafsi ya wafanyakazi wetu. Katika mwaka 2016, hata hivyo, hatukuendesha mipango yoyote kutokana na kuangazia ufungaji wa kiwanda. Mpango huu utanzishwa tena katika mwaka 2017.

Kampuni inatambua na ni yenye hisia kali juu ya haki za kibinadamu na imeweka sera dhidi ya ubaguzi wa aina yoyote. Wafanyakazi wetu hufahamishwa 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 udamini 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 kati yao. Kutokana na kuangazia kufunga kiwanda katika mwaka 2016, hatukushughulikia sana mambo hayo kinyume na tulivyopanga. Haya yatarekebishwa katika mwaka 2017. Kwa upande wa usalama tuliandaa mafunzo juu ya utumiaji wa matairi na usalama wake kwa makundi yaliyolengwa wakiwemo waendeshaji biashara za utalii na mafundi wa magari na tuliweza kufunza jumla ya watu 1,119 katika kanda nzima.

Mtazamo

Tunatarajia mazingira yenye changamoto kuendelea katika mwaka 2017 kama ilivyoshuhudiwa katika mwaka 2016. Kufurika kwa matairi yaliyopewa ruzuku na yasiolipiwa ushuru kutaendelea katika masoko yetu. Hata hivyo, kutokana na hatua yetu ya utengenezaji

katika nchi za nje na mafanikio makubwa ya bidhaa ya Summit katika masoko yetu yote, tuna imani tunaweza kugeuza mwenendo mbaya wa mapato wa miaka mitano iliyopita.

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. Ukuaji wa jumla ya pato la kitaifa la kanda ya Afrika Mashariki inatabiriwa kuwa asilimia 4.5 ikiwa ni ongezeko kutoka asilimia 3.7 iliyosajiliwa mwaka 2016. Hata hivyo, kusambaratika kulikosababishwa na changamoto za miundo ya uchumi wa Uchina, hofu za upungufu wa bei katika Uropa Magharibi, tukio la kujitenga kwa Uingereza, bei za bidhaa zinazoshuka na wasiwasi mkubwa kuhusu kuongezwa fedha katika uchumi zitaendelea, kwa bahati mbaya, kuwa ni sababu za vihatarishi tunavyoendelea mbele.

Tunatarajia bei ya raba asili kuendelea kuongezeka kutoka bei yake ya chini kabisa mnamo Julai 2016 na hii itamaanisha kuongezeka kwa bei za shehena za matairi yote yanayoagizwa kutoka nje. Kwa hakika watengenezaji matairi wote wameanza kuongeza bei toka Januari 2017.

Watengenezaji matairi wa Kichina wataathiriwa vibaya na vidhibiti vya kimazingira ambavyo vimezumbuliwa ili kudhibiti moshi wa dohani ya chombo cha mvuke (boiler) hatua ambayo imewaathiri wazalishaji wa kaboni nyeusi.

Katika mwaka 2017 kadhalika tutaangazia :-

- kuendelea kupenya katika sekta ya soko yenye punguzo za bei tukitumia bidhaa yetu shindani ya Summit ambamo sasa tuna bidhaa kadhaa wakilishi.
- kupanua ueneaji wa vituo vya matairi vya Yana katika kanda nzima.
- kuongeza asasi yetu ya wateja wa kimashirika na serikali.
- kukodisha jengo la kiwanda chetu cha zamani.
- kukamilisha wazo lililobuniwa na kuthibitisha manufaa ya kibiashara ya ujenzi wa jumba la kibiashara la mita 45000 mraba katika uwanja wetu ulioko barabara ya Mombasa, Nairobi.
- kuangazia fedha na upunguzaji kwa jumla wa viwango vya mtaji wa kufanya kazi.

Ili kuhakikisha malengo yetu ya kimkakati yamefikwa 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 vile sasa tumepangisha asilimia 90

RIPOTI YA MKURUGENZI MKUU (KUENDELEA)

ya Sameer Industrial Park na asilimia 89 ya Sameer Export processing Zone.

Katika mwaka 2017 tutaendelea kutafuta kwa juhudi kuu nafasi nyingine za kufumbua thamani kutoka kwa mkusanyiko usio haba wa majumba yetu. Uboreshaji unaoendelea na uliopangwa wa miundo mbinu wa barabara utamaanisha kuwa eneo la viwanda Nairobi litakuwa ni kituo kilichoboreka cha kuweka ofisi za kibiashara na majengo ya biashara za rejareja.

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 2016, lakini kufuatia changamoto hizo tunaamini tumeandaa mikakati au tuko katika hali ya kuandaa mikakati itakayoendelea kuhakikisha kuwa Kundi linafanikiwa katika mustakbali. Tuna kundi adhimu la watu anuwai na wenye vipaji, ambao wamejitolea kuzalisha na kutoa thamani ya kuendelea kwa wateja wetu, wanahisa wetu na jamii kwa jumla.

Allan Walmsley
Mkurugenzi Mkuu

BRIDGESTONE
Your Journey, Our Passion



GO ANYWHERE

Bridgestone high performance tyres
available at all Yana Tyre Centres

YANA
TYRE CENTRE

OUR BUSINESS MODEL

OUR COSTS:

- Labour
- Distribution
- Capital expenditure
- Repair and maintenance
- Marketing

POTENTIAL FOR COST DIFFERENTIATION

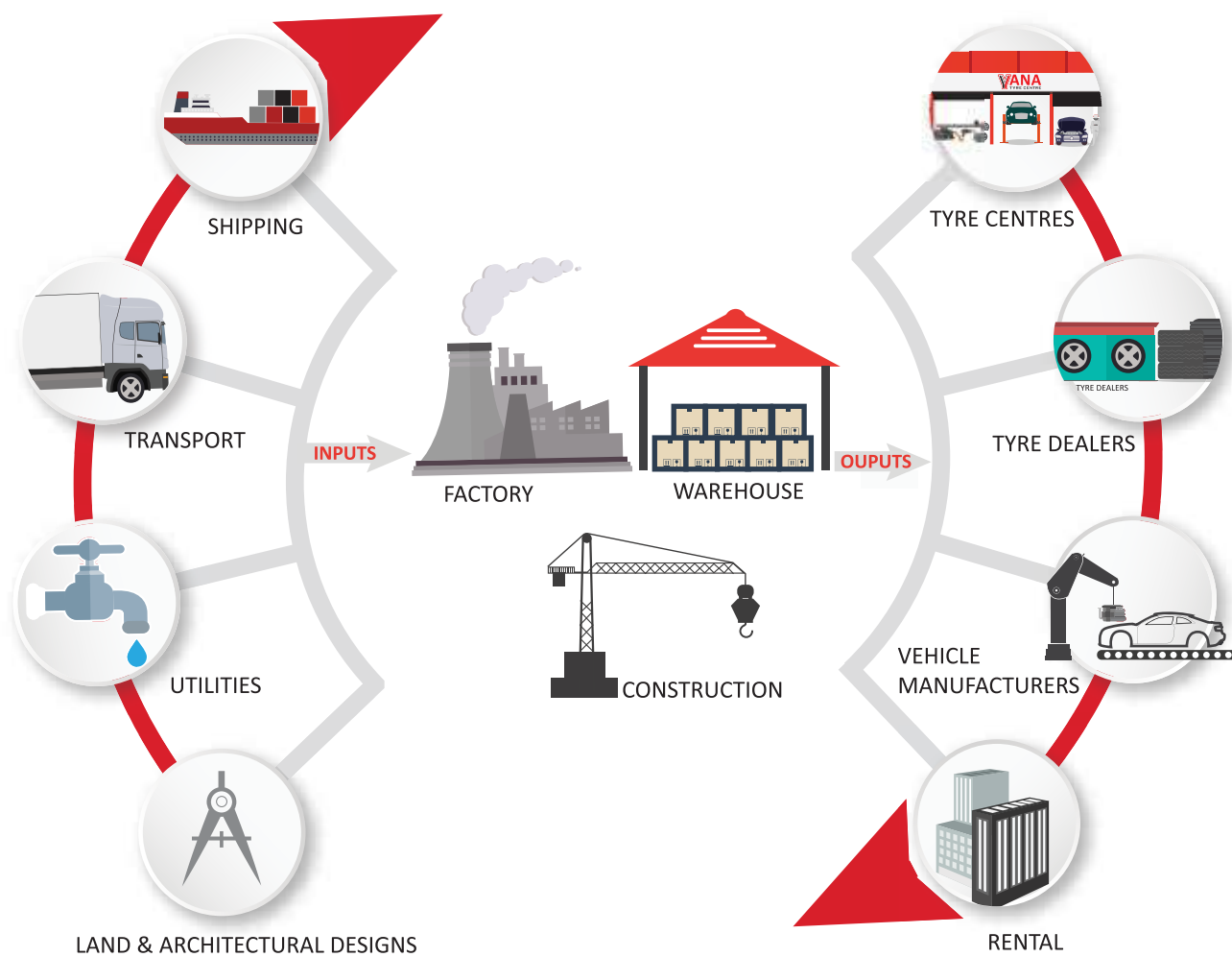
- Off-shore manufacturing
- Standard gauge railway

POTENTIAL FOR REVENUE DIFFERENTIATION

- Owned and patented brands that command substantial market share.
- Affiliated to the largest tyre brand in the world.
- Huge untapped property portfolio

SUPPLIERS & INPUTS

CUSTOMERS & OUTPUTS



OUR ACTIVITIES

- Contracting and procurement.
- Inbound logistics, warehousing and distribution.
- Management, marketing and sales

OUR REVENUE

- Sales of tyres and tubes
- Letting of rental property
- Auto services

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SOCIETAL VALUE PROPOSITION

- Employment opportunities for the community.
- Investment in societal activities.

KEY RELATIONSHIPS EMPLOYEE VALUE PROPOSITION

- Safe and accommodating working atmosphere
- Ability to earn, learn and grow.

CUSTOMER VALUE PROPOSITION

- Quality and reliable products
- World class rental facilities.
- First class auto-services

SHAREHOLDER VALUE PROPOSITION

- Sustained financial returns and dividends from well managed operations.

VALUE CHAIN ACTIVITIES AND IMPACTS

Creating sustainable value: The trade-offs in our capital

Our ability to generate and sustain value across our value chain is dependent on access to a skilled workforce, good relationships, access to key natural resources and financial capital.

CAPITALS	KEY INPUTS	OUTCOMES (2016)	ACTIVITIES TO ENHANCE OUTCOMES
OUR PEOPLE (Human and intellectual capital) People are central to our operations. We provide a conducive environment to attract, retain and develop our workforce and foster relationships with suppliers that lead to the generation of value. Our safety practices, fair recruitment practices and investment in training are critical to maintaining effective relationships. This year, following the sustained influx of cheaper imported tyre brands and escalating local production costs, we had to reduce headcount following the closure of our tyre factory. We have sought to manage retrenchments transparently and fairly and maintain necessary critical skills.	- 232 skilled and motivated employees - Suppliers and service providers delivering on agreed terms and conditions. - Board and executive team with diversity of experience, cultures and knowledge.	- Kshs 860 million paid in salaries and benefits and terminal dues - Kshs 1.8 billion paid to suppliers and service providers agreed terms and conditions. - 277 employees retrenched on agreed terms and conditions. - No workplace fatalities - Three major accidents.	- Managing the impact of restructuring on employees (refer to page 34 "in staff retrenchment). - Frequent employee health camps - Providing mentorship opportunities for junior staff by senior managers.
OUR RELATIONSHIPS (Social and relationship capital) Our engagement with stakeholders is governed by our corporate values of integrity and respect. Our transformation process this year has strengthened some of our relationships and tested others. The respect we have earned from our stakeholders over the years and our commitment to our new strategy has been crucial to the success of our transformation process	- 755 active customers - Trusted brands - Positive supplier relationships - Positive engagement with unionized and non-unionized employees - Cooperation from government and regulators	- Amicable factory closure - Tax contribution of Kshs 55 million. - No industrial actions - No confirmed lawsuits	- Expanding and differentiating our customer offering through introduction of additional tyre sizes and SUMMIT discount brand - Engaging actively and proactively with regulators, ensuring full compliance - Pursuing concise and timely investor communication.
NATURAL RESOURCES (Natural capital) Natural capital such as land, water and energy are required for us to operate our manufactured capital. Our investment properties sit on land with low impact on both the land itself and the surroundings. The factory operations resulting in production of tyres consume natural resources, generate waste and pollute the atmosphere. These impacts are borne by surrounding communities with potential consequences of key relationships. We seek to offset these impacts by a combination of mitigation and minimization strategies	- Water consumption of 47m³ per RRT - Electricity consumption of 3,459Kwh per RRT - Fuel oil consumption of 1,097 lts per RRT - Land under management 8 hectares	- Reduction of environmental aspects from 291 to 92 - Replacement of old water pipes to minimize water leakage - Sensitization of staff on water usage - Sensitisation of staff on electricity usage	- Upgrade to ISO 14001:2015 - Implementation of energy audit findings
BUILDINGS, EQUIPMENT AND INFRASTRUCTURE (Manufactured capital) Our investment properties, retail infrastructure, warehousing facilities, computer software, plant and equipment require financial capital combined with human and intellectual capital to provide us with the capacity to generate returns in the long term.	- Investment property of Kshs 7 billion in value. - Plant and equipment of Kshs 282 million - 19 tyre centers - 11 warehousing depots across the region	- Capital expenditure of Kshs 95 million on plant and equipment - Plant and machinery impairment of Ksh 177 Million. - Software impairment Ksh 2.4M	Following the closure of the tyre factory in 2016, a change in the use of the factory land and buildings as investment property will enhance the Group's potential generation of revenue.
FINANCIAL CAPITAL Judicious use of our financial capital – shareholder's equity, retained earnings and debt is central to the deployment of the other capitals for the operation of our business. This has been and will continue to be a trade-off between short term investor returns and long term growth.	- Kshs 779 million market capitalization as at 31 December 2016 - Kshs 25.6 interest income	- No dividend payout - Ksh 654 million decrease in cash and cash equivalents.	Since 2015 management instituted stringent cost cutting measures which resulted in Ksh 10 million reduction in normal operating overheads

OPERATING CONTEXT:

1. Our response to a period of significant changes affecting our business model

We manufacture and sell quality tyres engineered for the African terrain. Our tyre range includes tyres for various applications including passenger vehicles, light and medium truck, truck and bus and agricultural use. Our raw materials and finished products for trade are sourced globally and delivered locally through our well established supply chain process. We engage with our customers through our extensive dealer network, our owned and branded tyre centers and directly to large fleets, government and other consumers. The Group owns a large property portfolio part of which is built up and on which our investment property income is derived and other parcels earmarked for future development.

We have identified three key issues in our operating context that have important implications for our business model

- Uneven competitive landscape
- Organizational restructuring
- Commercial real estate potential

Uneven competitive landscape

Following the lowering of policy trade barriers as discussed above, tyre imports from the East entered the EAC. Notably was the entry of cheap Chinese tyres, which having enjoyed huge subsidies from the China government (e.g. up to 81% of manufactured sales value), were sold locally at a fraction of our locally manufactured products. Trade in imported tyres became lucrative and soon attracted both customs compliant and non-compliant importers. The non-compliant importers were aided by Kenya's porous borders to land uncustomed tyres while others resorted to under-invoicing.

To counter the influx of cheaper tyres, the group in 2014 begun the rollout of our own China contract manufactured brand – SUMMIT – which addressed the economy segment of the market by taking advantage of a lower cost jurisdiction. We continue being tax compliant and ensure we pay the rightful import taxes despite the competitive landscape.

Organisational restructuring

As a result of the sustained period of intense and unfair competition as discussed above, the board took the decision to close factory operations, resulting in 277 employees being declared redundant (see board communication on page 7). Our future success will be determined by our success in transforming our business model from that of a manufacturer to both a retailer and real estate developer. Unavoidably, this transition process results in a climate of uncertainty across the Group, with implications for employee morale and productivity, safety and industrial relations. We will continue to support and engage with our employees to help manage the challenges of the restructuring process.

Commercial real estate potential

Increased investment in infrastructure by the Kenya government has continued to open up more areas for growth especially along bypasses. The main bypasses traversing Nairobi and giving convenient access to Jomo Kenyatta International Airport and the Great North Road are the Eastern and Southern bypasses both of which are in close proximity of our vast undeveloped land holding along Mombasa road.

Our analysis of the property sector provides a choice of options that the Group can pursue.

Commercial sector: office yields have been stable at between 7 and 9%

Retail sector: retail developments have increased over the past few years driven by favorable demographic conditions.

Industrial sector: untapped niche still remains in up-to-standard warehousing and buildings

Hotel sector: Insecurity concerns and negative travel advisories slowed down this sector but signs of recovery can be seen.

The key real estate drivers that we monitor

1. Sustained economic growth:
2. Emergence of Nairobi as a regional hub
3. Investment in infrastructure
4. Demographic trends
5. Devolution

2. Economic and market outlook

Africa's economic performance held firm in 2016, amid global headwinds and regional shocks. Growth in real GDP is estimated at 3.6%, higher than the 3.1% for the global economy and 1.5% for the Euro area. Africa remained the world's second fastest growing economy after East Asia. In 2015, sub-Saharan Africa (excluding South Africa) grew faster than the continental average at 4.2%, with East Africa leading the way at 6.3%. Growth in Central, North and West Africa was above 3%, while Southern Africa grew by an average of 2.2%. Looking ahead, average growth in Africa is expected to remain moderate at 3.7% in 2017, but could accelerate to 4.5% in 2018. This forecast hinges on the strength of the world economy and a gradual recovery in commodity prices. The East Africa tyre market (including Rwanda & Burundi) is estimated at 4.4 million tyres per annum. Sameer Africa's share of this market is estimated at between 8% – 10 %. Almost 60% of the market is serviced by Chinese and Indian tyre brands.

Motor vehicle registrations in Kenya have been growing at a rate of 10% on average per annum over the last seven years (between 2009 and 2015). Total number of vehicles registered in 2015, including motor cycles, was 247,181 representing an increase of 13% over 2014 registrations.

Our strategy, which includes growing our retail footprint, aims at increasing our share of this market and competing with Chinese and Indian brands.

STAKEHOLDERS ENGAGEMENT

Engaging stakeholders was a critical part of our business strategy in 2016, given the challenges brought about by our factory closure and the expected changes to our business. Daunting as the task may have been, we reached out to all individuals and organizations with a stake in our operation.

Identifying our key stakeholders

We identify our key stakeholders as those:

- Who have significant influence towards the achievement of our strategic goals
- Whose involvement can impact organizational performance
- Who we need to collaborate with as a risk mitigation strategy
- Those whom we have a legal, commercial, operational, societal or ethical responsibility



How we engage with our stakeholders

Understanding and being responsive to the interests of our stakeholders is critical to delivering on our objectives. The following table identifies our key stakeholders' material interests and our response to these issues.

STAKEHOLDERS ENGAGEMENT (CONTINUED)

Stakeholder group	Stakeholder material issue	Our strategic response	Page reference	
Government and regulatory authorities	- Compliance with laws and regulations - Contribution to tax collection - Contribution to economic growth through job creation, skills development - Contribution to national road safety	- Internal and external audits and reporting to facilitate compliance - Prompt response to revenue authority audits and other audits where non-compliance may be identified - Strong focus on value creation and wealth distribution - Direct engagement with relevant authorities on strategic and disclosure matters e.g. CMA - Conducting tyre safety workshops for public service vehicle operators	Page 43	OVERVIEW
Shareholders	- Sustainable growth in shareholder value through consistent earnings, clear growth plans and adequate capital investment - Responsible corporate governance practices	- Strong board and executive leadership - Sound corporate governance practices - Public results announcements - Access to financial reports and other information on website	Page 45	OUR BUSINESS
Employees	- Opportunities for personal and career development - Job security, satisfaction and recognition - Competitive terms of employment and benefits - Safe and healthy working conditions	- Skills training and employee development initiatives - Competitive remuneration and employment terms - Compliance with health and safety regulations - Wealth creation through group operations	Page 34	OUR PERFORMANCE
Trade unions (Amalgamated Union of Kenya Metal Workers)	- Engagement and negotiation in good faith - Competitive terms of employment - Job security, satisfaction and reward - Safe and healthy working conditions - Opportunities for skills and career development - Retirement benefit funds stewardship - Engagement on employee retrenchment exercise	- Valid CBA agreement - Communication forums with the Managing Director - Skills training and development initiatives - Recognition through long service awards	Page 34	GOVERNANCE
Customers	- Providing safe, essential and quality products at competitive prices - Proximity to products and services - Company information	- Regular contact with key account customers - Seeking customer feedback through the customer call center - Dealer briefings in key markets on changes in our business model - Regular issuing of customer statements and follow up on enquiries. - Impromptu customer visits by internal audit	Page 31	FINANCIAL STATEMENTS
Suppliers and service providers	- Timely payment and favorable payment terms - Opportunities for reciprocal business	- Regular communication with key suppliers - Procurement policy and procedures - Negotiation of favorable prices where reciprocal business is possible - Qualified supplier management team with appropriate negotiation skills and legal team to conclude and manage contracts	Page 20	SHAREHOLDERS INFORMATION
Local community	- Responsive to concerns and impacts - Operations conducted in a safe and lawful manner - Access to employment and supply opportunities	- Compliance with ISO environmental standards - Submission to regular environmental audits e.g. Nema - Sourcing employees for new tyre centers from the immediate community	Page 36 - 39	OTHER INFORMATION

For more information on how we deliver value to our stakeholders through our strategy see page 29

MATERIAL RISKS AND OPPORTUNITIES

OVERVIEW

The board of Sameer Africa, following recommendations from the board audit, risk and corporate governance committee having reviewed the critical risks facing the company, approves the groups risk appetite. The identification and assessment of these risks are informed, amongst other things, by an understanding of our business model (page 19), significant trends in our operating environment (page 21) and the relevant interests of key stakeholders (page 23).

Risk Management at Sameer Africa Limited 2016

During the year, we continued to aggressively monitor risks across the departments and across the Group in order to ensure effective risk management processes that take into account appropriate controls and that such controls are adequate and functioning.

Strategic Risks Status 2016

Product positioning risks; through risk assessment we were able to improve our product positioning and ensure, through innovative sourcing arrangements, that our products and also other products required by the customer are readily available.

Corporate and product brand risk; this risk was well mitigated and both corporate and product brands command a strong brand equity

Market share; this has seen erosion over the years but of late, with the introduction of fighter brands and playing in all segments, there are positive signs that the mitigation actions on market share risks are working and the trend is changing for the better.

Cost escalation; in the last two years significant effort has been put into mitigating this risk and the results are showing. We anticipate further improvement due to the restructuring exercise and also other deliberate cost control measures.

Capital adequacy; with restructuring the risk of capital adequacy has been well covered. Also, proper debt management and adherence to budgets have contributed to management of this risk

We had also shared the risk of fire with our insurance company thus minimizing the losses.

Sub-optimal staff performance; through performance management and other mitigating factors this risk has been well addressed. It is worth noting that the staff performance has improved to the extent that some jobs have been combined and our staff are performing optimally.

Staff turnover; staff turnover rates are within tolerance limits

ICT capacity constraints; ICT risks have been mitigated. We have also entered into a new back office arrangement with a service provider as part of risk mitigation. This risk receives keen attention.

Fraud; Cases of fraud or suspected fraud cases were minimal and the most important thing is that the impact therefrom was low

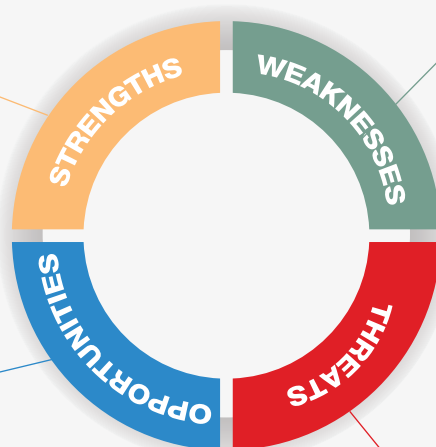
Factory shut downs; unscheduled shut downs were experienced during the year, however this risk will no longer feature as we move to offshore manufacturing.

Risk of fire; From our assessment, the top risks were within the set tolerance levels, save for a case of fire that occurred in our Mtwapa YTC. In our risk assessment, fire is classified under “top ten” risks. Indeed, the fire incident affected our operation to an extent but through our mitigating factors we were able to serve our Mtwapa customers through our other outlets in the coast region thus reducing the impact of the fire incident. The damage was extensive but the mitigating factors and reaction from our staff ensured that the incident was contained and did not spread to other areas such as the administration block and neighboring blocks. It is suspected the fire incident was caused by an electrical fault. The investigations are ongoing.

Sameer Africa key strengths, weaknesses, opportunities and threats

- Strong corporate and brand equity.
- Established distribution network (A host of affiliated distributors, 11 branches and 19 tyre centers).
- Highly skilled staff.
- Good corporate governance practices.
- Service providers' confidence.

- The growing tyre market industry.
- Diversification into auto related services.
- Untapped local geographical areas.
- New and diverse products.



- Uneven playing field.
- Heavily subsidized imports in country of manufacture.
- Unfair trade practices.
- Products perceived to be expensive.

- Unregulated players.
- International trade politics.
- Stiff competition from imported brands.

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MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)

Yana Alternative Sourcing Strategy (YASS)

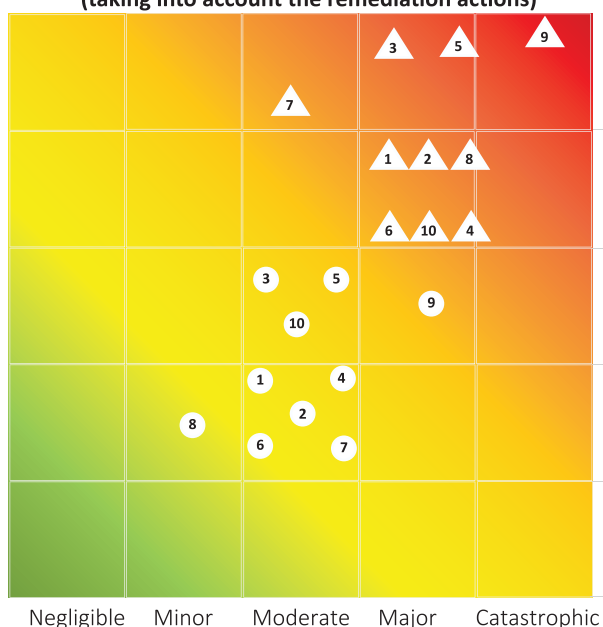
In 2017, we expect strategic risks to be lower as we shift from a manufacturing entity to a trading entity under our Yana Alternative Sourcing Strategy (YASS) project. The risks under the YASS project have been crafted along three main areas: the scope of the project, the cost and the schedule

- **Scope:** this is the manufacture of tyres in different plants in the East
- **Cost:** this is the budget for the project and the controls are to ensure the company monitors the costs associated with the project to avoid the risk of escalation.
- **Schedule:** this simply defines the steps in the project, the tasks and targets to be achieved. The controls here are focused on ensuring the risk of delays in the achievement of the targets do not occur.

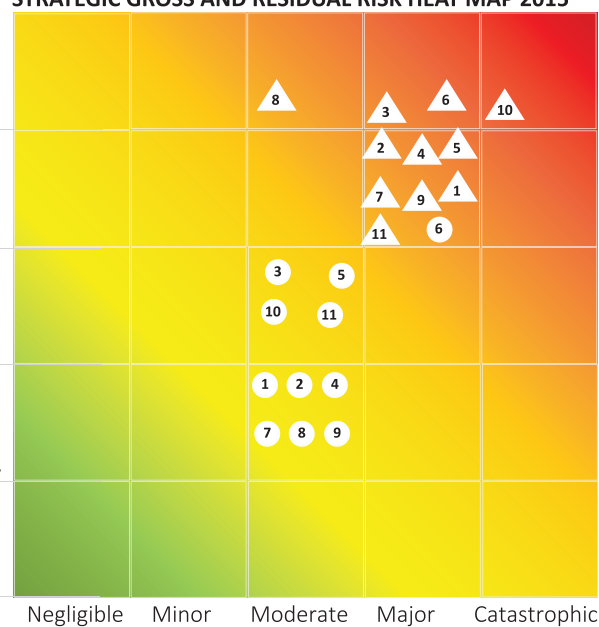
Due to the changes anticipated and already taking effect, where we are moving from a manufacturing concern to a full trading entity, we reviewed all strategic risks namely:-

- | | | |
|---------------------------|----------------------|----------------------|
| 1. Partnership risk | 5. Management risk | 9. Innovation risk |
| 2. Logistic risks | 6. Reputational risk | 10. Uncertainty risk |
| 3. Capital risk | 7. Product risk | 11. Finance risk |
| 4. Competitor action risk | 8. Staff risk | |

STRATEGIC GROSS AND RESIDUAL RISK HEAT MAP 2016
(taking into account the remediation actions)



STRATEGIC GROSS AND RESIDUAL RISK HEAT MAP 2015



KEY ○ Residual risk △ Gross risk ● Low ● Medium ● High ● Catastrophic

Strategic Risks

Strategic Risk	2016 Ranking	2015 Ranking
1.Product positioning in the market	1	1
2.Corporate and product brand risk	2	2
3.Market share	3	3
4.Cost escalation	4	5
5.Capital adequacy	5	6
6.Sub-optimal staff performance	6	7
7.Staff turnover	7	8
8.ICT capacity constraints	8	9
9.Fraud	9	10
10.YTC operations	10	NA
11.Factory shutdowns	NA	11
12.Product innovation	NA	4

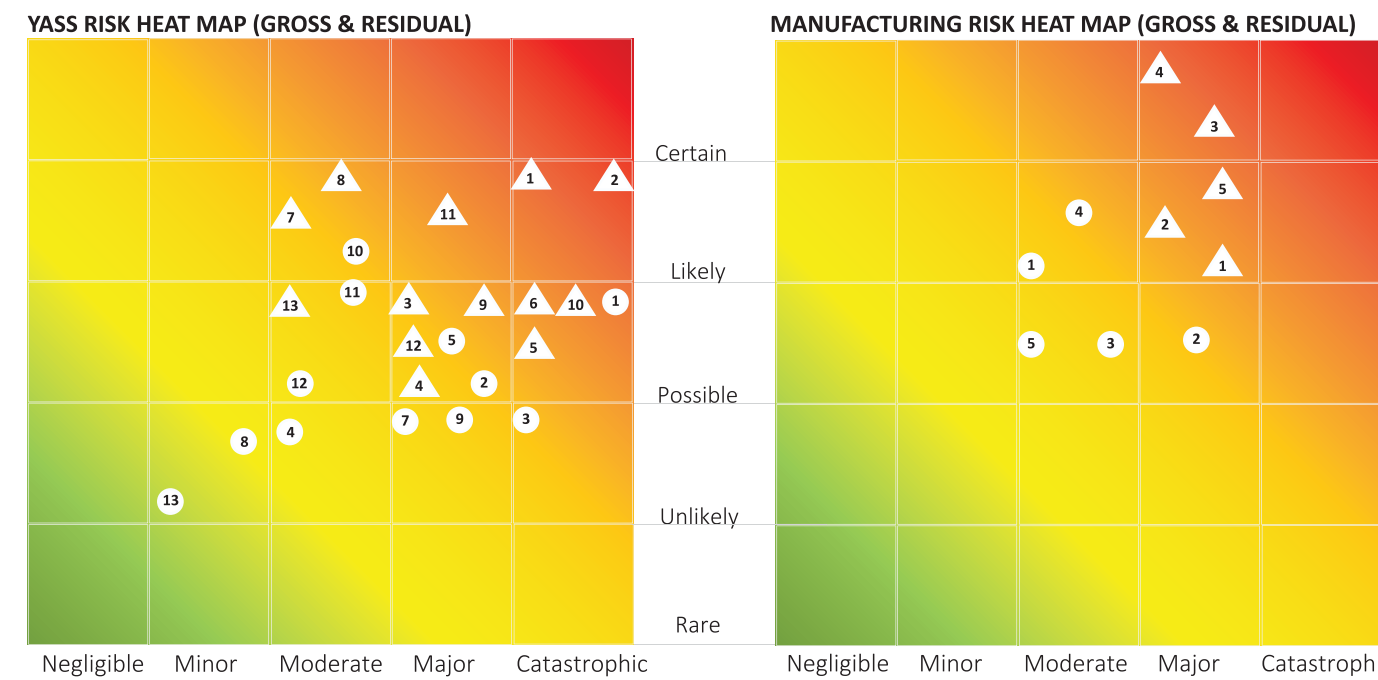
MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)

During the year the ranking for the following risks were downgraded:

- Product positioning in the market.
- Corporate and product brand risk
- Market share: Market share has been on the decline for a number of years but the share is improving due to the addition of budget products trading under the Summit brand which are competing well.
- Cost escalation: Overhead costs went down due to the closure of the factory
- Capital adequacy
- ICT capacity constraints: The risk has gone down as a result of engaging service providers to facilitate back up procedures.
- Factory shutdown: This has been eliminated completely by the closure of the factory.

YASS versus local manufacturing

As demonstrated above, there is an improvement in the strategic risk quotient given the YASS project scenario (when compared to local manufacturing). With the YASS project some risks are contained under the low risk ranking area further demonstrating that, with the current factors at play, the YASS project is preferable to local manufacturing.



Strategic Risks			
1	Partnership risk	8	Product risk
2	Logistics risk	9	Staff risk
3	Capital risk	10	Innovation risk
4	Competitor actions	11	Uncertainty risk
5	Management risk	12	Payment terms risk
6	Export Market risk	13	Regulatory risk
7	Reputational risk		

Strategic Risks	
1	Inadequate coverage
2	Machine unavailability
3	Inadequate skilled personnel
4	Machinery breakdown
5	Outdated equipment

MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)**RISK HEALTH CHECK**

During 2016, health checks were conducted where key risk indicators were measured against risk appetite. The list below shows key risks per department monitored against preset targets.

	Risk	Indicator	Base	Tolerance limit	2015 Trend monthly Average	2015 Risk Direction	2016 Trend monthly Average	2016 Risk Direction
	STRATEGIC							
1.	Sales target (Tyres, tubes and services)	Percentage actual to budgeted sales	100 and above is positive	100%	75%		62%	
2.	Gross profit	(% to turnover)	30% and above is positive	30%	26%		28%	
3.	Total cost	Including factory costs-KSh M	330=100% 0 to 100% is positive	100%	78%		71%	
4.	Net profit (before tax)	(% to turnover Tyre Business)	10% above is positive	10%	-4%		-2%	
5.	Fire accidents		0 is positive	0	0		1	
	FINANCE							
6.	Net cash position	KShs M	(100M)=100% 0 to -100 is positive result	100%	-154%		-295%	
7.	Post import finance	KShs M	-420=100% 0 to 100> is positive	100%	113%		124%	
8.	Post import finance (Total foreign liability to stock)	As a percentage of raw materials plus finished stock	0-50% is positive	50%	42%		37%	
9.	Working Capital days	Days	0% 156=10 0 to 100% is positive	100%	109%		71%	
	SALES							
10.	Trade debtors	Days	45 days =100% 0 to 100% is positive	100%	114%		154%	
11.	Lost sales		3M=100% 0 to 100% is positive	100%	149%		150%	
12.	YTC revenue		45M=100% 100% and above is positive	100%	95%		113%	
	MARKETING							
13.	YTC opened	Number	5 and above is positive 5=100%	100%	20%		60%	
14.	Customer satisfaction index	As measured at YTC on walk in customers	85% and above is positive	85%	87%		80%	

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MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)**RISK HEALTH CHECK (CONTINUED)**

	Risk	Indicator	Base	Tolerance limit	2015 Trend monthly Average	2015 Risk Direction	2016 Trend monthly Average	2016 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%		116%	
16.	Vendor advances	KShs M	100M=100% 0-100% is positive	100%	95%		90%	
17.	Full order delivery		95% and above is positive	95%	97%		83%	
	MANUFACTURING							
18.	Factory waste	(% to throughput)	0 to 2% is positive	2%	2.1%		3%	
19.	Conversion costs per RRT	KShs	300M=100% 0 to 100% is positive	100%	70%		114%	
20.	Tyre claims	(% to Sales)	0 to 0.5% is positive	0.5%	0.4%		0.3%	
21.	Efficiency in energy usage	KWH/RRT	3547KWH/RRT=100% 0 to 100% is positive	100%	109%		97.5%	
22.	Efficiency in energy usage-fuel oil	LTR/RRT	1007LTR/RRT=100% 0 to 100% is positive	100%	102%		109%	
23.	Number of unscheduled shutdowns		0 is positive	0	1		2	
	HUMAN RESOURCES							
24.	Leave utilization	Progressive in each month	90% and above is positive	90%	87.5%		57%	
	SAFETY AND ENVIRONMENT							
25.	Accidents		0 is positive	0	1		4	
26.	Waste reduction-Hazardous	KG of waste	1189=100% 0 to 100% is positive	100%	88%		83%	
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%		100%	

OUR STRATEGY

Sameer Africa's long-term strategy is to strengthen its market and product leadership in the African tyre industry to meet the needs of our customers and to generate value for our shareholders. To deliver on this strategy we focus on four key strategic priorities (see below). 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 counter any challenges. Our board and the executive committee maintains a strong focus on the strategic priorities in order to deliver on the strategy.

STRATEGIC PRIORITIES

Profitable growth

Grow our core business and develop future business opportunities

Customer focus

Deliver superior customer service

Innovation

Develop new products to meet and exceed customer's expectations and deliver continuous improvements to our work and service offering.

People and leadership

Create a motivating environment and a high performance culture by developing all our employees

OUTCOMES OF OUR STRATEGY

- Sustainable growth
- Consistent value creation
- Positive stakeholder engagement
- New products and services
- Motivated employees
- Shareholder returns

HOW WE MEASURE OUR PROGRESS

Gross margin	Customer satisfaction index	Capex spend	Staff satisfaction index
Throughput yield	Time to resolve tyre claims	New products launched	Training days per employee
Profit before tax	Walk-in customer polling	Process improvements	Leave utilization
Operating costs to turnover			

DELIVERING VALUE THROUGH OUR STRATEGY

A key focus of our strategy is to deliver value to all our stakeholders. Through our strategic priorities we are able to serve the interest of our stakeholders thereby further enhancing our mutually beneficial relationships and creating a conducive environment for engagement.

Value through our strategy

Stakeholders	Employees	Drive growth	Deliver customer excellence	Stimulate innovation	Engage our people
	Customers	Growth creates career development opportunities for our employees	Superior brands help us to attract and retain the best people	Our high performance culture helps us to recruit, retain and develop the best people	We aim to be the most attractive employer for our employees
	Suppliers and service providers	Growth expands our regional footprint bringing us closer to our customers	We guarantee our customers they will receive the highest quality service	Innovation assures our customers of receiving quality and reliable products	Superior employee engagement guarantees delivery of first-class customer service and supplier engagement
	Local communities, Government and regulators, trade unions & shareholders	Strong growth creates business opportunities	Constant innovation and focus on our customers challenges our suppliers to keep abreast with latest technology and service delivery execution		
	Simultaneous promotion of all interests: we help to maximize future employment and economic growth. We aim to maximize shareholder returns, by optimizing our economic value added (EVA)				

PERFORMANCE AGAINST STRATEGY

Profitable growth

Why it matters

To strengthen our market and product leadership in the African tyre market requires us to grow profitably in all our markets. Profitable growth provides reinvestment to fund our expansion, funds to service and maintain our equipment and adequate resources to compensate and reward our employees and shareholders. We monitor profitable growth using both financial and operational metrics. Top line growth is measured by sales values and growth in unit sold, while our sourcing and pricing is measured by the gross margin. We assess our operational efficiency by measuring our total overhead cost and profit before tax.

Our performance in 2016

During the year a number of measures were taken to strengthen the profitability of the business and correctly align our product pricing and market segmentation:

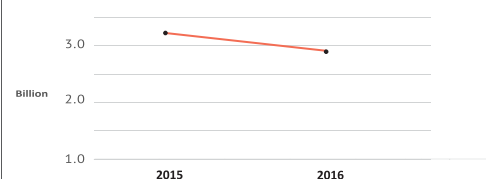
- A price increase of our Yana brand was implemented between the first and second quarter of the year in various markets. The increase resulted in an initial drop in volumes but the volumes gradually picked up in the second and third quarters of the year.
- The price increase resulted in an improvement in gross margins (before reorganisation costs).
- Cost control efforts continued in earnest across all operating segments. This together with an increase in sundry income resulted in a higher profit before tax when exceptional items are excluded.

2017 OUTLOOK

Our outlook is that sales in both value and units will rebound in 2017 following market acceptance of the price hikes taken during 2016. Crude oil prices have rebounded since the last quarter of 2016 translating to higher raw material and energy prices which will exert pressure on our gross margin. However, factoring in the upward sales price adjustments we expect gross margin to remain within the 30% range.

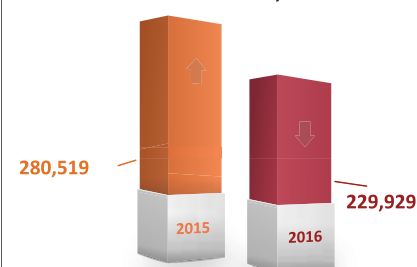
SALES

Reduction of Ksh 0.5 Billion



UNITS SOLD

Reduction of Ksh 50,590 units



YANA MONARCH II PASSENGER

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

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



PERFORMANCE AGAINST STRATEGY (CONTINUED)

Customer focus

Why it matters

We aim to enhance our customer contact through a combination of superior customer service and customer loyalty programs, to deliver on excellent customer relationships. We remain focused on achieving unrivalled customer satisfaction levels through effective communication, increasing direct customer contact through our call center, delivering quality products on time and continually revamping our marketing activities. We frequently seek feedback through customer surveys which focus us on improvement areas.

Marketing activities

The company engaged in various marketing activities that were aimed at improving business relationship with customers, improving the Group's market share, ensuring road safety and ensuring that customers get value from their investment.

Dealer engagement

Apart from regular day to day customer engagement by the sales team, the company organized dealer meetings in Kenya, Uganda, Tanzania and Burundi. These were aimed at hearing out dealers' views and suggestions as well as to inform customers of any changes in the company that might affect their businesses either positively or negatively.

Road Safety

In order for a vehicle to handle safely on the road, the vehicle's tyres must be in good condition. This requires regular monitoring and timely maintenance of all tyres on, or associated with, the vehicle. In 2016, Sameer Africa sustained and extended its engagement in grass-root road safety campaigns across the country by training organized motor groups on tyre safety and maintenance.

This educative programme focused on motorists through various interest groups within the motor industry in Kenya, Uganda, Tanzania and Burundi. Touch-base was extended to matatu saccos, dealer workshops, mechanic groups, tour operators, corporates and organized fleets. The road safety initiative also involved Sameer Africa factory tours by corporates and institutions who obtained insight on tyre safety and maintenance.

Sponsorships

In 2017, Sameer Africa sponsored and participated in a number of events that directly linked the company to its customers. These included Agricultural Society of Kenya shows in Kisumu, Eldoret, Nakuru and Nyeri. There was also Marketing Society of Kenya events and ICPAC events. These events provided opportunity for the company to enhance its visibility and directly sell out its products to potential customers. A brief on other corporate social responsibility activities is on page 39.

Sales Promotions

To enhance its market share, the company put in place several tactical consumer-based sales promotions at the Yana Tyre Centres. These included the Easter Bonanza in April, Summit tyre brand campaign in May, Airtime promotion in June and July, shopping voucher offer in August and September and Christmas bonanza in November and December. The promotions yielded positive gains as the overall performance of the tyre centres improved by 20% over the previous year.

OUR 2016 SALES PROMOTIONS



Airtime promotion



Shopping voucher offer



Summit tyre brand campaign



Improving customer satisfaction

With ever changing customer needs and demands, pressure is on companies to consistently ensure that their customers are satisfied and their needs are promptly responded to. In 2016, Sameer Africa engaged in various activities to get as close as possible to its customers.

Launch of Yana Call Center

The company invested in establishing a call centre unit with all relevant resources. Through the call centre, Sameer Africa introduced SMS alerts to all its actual and potential customers. These have made it easy for the company to promptly inform customers of any activations and sales promotions. Through the call center, the company has also been able to introduce email circulation of all promotions and information on brands and tyre details to all customers with email addresses. The call centre also engages customers with direct calls in which customers give feedback on their experience with the company's products.

Digital Marketing

The need to diversify ways of reaching out to customers is changing rapidly around the globe and Sameer Africa in 2016 embraced the digital advertising platform by establishing communication of its brands and promotions on the digital platform. These were done mostly through social media advertising in which participation and responses by the public complemented advertising on traditional media platforms.

Direct Procurement

To fill the gaps in stock availability and ensure that all customers' needs were met, the company introduced direct procurement, an arrangement that allows Sameer Africa to buy tyres directly from other tyre companies in the country to supply to customers. With preference resting on Sameer Africa brands, customers demanding other brands can still be easily served through this arrangement.

Our performance in 2016

Customer 2015 ■ 2016 ■

Customer satisfaction index



End user satisfaction



YTC satisfaction index



Thumb balance ratio



Claims turnaround time



Order delivery time



No of YTC opened



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PERFORMANCE AGAINST STRATEGY (CONTINUED)

Mystery Shopper

Ensuring that customers get the best services at all times from the company, mystery shopping was introduced to do spot checks at the company's selling points to confirm that selling staff do not compromise on customer handling and that all customers are well attended to.

2017 Outlook

With the understanding that the customer is at the center of all our activities, our focus in 2017 and beyond will be to sharpen the identification of our customer base then move to build strong customer relationships and improve our understanding of their needs. This will be achieved through the following initiatives;

- Customer research – through surveys, web analytics, direct customer polling through our call center and accessing secondary research;
- Building customer relationships – using information gathered from our research activities, sharper customer profiles will be developed and products, services and communication tailor-made to their needs. Focus on employee training will also be central to achieving superior customer relationships. Our employee training focus will be geared to ensuring top-of-mind customer focus in all employee activities.
- Enhancing customer experience – at each point of contact with our customer our aim will be to create a positive and welcoming effect on the customer, be it at our Yana Tyre Centers, which apart from being functional in all aspects, will also be spotlessly clean, to our website which is currently being updated to make it easy to navigate and easy on the eye, to our new product catalogues under development which will have friendly language and make otherwise technical language understandable, to offering enough payment methods and product purchase options to create an effortless purchase and payment experience.



SUMMIT HAWK PASSENGER TYRE

175/70R13 | 175/70R14

185/70R14 | 195/65R15

Delivers to the demands of your Saloon Cars.

PERFORMANCE AGAINST STRATEGY (CONTINUED)

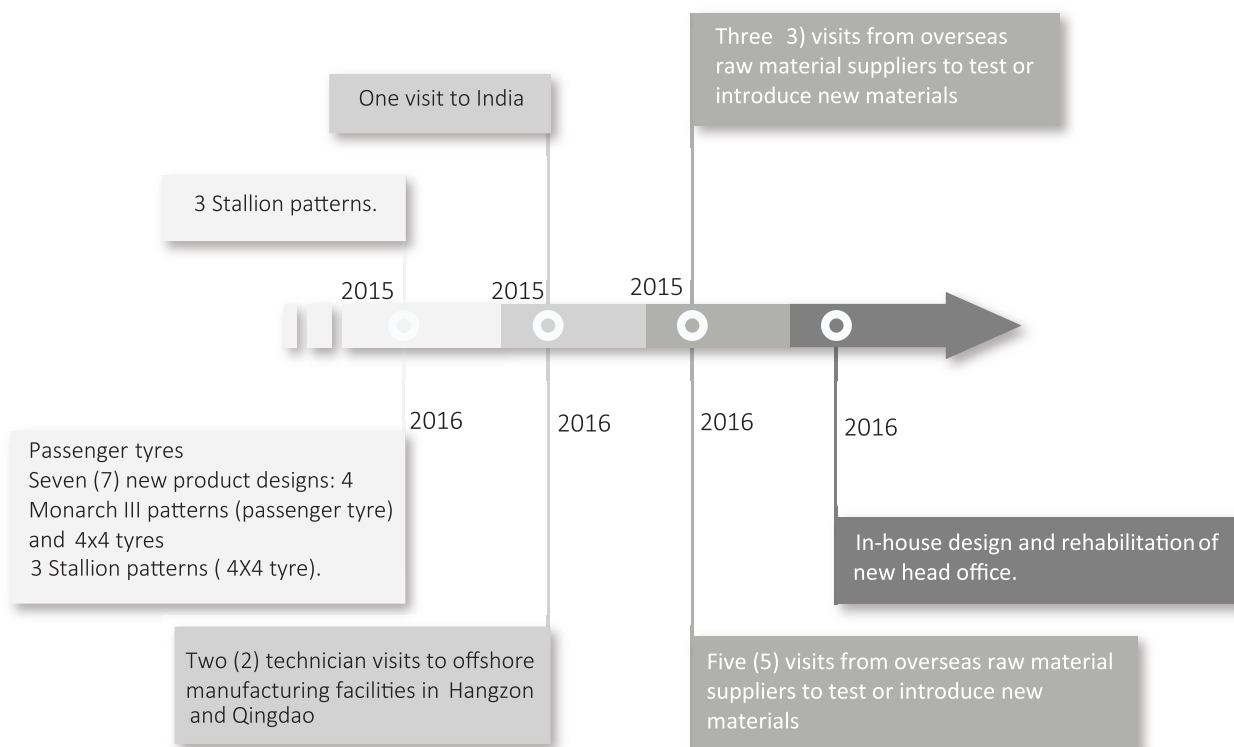
Innovation

Why it matters

Innovation is a key pillar of our strategy. We challenge the status quo and ourselves to foster positive change. We harness the creativity of our staff and stakeholders. We rapidly test and adopt new approaches to more effectively and efficiently accomplish our strategy. We view our innovation in three dimensions;

- Technical excellence driven primarily by our customer's feedback and collected by our field engineers. This feedback is channeled back to our chemists and product engineers who, aided by our indoor testing laboratory and further vehicle mounted testing, make necessary improvements or roll out new product to cater for identified applications. Focus on technical excellence keeps us focused on the real market needs of our customers. We view this as customer driven co-innovation.
- Our partnerships with local technical institutions and overseas manufactures to create products unique for the African terrain.
- Employee driven innovation whereby employees are encouraged to systematically share their ideas and experience to help build a company-wide culture of excellence and innovation.

Our performance in 2016



2017 Outlook

Following the strategic shift of our business model we are cognizant of the fact that a good organizational design and workplace atmosphere is conducive for employee innovation and productivity. Among the initiatives we are adopting to improve the workplace are:

- We have relocated to new offices that brings together all head office employees under one roof
- We are encouraging a relaxed and easy going atmosphere that will allow ideas to flow freely
- We are structuring our recruitment processes to attract diversity in backgrounds, capabilities and passions.

Get a grip: Whats new in tyre technology

Tall and narrow: Skinny profiles such as 155/70 R19 help to save energy – not only do the wheels cover a greater distance with a greater diameter, but as they are aerodynamic as they cut through the air more efficiently, which means the car isn't held back by drag.

Chip-in-tyre: By inserting a chip into the rubber, tyres will be able to communicate with the car – talking to the electronic control unit and anti-lock brakes, for example – to adapt to the road conditions. The batteryless chip tells the car what kind of tyre is fitted and relays air pressure and temperature to achieve optimum braking and cornering performance.

Twin air chamber: This concept, intended for SUVs, splits the tyre's air chamber into two. The idea is that if one pocket punctures, drivers can continue their journey on the other at a reduced speed.

Self-inflating tyres: an electronic part in the tyre detects how much air is in a tyre and tops it up automatically if necessary. This will effectively eliminate the need for drivers to pump up their own tyres and ensure tyres constantly run on the correct pressure resulting in improved fuel efficiency.

Run flat tyres: designed specifically for the purpose of remaining functional, for a limited amount of time, with no air pressure in the tyre. Should you suffer a puncture whilst driving, the tyre will still be usable for approximately fifty kilometers. This gives you time to drive the car home, or to a nearby Yana tyre centre.

PERFORMANCE AGAINST STRATEGY (CONTINUED)

People and leadership

Why it matters

Our people define our success. To deliver on our strategic priorities we need motivated and engaged employees at all levels of the organization. We are focused on attracting, retaining and developing the best talent and skills and on providing a safe and motivating workplace. We pride in continuously seeking to develop and mentor our staff to be the best they can be in the industry and globally.

Performance Culture

Performance in Sameer Africa is measured through the widely renowned balanced scorecard which ensures the strategies of the business are reviewed and monitored in order to achieve overall goals as an organization, as guided by the strategic plan.

Employee engagement

Due to the changes in the year, there were a number of initiatives that were undertaken to ensure staff were not only psychologically prepared but also mentally and emotionally shielded from the changes that were effected within the year. Staff forums were held to ensure employees concerns were addressed.

Employee wellness

Going by our wellness theme “Our health, Our wealth” we have not only successfully managed our employees health but reduced our medical expenses. This was successfully done by ensuring proper management of outpatient cases and keen follow up on employees with chronic illnesses. Despite the cost reduction, an ex-gratia was passed to a few employees who had incurred huge medical bills and went way above their benefits due to high costs of managing chronic illnesses. We commit to continuously have initiatives that will guarantee our employees wellbeing and a well-balanced lifestyle.

Developing our employees

Staff development has been one of our key focus and pillars not only as part of staff motivation but also as a continuity strategy for the success of the company. Employees are continuously sponsored to attend development trainings and forums that will expose them to opportunities that will develop their skills and mindset. We have also committed to ensure all staff with full academic and professional credentials are sponsored in their respective professional membership bodies for assurance of continuous development.

Staff retrenchment

In order to ensure the long-term sustainability of the business and to align our business model to a changing trading environment, the human resource component of the business had to be critically assessed. Following an assessment of our business needs, it was evident that the work force requirements had to be restructured.

The implication was a significant reduction in a number of positions/roles which translated to a reduction of 277 staff.

All due statutory requirements were complied with while undertaking the process. Additionally, the company offered emotional and professional counselling and support through one on one interactions and trainings that ensured a smooth transition for the employees and their families at large.

As a support strategy, the company continues to interact and seek partnerships with companies within the industry that can absorb the affected employees.

2016 January to September

	No. of Employees
Full time employees	511
Normal staff exits	18
Staff exits- disciplinary cases	13
Staff exits- retrenchment	260

2016- October to December

	No. of Employees
Full time employees	257
Normal staff exits	5
Staff exits- disciplinary cases	3
Staff exits- retrenchment	17

Employee distribution

Employee distribution	No. of Executive employees	8
	No. of Management employees	96
	No. of Retail center employees	91
	No. of Country employees	37

	2016 Jan-Sept	2016 Sept-Oct
No of union employees	343	40
Non union employees	166	192

Diversity and inclusion

In our quest to ensure a well-balanced and diversified working environment we have ensured convergence in all areas possible. We are a fully multi ethnic organization with all regions of the country well balanced and represented. Our workforce encompasses a multi-generational workforce, which ensures skills are well spread and opportunities for succession are provided.

Diversity

Gender balance	No of Male employees	49
	No of Female employees	183

Safety

Over the years, we have been committed to ensuring a safe and conducive environment is provided to all employees and stakeholders. We commit to 100% compliance with all statutory requirements in regards to safety and continuously conduct internal audits to ensure compliance. Employees have also been well trained on safety and health related areas.

FINANCIAL OVERVIEW

Performance review

The Group's 2016 full year results reflect the strategic decision taken by the board to close our factory operation, the key contributor being asset impairment charges of Kshs 584 million and other factory closure costs including staff redundancy of Kshs 293 million. Excluding the impairment and closure costs, the operating profit at Kshs 56 million was at the same level as in 2015.

Financial overview

Kshs million	31-Dec-16	31-Dec-15	% change
Revenue	2,882	3,364	-14%
Operating expenses (excl. re-organization costs)	(875)	(916)	-4%
Operating profit (excl. re-organization costs)	56	56	0%
Re-organization costs	(877)	-	-
Operating (loss)/profit (including re-organization costs)	(821)	56	<100%
Operating margin (excl. re-organization costs)	2%	2%	-
Net Cash (used)/generated from operations	(592)	305	-
Capital expenditure	95	128	
Net debt	(697)	(37)	

Revenue

Revenue reduced by 14% over 2015 to close as Kshs 2.9 billion. A 20% decline in units sold from 280,519 units in 2015 to 229,929 units in 2016 was registered. Competitive pressure from cheaper imports from the East pushed consumer demand from the high quality tyre segments in favor of the discount brands. Export sales collapsed following continued political instability in the key export markets of South Sudan and Congo and forex shortages across the region.

The decline in sales affected Yana and Bridgestone brands which declined by 32% and 11% respectively. The discount brand Summit, launched in 2014, in response to the competitive pressure from cheaper Asian tyres, grew by over 184%, though the volume base was not sufficiently large to offset the decline in Yana and Bridgestone.

Going forward, Summit is expected to champion our market share recovery.

Operating expenditure

The cost containment initiatives put in place since 2015 were sustained in 2016. The year closed with total overheads before reorganization costs of Kshs 875 million, being a Kshs 41 million reduction from Kshs 916 million in 2015. This cost reduction was realized despite the rollout of three additional tyre centers which resulted in additional rental, staff and administrative expenses. The Group continues to target overhead expenses at 20% of turnover.

Cash flow

Net cash used by operations was Kshs 592 million. This is a decline from the Kshs 305 million generated from operations in 2015. During the year cash payments to exiting employees amounting to Kshs 268 million and Kshs 192 million paid in respect of retirement obligations was the key cash utilization. The Group forecasts to generate positive cash flows into the future.

Capital expenditure

Capital expenditure decreased by 25% to Kshs 95 million, mostly being expenditure incurred to expand our market presence through retail tyre centers. During the year three new retail centers were opened. The Group's strategy is to increase its retail presence through such tyre centers, which together with offshore Yana manufacturing molds will be the major areas of capital spend over the next three years.

Debt

As at the end of 2016, net debt had increased to Kshs 697 million from Kshs 37 million in 2015. The net debt position was impacted by the following;

- Liquidation of cash reserves to fund employee retrenchment costs.
- Following the decision to close the factory, it was necessary to build up inventory to cover the transition period between the factory closure date and the date when offshore manufactured product is delivered. As a result, finished goods inventory rose from 876 million in 2015 to 1,286 million in 2016.

Group borrowings are majorly short term borrowing facilities used for working capital financing with each drawdown being repaid within six months. The debt level is forecast to revert to 2015 levels by the end of 2017. The Group met all debt facility covenant requirements during the year and maintains its borrowing level below the board approved limit.

Share price

The company's share price closed at Ksh 2.80/= on 31 December 2016 which was a 16% decline from the closing price of Ksh 3.35/= on 31 December 2015. The company's market share capitalisation thus declined to Ksh 779 million as of 31 December 2016 from Ksh 932 million as at 31 December 2015.

Impairment of assets

Following the closure of the Groups manufacturing facility, an impairment charge of Kshs 584 million was incurred. This impairment relates to plant and machinery used for the manufacturing and related inventory.

OPERATIONAL PERFORMANCE

Sustainable environmental management

Our environmental management activities focus on key aspects in all operational units where we endeavor to minimize negative impacts and enhance positive ones. Our environmental management activities are anchored on our environmental policy.

The company is ISO14001:2004 certified and subjects itself to periodic environmental audits and trainings. 2016 environmental activities can be summarized as follows:

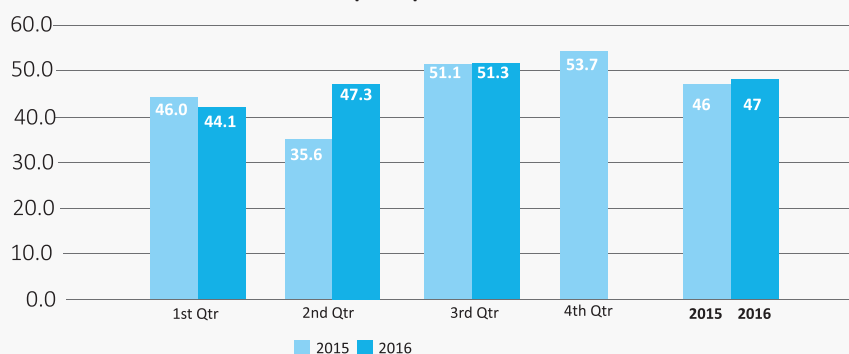
- Fourteen EMS trainings were conducted
- One internal and one external audit were carried out
- Following the closure of the manufacturing unit, the environmental aspects reduced from 291 to 92
- Environmental Management Programmes (EMPs) reduced from 6 to 4.
- Plans are at an advanced stage to upgrade to ISO14001:2015 before end 2017.



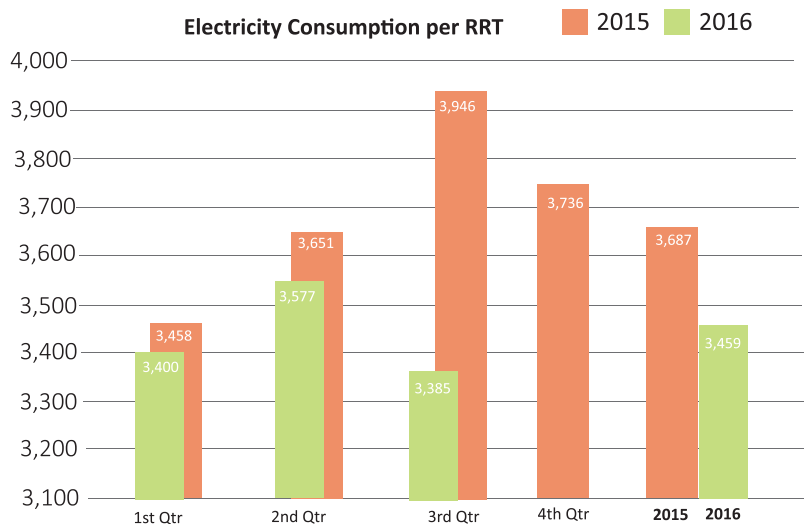
Water usage

As a company, we are conscious that water is a precious commodity and increasingly becoming scarce. On average, water usage increased slightly from 46M3 to 47M3 per RRT. The closure of the manufacturing unit saw absolute water consumption reduce from an average of 10,075 M3 to 3,608 M3 per month. The key water saving initiatives included replacement of old water pipes to eliminate leakages and sensitization of employees to ensure proper water usage.

Water Consumption per RRT



Electricity Consumption per RRT



Energy saving

In compliance with the Energy Regulatory Commission (ERC), we carry out energy audits every 3 years with the last audit being completed in 2015. In the year 2016, more emphasis was paid towards increased productivity and the reduction of compressed air and steam losses in the factory. On average, electricity consumption reduced from 3,687kwh/RRT in 2015 to 3,459kwh/RRT. Fuel oil increased from 1,003lts/RRT in 2015 to 1,097lts/RRT. The closure of the manufacturing unit saw absolute electricity consumption reduce from an average of 736,327Kwh to 61,354Kwh per month.



Simple initiatives that paid off

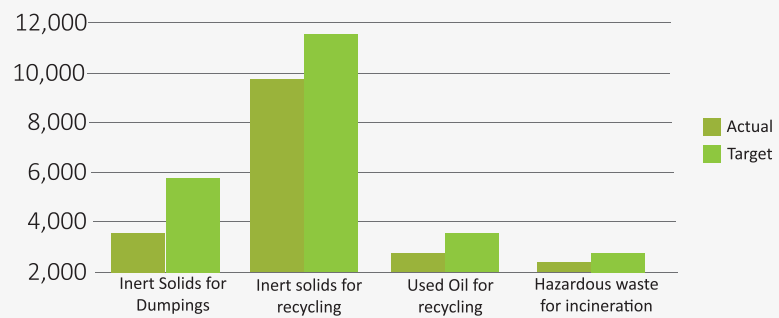
The photo alongside shows one of the small initiatives undertaken to create a conscious culture of energy conservation. Across the organization such messages can be found reminding employees to conserve energy. These initiatives did pay off as demonstrated above.

OPERATIONAL PERFORMANCE (CONTINUED)

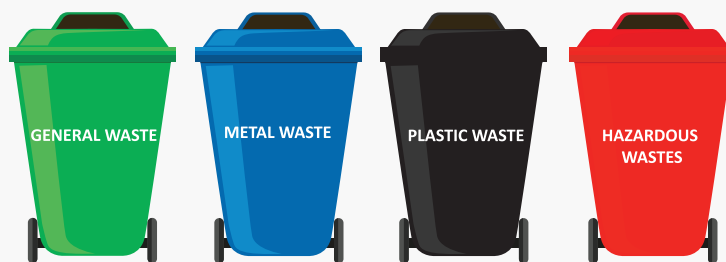
Waste management and recycling

The company had a well-defined waste management system in its manufacturing plant. The system took into account requirements of ISO 14000:2004 EMS and went beyond just mere compliance. All our vendors and recyclers are recognized and authorized to collect and recycle or dispose of different types of waste.

2016 Waste Performance (Kgs)



In partnership with other entities we have been able to supply our scrapped tyres to be used as a substitute for fossil fuels in furnaces and kilns. Over one million tyres have been recycled in this way. We continue to seek further partnerships for such initiatives and we will soon be able to establish a reverse logistics procedure to encourage users of our products to return them to us for recycling.



Simple initiatives that paid off

Every item of waste we generate is properly sorted for either recycling or safe disposal.

In 2016, 8,406Kg of paper was sent for recycling.

Employee safety

We care about the wellbeing of our employees. Safety comes first in all our operations. All the safety and health hazards in the work environment are identified and mitigated so as to prevent accidents and poor health. As a responsible employer we ensure that:

- The work environment is free from recognized hazards that can cause or are likely to cause death or serious physical harm to employees and comply with standards, rules and regulations.
- Work place conditions are regularly examined to ensure they conform to applicable standards.
- Employees have and use safety tools and equipment (including appropriate personal protective equipment) and that such equipment is properly maintained.
- All employees are aware of any risks that are in the work environment. We therefore provide information, instruction, training and supervision as is necessary to ensure the safety and health at work of all employees.
- All employees participate in the application and review of safety and health measures.
- Equipment at work is regularly maintained and is safe and without risks to employees' health.

During 2016 there was one major work place accident. Following the board's decision to close the factory, management took immediate action to offer workplace counselling and career transition training to the staff who were to be declared redundant. In spite of this, it was observed that certain employees remained distracted and in some instances oblivious of their safety resulting in an increase in accidents.

Factory accidents								
	2009	2010	2011	2012	2013	2014	2015	2016
Major accident	4	3	3	6	5	6	3	3
Minor accident	14	13	3	4	2	6	3	13
First aid	2	3	4	7	4	6	3	3
Near miss	8	25	1	2	27	16	25	25

OPERATIONAL PERFORMANCE (CONTINUED)

Product safety and quality

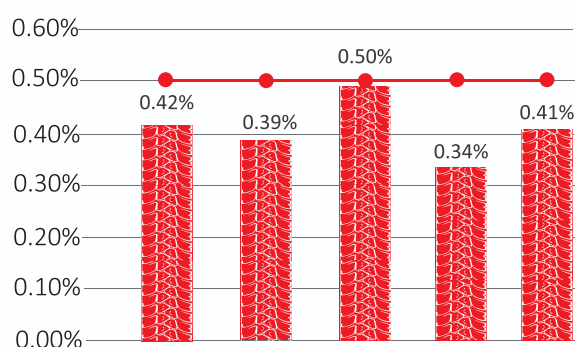
At Sameer Africa, the safety of our customers is at the core of our business philosophy. Each product manufactured by us either under the Yana label or the Summit label, goes through rigorous indoor testing and through stringent quality control checks before sale.

In addition to our quality policy, other measures taken to ensure product safety and quality include ;

- Our company is ISO/TS 16949:2009 certified. ISO 9001:2015 will be implemented later in 2017.
- All our products bear KEBS standardisation and the diamond mark of quality.
- All our products are sold under warranty

Our product claim ratio has been improving over the years as we continue to invest in improvements in our manufacturing process. In 2016 the claim ratio was to 0.34% compared against a target of 0.50%.

Tyre Claims 2016



	Q1	Q2	Q3	Q4	TOTAL
Actual	0.42%	0.39%	0.50%	0.34%	0.34%
Target	0.50%	0.50%	0.50%	0.50%	0.50%

 Actual  Target



YANA PAMOJA EXTRA MEDIUM TRUCK

Tube-type tyre for high capacity 4x4 and Cargo requirements. Favourite rib-lug pattern with a reputation of reliability.

OPERATIONAL PERFORMANCE (CONTINUED)

Social performance and community engagement

The group has several community outreach initiatives with the aim of improving the livelihoods and wellbeing of society. Below is a show case of one such initiative.

The Sameer Africa (Tanzania) Limited team spared, not only time, but their own earnings to assist the cause of Village of Hope (VOH). The team donated foodstuffs and clothing to VOH Mwanza.



Our Mission here at VOH is to bring lasting hope to children at risk so they can embrace adulthood as independent and contributing members of society. And when you support our projects and contribute to the VOH-Africa community in any way, you are a part of this. The children of VOH are beginning to see the hope for their futures once again. And with that hope comes something else...Dreams. And within these dreams lies the answer to the question we so often forget the importance of: What do you want to be when you grow up? In the past, there may not have been an answer, but now the answer is there; it's there because hope is there. Knowing what you want to be when you grow up isn't about planning your future; it's about acknowledging the fact that you have one – this is where the "hope" comes in.

Sadly, many of the children in Africa do not see this hope. They are living in circumstances that don't allow them to look much past today and any hope for a future is left behind. However, our Mission at VOH is to bring lasting hope to children at risk so they can embrace adulthood as independent and contributing members of society. Bringing hope to children in need – this is why we exist. And when you support our projects, and contribute to the VOH-Africa community in any way, you are a part of this.

Road safety

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



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BRIDGESTONE PASSENGER TYRE

Reputable tyre for saloon car road applications.

GOVERNANCE

BOARD OF DIRECTORS

Our board of directors promotes sound corporate governance and provides the leadership that makes this possible. The Sameer Africa board is a strong board, comprising members with appropriate skills and experience.

OVERVIEW



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 10 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), Elder of Burning Spear (EBS) and Grand Warrior of Kenya (OGW).

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

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

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

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Allan Walmsley

Managing Director (Executive)

Allan Walmsley was appointed to the position of Managing Director in August, 2012. He has over 26 years' experience in various industries in both 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.

Allan is also a board member of First Assurance Company Limited and Barclays Life Assurance Kenya Limited and heads the audit committees of both companies.



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.



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.



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 Bachelor of Science Degree in Business Administration and a Master of Science in Strategic Management from the United States International University (USIU).

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

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.

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BOARD OF DIRECTORS (CONTINUED)



Grace Jemutai Kemei
Director (Non-Executive)

Ms Grace Jemutai Kemei was appointed as a non-executive director with effect from 26th July 2016. Grace holds a Bachelors and Masters degrees in Law from the University of Nairobi. She is an Advocate of the High Court of Kenya, a Certified Public Secretary and a Member of Kenya Institute of Management.

Previously, Grace served as the Group Chief Executive of Sovereign Group Limited, a company with diverse business interests. She brings on board a wealth of corporate experience acquired in both private and public entities in manufacturing, education, agribusiness, financial services, mining, real estate, tourism and hospitality. She is currently in private practice.



Mr. Stephen M. Githiga
Director - (Non-Executive)

Stephen Githiga is the Managing Director of Sasini Limited and holds a Masters Degree in Business Administration and a Bachelor of Science Degree from the University of Nairobi.

He is also an experienced Certified Public Accountant and is currently pursuing an ACII qualification. Prior to joining Sasini, Stephen worked with First Assurance, Deloitte & Touche and Lonrho Africa Limited.

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BRIDGESTONE 4X4 TYRE

Unbeatable tyre for all on and off-road applications.

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Allan Walmsley
Managing Director

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

Allan is also a board member of First Assurance Company Limited and Barclays Life Assurance Kenya Limited and heads the audit committees of both companies.



Eric Githinji
General Manager - Finance & Strategy

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.



Steve Mwenda
General Manager - Sales and Marketing

Steve Mwenda is responsible for developing, leading and implementing the company's marketing strategy and programmes to deliver sustainable and profitable growth.

Steve joined the Company in 2009. Prior to this, he worked as the Sales and Marketing Manager at the Kenya

Literature Bureau. He also worked as Regional Sales Manager, Marketing Manager, Product Group Manager, Brand Manager and Sales Representative with Unilever Plc both in Kenya and Nigeria having joined as a management trainee.

Steve is a holder of Bachelor of Commerce (Marketing) degree and is a member of the Marketing Society of Kenya.



Edgar Imbamba
Company Secretary

Mr. Edgar Imbamba is an Advocate of the High Court of Kenya and a practicing Certified Public Secretary. He holds a Bachelor of Laws degree from the University of London and a Master of Laws degree from the University of Hull in the United Kingdom. He has previously held senior management

positions at the Postal Corporation of Kenya, Kenya Tourist Development Corporation and Kenya Tea Development Agency Holdings Limited.



Hassan Awadh
Head of Internal Audit and Risk

Hassan Awadh is responsible for evaluating and monitoring the adequacy of internal controls, risk management processes and corporate governance platforms in order to safe guard company assets and 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), Certified Information Systems Auditors (CISA), a member of the Institute of Certified Public Accountants (ICPAK) and a member of the Information Systems Audit and Control Association (ISACA).



Richard Opiyo
Chief Information Officer (CIO)

Richard Opiyo holds a Bachelors of Science degree in Computer Science from Makerere University.

He underwent SAP training in Mumbai, India and has 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 Ltd (Kenya), respectively. He is a member of SAP user group in East Africa.



Robert Akungo
Head of Supply Chain

Robert Akungo is responsible for developing, leading and implementing the company's supply chain functions to ensure effective and efficient service delivery to meet business prerequisites.

Robert joined the company in 2000, as a graduate trainee and prior to his current assignment, held various management positions in the technical and procurement departments. He has vast experience in rubber compounding, processes and sourcing. He holds an MBA and BSc Degree in Chemistry from JKUAT and is a qualified member of Chartered Institute of Procurement and Supply (MCIPS) and KISM.

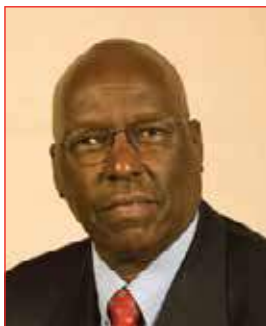


Jackline Omuka
Head of Human Resource

Ms. Jackline 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 and holds a post graduate diploma in Human Resources. She is also a member of the Kenya Institute of Management and Institute of Human Resource Management.

CHAIRMAN'S GOVERNANCE STATEMENT



During 2016, the board, as I have outlined in my statement to shareholders on page 7, focused on aligning the group's strategy to adapt to our operating context. The strategic decision to close the factory and transfer our manufacturing to China and India was a significant board decision that had to be made to safeguard the future of our tyre business. The board has the overall responsibility and accountability for the success and sustainability of the company.

The board exercises sound leadership and independent judgement when considering the company's strategic direction and overall performance, while always considering the best interest of all stakeholders.

In this section of the report I explain the board's approach to governance as well as the structures, framework, policies and ethical standards adopted by the board and executive management in setting and directing the strategy of the company, as well as its operations.

Statement of policy on good governance

The board and executive committee of Sameer Africa Limited is committed to maintaining the highest standards of corporate governance. This statement describes the company's governance principles and practices and describes how we have applied the principles set out in the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, CMA Continuing Listing Rules and the Companies Act 2015. The board has adopted the new provisions in the revised CMA Code of Corporate Governance earlier than formally required and expects to be fully compliant with the 2015 Code for the financial year 2017. The reporting template for disclosing application of the Code of Corporate Governance is available on page 50 and on our website www.sameerafrica.com, giving more detail of the status of our compliance with the Code.

Ethical leadership

The board continues to provide leadership to ensure the Group is operated with integrity and in an ethical and sustainable manner to create sustainable value for all our stakeholders. The principles and structures for good corporate governance are in place throughout the Group and are operating well.

a) Code of Ethics and Conduct

The Group is committed to the highest standards of integrity and honesty. Our code of ethics and conduct has been circulated to directors and employees and is available on the company's website www.sameerafrica.com. This code holds directors and employees to the highest ethical standards in conducting the group's business.

b) Conflict and declaration of interests

A director or a member of the executive management is prohibited from using his or her position, or confidential information in order to achieve a benefit for himself or herself or any related third party, whether financial or otherwise. Directors and officers are also required to timeously inform the board of conflicts, or potential conflicts of interest that they may have in relation to particular items of business or other directorships. Comprehensive registers are maintained of individual directors' interests in and outside the Company and these are updated and signed by the directors and noted by the board at each board meeting.

c) Share Ownership and Dealing

The group allows directors and employees to trade in company securities during normal trading hours. Details of the directors' interests in Sameer Africa Limited's shares are set out in the Remuneration Report on pages 62 to 66.

d) Whistleblowing

The group maintains secure and anonymous whistleblowing facilities. Disclosures can be submitted by email to whistleblowing@sameerafrica.com. More details on the whistleblowing policy are available at www.sameerafrica.com

Risk management and internal control

The board is responsible for the group's system of risk management and internal control, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the audit, risk and corporate governance committee. Details of this committee's work in this regard are set out in the report of the chairman of the audit, risk and corporate governance committee on pages 56 to 60.

In accordance with the CMA Code, the board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the financial statements and that this process is regularly reviewed by the board. The consolidated financial statements are reviewed by the finance and investments committee and approved by the board.

Strategic direction

The board sets the strategic direction of the Group considering the internal and external operating contexts. The board interlinks strategy, risk, performance and sustainability as a whole in providing group stewardship. The Group has a strategic plan which has been approved by the board. The board monitors management's implementation of the strategy.

Stewardship

Rigorous reporting structures ensure that the board remains fully appraised of the activities of the Group as well as the risks and opportunities within its reporting environment. The board is assisted by the audit, risk and corporate governance committee and the finance and investments committees to execute the stewardship function.

The board has reviewed and approved the annual financial statements and the information contained in this integrated report.

Accountability

The board and management have communicated with various stakeholders as and when required.

CMA Code of Corporate Governance

The directors are satisfied that the group complies substantially with the principles and spirit of the CMA Code. By the 2016 reporting date, the group had not applied the following recommendations contained in the Code:

- The chairman of the audit, risk and corporate governance committee, while being a non-executive director, is not independent. After consideration of Stephen Githiga's qualifications, experience, attributes and interaction with the board, his fellow directors are of the view that it is in all circumstances satisfactory and appropriate for him to chair the committee.

CHAIRMAN'S GOVERNANCE STATEMENT (CONTINUED)

OVERVIEW

- The audit, risk and corporate governance committee's composition is three (3) non-executive directors and one (1) independent non-executive director as at 31 December 2016. The CMA Code recommends the audit committee composition to be at least three (3) independent and non-executive directors. Mrs. Grace Kemei, the only independent non-executive director in this committee resigned on 9 January 2017 following her appointment as a Judge of the High Court of Kenya.
- In May 2017, three additional Independent non-executive directors were appointed to serve on the committee. More details of these appointments are included in the report of the nominations and remunerations committee.
- The reporting template on the code of corporate governance is included in this report on page 50 and is also available on our website www.sameerafrica.com

OUR BUSINESS

Compliance with laws and regulations

The company remains committed to ensuring compliance with all laws and regulations. The Code requires a legal and compliance audit to be carried out at least once every two years and a governance audit to be carried out at least annually to confirm the company is operating on sound governance practices. The company has not subjected itself to such audits this being a new requirement that boards and practitioners are in the process of adopting.

There were no other compliance related incidents during the reporting period.

Compliance with NSE listing rules

The company has fully complied with the requirements of the Nairobi Securities Exchange.

Compliance with the Companies Act 2015

The company has fully complied with the Companies Act Cap 486 and is taking steps to ensure full compliance with the new Companies Act 2015.

OUR PERFORMANCE

GOVERNANCE

**YANA STALLION ALL TERRAIN**

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

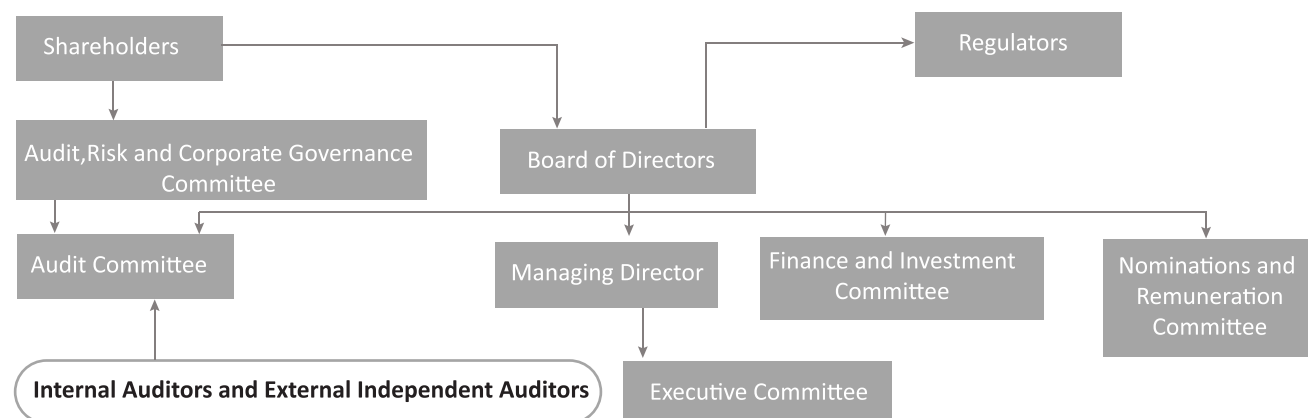
Anywhere you are in Africa, this is the tyre to depend on. Whatever the weather or the terrain, Yana Stallion is always there.



OTHER INFORMATION

CHAIRMAN'S GOVERNANCE STATEMENT (CONTINUED)

Our governance structure



The Board of Directors

Role

The board of Sameer Africa Limited is collectively responsible for the long-term success of the Group. The board provides leadership, oversight over management and ensures that shareholders and other stakeholders receive a fair assessment of the Group's current position and future prospects.

The board executes its leadership role by working with management to develop corporate strategy, including approving the Group's risk appetite. Its oversight responsibilities involve providing constructive challenge to the executive committee in relation to operational aspects of the business, including approval of budgets and evaluation of the soundness of risk management and internal controls. Its responsibility to ensure that accurate, timely and understandable information is provided about the Group includes the contents of the annual integrated report and financial statements, the half-year results announcement and other public disclosures.

The board has delegated responsibility for management of the Group to the managing director and his executive management team. This delegation does not extend to approval of financial statements, budgets or the Group's strategy.

The board is also responsible for setting the Group's risk management policy and risk appetite. The board has delegated some of its responsibilities to committees of the board. The composition and activities of these committees are detailed in their individual reports on pages 56, 61 and 62. The board receives reports at its meetings from the chair of each of the committees on their current activities. A clear division of responsibility exists between the chairman, who is nonexecutive, and the managing director.

Each of the responsibilities have been set out in writing in the board charter and have been approved by the board.

There is an established procedure for directors to take independent professional advice in the furtherance of their duties, if they consider this necessary.

Chairman

The chairman's primary responsibility is to lead the board, to ensure that it has a common purpose, is effective as a group and at individual director level and that it upholds and promotes high standards of integrity and corporate governance. He is specifically responsible for establishing and maintaining an effective working relationship with the managing director, for ensuring effective and appropriate communications with shareholders and for ensuring that members of the board develop and maintain an understanding of the views of shareholders.

Before the beginning of the financial year, having consulted with the other directors and the company secretary, the chairman sets a schedule of board and committee meetings to be held in the following twelve months. Further details on the agenda items are outlined under 'Board Meetings' on page 46.

Managing Director

The managing director has day to day management responsibility for the running of the company and the operations of the subsidiary companies. He is responsible for the execution of the board-approved strategy and is central to the setting and review of strategy. The managing director works with and delegates functions to the executive committee team.

Company Secretary

The company secretary's responsibilities include ensuring that board procedures are followed, assisting the chairman in relation to corporate governance matters and ensuring compliance by the company with its legal and regulatory requirements.

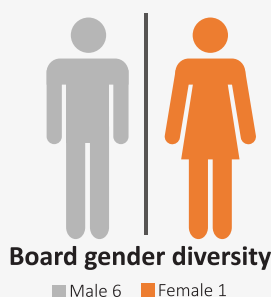
CHAIRMAN'S GOVERNANCE STATEMENT (CONTINUED)**Membership, composition and diversity**

As at 31 December 2016, the board consisted of one executive and six non-executive directors. The composition of the board and brief biographies of the directors, highlighting their diversity, are set out on page 40. Their broad mix of skills and experience is shown below:

Name	Position	Experience
Eng. E.K. Mwongera	Independent	Engineer, Management, Strategic Planning
Allan Walmsley	Executive	Accountant, Finance, Strategy
Stephen M. Githiga	Non -executive	Accountant, Financial Services
Akif H. Butt	Non -executive	Accountant, Corporate Planning
Peter M. Gitonga	Non -executive	Business Administration, Strategy
Sameer N. Merali	Non -executive	Financial Services, Investment Management
Grace Kemei	Independent	Legal, Business Administration

The board, with the assistance of the nominations and remuneration committee, keeps board composition under review to ensure that it includes the necessary mix of relevant skills and experience required to perform its role. The board's objective is to have the appropriate mix of skills, knowledge and experience, from a wide range of industries, regions and backgrounds, necessary to address the major challenges facing the company.

Guided by the Group's diversity policy, which includes the objective of increasing gender diversity, Ms. Grace J. Kemei was appointed as a director and member of the audit, risk and corporate governance committee on 26 July 2016. Unfortunately, Ms. Kemei tendered her resignation from the board on 9 January 2017 following her appointment as a Justice of the High Court of Kenya.



Further details in relation to board composition and renewal is set out in the nominations and remuneration committee report on pages 62.

Appointment

The nominations and remuneration committee is responsible for setting the criteria on board appointments. More details on the appointment process are set out in the nominations and remunerations committee report on page 62.

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 and if eligible, and offer themselves, they may be so re-elected in that meeting. In the last annual general meeting held on 14 June 2016, Mr Sameer Naushad Merali 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 48th annual general meeting on page 143.

Training and Development

New non-executive directors undergo an induction process which includes a series of meetings with the managing director and executive committee members.

The chairman and company secretary review directors' training needs, in conjunction with individual directors, and match those needs with appropriate external seminars and workshops. The chairman also discusses individual training and development requirements for each director as part of the annual evaluation process.

Board charter

The board charter regulates the parameters within which the board operates and ensures the application of the principles of good corporate governance in all its dealings. Furthermore, the board charter sets out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures of the board. The board charter is aligned with the provisions of all relevant statutory and regulatory requirements, including, among others, the Companies Act 2015, the CMA Code of Corporate Governance and CMA Continuing Listing Obligations. The board charter is available on our website www.sameerafrica.com.

Independence

The board has carried out its annual evaluation of the independence of each of its non-executive directors, taking account of the relevant provisions of the CMA Code. Eng. E.K. Mwongera and Mrs. Grace Kemei met the independence criteria as set out in the Code. Eng. Mwongera holds several other directorships outside of the Sameer Group but the Board considers that these do not interfere with the discharge of his duties to Sameer Africa. The tenure of Eng. E.K. Mwongera and Mrs. Grace Kemei, being the only independent board members have not individually exceeded a cumulative term of nine years.

Board Meetings

During the year ended 31 December 2016, the board held four scheduled meetings and one special board sitting. Individual attendance at these meetings is set out in the table below. There is regular contact as required between meetings in order to progress the Group's business.

CHAIRMAN'S GOVERNANCE STATEMENT (CONTINUED)

Name	Designation	Scheduled Meetings 2016				Special meeting
		7 April	14 June	26 July	23 Nov	29 Aug
Eng. E.K Mwongera	Independent non -executive director	✓	✓	✓	✓	✓
Allan Walmsley	Executive director (MD)	✓	✓	✓	✓	✓
Stephen M. Githiga	Non -executive director	✓	✓	✓	✓	A
Akif H. Butt	Non -executive director	✓	✓	✓	✓	✓
Peter M. Gitonga	Non -executive director	✓	✓	✓	✓	✓
Sameer N. Merali	Non -executive director	A	A	✓	✓	✓
Grace Kemei	Independent non -executive director	NA	NA	BI	✓	✓

✓ indicates attendance A indicates absent with an apology NA not appointed | BI indicates attendance by invitation

EXECUTING GOVERNANCE

The board held a special sitting on 29 August 2016. The focus of this sitting was the company's response to its declining market share in the face of unfair competition from tyres imported from the East in an operating environment of rising production costs. The board considered various adaptive strategies and their respective risk coefficients.

A schedule of board and committee meetings is circulated to the board in advance of the calendar year, which includes the key agenda items for each meeting. Board papers are circulated in the week preceding the meeting. The key recurrent board agenda themes are review of management reports, governance, risk and

Strategy execution is subject to a one-day combined board and executive committee session held a day prior to main board meetings.

Board activities in 2016

During the year the key board agenda items included;

- Approving the boards work plan for the year, against which the board evaluation would be based;
- Receiving the managing directors and departmental progress reports;
- Review of the 2012-2016 strategic plan and setting strategic focus areas for the 2017-2019 strategic plan; and
- Deliberation on the company's response to its economic and operating context.

Board Committees

The board has established three standing committees through which it delegates certain responsibilities, namely the audit, risk and corporate governance committee, finance and investments committee and the nominations and remuneration committee. The audit, risk and corporate governance committee fulfils the functions of an 'Audit Committee' as required by the CMA Code and Listing Obligations while the nominations and remuneration committee carries out the role of the "Nominations Committee" as required by the CMA Code and Listing Obligations.

At each ordinary board meeting, the chairpersons of the board committees are required to report to the board on the highlights of the deliberations of the committees and to escalate to the board all matters requiring the board's consideration and approval. The reports of the committee chairpersons are contained on pages 56 to 66. The reports provide more details on their deliberations and key achievements in the year 2016.

Remuneration

Details of remuneration paid to the directors are set out in the Remuneration Report on pages 62 to 65 as required by the Companies Act 2015.

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.

CHAIRMAN'S GOVERNANCE STATEMENT (CONTINUED)**Corporate disclosures**

The company conforms to all regulatory requirements on disclosure. We do all it takes to adhere to the corporate governance code as set by the Capital Markets Authority and as required by law.

The disclosures are available in our financial reports and on our website www.sameerafrica.com.

We also engage the media when circumstances require such engagement. We are also open to scheduled visits to our premises for any stakeholder who requires any information which shall be supplied on a 'right to have' basis. We assure our stakeholders of our transparency in all our dealings and interactions.

Means of communication

In communicating with shareholders and stakeholders, the company has a website, social media pages, whistleblowing channels and telephone lines that one can be used to facilitate communication with the company. See page 150. For details

The board will be proactive in ensuring that all stakeholders are supplied with relevant information, with the best interests of the company in mind, when determining the information to be shared via appropriate channels.

Sameer Africa will, therefore, engage the media in dissemination of important company information and other information regarding corporate governance in order to keep our investors and other stakeholders well informed.

Information supplied to the board

The board is always kept abreast of significant issues within the company through its various committees and through its follow up activities. The board is always provided with relevant and important information concerning the company by the members of the executive committee in order to drive board discussions and to facilitate best decisions to issues affecting the company. The board usually has formal channels of receiving information through meetings and formal interaction. However, members usually also use informal channels to obtain information such as visits and individual manager interactions.

General meetings

The company's Annual General Meeting ('AGM') affords shareholders the opportunity to question the chairman and the board. The chairmen of all committees are also available to answer questions at the AGM. The chairman and managing director present at the AGM on the Group's business and its performance during the prior year and answer questions from shareholders. Notice of the AGM, the Form of Proxy and the

Annual Report are sent to shareholders at least 21 days before the AGM. At the AGM, resolutions are voted on by a show of hands of those shareholders attending, in person or by proxy. The 2017 AGM will be held at 11 a.m. on 9 June 2017 at the company's premises, situated along Mombasa Road, Nairobi.

Report of the Directors

For the purposes of the Companies Act 2015, the report of the directors is on pages 69 to 70.

Shareholders' grievances

The company will utilize the dispute resolution mechanism appropriately and timeously to resolve any grievance a shareholder or any other stakeholder may have with the company in line with the requirements of the CMA Code.

Any shareholder with grievances is encouraged to use the following email address which is specifically set aside to handle shareholder grievances: shareholders@sameerafrica.com

The company will also ensure that all shareholders are afforded equal treatment.

Board and committee evaluation

The board conducts an annual evaluation of its own performance, that of each of its principal committees and that of individual directors.

In 2016, the performance evaluation process was internally defined and conducted and covered a variety of aspects associated with board effectiveness, including the composition of the board, the content and running of board and committee meetings, corporate governance, risk, succession planning and the directors' continuing education process.

The main conclusion from the evaluation process was that the board, its committees and individual directors are performing well. The process in respect of the year under review was concluded at the March 2017 board meeting, with a number of actions being agreed which the chairman will be undertaking in 2017.

Relations with Shareholders

The board attaches a high priority to effective communication with shareholders and has regular 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. The company has made available an 'investor relations' page on its website where it communicates with its shareholders on major happenings including interim and annual financial results.

Principal shareholders

The ten largest shareholdings in the company and the respective number of shares held at 31 December 2016 are as follows:

	Name	Number of Shares	%
1.	Sameer Investments Ltd	200,817,982	72.15%
2.	Patrick Njogu Kariuki	5,624,800	2.02%
3.	BNP Paribas (Suisse) SA	4,417,600	1.59%
4.	Best Investment Decisions Ltd	2,245,800	0.81%
5.	Kenyalogy.Com Limited	1,919,900	0.69%
6.	Kenya Commercial Bank Nominees Limited A/C 915b	1,892,517	0.68%
7.	Craysell Investments Limited	1,875,171	0.67%
8.	Andrew Mukite Musangi	1,147,200	0.41%
9.	Swani Coffee Estate Limited	1,123,060	0.40%
10.	Shah Minaxshri Shah and Sureshchandra Raichand	1,071,600	0.38%

CHAIRMAN'S GOVERNANCE STATEMENT (CONTINUED)**Distribution of shareholders**

Share range	Number of shareholders	Number of shares	%
0 - 500	7,812	2,166,262	0.80%
501 – 5,000	5,121	8,169,264	2.94%
5,001 – 10,000	481	3,659,855	1.32%
10,001 – 100,000	511	15,770,803	5.67%
100,001 – 1,000,000	81	26,440,579	9.50%
Over 1,000,000	10	222,135,630	79.77%
Total	14,016	278,342,393	100%

SAMEER BUSINESS PARK

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CHAIRMAN'S GOVERNANCE STATEMENT (CONTINUED)**CODE OF CORPORATE GOVERNANCE REPORTING TEMPLATE**

A lot of effort has been put in ensuring high standards of corporate governance within Sameer Africa Ltd. To this end we have conducted an internal self-assessment of implementation of code corporate governance. Below is a table showing the status of our implementation of the code corporate governance as issued by CMA

OVERVIEW	All elements marked in green are mandatory F.A-Fully Applied, P.A-Partially Applied, N.A- Not Applied.			
	Mandatory or "apply or explain"	Question	Application	Comment
OUR BUSINESS		INTRODUCTION		
	M	Has the company developed a Board Charter which is periodically reviewed and which sets out the Board responsibility for internal control?	F.A	Available at www.sameer africa.com
	M	Do the Board Charter or company documents distinguish the responsibilities of the board from management in line with the code requirements?	F.A	Available at www.sameer africa.com
OUR PERFORMANCE	A or E	Is there a statement indicating the responsibility of Board members for the application of corporate governance policies and procedures of the company?	F.A	Within Integrated Report.
	M	How has the Board ensured all directors, CEOs and management are fully aware of the requirement are fully aware of the requirements of this Code?	F.A	Was discussed and shared with management.
	M	Do company documents indicate the role of the Board in developing and monitoring the company strategy?	F.A	Contained in Charter and various policies.
GOVERNANCE	A or E	Does the company strategy promote sustainability of the company?	F.A	Contained in the strategic plan.
	M	Are all Board Committees governed by a written charter/ terms of reference, disclosing its mandate, authority, duties, composition, and leadership and working processes?	F.A	Adopted by the Board.
		BOARD OPERATIONS AND CONTROL		
FINANCIAL STATEMENTS	M	Has the Board established a Nomination Committee comprised mainly of independent and non-executive Board members?	F.A	Committee in place.
	M	Is the Chairperson of the Nomination Committee an independent director?	F.A	Chairperson is independent.
	M	Has the Board adopted and published procedures for nomination and appointment of new Board members?	F.A	Contained in the policy on appointment.
SHAREHOLDERS INFORMATION	M	Is the Board size adequate for the exercise of the company business?	F.A	Comprises of 9 members.
	A or E	Has the Board adopted a policy to ensure the achievement of diversity including age, race and gender in its composition?	P.A	Draft policy under review
OTHER INFORMATION	M	Do the Board members represent mix of skills, experience, business knowledge and independence to enable the discharge of their duties?	F.A	Comprises of diverse skill mix
	M	Has the Board adopted and applied a policy limiting the number of Board positions each Board member may hold at any one time?	F.A	Contained in Board Charter and policy on appointment.

CODE OF CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

Mandatory or "apply or explain"	Question	Application	Comment
M	Have any Alternate Board members been appointed? If so, have the Alternate Director(s) been appointed according to regulation and code requirements?	N.A	No alternate Board members.
M	Are independent directors at least one- third of the total number of Board members?	F.A	4 out of 9 members are independent.
A or E	Does the Board have policies and procedures to annually assess the independence of the independent Board members?	F.A	Contained in policy on appointment.
M	Do all independent Board members have a tenure of less than 9 years?	F.A	Yes.
M	Is the Board comprised of a majority of non-executive board members?	F.A	Yes.
M	How does the Board ensure smooth transition of Board members?	F.A	Through succession planning.
M	Has the Board established an effective Audit Committee according to Code requirements?	F.A	Committee in place.
M	Are the functions of the Chairperson and the Chief Executive Officer exercised by different individuals?	F.A	Yes.
A or E	Is the Chairman of the Board a non-executive board member?	F.A	Yes.
A or E	Has the Board established procedures to allow its members access to relevant, accurate and complete information and professional advice?	F.A	Yes. Contained in Board Charter.
M	Has the Board adopted a policy on managing conflict of interest?	F.A	Yes.
M	Has the Board adopted a policy on related party transactions to protect the interests of the company and all its shareholders and which meets the requirements of the Code?	F.A	Yes.
M	Has the company appointed a qualified and competent company secretary who is a member in good standing of ICPSK?	F.A	Yes.
A or E	Has the Board adopted policies and processes to ensure oversight of sustainability, environmental and social risks and issues?	P.A	Being improved.
A or E	Has the Board developed an annual work-plan to guide its activities?	P.A	Can be improved upon.
M	Has the Board determined, agreed on its annual evaluation process and undertaken the evaluation or the performance of the Board, the Board Committees, the CEO and the Company secretary?	F.A	Yes.
A or E	Has the Board established and applied a formal induction program for in-coming members?	P.A	Can be improved upon.
A or E	Do Board members participate in on-going corporate governance training to the extent of 12 hours per year?	F.A	Yes.

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CODE OF CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

	Mandatory or "apply or explain"	Question	Application	Comment
OVERVIEW	A or E	Has the Board set up an independent Remuneration Committee or assigned to another Board committee the responsibility for determination of remuneration of directors?	F.A	Yes.
	M	Has the Board established and approved formal and transparent remuneration policies and procedures that attract and retain Board members?	F.A	Yes. Contained in policy on remuneration.
OUR BUSINESS	M	How does the Board ensure compliance with all applicable laws, regulations and standards, including the Constitution and internal policies?	P.A	The company will be subjected to a compliance audit on applicable laws and corporate governance
	M	In the past year, has the Board organized a legal and compliance audit to be carried out on a periodic basis?	N.A	The audit will be scheduled this year
PERFORMANCE	A or E	Has the Board subjected the company to an annual governance audit?	N.A	The audit will be scheduled this year.
		RIGHTS OF SHAREHOLDERS		
OUR	M	Does the governance framework recognize the need to equitably treat all shareholders, including the minority and foreign shareholders?	F.A	Contained in the Board Charter.
	M	Other than at the AGM, how does the Board facilitate the effective exercise of shareholder's rights?	F.A	Communication via the media and the company website.
GOVERNANCE	M	How does the Board facilitate shareholders participation at the AGM?	F.A	All shareholders are given an equal opportunity to raise their questions and seek clarifications on any issue.
	A or E	Are minority and foreign shareholders holding the same class of shares treated equitably?	F.A	Yes. Contained in the Board Charter.
FINANCIAL STATEMENTS	A or E	Is there evidence that the Board proactively provides information to shareholders and the media, (and in a timely basis) on corporate affairs and corporate governance?	F.A	Can be improved upon.
		STAKEHOLDER RELATIONS		
SHAREHOLDERS INFORMATION	A or E	Does the Board have a stakeholder-inclusive approach in its practice of corporate governance and which identifies its various stakeholders?	P.A	Can be improved upon.
	A or E	Has the Board developed policies, procedures and strategies to manage relations with different/key stakeholder groups?	F.A	Contained in policy on disclosures.
OTHER INFORMATION	A or E	How does the Board take into account the interests of key stakeholder groups prior to making decisions?	F.A	Yes.
	M	How does the Board ensure effective communication with stakeholders?	F.A	Through the media, website and financial reports.
	M	Has the Board established a formal dispute resolution process to address internal and external disputes?	F.A	Yes. Policy in place.

CODE OF CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

Mandatory or "apply or explain"	Question	Application	Comment
	ETHICS AND SOCIAL RESPONSIBILITY		
A or E	Does the Board ensure that all deliberations, decisions and actions are founded on the core values (responsibility, accountability, fairness and transparency) underpinning good governance and sustainability?	F.A	Yes.
M	Has the Board developed a Code of Ethics and Conduct (which includes sustainability) and has it worked to ensure its application by all directors, management and employees?	F.A	Yes. Policy in place.
A or E	How does the Board ensure that compliance with the Ethics Code and Conduct is integrated into company operations?	P.A	Reporting can be improved.
A or E	Does the Board incorporate ethical and sustainability risks and opportunities in the risk management process?	F.A	Yes.
A or E	How is the company performance on ethics assessed, monitored and disclosed to internal and external stakeholders?	P.A	Follow up can be improved.
A or E	Has the company established and implemented a whistle blowing policy?	F.A	Yes.
A or E	Has the Board/ management developed policies on corporate citizenship and sustainability and strategies for company use?	P.A	Draft policy under review
M	Does the Board consider not only the financial performance but also the impact of the company's operations on society and the environment?	F.A	Yes. Has implemented ISO 9001:2015
A or E	Does the Board monitor and report activities leading to good corporate citizenship and sustainability to demonstrate they are well coordinated?	P.A	Reporting can be improved upon.
	ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL		
M	Does the Audit Committee and the Board consider and review the financial statements for integrity of the process and for truthful factual presentation?	F.A	Yes. Contained in the Integrated Financial Report.
M	Does the Annual Report contain a statement from the Board explaining its responsibility for preparing the accounts and is there a statement by the external auditor about his/her reporting responsibilities?	F.A	Yes.
A or E	Does the Board or audit committee have a process in place to ensure the independence and competence of the Company's external auditors?	N.A	To be adopted.

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CODE OF CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

	Mandatory or "apply or explain"	Question	Application	Comment
OVERVIEW	M	Do the shareholders formally appoint the external auditor at the AGM through a formal and transparent process?	F.A	
OUR BUSINESS	A or E	Is the Company working toward the introduction of integrated reporting or is the company's Annual report prepared on an integrated basis using a framework available from the integrated Reporting Council, The Global Reporting Initiative, G4 Sustainability Guidelines and/or Sustainability Accounting Standards Board standards?	P.A	GRI to be implemented.
	A or E	Has the Board established an effective risk management framework which is inclusive of environmental and social risks and issues?	P.A	Incorporated risk registers on-going process.
OUR PERFORMANCE	M	Has the Board established and reviewed on a regular basis the adequacy, integrity and management of internal control systems and information systems (including for compliance with all applicable laws, regulations, rules and guidelines)?	F.A	Yes. Legal, Audit and ICT department report quarterly on compliance/ noncompliance.
	M	Does the Board annually conduct a review on the effectiveness of the company's risk management practices and internal control systems and report this to shareholders?	F.A	Yes. Risk registers in place and are being reviewed by the Audit Committee.
GOVERNANCE	M	Has the Board established an effective internal audit function according to Code requirements and which reports directly to the Audit Committee?	F.A	Yes.
	A or E	Does the Board disclose details of Audit Committee activities?	F.A	Yes. Contained in the Integrated Financial Report.
		TRANSPARENCY AND DISCLOSURE		
FINANCIAL STATEMENTS	M	Does the company have policies and processes to ensure timely and balanced disclosure of all material information as required by all laws, regulations and standards and this Code.	F.A	Yes. Policy in place.
	A or E	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the company's governance, the Board and the Audit Committee?	F.A	Yes.
SHAREHOLDERS INFORMATION	A or E	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the company's mission, vision and strategic objectives?	F.A	Yes.
	A or E	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to remuneration and whistleblowing?	F.A	Yes.
OTHER INFORMATION	A or E	As a minimum, does the company website disclose current information on all areas prescribed in 7.1.1 (Board Charter, Whistleblowing policy, Code of Ethics and Information on resignation of directors)?	F.A	Yes.

CODE OF CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

Mandatory or "apply or explain"	Question	Application	Comment
A or E	Does the Board disclose the management discussion and analysis as required in 7.1.1	F.A	Yes.
A or E	Has the Board provided disclosures as required in 7.1.1 on compliance with laws, regulations and standards; ethical leadership, conflict of interest, corporate social responsibility and citizenship?	P.A	Can be improved upon.
A or E	Has the Board made all required disclosures, including confirming requirements of 7.1.1 which include that a governance audit was carried out and that there are no known insider dealings?	P.A	
A or E	Has the Board disclosed the company's risk management policy, company procurement policy, policy on information technology as per 7.1.1?	F.A	
M	Has the Board disclosed information on shareholders, Including the extent of their shareholding?	F.A	Contained in the Integrated Financial Report.
M	Has the Board disclosed all related-party transactions?	F.A	Contained in the Integrated Financial Report.
M	Does the Board include in its Annual Report a statement of policy on good governance and status of the application of this Code?	F.A	Yes.

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AUDIT RISK AND CORPORATE GOVERNANCE COMMITTEE REPORT

OVERVIEW



As chair of the audit, risk and corporate governance committee I am pleased to present this year's report to our members and other stakeholders.

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 head of audit and risk reports directly to this committee and makes quarterly presentations for the consideration of members.

The committee also plays a key accountability role in the governance framework of Sameer Africa. While management retains ultimate accountability for operations, the committee independently reviews and assesses the effectiveness of key aspects of the company's operations.

On the committee are highly qualified individuals who are financially literate, vastly experienced and have the appropriate skills to discharge committee responsibilities.

The responsibilities and mandate of the committee are clearly spelt out in the audit, risk and governance committee charter which is also on the company's website at www.sameerafrica.com

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In its usual mandate the board audit, risk and corporate governance committee:

- At the beginning of the year reviewed and approved the 2016 yearly audit plan.
- It monitored the work of the internal auditors.
- It engaged the external auditors and received their reports.
- Considered and reviewed the external auditors fees and recommended the same to the full board for approval.
- Reviewed risk management reports.
- Reviewed corporate governance reports.
- Reported to the main board.
- Followed up for closure of issues raised.

Internal Controls

The committee was active in reviewing and monitoring the effectiveness and quality of the internal control environment. A robust internal control environment ensures greater efficiencies in all processes, less wastage and losses, more effective valuation methodologies and better management decisions. The committee provides counsel and guidance in such matters. The committee was furnished with adequate information and reports and was satisfied with the adoption and application of suitable internal and accounting controls during the year. Where weaknesses were identified, the committee recommended improvement and also assured itself that corrective actions were taken. The committee also ensured that an internal control culture is set by executive management and it emphasizes to executive management the importance of permeating such culture throughout the organization. All managers are held responsible for ensuring that effective internal controls are applied and upheld and in certain instances, where a need has arisen, individual managers are required to attend committee meetings to explain any issues or violations that may have occurred.

The committee has the attitude, energy and responsibility to ensure continuous adherence to international best practice.

However, the committee always strives to achieve a balanced approach to ensure unnecessarily bureaucratic internal controls are avoided that may hinder efficiency and create bottlenecks. This is achieved through the identification and implementation of suitable compensating controls.

During 2016, the committee was appraised regularly in respect of weaknesses identified or performance gaps noted and ensured that corrective actions were taken and improvements effected.

In 2016, the committee concluded that internal controls were in place and functioning as desired, areas of improvement were identified and corrective actions implemented. No major control weaknesses or deficiencies were identified during the year.

Risk Management in Sameer Africa Background

2016 was the second year of Sameer Africa initiating the process of adopting enterprise risk management. During the year, the committee focused on the monitoring and evaluation of the risk management process across the Group. The process of risk management has assisted in identifying adverse risks and taking advantage of opportunities. Among the benefits so far realized are:

- risk factors are timeously identified and remediation actions embedded in the processes.
- enhanced safety of employees.
- the creation of a safe working environment.
- a reduction in the incidents of fraud and errors.
- a significant reduction in the incidents of fraud and their monetary impacts and an improvement in the overall internal control environment.
- enhanced customer satisfaction.
- compliance with the Capital Markets Authority's guidelines on risk management.
- the provision of a tool for continuous self-assessment.
- assisted in taking advantage of opportunities that present themselves.
- the provision of a pool of information which assists in guiding the decision making process.

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AUDIT RISK AND CORPORATE GOVERNANCE COMMITTEE REPORT (CONTINUED)

Risk Management in Sameer Africa (continued)

Background (continued)

The information contained in the risk registers and reports is proving to be invaluable.

The risk management process has also assisted greatly in ensuring strict regulatory compliance across the Group. The dynamism of our operating environment requires that the risk management process is robust and dynamic and not only responds to the changing environment but is also able to accurately identify both systematic and unsystematic risks.

The process of risk management in Sameer Africa



The risk management function is driven by a committee made up of staff from all departments. The committee is known as the “risk champions” and are responsible for the activities in the risk management process as illustrated below

During the year the major achievements in risk management were to strengthen the risk management framework generally and to identify risks associated with the factory closure and our alternative sourcing strategy.

*This included assessing the likelihood and impact

*High, Medium Low

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AUDIT RISK AND CORPORATE GOVERNANCE COMMITTEE REPORT (CONTINUED)**Membership**

The committee is composed of highly qualified individuals with broad business knowledge relevant to the company's business.

As at 31 December 2016, the committee's membership comprised of one (1) independent non-executive director namely, Grace Kemei, and three (3) non-executive directors – Stephen Githiga (Chairperson), Sameer Merali and Peter Gitonga. The managing director, the head of audit and risk, general manager finance and strategy and the company secretary are regular invitees to committee meetings.

Chairperson

As the chairman of this committee, I am a Certified Public Accountant of Kenya (CPA-K) and member in good standing of the Institute of Certified Public Accountants of Kenya.

The committees activities in 2016

During 2016, the committee met three times for scheduled meetings as shown below. This was over and above the one-on-one meetings held with the head of audit and risk to discuss the implementation of the annual audit plan and provide guidance on specific issues, and my meetings with committee members to discuss induction, training needs and areas where the committee may require independent external advice.

MEETINGS AND ATTENDANCE DURING 2016			
Member	24.03.16	21.07.16	21.11.16
Stephen M. Githiga (Chairman)	✓	✓	✓
Sameer N. Merali	A	✓	✓
Peter M. Gitonga	✓	✓	NLM
Grace Kemei	NA	NA	A

✓ indicates attendance | A indicates absent with an apology | NA not appointed | NLM indicates no longer a member

What we focused on in 2016

The committee continued with its review of the Code of Business Conduct and Ethics for Directors and Executive Management. It further monitored the adoption and implementation of The Code of Corporate Governance Practices for the Issuers of Securities to the Public 2015, ("The Code"). A thorough internal assessment was conducted with regards to compliance with The Code and below is a summary of the achievements so far:-

- A corporate governance internal audit was conducted and a number of issues were found to be in compliance such as :
 - Board composition and appointment procedures.
 - Board is of sufficient size.
 - Clear roles and responsibilities have been defined.
 - There is appropriate balance of skills.
 - Code of Ethics is in place.
 - Board Charter has been made public
 - Directors were made well aware of the CMA Code of Corporate Governance.
 - Defined company mission, vision and strategy is in place.
 - Regular review of company performance.
 - Risk management framework, procedures and policies are in place.
 - Monitored effectiveness of corporate governance practices.
 - Working board committees (finance, audit risk and corporate governance and nominations and remuneration) are in place.
 - Committee members have the appropriate skills.
 - All committees have chairpersons.
 - Board is assisted by a qualified secretary.
 - The board has developed structures to ensure independent verification and safeguarding of financial reporting and financial information.
 - The board is confident of compliance with all applicable laws.
 - The board has ensured robust internal control systems are in place.
 - The board promotes sustainability.
- The board and committee charters were also revamped in 2016. See website at www.sameerafrica.com
- The following policies were either revamped in 2016, or introduced;
 - The board charter.
 - The nominations and remuneration charter.
 - The audit, risk management and corporate governance charter.
 - The finance charter.
 - Policy on corporate disclosures policies and procedures.
 - Policy on conflict of interest.
 - Code of ethics and conduct.
 - Policy on related party transactions.
 - Policy on directors remunerations.
 - Policy on the appointment of board members.
 - Policy on dispute resolution.
 - Board evaluation toolkit.

AUDIT RISK AND CORPORATE GOVERNANCE COMMITTEE REPORT (CONTINUED)

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Complex and discrete transactions: The committee assessed the accounting treatment of the impairment of factory assets and severance costs following the decision to cease manufacturing operations. The applicability of relevant accounting standards – IFRS 5:Non-current Assets Held for Sale and Discontinued Operations, IAS 16:Property Plant and Equipment, IAS 36:Impairment of Assets, IAS 2:Inventories and IAS 19:Employee Benefits was assessed and the committee resolved that the accounting treatment as shown in the annual financial statements and the accompanying notes was sufficient and in compliance with IFRS.

Impairment losses:

During the year the committee continued with the assessment of accounts receivables and evaluated management on impairment losses arising therefrom. In comparison to previous periods there was a noted improvement in credit extension which was as a result of enhanced credit evaluation.

Pension Accounting:

Management concluded the process of converting the in-house gratuity scheme for unionized staff to a defined contribution pension scheme. This transition proved to be well advised during the factory closure and retrenchment exercise in 2016.

Filing of statutory returns:

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

Stock holding:

The committee also reviewed inventory levels, which were deliberately increased in 2016, to allow for a smooth transition from in-house manufacturing to offshore manufacturing. As noted in the financial statements, finished goods inventory closed 2016, considerably higher than at year end 2015.

In 2016, there were also discussions and enhancement of controls over goods sold on consignment.

Strategic Plan

Due to expiry of the 2012-2016 Strategic Plan and the significant changes that have occurred within the company during that period, the committee initiated the formulation of a new 2017 – 2019 Strategic Plan which was approved by the board on 1 March 2017.

YTC Operations

The committee also reviewed the performance of the Yana Tyre Centres and pushed for more efficient service delivery, improved revenue collection and a move to diversify the product offering. The committee believes the direction the company is taking in growing the Yana Tyre Centre footprint is the correct strategy and is well aware of the need for improved oversight in this area of operations.

Revenue Growth

Revenue growth has been a constant area of concern and focus for the committee. A number of initiatives have been put in place to ensure revenue growth in the 2017 – 2019 Strategic Plan.

Information Technology

As part of its oversight responsibility, the committee reviews the controls over information technology. The committee ensures there are properly qualified personnel and suitable equipment to ensure maximum leveraging of technology within the Group whilst ensuring security and business continuity are always catered for.

A number of IT risks were identified in 2016, and mitigating controls were put in place. Working with both our internal and external auditors, the committee was able to review the status of the company's information security and address various issues, amongst them:

- Access controls within the SAP backbone system.
- Activity logs activation.
- Incident management and reporting.
- Infrastructure upgrade and migration.
- Cyber security

Cyber security continues to be an area of focus. No breaches were detected during 2016. Lapses in password management were identified and promptly addressed. Key among this was strengthening of password protocols. There was also an upgrade of the SSL certificates and an upgrade of the software used to monitor system activities.

Future Activities

The committee is always concerned about sustainability and robustly reviews all future plans. The committee contributes through various means, such as risk management and strategy implementation reviews, to the “forward looking” function of the main board.

AUDIT RISK AND CORPORATE GOVERNANCE COMMITTEE REPORT (CONTINUED)**Our auditors****Internal Audit**

The internal audit department offers assurance on internal control, risk and governance and also provides consultancy services on transactional efficiency improvement and sustained continuity assurance. The group's internal audit function, headed by the head of audit and risk, remained robust and was strengthened by one more staff member in the year. This will ensure the anticipated expansion of the Yana Tyre Centre footprint is well covered. Additionally, the extra resource will ensure effective monitoring of the risk management process and ongoing review of our corporate governance efforts.

The internal audit department is independent and reports directly to the committee and has unrestricted access to all records and individuals within the group.

The members of staff in this department are qualified and highly skilled and are members of Institute of Certified Public Accountant (ICPAK) and some are members of the International Association of IT Governance (ISACA).

The committee reviewed the proposed audit methodology and coordinated the audit work with internal audit staff. The committee reviewed and approved the audit plan, reviewed staffing and the organization of the department. It also met with internal auditors and management on a periodic basis and discussed various matters.

While still maintaining their independence and objectivity, internal audit is encouraged by the committee to foster partnership and establish meaningful communication with management and all stakeholders. This greatly enhances the delivery of audit services. The department continually attends targeted training courses to hone their skills and improve their general industry awareness. The committee ensured that there was cost optimization within the department, without compromising service delivery. 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.

External Auditors

During the year, the committee considered the performance and the level of audit fees of the external auditor and recommended to the board that a resolution for the re-appointment of KPMG for a further year as the company's auditor be proposed to shareholders at the AGM held in May 2016. The resolution was duly passed and KPMG were appointed as auditors for the year ended 31 December, 2016. KPMG also provided tax consultancy services for the group. These services did not in any way compromise their independence or objectivity in discharging their regular audit work.

The committee has recommended the re-engagement of KPMG as external auditors for the year 2017. The agreed fees for the Group and its subsidiaries for the financial year 2016 were Kshs 5.3 million (2015-Kshs 5.3 million)



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FINANCE AND INVESTMENTS COMMITTEE REPORT



Being chair of the finance and investments committee I am pleased to report to you on the activities of this committee during 2016.

The committee is established to assist the board in fulfilling its financial oversight responsibilities with specific reference to corporate finance, resources and asset utilization, capital structure, cash management, equity and debt financing, capital expenditure, financial planning and reporting and the overall financial performance of the Group.

The 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; and,
- Evaluating all major capital expenditure and business acquisition proposals from management.

Membership

As at 31 December 2016, the committee's membership comprised of one executive director (Allan Walmsley), and three (3) non-executive directors namely, Akif Butt (Chairperson), Sameer Merali and Peter Gitonga. The general manager finance & strategy and the company secretary are regular invitees to committee meetings.

The Committees activities in 2016

The Committee met three times during the year as shown below:

MEETINGS AND ATTENDANCE DURING 2016			
Member	24.03.16	22.07.16	15.11.16
Akif Butt (Chairman)	✓	✓	✓
Peter M. Gitonga	✓	✓	✓
Allan Walmsley	✓	✓	✓
Sameer Merali	A	✓	✓

✓ indicates attendance
A indicated absent with an apology
NA not appointed

Key agenda items in our 2016 meetings included;

- Review of the groups half-year and full-year financial results;
- Review of the report to be submitted to the CMA and NSE and the profit warning and public announcements made following the decision of the board to cease local factory operations;
- Review and recommendation to the board of the 2017 operating budget;
- Review and consideration of various tax and regulatory implications of the business restructuring;
- Recommendation of distribution of dividends by subsidiary companies; and,
- Review of existing banking facilities and outstanding borrowings.

In a joint meeting with the audit, risk and corporate governance committee, the annual financial statements for the year ended 31 December 2016 were evaluated and considered to be in compliance with the requirements of the Kenya Companies Act, International Financial Reporting Standards and to have substantially complied with the CMA Code. Both committees recommended the annual financial statements for approval by the board. The board has subsequently approved the financial statements.

NOMINATIONS AND REMUNERATION COMMITTEE REPORT

OVERVIEW



I have the privilege of serving both as chairman of the board of directors and as chair of the nominations and remuneration committee. The work of this committee is instrumental to the proper functioning of the board, the board committees and the executive management team. 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.

The 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;

- Reviewed the remuneration disclosure in the integrated report to ensure that it was accurate and transparent and provided sufficient information for the shareholders to assess the remuneration policy.
- 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; and,
- Establishing remuneration and reward-based incentive schemes for senior executive management.

Membership

As at 31 December 2016, the committee's membership comprised of one executive director (Allan Walmsley) and three (3) independent non-executive directors namely, Eng. Eng. Erastus Mwongera (Chairperson), Grace Kemei and Peter Gitonga. The head of human resources and the company secretary are regular invitees to committee meetings.

MEETINGS AND ATTENDANCE DURING 2016

Member	15.03.16	20.07.16	18.11.16
Eng. Erastus Mwongera (Chairman)	✓	✓	✓
Peter M. Gitonga	✓	✓	✓
Grace Kemei	NA	NA	A
Allan Walmsley	✓	✓	✓

✓ indicates attendance
A- indicated absent with an apology
NA- not appointed

Key remuneration developments and activities:

Changes to board and board committee composition

- Mrs. Grace Kemei was appointed to the board on 26 July 2016. Grace, a lawyer by profession, added experience and diversity to the board. Grace was subsequently appointed to both the nominations and remuneration committee and the audit, risk and corporate governance committee.
- Mr. Sameer Merali, a board member and member of the audit, risk and corporate governance committee was appointed to the finance and investments committee. His background in financial services will add to the committee's experience and enable it to carry out its responsibilities more effectively.
- Mr. Peter Gitonga a board member and member of the audit, risk and corporate governance committee was appointed to the finance committee. Peter brings to the committee a wealth of experience gained in commercial roles within Sameer Africa Limited and external experience from other business sectors.

Key executive management changes during 2016;

- Mr. John Kabare, head of manufacturing left the company after 23 years of service.
- Mr. Romulus Odhiambo, head of supply chain, left the company after 8 years of service.
- Mr. Robert Akungo was appointed as acting head of supply chain with effect from 2 October 2016.

Key decisions taken by the committee during 2016;

- Oversaw and guided the factory closure, specifically in relation to all human resource related issues
- Reviewed and approved the severance pay packages for employees exiting following the closure of the factory operation on 30 September 2016
- Oversaw and guided the restructuring of the company's head office and support service functions
- Reviewed and approved the renewal of the managing director's performance contract

The Committees activities in 2016

During the year in review, the committee met three times as shown above:

DIRECTORS REMUNERATION REPORT

Objectives of this report

This report covers the remuneration governance arrangements and the remuneration outcomes for the executive director, non-executive directors and other members of the executive committee. The report fulfils the disclosure requirements under IFRS, the Kenya Companies Act and the CMA Code and Listing Rules.

The report is divided into two sections:

Section 1: An overview of key elements of remuneration for all employees, with detailed explanations for the executive director, senior management and non-executive directors

Section 2: Details of remuneration outcomes and activities in 2016, namely remuneration paid to directors and executive management during 2016, including details of directors interests other than remuneration. External assurance for this section of the report has been provided by the independent auditor, KPMG.

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NOMINATIONS AND REMUNERATION COMMITTEE REPORT (CONTINUED)

Section 1: Key elements of remuneration

Remuneration policy

Aligning the interests of the executive director 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 a high calibre executive director by paying a 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 summarizes the main elements of the remuneration package for the executive director and senior management

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 company wide 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 of comparable entities.	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 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 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, education support 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.

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NOMINATIONS AND REMUNERATION COMMITTEE REPORT (CONTINUED)

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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.	Continued good performance. Overall individual and business performance is considered when setting and reviewing salaries.

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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 stretching 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.

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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.

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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 caliber 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
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

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NOMINATIONS AND REMUNERATION COMMITTEE REPORT (CONTINUED)**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	
Contracts period	2 years contract current renewal running from 1 August 2016 to 31 July 2018	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.
Notice period (by either Company or director)	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.	When considering exit payments, the committee reviews all outstanding incentive awards and assesses outcomes that are fair to both shareholders and participants.
Termination due to incapacitation or ill health	Full payment for the first 30 days of absence including accrued gratuity. Thereafter the committee may issue a notice to discontinue any further payments	Long-term incentives The company does not currently have a share option scheme for its executive directors and members of the executive committee. However, management is encouraged to invest in the company's shares by normal trading through the Nairobi Securities Exchange.

External appointments

External appointments are subject to approval by the board and are governed by the business integrity policy.



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NOMINATIONS AND REMUNERATION COMMITTEE REPORT (CONTINUED)

Section 2: 2016 remuneration outcomes

Executive director and non-executive directors

The table below provides an analysis of the emoluments paid to the executive and non-executive directors

	2016			2015		
	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	100	2,800	2,700	40	2,740
Mr. S. M. Githiga	480	90	570	480	40	520
Mr. A. H. Butt	480	100	580	480	40	520
Mr. S.N. Merali	480	60	540	480	40	520
Mr. P. M. Gitonga	480	170	650	480	80	560
Mrs. G. Kemei	211	30	-	-	-	-
	4,831	550	5,140	4,620	240	4,860

	Mr. Allan Walmsley		Executive Committee (ExCo)	
	2016 Kshs '000	2015 Kshs '000	2016 Kshs '000	2015 Kshs '000
Basic Pay and other allowances	20,760	20,760	47,323	45,404
Non-cash benefits	649	649	146	182
Pensions / gratuity	4,500	4,502	2,921	2,635
	25,909	25,909	50,391	48,221

Non-cash benefits are the provisions of a motor vehicle for the managing director and telephone allowances for the executive management. The composition of the executive committee is as shown on page 42.

Interests of executive and non-executive directors and executive committee members

The interests of the executive director and non-executive directors and members of executive management in shares of the company from their own trading are shown below.

	No. of shares	
Capacity and name	2016	2015
Non-executive directors		
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
Total	48,200	48,200

	No. of shares	
Capacity and name	2016	2015
Executive Committee		
Edgar Imbamba	1,700	-
Total	1,700	-

By order of the board

Edgar J. Imbamba
Company Secretary
Date: 27 March 2017



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STATEMENT OF DIRECTORS' RESPONSIBILITIES

OVERVIEW

The directors are responsible for the preparation and presentation of the consolidated and separate financial statements of Sameer Africa Limited set out on pages 75 to 142, the directors report as set out on page 69 to 70 and the directors remuneration report as set out on page 62 to 66.

OUR BUSINESS

The consolidated and separate financial statements comprise the consolidated and separate statements of financial position at 31 December 2016, 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 notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

The directors' responsibilities include:

- Preparation of 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.
- 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, 2015 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.
- Ensuring the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the company and ensures that the directors' report on remuneration complies the Companies Act, 2015.
- Responsibility for safeguarding the assets of the company and the Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.
- Responsibility for the preparation and presentation of a business review.

OUR PERFORMANCE

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 and company operating results.

GOVERNANCE

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.

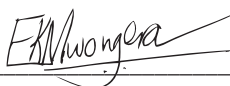
The directors also take responsibility for the director's report and the directors report on remuneration and are of the opinion that the business review includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties that it faces.

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

FINANCIAL STATEMENTS

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements, as indicated above, were approved by the board of directors on 27 March 2017 and were signed on its behalf by:



Eng. Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman



Allan Walmsley

Managing Director

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REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2016. The directors' report comprises pages 69 to 70 of this report (together with sections incorporated by reference).

Principal Activities and Business Review

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. On 29 August 2016, the board of directors announced its decision to close the Group's tyre factory in Nairobi, and to offshore the manufacture of it tyres. Other than this development, there were no significant changes in the nature of the Group's principal activities during the year.

A comprehensive business review as required by the Companies Act 2015 is included in the Integrated Report on pages 2 to 66 including a strategic review of the company's business and industry, principal risks and uncertainties facing the company and a review of the year's performance. Details on the employees of the company, environmental, social and community issues that are also required to be included in the directors report under the Companies Act 2015 are provided in the integrated report.

Position/Results

The results for the year are as set out below:

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Turnover	2,882,230	3,363,976	2,299,076	2,777,105
Operating(Loss)/ profit	(821,009)	55,514	(817,230)	48,552
Loss after tax	(652,101)	(15,652)	(404,095)	(15,749)
Shareholders equity	3,290,867	3,751,225	2,904,803	3,292,830

Dividend

The directors do not recommend the payment of a dividend (2015 – Nil)

Directors

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

Eng. E.K. Mwongera- Chairman

Allan Walmsley* – Managing Director

S.M. Githiga

P. Gitonga

A.H. Butt

S.N. Merali

G.J. Kemei – Appointed on 26 July 2016

*South African

On 9 January 2017 G.J. Kemei gave notice in writing of her resignation as a director following her appointment as a Judge of the High Court of Kenya.

In accordance with the company's articles of association, Mr. Peter Gitonga will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

As at the reporting date, the Company has received annual confirmations of independence from Eng. E.K. Mwongera and Mrs. G.Kemei, and as at the date of this report still considers them to be independent.

REPORT OF THE DIRECTORS (CONTINUED)**Directors' interests in transactions, arrangements or contracts**

The table showing the beneficial interests in the ordinary shares of the Company of the persons who were directors at 31 December 2016 is shown in the Governance' Report on page 66.

Save as disclosed above, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group, or any of the company's subsidiaries during the year.

Auditors and disclosure of information to the auditors

The auditor, KPMG Kenya, retire and a resolution for their reappointment as auditors of the company will be proposed at the forthcoming annual general meeting.

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' indemnity

A qualifying third party indemnity, as permitted by the company's articles of association and sections 197 of the Companies Act 2015, has been granted by the company to each of the directors of the Company. Under the provisions of the third party indemnity the company undertakes to indemnify each director against liability to third parties and to pay directors' costs as incurred. The indemnity has been in force for the financial year ended 31 December 2016 and until the date of approval of this report.

Conflicts of interest

The Group's policy on conflict of interest permits the board to authorize any matter which would otherwise involve a director breaching his duty under the Companies Act, 2015 or the Capital Markets Authority (CMA) Code of Corporate Governance 2015. When authorising a conflict of interest, the board must do so without the conflicting director counting as part of the quorum. In the event that the board considers it appropriate, the conflicted director will not be permitted to participate in the debate, nor to vote nor count in the quorum when the decision is reached. The directors are aware that it is their responsibility to inform the board of any potential conflicts as soon as possible and procedures are in place to facilitate disclosure.

Corporate governance statement

The statement of compliance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 is given in the Corporate Governance Report on page 43.

Donations

During the year, the Group made donations of Kshs 136,810 to various charitable causes.

By order of the board

Edgar J. Imbamba

Company Secretary

Date: 27 March 2017

RIPOTI YA WAKURUGENZI

Wakurugenzi wanawasilisha ripoti yao na taarifa za kifedha zilizokaguliwa za mwaka ulioishia 31 Desemba 2016. Ripoti ya wakurugenzi imo katika kurasa 69 mpaka 70 ya ripoti hii (pamoja na sehemu zilizojumuishwa kwa kuashiriwa)

Shughuli kuu na uchambuzi wa kibiashara

Shughuli kuu za Kundi ni utengenezaji, uagizaji kutoka nje na uuzaji wa matairi na bidhaa na huduma husika na ukodishaji wa majumba ya uwekezaji. Mnamo tarehe 29 Agosti 2016, halmashauri ilitangaza uamuzi wake wa kufunga kiwanda cha kundi cha matairi kilichoko Nairobi, na kuagizia utengenezaji wa matairi yake kutoka nje. Pasi na tukio hilo, kulikuwa hakuna mabadiliko makubwa katika asili ya shughuli kuu za kundi katika mwaka.

Uchambuzi wa kibiashara wa kina umejumuishwa katika ripoti jumuishi kama inavyo takikana kwa mujibu wa Sheria ya Makampuni 2015 na unapatikana katika kurasa 2 hadi 66 ukiwemo uchambuzi wa kimkakati wa biashara ya kampuni na kitengo cha kibiashara, vihatirishi vikuu na hali tatanishi inayo kumba kampuni na pia uchambuzi wa utendaji katika mwaka. Maelezo ya kina juu ya wafanyakazi wa kampuni, Mazingira, masuala ya jamii na kijamii yataikanayo kujumuishwa katika ripoti ya wakurugenzi kwa mujibu wa Sheria ya Makampuni 2015 yameelezwa katika ripoti jumuishi.

Hali/Matokeo

Matokeo ya mwaka ni kama ifuatavyo;

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Mapato	2,882,230	3,363,976	2,299,076	2,777,105
Faida(hasara) ya uendeshaji	(821,009)	55,514	(817,230)	48,552
Hasara baada ya kodi	(652,101)	(15,652)	(404,095)	(15,749)
Thamani kwa wanahisa	3,290,867	3,751,225	2,904,803	3,292,830

Gawio

Wakurugenzi hawapendekezi kulipa gawio (2014 – Bila).

Wakurugenzi

Wakurugenzi waliohudumu katika mwaka hadi tarehe ya ripoti hii walikuwa:

Mhandisi. E.K. Mwongera - Mwenyekiti
Allan Walmsley* - Mkurugenzi Mkuu
S.M. Githiga
P. Gitonga
A.H. Butt
S.N. Merali
G.J. Kemei – Aliteuliwa mnamo 26 Julai 2016

* Mwafrika Kusini

Mnamo tarehe 9 Januari G.J. Kemei alipeana taarifa ya waraka ya kujiuzulu kwake kama mkurugenzi kufuatia kuteuliwa kwake kama hakim wa mahakama kuu ya Kenya.

Kwa mujibu wa Makala ya chama Peter Gitonga atajiuzulu kwa zamu na kwa kuwa wanastahili watajitolea kuchaguliwa tena katika mkutano mkuu wa kila mwaka unaokuja.

Kufikia tarehe ya kuripoti, kampuni imepokea thibitisho la kila mwaka kuhusu kujitegemea kutoka kwa Mhandisi E.K. Mwongera na Bibi G. Kemei na kufikia tarehe ya ripoti hii bado inachukulia kuwa wao ni wa kujitegemea.

Maslahi ya Wakurugenzi katika muamala, mipango na mikataba

Orodha inayoonesha maslahi ya kimanufaa ya hisa za kawaida za kampuni kwa watu waliokuwa wakurugenzi kufikia 31 Desemba 2016 inapatikana katika ripoti kuhusu utawala bora katika ukurasa 66. Hakuna mabadiliko katika umiliki wa hisa kwa wakurugenzi kati ya Desemba 2015 na Desemba 2016.

Kando na ilivyobainishwa hapo awali, hakuna mkurugenzi au kinachohusika na mkurugenzi alikuwa na maslahi makubwa, ya moja kwa moja au kupitia njia nyingine, katika muamala, mpango, au mikataba wowote wenye ushawishi katika biashara ya kundi.

Wakaguzi na ubainishaji wa taarifa kwa wakurugenzi

KPMG Kenya wanajiuzulu na azimio la kuwateua tena kama wakaguzi wa kampuni litapendekezwa katika mkutano mkuu wa kila mwaka unaokuja.

Kufikia sasa na kama wajuavyo wakurugenzi, hakuna taarifa husika ya ukaguzi ambayo wakaguzi wa kampuni hawajui. Wakurugenzi wamechukua hatua zote wanazotakikana kuchukua kama wakurugenzi kujifahamisha kuhusu taarifa husika za ukaguzi na kuhakikisha kuwa mkaguzi wa kampuni anayo taarifa hiyo.

Dhamana ya Wakurugenzi

Dhamana stahiki ya muathiriwa mwingine, kama inavyoruhusiwa na Makala ya chama ya kampuni na kifungu 197 cha sheria ya makampuni 2015, imetolewa na kampuni kwa kila mkurugenzi wa kampuni.

Chini ya masharti ya dhamana ya muathiriwa mwingine kampuni inachukua jukumu la kumdhamini kila mkurugenzi dhidi ya madai kutoka kwa waathiriwa wengine na kulipa gharama za wakurugenzi kama zitakavyogharimu. Dhamana hii imekuwa ikiendelea kwa mwaka wa kifedha ulioishia 31 Desemba 2016 na mpaka kufika tarehe ya kuidhinishwa ripoti hii.

Mgongano wa maslahi

Sera ya Kundi kuhusu mgongano wa maslahi inaruhusu halmashauri kuidhinisha jambo lolote ambalo kwa namna nyingine lingemhusisha mkurugenzi kukiuka jukumu lake chini ya Sheria

Sheria ya Makampuni 2015 au kanuni za utawala bora wa kampuni zilizotolewa na mamlaka ya soko la mtaji 2015. Wakati wa kuidhinisha mgongano wa maslahi, halmashauri ni lazima ifanye hivyo bila ya mkurugenzi mwenye mgongano kuhesabika katika akidi. Halmashauri itakapofikiria kuwa ni laiki, mkurugenzi mwenye mgongano hataruhusiwa kushiriki katika mjadala, wala kupiga kura wala kuwa sehemu ya akidi yanapofikiwa maamuzi. Wakurugenzi wanafahamu ni wajibu wao kuarifu halmashauri kuhusu migongano yoyote iwezekanayo haraka iwezekanavyo na taratibu zimo za kuwezesha ubainishaji.

Maelezo ya utawala bora

Maelezo ya kutimiza matendo ya kanuni za utawala bora wa kampuni kwa wanaotoa hisa kwa umma 2015 inapatikana katika ripoti ya utawala bora katika ukurasa 43.

Michango

Katika mwaka kampuni ilitoa michango ya kusaidia ya shilingi 136,810 kwa mahitaji mbalimbali ya hisani.

Kwa amri ya Halmashauri

Edgar J. Imbamba
Katibu wa kampuni

Date: 27 March 2017



REPORT OF THE INDEPENDENT AUDITOR

to the members of Sameer Africa Limited

Opinion

We have audited the consolidated and separate financial statements of Sameer Africa Limited set out on pages 75 to 142 which comprise the consolidated and company statements of financial position as at 31 December 2016, the consolidated and company statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Sameer Africa Limited as at 31 December 2016, and the consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment	
See accounting policy note 3 (h) and disclosure note 14- Property, Plant and Equipment	
The key audit matter	How the matter was addressed in our audit
During the year, Sameer Africa Limited closed the manufacturing and production facility in Kenya. As a result, the factory plant, machinery and equipment as well as any other related assets used in the production process were considered impaired as at 31 December 2016. Impairment of Property, Plant and Equipment (PPE) is considered a key audit matter because management make subjective judgments over which items of PPE are deemed impaired as at year end and thus, the provision made in the financial statements is based on an estimate. Further, the process of verification and identification of the PPE items assessed as impaired was independently conducted by management.	Our audit procedures in this area included, among others: — Reviewing the process of identification of impaired assets; — Reviewing of managements assessment of items for which impairment indicators were identified; — Reviewing the adequacy and appropriateness of the provisions held with regards to the PPE items impaired; and — Considering the adequacy of the Group's disclosures in respect of the impairment of Property, Plant and Equipment.
Impairment of inventories	
See accounting policy note 3 (k) and disclosure note 20- Inventories	
The Key audit matter	How the matter was addressed in our audit
The impairment of inventories resulting from the closure of the production facility is dependent, inter alia, on the appropriate assessment of whether or not each inventory line item is still usable and this drives the accounting basis to be applied. The determination of the realisable value of inventories can be complex and therefore significant judgment is applied by the directors in selecting the inventory items marked as impaired. Further, the process of verification and identification of inventories assessed as impaired was independently conducted by management	Our audit procedures in this area included, among others: — Reviewing the design and operating effectiveness of controls in place. These controls involve those over review of stock take reports and subsequent reconciliation to the amounts reported in the general ledger; — Evaluating the appropriateness of the accounting policies the Group applies in the recognition and de-recognition of inventory; — Considering whether management had identified realizable values for all inventory items; and — Independently assessing, with reference to the relevant accounting standards, of the accounting basis that should be applied to the inventory items that have no realizable values.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
to the members of Sameer Africa Limited

Accounting for Deferred tax asset arising from accumulated tax losses	
See accounting policy note 3 (g) and disclosure note 25- Deferred income tax	
The key audit matter	How the matter was addressed in our audit
The recovery of the deferred tax asset depends on the ability of the Group to achieve sufficient taxable profits in the future as well as the ability to utilize the tax losses given the various tax loss utilization periods within the jurisdictions in which the Group has operations. The significance of the risk has increased during the year due to a consistent history of losses in the Group business operations.	- Our audit procedures in this area included, among others: - Testing the controls designed and applied by the Group to ascertain that the assumptions used in preparing the deferred tax asset calculations are regularly updated, and reviewed by appropriate personnel; - Challenging the appropriateness of the key assumptions in the recognition of the deferred tax asset which included the future profitability resulting from restructuring of the business operations; - Identifying and analysing changes in assumptions from prior periods and assessing the consistency of assumptions used by management; and - Reviewing the accuracy of deferred tax assets workings.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *integrated annual report and financial statements*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

As stated on page 68, the directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

to the members of Sameer Africa Limited

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- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group and company audit. We remain solely responsible for our audit opinion.

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

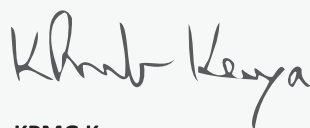
From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- 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;
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- The statement of financial position and statement of profit or loss 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 CPA Joseph Kariuki – P/2102.



**KPMG Kenya,
Certified Public Accountants.**

Date: 27 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2016

	Note	2016 Kshs'000	2015 Kshs'000
Revenue	9	2,882,230	3,363,976
Cost of sales	10 (b) (i)	(2,297,890)	(2,402,462)
Gross profit		584,340	961,514
Other operating income	10 (a)	21,679	10,123
Selling and distribution costs	10 (b) (ii)	(269,019)	(296,018)
Administrative expenses	10 (b) (ii)	(728,198)	(443,418)
Other operating expenses	10 (b) (ii)	(429,810)	(176,687)
Operating (loss)/profit		(821,008)	55,514
Finance income	11	104,601	146,236
Finance costs	11	(140,285)	(202,979)
Share of (loss)/profit of equity accounted investees (net of income tax)	19 (a)	(8,364)	6,918
(Loss)/profit before income tax		(865,056)	5,689
Income tax credit/(expense)	12 (a)	212,955	(21,341)
Loss for the year		(652,101)	(15,652)
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		-	13,068
Reversal of/(Related) tax at 30%	25 (b)	1,671	(1,671)
		1,671	11,397
(b) Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		(6,823)	(39,742)
Total other comprehensive income for the year		(5,152)	(28,345)
Total comprehensive income for the year		(657,253)	(43,997)
Earnings per share:			
Basic and diluted (Kshs)	13(a)	(2.34)	(0.06)

The notes set out on pages 82 to 142 form an integral part of these financial statements.

Company Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2016

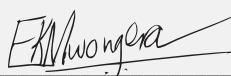
	Note	2016 Kshs'000	2015 Kshs'000
Revenue	9	2,299,076	2,777,105
Cost of sales	10 (b) (i)	(2,084,793)	(2,147,888)
Gross profit		214,283	629,217
Other operating income	10 (a)	20,981	1,950
Selling and distribution costs	10 (b) (ii)	(117,622)	(166,968)
Administrative expenses	10 (b) (ii)	(578,729)	(304,428)
Other operating expenses	10 (b) (ii)	(356,143)	(111,219)
Operating (loss)/profit		(817,230)	48,552
Finance income	11	290,938	77,413
Finance costs	11	(108,316)	(118,069)
(Loss)/profit before income tax		(634,608)	7,896
Income tax credit/(expense)	12 (a)	230,513	(23,645)
Loss for the year		(404,095)	(15,749)
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		-	13,068
Reversal of/(Related) tax at 30%	25 (b)	1,671	(1,671)
		1,671	11,397
Total other comprehensive income for the year		1,671	11,397
Total comprehensive income for the year		(402,424)	(4,352)

The notes set out on pages 82 to 142 form an integral part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2016

	Note	2016 Kshs '000	2015 Kshs '000
ASSETS			
Non-current assets			
Property, plant and equipment	14 (a)	281,947	483,019
Intangible assets	15 (a)	16,152	38,196
Investment properties	16 (a)	178,496	183,033
Prepaid operating lease rentals	17 (a)	353	357
Equity accounted investees	19	114,331	122,695
Deferred income tax	25 (b)	409,306	158,380
Total non-current assets		1,000,585	985,680
Current assets			
Inventories	20	1,401,321	1,536,787
Trade and other receivables	21	716,462	691,970
Current income tax	12 (c)	40,117	30,104
Cash and cash equivalents	22	132,382	506,684
Total current assets		2,290,282	2,765,545
TOTAL ASSETS		3,290,867	3,751,225
EQUITY (page 79)			
Share capital	23 (a)	1,391,712	1,391,712
Retained earnings	23 (b)	598,022	1,248,452
Translation reserve	23 (b)	(154,540)	(147,717)
Total equity		1,835,194	2,492,447
LIABILITIES			
Non-current liabilities			
Borrowings	24 (a)	3,304	-
Deferred income tax	25 (b)	3,277	4,573
Total non-current liabilities		6,581	4,573
Current liabilities			
Defined contribution liability	26 (a)	-	191,873
Trade and other payables	27 (a)	623,477	511,988
Current income tax	12 (c)	-	6,951
Borrowings	24 (a)	825,615	543,393
Total current liabilities		1,449,092	1,254,205
Total liabilities		1,455,673	1,258,778
TOTAL EQUITY AND LIABILITIES		3,290,867	3,751,225

The financial statements on pages 75 to 142 were approved by the Board of Directors on 27 March 2017 and were signed on its behalf by:


Eng. Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

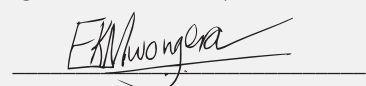

Allan Walmsley
Managing Director

The notes set out on pages 82 to 142 form an integral part of these financial statements.

Company Statement of Financial Position
as at 31 December 2016

	Note	2016 Kshs '000	2015 Kshs '000
ASSETS			
Non-current assets			
Property, plant and equipment	14 (a)	101,229	314,168
Intangible assets	15 (a)	16,051	37,980
Investment properties	16 (a)	98,194	99,656
Prepaid operating lease rentals	17 (a)	353	357
Investment in subsidiaries	18	158,414	158,414
Equity accounted investees	19	137,026	137,026
Deferred income tax	25 (b)	342,546	91,931
Total non-current assets		853,813	839,532
Current assets			
Inventories	20	957,534	1,324,490
Trade and other receivables	21	1,064,102	683,712
Current income tax	12 (c)	13,700	-
Cash and cash equivalents	22	15,654	445,096
Total current assets		2,050,990	2,453,298
TOTAL ASSETS		2,904,803	3,292,830
EQUITY (page 79)			
Share capital	23 (a)	1,391,712	1,391,712
Retained earnings	23 (b)	133,052	535,476
Total equity		1,524,764	1,927,188
LIABILITIES			
Non-current liabilities			
Borrowings	24 (a)	3,304	-
Total non-current liabilities		3,304	-
Current liabilities			
Defined contribution liability	26 (a)	-	191,873
Trade and other payables	27 (a)	551,120	625,728
Current income tax	12 (c)	-	4,648
Borrowings	24 (a)	825,615	543,393
Total current liabilities		1,376,735	1,365,642
Total liabilities		1,380,039	1,365,642
TOTAL EQUITY AND LIABILITIES		2,904,803	3,292,830

The financial statements on pages 75 to 142 were approved by the Board of Directors on 27 March 2017 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 82 to 142 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

	Share capital Kshs'000	Retained earnings Kshs'000	Translation reserve Kshs'000	Total Kshs'000
2016				
At start of year	<u>1,391,712</u>	<u>1,248,452</u>	<u>(147,717)</u>	<u>2,492,447</u>
Comprehensive income for the year				
Loss for the year	-	(652,101)	-	(652,101)
Other comprehensive income	-	1,671	(6,823)	(5,152)
Total comprehensive income	<u>-</u>	<u>(650,430)</u>	<u>(6,823)</u>	<u>(657,253)</u>
At end of year	<u>1,391,712</u>	<u>598,022</u>	<u>(154,540)</u>	<u>1,835,194</u>

2015

At start of year	<u>1,391,712</u>	<u>1,252,707</u>	<u>(107,975)</u>	<u>2,536,444</u>
Comprehensive income for the year				
Loss for the year	-	(15,652)	-	(15,652)
Other comprehensive income	-	11,397	(39,742)	(28,345)
Total comprehensive income	<u>-</u>	<u>(4,255)</u>	<u>(39,742)</u>	<u>(43,997)</u>
At end of year	<u>1,391,712</u>	<u>1,248,452</u>	<u>(147,717)</u>	<u>2,492,447</u>

Company Statement of Changes in Equity for the year ended 31 December 2016

	Share capital Kshs'000	Retained earnings Kshs'000	Total Kshs'000
2016			
At start of year	<u>1,391,712</u>	<u>535,476</u>	<u>1,927,188</u>
Comprehensive income for the year			
Loss for the year	-	(404,095)	(404,095)
Other comprehensive income	-	1,671	1,671
Total comprehensive income	<u>-</u>	<u>(402,424)</u>	<u>(402,424)</u>
At end of year	<u>1,391,712</u>	<u>133,052</u>	<u>1,524,764</u>

2015

At start of year	<u>1,391,712</u>	<u>539,828</u>	<u>1,931,540</u>
Comprehensive income for the year			
Loss for the year	-	(15,749)	(15,749)
Other comprehensive income	-	11,397	11,397
Total comprehensive income	<u>-</u>	<u>(4,352)</u>	<u>(4,352)</u>
At end of year	<u>1,391,712</u>	<u>535,476</u>	<u>1,927,188</u>

The notes set out on pages 82 to 142 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
 for the year ended 31 December 2016

	Note	2016 Kshs'000	2015 Kshs'000
Cash flows from operating activities			
Cash receipts from customers	29	2,849,331	3,534,598
Cash payments for purchases	29	(1,925,978)	(2,171,162)
Cash payments for expenses	29	(1,418,619)	(979,756)
Cash (used in)/generated from operating activities		(495,266)	383,680
Interest paid	11	(42,549)	(41,166)
Income tax paid	12(c)	(54,560)	(37,466)
Net cash (used in)/generated from operating activities		(592,375)	305,048
Cash flows from Investing activities			
Interest received	11	29,929	26,391
Purchase of property, plant and equipment	14 (a)	(92,439)	(116,019)
Purchase of intangible assets	15 (a)	(2,676)	(9,862)
Additions to investment property	16 (a)	-	(1,736)
Proceeds from disposal of property, plant and equipment		-	2,535
Net cash used in investing activities		(65,186)	(98,691)
Cash flows from financing activities			
Proceeds from borrowings	24(a)	3,304	-
Repayment of borrowings		-	(150)
Net cash absorbed by financing activities		3,304	(150)
(Decrease)/increase in cash and cash equivalents		(654,257)	206,207
Movement in cash and cash equivalents:			
At start of year		(36,709)	(249,492)
(Decrease)/increase in cash and cash equivalents		(654,257)	206,207
Effects of exchange movements on cash held		(2,267)	6,576
At end of year	22	(693,233)	(36,709)

The notes set out on pages 82 to 142 form an integral part of these financial statements.

Company Statement of Cash Flows
for the year ended 31 December 2016

	Note	2016 Kshs'000	2015 Kshs'000
Cash flows from operating activities			
Cash receipts from customers	29	1,939,200	3,020,568
Cash payments for purchases	29	(1,604,598)	(2,009,481)
Cash payments for expenses	29	(1,148,749)	(610,846)
Cash (used in)/generated from operating activities		(814,147)	400,241
Interest paid	11	(42,549)	(41,078)
Income tax paid	12(c)	(36,778)	(21,197)
Net cash (used)/generated from operating activities		(893,474)	337,966
Cash flows from investing activities			
Interest received	11	25,637	21,436
Dividend received	11	200,000	-
Purchase of property, plant and equipment	14(a)	(44,455)	(78,222)
Purchase of intangible assets	15(a)	(2,676)	(9,853)
Proceeds from disposal of property, plant and equipment		-	2,535
Net cash used in investing activities		178,506	(64,104)
Cash flows from financing activities			
Proceeds from longterm borrowings	24 (a)	3,304	-
Net cash absorbed by financing activities		3,304	-
(Decrease)/increase in cash and cash equivalents		(711,664)	273,862
Movement in cash and cash equivalents:			
At start of year		(98,297)	(377,441)
(Decrease)/increase in cash and cash equivalents		(711,664)	273,862
Effects of exchange movements on cash held		-	5,282
At end of year	22	(809,961)	(98,297)

The notes set out on pages 82 to 142 form an integral part of these financial statements.

NOTES

for the year ended 31 December 2016

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1. Reporting Entity

Sameer Africa Limited is a limited liability company incorporated in Kenya under the Kenyan Companies Act 2015, and is domiciled in Kenya. The consolidated financial statements of the company for the year ended 31 December 2016 comprise the company, its subsidiaries, associate and joint venture (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 2015 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 (the 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.

(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.

NOTES (CONTINUED)

for the year ended 31 December 2016

3. Significant Accounting Policies (Continued)**(a) Basis of consolidation (continued)****(iv) Interests in equity accounted investees (continued)**

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 and accumulated in the translation reserve.

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) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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3. Significant Accounting Policies (continued)

(f) Employee benefits (continued)

(iii) Defined contribution plans

The Group and all its employees 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. The scheme is managed by an independent fund manager. The post-employment benefits received by an employee from the scheme are determined by the amount of contributions by the Group and the employee, together with investment returns arising from the contributions. In consequence, both the actuarial and investment risks fall, in substance, on the employee.

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

(iii) Leave accrual

The monetary value of the unutilized leave by staff as at year end is recognized within and the movement in the year is charged to 'trade and other payables' 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 a restructuring or 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.

Unrecongised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured using tax rates that are expected to be applied to the temporary differences when they reverse, based on

the laws that have been enacted or substantively enacted by the reporting date.

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

(h) Property, plant and equipment

(i) Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Items of property, plant and equipment are 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 work 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 of an item of property, plant and equipment begins when the item is available for use and continues being depreciated until it is derecognised.

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, fitting and equipment	8 years

NOTES (CONTINUED)
for the year ended 31 December 2016

3. Significant Accounting Policies (Continued)

(h) Property, plant and equipment (continued)

(iv) Depreciation (continued)

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

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

Tyre and 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.

(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

Raw materials, stores and supplies, work in progress and finished goods 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.

(i) 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.

(ii) 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. 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.

NOTES (CONTINUED)

for the year ended 31 December 2016

3. Significant Accounting Policies (continued)**(m) Impairment (continued)****(i) Financial assets (continued)**

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.

(i) 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.

(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) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

- (i) Warranties: A provision for warranties is recognised when the underlying products or services are sold based on historical warranty data on a weighting of possible outcomes against the associated probabilities.
- (ii) Restructuring: A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for.

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3. Significant Accounting Policies (continued)

(p) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price, if one is available, in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(q) 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.

(r) 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.

(s) 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.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Comparative information

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

4. New Standards, Amendment and Interpretations

(a) New Standards, amendments and interpretations effective and adopted during the year.

The Group has adopted the following new standards and amendments during the year ended 31 December 2016, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2016.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The nature and effects of the changes are explained below:

New standard or amendments	
<i>Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	The Group's contribution of assets into its joint venture arrangement is in the form of a lease whereby the Group retains ownership and control over the contributed assets. The amendment to this standard therefore has no impact on the Group's transactions with its equity accounted investees.
<i>Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations</i>	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 this standard, therefore, had no impact on the accounting treatment of its equity accounted investees.
<i>Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciations and Amortisation</i>	The amendment to this standard explicitly prohibits the use of revenue-based methods of depreciation. The Group does not use revenue based depreciation methods. The adoption of this standard has no impact on the Group's depreciation and amortization methods.
<i>Amendments to IAS 16 and IAS 41: Bearer Plants</i>	The amendments to these standards has no impact on the group's financial statement since the Group does not have any agricultural assets.
<i>Amendments to IAS 27: Equity Method in Separate Financial Statements</i>	This amendment allows but does not require the use of the equity method in the separate financial statements for accounting for joint ventures, associates and subsidiaries. The Group's policy is to account for associates, joint ventures and subsidiaries at cost less impairment in the separate financial statements. The adoption of this standard, therefore, had no impact on the separate financial statements.

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4. New Standards, Amendment and Interpretations (Continued)**(a) New standards, amendments and interpretations effective and adopted during the year. (continued)**

<i>IFRS 14 Regulatory Deferral Accounts</i>	The adoption of this standard did not have an impact on the financial statements of the Group given that the Group's business is not subject to government rate regulations.
<i>Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception</i>	The adoption of these standards did not have an impact on the Group's financial statements. 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.
<i>Amendments to IAS 1: Disclosure Initiative</i>	The group has adopted this standard and applied professional judgement in the presentation of the financial statements and notes.
2012-2014 – various standards: Annual improvements cycle	• IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. • IFRS 7 Financial Instruments. • IAS 19 Employee Benefits. • IAS 19 Employee Benefits. • IAS 34 Interim Financial Reporting.

(b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, and have not been applied in preparing these financial statements.

The Company does not plan to adopt these standards early. These are summarised below;

Title of standard	IAS 7 Statement of Cash Flows.
Nature of change	Disclosure Initiative (Amendments to IAS 7) The amendments in <i>Disclosure Initiative (Amendments to IAS 7)</i> come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition. The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.
Impact	To satisfy the new disclosure requirement, the Group intends to provide a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.
Effective date and transition relief	The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Since the amendments are being issued less than one year before the effective date, entities need not provide comparative information when they first apply the amendments.

NOTES (CONTINUED)
for the year ended 31 December 2016

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 2016 (continued)

Title of standard	IAS 12: Income Taxes
	<i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</i> The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects: - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. - The carrying amount of an asset does not limit the estimation of probable future taxable profits. - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
Impact	The Group does not expect any significant impact from adoption of this standard since it has no exposure to debt instruments measured at fair value.
Effective date and transition relief	The amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters
Title of standard	IFRS 15: Revenue from Contract with Customers
Nature of change	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.
Impact	The adoption of this standard is unlikely to affect the way the Group recognises revenue. The nature of the sale of goods and services in the Group 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.
Effective date	IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
Title of standard	IFRS 9: Financial Instruments (2014)
Nature of change	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 <i>Financial Instruments: Recognition and Measurement</i>. 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.

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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 2016 (continued)

Impact	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.
Effective date	The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application, early adoption permitted.
Title of standard	IFRS 2: Share-based Payment
Nature of change	<i>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</i> The following clarifications and amendments are contained in the pronouncement: <i>Accounting for cash-settled share-based payment transactions that include a performance condition</i> Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments. <i>Classification of share-based payment transactions with net settlement features</i> IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. <i>Accounting for modifications of share-based payment transactions from cash-settled to equity-settled</i> Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:
Impact	The group does not envisage any major impact on its financial statements on the adoption of this standard given that it does not use share-based payment methods.
Effective date and transition relief	The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.
Title of standards	IFRS 9: Financial Instruments IFRS 4: Insurance Contracts
	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)</i> The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4: - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so called overlay approach; - an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements. An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

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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 2016 (continued)**

Impact	The adoption of this standard is not expected to have any impact on the financial statements of the company. The company is not an issuer of insurance contracts.
Effective date and transition relief	The amendments are effective for annual periods beginning on or after 1 January 2018.
Title of standard	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. 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
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has operating lease commitments of Kshs 244,257,000 (see note 30). However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16
Effective date and transition relief	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.

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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 2016 (continued)**

Title of standards	IFRS 10: Consolidated Financial Statements IAS 28 : Investment in Associates and Joint Ventures
	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i> 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.
Impact	The Group's contribution of assets into the joint venture is in the form of a lease whereby the Group retains ownership and control over the contributed assets. The amendments to IFRS 10 and 28 would therefore have no impact on the Group's transaction with its equity accounted investees.
Effective date	The effective date for these changes has now been postponed until the completion of a broader review.

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

- Established risk management roles and responsibilities for its board of directors, audit, risk and corporate governance committee and the risk department.

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

(a) Credit risk

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

Trade and other receivables

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

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

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

NOTES (CONTINUED)

for the year ended 31 December 2016

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

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

Exposure to credit risk

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

	Group		Company	
	2016 Kshs '000	2015 Kshs '000	2016 Kshs '000	2015 Kshs '000
Trade receivables (net)	448,132	443,476	213,102	219,102
Other receivables (including amounts due from related parties)	158,853	167,372	777,972	406,327
Note 21	606,985	610,848	991,074	625,429

At 31 December 2016, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows;

	Group		Company	
	2016 Kshs '000	2015 Kshs '000	2016 Kshs '000	2015 Kshs '000
Kenya	331,054	373,320	435,290	354,370
Uganda	81,159	80,941	33,309	-
Tanzania	158,849	123,352	300,466	84,380
Burundi	35,923	33,235	222,009	186,679
	606,985	610,848	991,074	625,429

At 31 December 2016, the maximum exposure to credit risk for trade and other receivables by type of counter party was as follows:

	Group		Company	
	2016 Kshs '000	2015 Kshs '000	2016 Kshs '000	2015 Kshs '000
Fleet customers	150,622	161,453	58,954	95,951
Dealers	212,542	121,519	63,074	25,131
Government	76,417	41,045	64,284	20,488
Oil Companies	586	23,618	586	23,618
Export customers	40,443	41,999	42,504	41,999
Rental customers	32,695	21,953	6,385	5,866
Related parties	4,084	35,260	559,278	305,754
Others	89,596	164,001	196,009	106,622
	606,985	610,848	991,074	625,429

Others includes original equipment manufacturers and corporate clients.

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.

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5. Financial instruments - Risk Management and Fair Values continued)

(a) Credit risk (Continued)

Trade and other receivables (continued)

The analysis of customer refundable deposits and letters of credit held as at 31 December 2016 is as follows;

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Rental deposits	34,582	30,116	9,467	6,065
Irrevocable letters of credit	20,462	15,783	20,462	60,942
Other trade deposits	15,233	54,359	15,233	16,333
	70,277	100,258	45,162	83,340

The Group had issued the following financial guarantees as at 31 December 2016.

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Customs bonds	10,000	10,000	10,000	10,000
Other guarantees	5,241	7,295	5,241	7,001
	15,241	17,295	15,241	17,001

Impairment losses

The aging of trade receivables at the reporting date was:

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Not past due	99,068	44,349	54,110	14,160
Past due but not impaired				
:by 31 to 60 days	120,628	88,448	61,333	53,505
:by 61 to 90 days	84,497	88,206	50,131	46,241
:by 91 to 180 days	79,409	136,057	34,438	94,991
:over 181 days	64,530	86,416	13,090	10,205
Total past due but not impaired	349,064	399,127	158,992	204,942
Total unimpaired	448,132	443,476	213,102	219,102
Impaired	65,211	48,328	27,707	23,592
Total trade receivables	513,343	491,804	240,809	242,694

NOTES (CONTINUED)
for the year ended 31 December 2016

5. Financial Instruments - Risk Management and Fair Values (continued)

(a) Credit risk (Continued)

Trade and other receivables (continued)

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

As at 31 December 2016, the analysis of the credit quality of trade receivables that are neither past due nor impaired was as follows.

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Secured	9,876	2,465	9,876	2,465
Externally credit rated	-	786	-	-
Over 4 years trading history with the Group	59,269	14,138	34,297	2,681
2-4 years trading history with the Group	14,643	1,293	107	4,899
1-2 years trading history with the Group	8,090	25,667	6,048	3,926
1-2 years trading history with the Group	7,190	-	3,782	-
Higher risk	-	-	-	189
	99,068	44,349	54,110	14,160

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

	Group		Company	
	2016	2015	2016	2015
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance at 1 January	48,328	33,179	23,592	7,209
Impairment loss recognised	26,372	20,555	7,310	16,815
Impairment loss released	(9,489)	(5,406)	(3,195)	(432)
Balance at 31 December	65,211	48,328	27,707	23,592

Cash and cash equivalents

The Group held cash and cash equivalents of Kshs'000 – 132,382 (2015: Kshs'000-506,684). The cash and cash equivalents were held with reputable banks and financial institutions.

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5. Financial Instruments - Risk Management and Fair Values (continued)**(b) Liquidity risk**

Liquidity risk is the risk that the Group and Company 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.

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(i) Group**Contractual cash flows**

	Carrying amount	1 - 3 months	3months - 1 year	1-2 years	Over 2 years	Total
31 December 2016:	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Non - derivative financial liabilities						
Finance lease liabilities (Note 24(a))	4,975	-	-	5,139	-	5,139
Short term facilities (Note 24(a))	823,944	982,212	-	-	-	982,212
Trade and other payables (Note 27(a))	623,477	623,477	-	-	-	623,477
At 31 December 2016	1,452,396	1,605,689	-	5,139	-	1,610,828
31 December 2015:						
Non - derivative financial liabilities						
Short term facilities (Note 24 (a))	543,393	562,929	-	-	-	562,929
Trade and other payables (Note 27 (a))	505,037	505,037	-	-	-	505,037
At 31 December 2015	1,048,430	1,067,966	-	-	-	1,067,966

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

(b) Liquidity risk (continued)

(ii) Company

	Carrying amount	1 - 3 months	3months - 1 year	1-2 years	Over 2 years	Total
31 December 2016:	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Non - derivative financial liabilities						
Short term facilities (Note 24 (a))	823,944	982,212	-	-	-	982,212
Finance lease liabilities (Note 24 (a))	4,975	-	-	5,139	-	5,139
Trade and other payables (Note 27 (a))	551,120	551,120	-	-	-	551,120
At 31 December 2016	1,380,039	1,533,332	-	5,139	-	1,538,471

31 December 2015:

Non - derivative financial liabilities

Short term facilities (Note 24 (a))	543,393	562,929	-	-	-	562,929
Trade and other payables (Note 27 (a))	621,080	621,080	-	-	-	621,080
At 31 December 2015	1,164,473	1,184,009	-	-	-	1,184,009

(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.

NOTES (CONTINUED)
for the year ended 31 December 2016

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;

	31 DECEMBER 2016				31 DECEMBER 2015			
	USD '000	TZS '000	UGX '000	BIF '000	USD '000	TZS '000	UGX '000	BIF '000
Financial assets								
Cash and cash equivalents	124	487,214	443,849	129,201	36	526,299	249,463	148,052
Trade receivables	839	2,849,556	1,975,560	485,609	1,691	2,730,661	2,274,972	291,660
	963	3,336,770	2,419,409	614,810	1,727	3,256,960	2,524,435	439,712
Financial liabilities								
Short term facilities	(7,091)	-	-	-	(3,649)	-	-	-
Trade and other payables	(1,487)	(411,096)	(313,332)	(43,739)	(928)	(37,309)	(30,529)	(30,060)
	(8,578)	(411,096)	(313,332)	(43,739)	(4,577)	(37,309)	(30,529)	(30,060)
Net financial exposure	(7,615)	2,925,674	2,106,077	571,071	(2,850)	3,219,651	2,493,906	409,652

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

	Average rate		Year-end spot rate	
	2016	2015	2016	2015
USD	101.5225	98.6967	102.4858	102.3114
TZS	0.0464	0.0485	0.0471	0.0474
UGX	0.0296	0.0303	0.0284	0.0303
BIF	0.0624	0.0635	0.0612	0.0666

Sensitivity analysis

A reasonably possible strengthening or (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.

NOTES (CONTINUED)
for the year ended 31 December 2016

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

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

Effect in Kshs '000		Profit or loss/equity	
		Strengthening	Weakening
31 December 2016			
Currency	% movement		
USD	3%	(16,387)	16,387
TSH	10%	9,637	(9,637)
UGX	5%	2,530	(2,530)
BIF	3%	1,121	(1,121)
31 December 2015			
USD	3%	(6,125)	6,125
TSH	10%	10,675	(10,675)
UGX	5%	2,911	(2,911)
BIF	3%	1,056	(1,056)

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 2016 would have had on the translation reserve are shown below:

Uganda

At 31 December 2016, if the Ugandan Shilling had weakened/strengthened by 5% (2015: 5%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the other comprehensive income would have been Kshs 4,241,333 (2015: Kshs 7,570,155) higher/lower.

Burundi

At 31 December 2016, if the Burundi Franc had weakened/strengthened by 3% (2015: 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been Kshs 9,315,988 (2015: Kshs 1,462,790) higher/lower.

Tanzania

At 31 December 2016, if the Tanzanian Shilling had weakened/strengthened by 10% (2015: 10%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been Ksh 22,090,017 (2015: Kshs 15,608,327) higher/lower.

Company exchange risk from recognised financial assets and liabilities

At 31 December 2016, 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 16,387,470 (2015: Kshs 6,125,354) higher/lower, mainly as a result of US dollar denominated financial instruments.

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

(ii) Interest rate risk

The Group's interest bearing assets comprise fixed and call 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.

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

(c) Market risk (continued)

Exposure to interest rate risk

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

	Group		Company	
	2016 Kshs '000	2015 Kshs '000	2016 Kshs '000	2015 Kshs '000
Fixed rate instruments				
Financial assets (Note 22)	40,352	287,286	-	287,286
Financial liabilities (Note 24 (a))	(828,919)	(543,393)	(828,919)	(543,393)
Exposure	(788,567)	(256,107)	(828,919)	(256,107)

Financial assets comprise call deposits held as at the reporting date while financial liabilities relate to borrowings.

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

	Group		Company	
	2016 Kshs '000	2015 Kshs '000	2016 Kshs '000	2015 Kshs '000
Total borrowings (Note 24)	828,919	543,393	828,919	543,393
Less: Cash and cash equivalents (Note 22)	(132,382)	(506,684)	(15,654)	(445,096)
Net debt	696,537	36,709	813,265	98,297
Total equity	1,835,194	2,492,447	1,524,764	1,927,188
Total capital	2,531,731	2,529,156	2,338,029	2,025,485
Gearing ratio	27.51%	1.45%	34.78%	4.85%

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5. Financial instruments - Risk Management and Fair Values (continued)**(c) 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 Managing Director 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.

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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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
External revenues	1,430,877	2,005,704	677,317	743,889	596,487	437,888	177,549	176,495	2,882,230	3,363,976
Inter-segment revenues	753,284	661,994	-	-	-	-	-	-	753,284	661,994
Segment revenue	2,184,161	2,667,698	677,317	743,889	596,487	437,888	177,549	176,495	3,635,514	4,025,970
Segment (loss)/profit before tax	(683,465)	(99,097)	(99,963)	(91,783)	50,769	39,107	77,585	151,120	(655,074)	(653)
Income tax	240,241	3,897	2,520	25,612	(14,779)	(11,914)	(15,027)	(37,669)	212,955	(20,074)
Segment (loss)/ profit after tax	(443,224)	(95,200)	(97,443)	(66,171)	35,990	27,193	62,558	113,451	(442,119)	(20,727)
Interest income	25,637	21,436	586	538	3,706	4,417	-	-	29,929	26,391
Interest expense	(42,549)	(41,078)	-	(88)	-	-	-	-	(42,549)	(41,166)
Depreciation and amortization	(95,968)	(144,906)	(16,354)	(14,518)	(20,263)	(14,345)	(11,798)	(5,215)	(144,383)	(178,984)
Re-organisation expenses (Note 8)	(877,068)	-	-	-	-	-	-	-	(877,068)	-
Share of profit / (loss) from equity accounted investees	(4,245)	6,030	-	-	(4,119)	888	-	-	(8,364)	6,918
Segment assets	2,860,546	3,435,070	374,255	429,054	377,485	387,415	447,172	215,090	4,059,458	4,466,629
Equity accounted investees	137,026	137,026	-	-	-	-	-	-	137,026	137,026
Capital expenditure	(46,951)	(78,221)	(726)	(5,323)	(47,316)	(30,914)	(122)	(1,736)	(95,115)	(116,194)
Segment liabilities	(1,404,901)	(1,449,041)	(644,227)	(323,898)	(257,923)	(153,833)	(115,092)	15,989	(2,422,143)	(1,910,783)

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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.

	2016 Kshs '000	2015 Kshs '000
(i) Revenues		
Total revenues for reportable segments	3,635,514	4,025,970
Elimination of intersegment revenues	(753,284)	(661,994)
Consolidated revenue	2,882,230	3,363,976
(ii) (Loss) before tax		
Segments loss before tax	(655,074)	(653)
Actuarial gains on remeasurement of defined benefit liability	-	(13,068)
Share of (loss)/profit on equity accounted investee	(8,364)	6,918
Inter-segment dividend income	(200,000)	-
Inter-segment unrealised profits	(1,618)	12,492
Consolidated (loss)/profit before tax	(865,056)	5,689
(iii) Assets		
Total segment assets	4,059,458	4,466,629
Elimination of inter-segment;		
- Net unrealised profits on inventories	(5,157)	(3,540)
- Receivables	(967,753)	(663,604)
Investment in subsidiaries	(222,414)	(222,414)
Share of loss of equity accounted investees	(22,690)	(14,330)
Consolidated total assets	2,841,444	3,562,741
(iii) Liabilities		
Total segment liabilities	2,422,143	1,910,783
Elimination of inter-segment payables	(969,747)	(663,529)
Consolidated total liabilities	1,452,396	1,247,254

Segment assets and liabilities exclude current and deferred taxes.

(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.

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6. Operating Segments (Continued)

(d) Geographic information (continued)

	2016 Kshs '000	2015 Kshs '000
(i) Revenues		
Country of domicile		
Kenya	1,545,792	2,117,111
All foreign countries		
Uganda	186,415	217,724
Tanzania	426,209	475,104
Burundi	78,698	71,887
Others	645,116	482,150
Consolidated revenue	2,882,230	3,363,976
(ii) Non-current assets		
Country of domicile		
Kenya	551,524	769,233
All foreign countries		
Uganda	642	2,112
Tanzania	18,842	27,365
Burundi	20,271	28,590
Consolidated total non-current assets	591,279	827,300

(e) 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.

(f) Organisational restructuring

30 September 2016, the Group discontinued its local manufacture of tyres and tubes at its Nairobi factory (see Note 8), following a strategic decision to outsource its manufacturing to lower cost jurisdictions. As a result of this, the Group has changed its internal organisation and the composition of its reportable segments by excluding the factory operations from its reporting and reconstituting the previously named 'manufacturing and distribution' segment into the 'sourcing and distribution' segment. Following the closure of the factory, the Group has continued to purchase warehoused stock arising from past factory production. While intra-group transactions have been fully eliminated in the consolidated financial results, management has elected to attribute the elimination of transaction between factory operations and other operations prior to cessation of manufacturing in a way that reflects the continuance of these transaction subsequent to factory closure, as management believes this is useful to the users of the financial statements.

Because purchases from the former 'manufacturing and distribution' segment by 'regional segments' will cease, the related inter-segment sales have been eliminated from the results of the 'sourcing and distribution' segment together with associated production costs. Below is the restatement of the operating segment information for the year ended 31 December 2016.

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6. Operating Segments (Continued)

	Sourcing & distribution		Regional operations		Yana Tyre Centres		Rental business		Total
	2016	2015	2016	2015	2016	2015	2016	2015	
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
External revenues	1,430,877	2,005,704	677,317	743,889	596,487	437,888	177,549	176,495	2,882,230
Inter-segment revenues	417,365	282,597	-	-	-	-	-	-	417,365
									3,363,976
									282,597
Segment revenue	1,848,242	2,288,301	677,317	743,889	596,487	437,888	177,549	176,495	3,299,595
									3,646,573
Segment profit / (loss) before tax	224,101	(94,047)	(99,963)	(91,783)	50,769	39,107	77,585	151,120	252,492
Income tax	(32,029)	11,412	2,520	25,612	(14,779)	(11,914)	(15,027)	(37,669)	(59,315)
									(12,559)
	192,072	(82,635)	(97,443)	(66,171)	35,990	27,193	62,558	113,451	193,177
									(8,162)
Interest income	25,637	21,436	586	538	3,706	4,417	-	-	29,929
Interest expense	(42,549)	(41,078)	-	(88)	-	-	-	-	(42,549)
									(41,166)
Depreciation and amortization	(27,464)	(38,245)	(16,354)	(14,518)	(20,263)	(14,345)	(11,798)	(5,215)	(75,879)
									(72,324)
Share of profit / (loss) from equity accounted investees	(4,245)	6,030	-	-	(4,119)	888	-	-	(8,364)
									6,918
Segment assets	2,801,407	3,163,000	823,679	617,538	377,485	387,415	447,172	215,090	4,449,743
									4,383,043
Equity accounted investees	137,026	137,026	-	-	-	-	-	-	137,026
Capital expenditure	(46,951)	(78,221)	(726)	(5,323)	(47,316)	(30,914)	(122)	(1,736)	(95,115)
									(116,194)
Segment liabilities	(1,404,901)	(1,449,041)	(644,227)	(323,898)	(257,923)	(153,833)	(115,092)	15,989	(2,422,143)
									(1,923,981)

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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.

- **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 Group's accounting policies, management has made judgements which are noted in the following notes:

- (i) Note 3 (a): Basis of consolidation – whether the Group has de facto control over an investee;
- (ii) Note 30; Operating leases – establishing whether an arrangement contains a lease as well as the lease classification.
- (iii) Note 24: Deferred tax – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used.
- (iv) Note 8: recognition and measurement of restructuring provisions, recognition of fixed asset impairment and recognition of inventory impairment.

NOTES (CONTINUED)

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8. Reorganisation costs

On 29 August 2016 the board of directors of the Company took the decision to close the company's tyre manufacturing factory located in Nairobi. This decision was in response to the stiff competition faced by the company as a result of cheaper imported tyre brands which had reduced the market share of the company's locally manufactured brands and seen a reduction in the productivity of the tyre factory. The prevailing manufacturing costs were also observed to be high and unsustainable with the existing throughput.

The closure of the factory resulted in the loss of 260 jobs in addition to 17 positions declared redundant following the reorganisation of the operations to adapt to the new strategic orientation.

Management's assessment is that there is no expectation that the factory could generate reasonable sales proceeds, nor would the plant and machinery, residual raw materials and factory spares find readily available buyers at a reasonable price and within at least 12 months from the date of the closure. The company's tyre factory is the only operational factory in East and Central Africa and uses outdated technology and raw material combinations that cannot be utilised in new factories.

The Group has identified the costs related to the factory closure and the reorganisation of its operations as being material due to the significance of their nature and amount. These costs are listed below to provide a better understanding of the financial performance of the Group.

Reorganisation expenses

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
<i>Impairment of non-current assets</i>				
Plant and machinery	176,923	-	176,923	-
Software	2,392	-	2,392	-
	179,315	-	179,315	-
<i>Impairment of current assets</i>				
Raw materials	95,769	-	95,769	-
Packing materials	2,036	-	2,036	-
Semi-finished goods	16,266	-	16,266	-
Engineering spares	242,434	-	242,434	-
Production consumables	47,996	-	47,996	-
	404,501	-	404,501	-
<i>Staff and other costs</i>				
Staff redundancy costs	278,808	-	278,808	-
Other staff costs	9,961	-	9,961	-
Other costs	4,483	-	4,483	-
	293,252	-	293,252	-
	877,068	-	877,068	-

9. Revenue

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Sales of manufactured goods	1,898,648	2,485,908	1,708,086	2,217,596
Sales of imported goods	783,663	707,686	476,629	471,257
Rendering of services	28,194	18,920	4,548	1,666
Discounts, claims and warranties	(5,824)	(25,033)	(5,102)	(22,822)
Investment property rentals (Note 16(b))	177,549	176,495	114,915	109,408
	2,882,230	3,363,976	2,299,076	2,777,105

NOTES (CONTINUED)

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10. Other Operating Income and Expenses**(a) Other operating income**

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Gain on sale of property, plant and equipment	198	495	-	495
Other income	21,481	9,628	20,981	1,455
	<u>21,679</u>	<u>10,123</u>	<u>20,981</u>	<u>1,950</u>

Other income includes income from the sale of factory waste and scrap materials.

(b) Expenses by function**(i) Cost of sales**

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Prime costs				
Cost of raw materials used in production	734,104	956,300	734,104	956,300
Cost of raw material impaired (Note 8)	95,769	-	95,769	-
Changes in inventories of finished goods	(85,390)	(135,882)	(85,390)	(135,882)
Direct labour	132,441	179,640	132,441	179,195
	<u>876,924</u>	<u>1,000,058</u>	<u>876,924</u>	<u>999,613</u>
Factory overheads				
Indirect labour	127,832	206,285	127,832	206,258
Factory maintenance	59,551	105,318	59,551	105,137
Energy	163,029	235,046	163,029	235,046
Depreciation	86,335	122,569	69,967	108,123
Consumables	71,055	87,007	71,055	87,007
Cost of consumables impaired (Note 8)	50,032	-	50,032	-
Transport and insurance	19,775	24,877	19,775	24,511
Impairment loss on plant and machinery (Note 8,14)	176,923	-	176,923	-
Impairment loss on Intangibles (Note 8,15)	2,392	-	2,392	-
Others	22,170	11,461	35,177	10,528
	<u>779,094</u>	<u>792,563</u>	<u>775,733</u>	<u>776,610</u>
Cost of imported trading goods sold	<u>641,872</u>	<u>609,841</u>	<u>432,136</u>	<u>371,665</u>
Total cost of sales	<u>2,297,890</u>	<u>2,402,462</u>	<u>2,084,793</u>	<u>2,147,888</u>

(ii) Operating expenses

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
<i>Selling and distribution expenses</i>				
Distribution costs	24,154	24,592	18,758	21,453
Selling expenses	186,840	189,599	58,632	88,030
Marketing and sales promotions	58,025	81,827	40,232	57,485
	269,019	296,018	117,622	166,968

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Administrative expenses				
Indirect staff costs	322,340	311,259	220,860	219,617
Staff redundancy costs (Note 8)	278,808	-	278,808	-
Other administrative expenses	127,050	132,159	79,061	84,811
	728,198	443,418	578,729	304,428
Other operating expenses				
Legal & professional fees	57,263	48,151	29,550	24,730
Travel and vehicle maintenance	29,697	32,852	21,111	24,589
Establishment expenses	314,941	70,116	284,608	44,103
Bank charges and fees	27,909	25,568	20,874	17,797
	429,810	176,687	356,143	111,219

NOTES (CONTINUED)

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10. Other Operating Income and Expenses (continued)

(c) Expenses by nature

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Cost of raw materials used in production	734,104	956,300	734,104	956,300
Cost of raw material impaired (Note 8)	95,769	-	95,769	-
Changes in inventories of finished goods	(85,390)	(135,882)	(85,390)	(135,882)
Cost of imported trading goods sold	641,872	609,841	432,136	371,665
Employee benefits expense (Note 10 (d))	863,115	695,786	760,690	604,026
Audit fees	7,759	6,290	5,131	4,060
Bank charges	27,908	25,568	20,874	17,797
Consumables	61,447	78,618	61,447	78,618
Cost of consumables impaired (Note 8)	50,032	-	50,032	-
Depreciation and amortization	144,383	178,984	104,150	143,729
General expenses	72,531	82,961	41,669	54,080
Legal and professional fees	38,889	30,342	19,931	16,196
Advertising and promotions	58,123	81,928	40,240	57,508
Electricity, water and fuel	185,411	219,062	179,347	222,333
Repairs and Maintenance	146,872	187,668	123,116	165,671
Cost of spares impaired (Note 8)	242,435	-	242,435	-
Sales commissions and bonuses	30,350	49,013	16,659	46,371
Rent and rates	98,648	82,729	8,181	6,819
Telephone and postage	24,631	28,338	13,688	17,711
Transport, travelling and insurance	95,763	105,320	68,828	78,448
Impairment loss on plant and machinery (Note 8,14)	176,923	-	176,923	-
Impairment loss on Intangibles (Note 8,15)	2,392	-	2,392	-
Others	10,951	35,719	24,935	25,053
Total cost of sales, selling and distribution, administrative and other operating expenses	3,724,918	3,318,585	3,137,287	2,730,503

(d) Employee benefits expense

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Salaries and wages	345,384	417,680	285,010	360,776
Staff redundancy costs (Note 8)	278,808	-	278,808	-
Allowances and other benefits	213,253	213,888	175,113	182,158
Leave pay accrual	(4,244)	(4,793)	(2,626)	(3,426)
Defined contribution scheme	25,989	32,327	23,575	30,871
National Social Security Fund	3,925	4,098	810	1,061
Expenses related to defined benefit plans	-	32,586	-	32,586
	863,115	695,786	760,690	604,026

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11. Net Finance Costs

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Finance income				
Interest income	29,929	26,391	25,637	21,436
Dividend receivable	-	-	200,000	-
Foreign exchange gains	74,672	119,845	65,301	55,977
	104,601	146,236	290,938	77,413
Finance costs				
Foreign exchange losses	97,736	161,813	65,767	76,991
Interest expense on bank borrowings	42,549	41,166	42,549	41,078
	140,285	202,979	108,316	118,069
Net finance (costs)/income	(35,684)	(56,743)	182,622	(40,656)

12. Income Taxes**(a) Amounts recognised in profit or loss**

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Current tax expense:				
Current income tax	37,596	55,575	18,430	33,607
Under provision of current tax in prior years	-	14,107	-	14,107
	37,596	69,682	18,430	47,714
Deferred tax expense (Note 25(b)):				
Deferred income tax	(251,332)	(49,213)	(248,613)	(25,560)
Under/(over) provision of deferred tax in prior year	781	872	(330)	1,491
	(250,551)	(48,341)	(248,943)	(24,069)
Income tax (credit)/expense	(212,955)	(21,341)	(230,513)	23,645

The Group income tax expense/(credit) excludes the Group's share of income tax expense/ (credit) of its equity accounted investee of Kshs'000 – 2,701: 2015: Kshs'000- 3,166, which has been included in "share of profit/(loss) of equity accounted investee, net of tax".

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12. Income taxes (Continued)**(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	2016		2015	
	Rate %	Kshs'000	Rate %	Kshs'000
(Loss) /profit before income tax		(865,056)		5,689
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2015 - 30%)	30%	(259,517)	30%	1,707
Tax effect of:				
Share of (profit)/loss of equity accounted investee	(0.10%)	861	(51.63)%	(2,938)
Expenses not deductible for income tax purposes	(2.13%)	18,423	172.53%	9,816
Investment property transfer write-back	-	-	(6.52)%	(371)
Under / (over) provision of current income tax in prior years	-	-	247.93%	14,107
Under/(over) provision of deferred income tax in prior years	(0.09%)	781	15.33%	872
Effects of unrecognised deferred tax (Note 25(d))	(2.96%)	25,566	-	-
Effect of lower tax rates in Sameer EPZ Ltd	(0.11%)	931	(32.55)%	(1,852)
Income tax (credit)/expense	24.62%	(212,955)	375.09%	21,341

Company	2016		2015	
	Rate %	Kshs'000	Rate %	Kshs'000
(Loss)/profit before income tax		(634,608)		7,896
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2012 - 30%)	30%	(190,382)	30%	2,369
Tax effect of:				
Income not subject to income tax	6.94%	(60,000)	-	-
Expenses not deductible for income tax purposes	(2.33%)	20,199	71.90%	5,678
Under provision of current income tax in prior years	-	-	178.67%	14,107
Under/(over) provision of deferred income tax in prior years	0.04%	(330)	18.88%	1,491
Income tax (credit)/expense	34.65%	(230,513)	299.46%	23,645

NOTES (CONTINUED)
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12. Income Taxes (Continued)

(c) Reconciliation of carrying amounts

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Net liability / (asset) at start of year	(23,153)	(55,369)	4,648	(21,869)
Charge for the year profit or loss (note 12(a))	37,596	69,682	18,430	47,714
Income tax paid	(54,560)	(37,466)	(36,778)	(21,197)
Net liability / (asset) at end of year	(40,117)	(23,153)	(13,700)	4,648
Represented by:				
Income tax assets	(40,117)	(30,104)	(13,700)	-
Income tax liabilities	-	6,951	-	4,648
	(40,117)	(23,153)	(13,700)	4,648

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

13. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss attributable to equity holders of the Company (Kshs'000)	(652,101)	(15,652)
Weighted average number of ordinary shares in issue ('000)	278,342	278,342
Basic earnings per share (Kshs)	(2.34)	(0.06)

(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 2016 or 2015. Diluted earnings per share are therefore the same as basic earnings per share.

NOTES (CONTINUED)
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14. Property, Plant and Equipment
(a) Reconciliation of carrying amounts

Group	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
2016:						
Cost						
At 1 January 2016	341,859	2,491,633	62,766	346,861	12,485	3,255,604
Additions	1,659	49,712	8,110	28,936	4,022	92,439
Transfer from joint venture	-	5,280	-	540	-	5,820
Transfers from capital work in progress	-	8,811	-	3,201	(12,012)	-
Impairment	(150,549)	(2,349,275)	-	(57,947)	-	(2,557,771)
Currency translation	-	(1,156)	(2,354)	(2,493)	-	(6,003)
Transfer to Insurance receivable	-	(1,540)	-	-	-	(1,540)
At 31 December 2016	192,969	203,465	68,522	319,098	4,495	788,549
Accumulated depreciation and impairment						
At 1 January 2016	229,104	2,256,437	41,443	245,601	-	2,772,585
Charge for the year	11,155	69,563	10,375	26,431	-	117,524
Transfer from joint venture	-	667	-	107	-	774
Impairment	(117,812)	(2,209,824)	-	(53,212)	-	(2,380,848)
Currency translation	-	(857)	(1,637)	(939)	-	(3,433)
At 31 December 2016	122,447	115,986	50,181	217,988	-	506,602
Carrying amounts At 31 December 2016	70,522	87,479	18,341	101,110	4,495	281,947

NOTES (CONTINUED)
for the year ended 31 December 2016

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

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

NOTES (CONTINUED)

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

	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
Company 2016 Cost						
At 1 January 2016	318,829	2,369,780	13,572	241,113	765	2,944,059
Additions	1,659	30,216	8,110	3,405	1,065	44,455
Transfers from capital work in progress	-	6	-	162	(168)	-
Impairment	(150,549)	(2,349,275)	-	(57,947)	-	(2,557,771)
At 31 December 2016	169,939	50,727	21,682	186,733	1,662	430,743
Depreciation and impairment						
At 1 January 2016	227,533	2,181,077	12,266	209,015	-	2,629,891
Charge for the year	10,233	58,435	1,314	10,489	-	80,471
Impairment	(117,812)	(2,209,824)	-	(53,212)	-	(2,380,848)
At 31 December 2016	119,954	29,688	13,580	166,292	-	329,514
Carrying amounts						
At 31 December 2016	49,985	21,039	8,102	20,441	1,662	101,229

NOTES (CONTINUED)

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14. 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
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

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14. Property Plant and Equipment (Continued)**(b) Change in estimates**

The policy of the Group is to review accounting estimates annually or when circumstances on which estimates used changes or as a result of new information or more experience. A review by a team of technical experts within the Group in 2016 confirmed that no additional information was gained during the year to warrant any revisions.

(c) Transfer to investment property

During 2015, some items previously classified under property, plant and equipment were transferred to investment property (Note 16 (a)). These items form an integral part of the building that they are part of.

(d) Transfer from joint venture

Furniture and tyre center equipment with a net book value of Kshs 5,046,000 (2015-Nil) were transferred from the Group's joint venture to a subsidiary company. The Group considered that the assets would be more efficiently utilised at a different location.

(e) Impairment loss

Following a change in the tyre sourcing strategy, the Group's tyre factory was closed during the year. The Group tested the factory buildings, plant and equipment for impairment and recognised an impairment loss of Kshs 176,923,000. Further information about the impairment loss is included in Note 8.

(f) Leased assets

Motor vehicles includes amounts where the Group is a lessee under a finance lease. The carrying amount at period end is as follows:

Group and Company		
	2016	2015
	Kshs '000	Kshs '000
Leased motor vehicles		
Cost	5,560	-
Accumulated depreciation	(232)	-
Carrying amount	5,328	-

(g) Contractual commitments to acquire plant and equipment

By the date of issue of these financial statements, the Group had entered into contractual commitments to construct tyre molds and equipment to be used at its new offshore tyre manufacturing locations. The commitments were in the form of irrevocable letters of credit in the amount of Kshs 102,448,000 (2015-Nil).

(h) Transfer to insurance receivable

On 1 November 2016, a fire broke out at one of the company's retail centers damaging servicing machinery with a carrying amount of Kshs 1,504,000. The equipment destroyed was insured and a claim has been lodged. The equipment remains unusable until repaired and consequently the Group has recognised an impairment loss on this equipment.

15. Intangible assets**Computer software****(a) Reconciliation of carrying amounts**

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cost				
At 1 January	137,620	127,791	137,296	127,443
Currency translation	(2)	(33)	-	-
Additions	2,676	9,862	2,676	9,853
At 31 December	140,294	137,620	139,972	137,296
Amortisation and impairment				
At 1 January	99,424	80,676	99,316	80,666
Currency translation	8	-	-	-
Impairment	2,392	-	2,392	-
Charge for the year	22,318	18,748	22,213	18,650
At 31 December	124,142	99,424	123,921	99,316
Carrying amount at 31 December	16,152	38,196	16,051	37,980

NOTES (CONTINUED)

for the year ended 31 December 2016

15. Intangible Assets (Continued)**Computer software (continued)****(b) Impairment loss**

Specialised computer software used for production planning was tested for impairment after the factory closure and an impairment loss of Kshs 2,392,000 was recognised. The Group continues to use other modules of this software that remain relevant to its operations. Further information about the impairment loss is included in Note 8.

(c) 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.

16. Investment Properties**(a) Reconciliation of carrying amounts**

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	183,033	180,491	99,656	101,118
Transfer from plant and machinery (Note 14)	-	9,706	-	-
Additions	-	1,736	-	-
Transfer from plant and machinery (Note 14)	-	(4,575)	-	-
Depreciation	(4,537)	(4,325)	(1,462)	(1,462)
At end of year	178,496	183,033	98,194	99,656
Comprising				
Cost	267,754	267,754	144,787	144,787
Accumulated depreciation	(89,258)	(84,721)	(46,593)	(45,131)
At end of year	178,496	183,033	98,194	99,656

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.

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16. Investment Properties

(b) Rental income and operating expenses

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Rental income	177,549	176,495	114,915	109,408
Operating expenses				
Staff costs	44,365	4,697	42,137	2,485
Administrative expenses	15,677	2,730	14,789	1,784
Security expenses	7,621	4,523	5,786	2,526
Legal and professional fees	14,959	6,190	8,217	1,671
Repairs and maintenance	4,632	2,646	3,666	2,101
Depreciation	11,798	5,207	8,287	1,462
Net other income	912	(618)	893	-
	99,964	25,375	83,775	12,029
Net rental income	77,585	151,120	31,140	97,379

(c) Measurement of fair value

(i) Fair value hierarchy

During the year the fair value of investment property was determined by an external, independent property valuer, having appropriate recognised professional qualifications. The Group values its investment properties every 3 years and in the intervening periods between valuations, management adjusts fair values on the basis of annual housing index reports provided by professional consultants.

The fair value measurement of – Group Kshs'000 – 7,015,360 (2015: Kshs'000-4,152,000); Company Kshs'000 –5,688,905 (2015: Kshs'000 – 3,613,000) 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	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Fair values				
Commercial properties	3,557,885	1,705,583	2,872,020	1,167,099
Leasehold land	3,457,475	2,446,287	2,816,885	2,446,287
	7,015,360	4,151,870	5,688,905	3,613,386
Carrying amounts				
Commercial properties	178,143	182,695	97,841	99,318
Leasehold land	353	338	353	338
	178,496	183,033	98,194	99,656
Fair value gains not recognised in profit or loss	6,836,864	3,968,837	5,590,711	3,513,730

NOTES (CONTINUED)

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16. Investment Properties (Continued)**(c) Measurement of fair value (continued)****(iii) Valuation techniques and significant unobservable inputs**

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

Valuation technique	Significant unobservable inputs	Inter-relationships between unobservable inputs and fair value measurements
(a) Investment properties		The estimated fair values would increase / (decrease) if;
<i>Discounted cash flows:</i> 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 (2016 and 2015: 3.75-7.6%)	1. Expected rental growth were higher /(lower)
	2. Occupancy rates (2016 and 2015: 90% - 95%)	2. Occupancy rates were higher / (lower)
	3. Risk-adjusted discount rate (2016 and 2015:9%)	3. Risk-adjusted discount rate was lower / (higher)
(b)Leasehold land held for value appreciation and development.		The estimated fair values would increase / (decrease);
<i>Market approach:</i> 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	1. If property prices were higher / (lower)
	2. Infrastructure developments	2. Increase with improvements in infrastructure.

(d) Investment property pledged as security

Included under investment property are residential properties leased out to third parties. During the year, the Group pledged these properties to one of its financiers as security for a three-year term loan of Kshs 133,900,000. The carrying amount of the the pledged property was Kshs 10,629,000 with a fair value of Kshs 327,000,000. By the date of issue of these financial statements, the Group had not drawn down on the loan.

17. Prepaid Operating Lease Rentals**(a)Reconciliation of carrying amount**

	Group and Company	
	2016 Kshs'000	2015 Kshs'000
At start of year	357	361
Amortisation charge for the year	(4)	(4)
At end of year	<u>353</u>	<u>357</u>

(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.

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18. 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	2016 Kshs'000	2015 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%	<u>35,000</u>	<u>35,000</u>
			193,414	193,414
Less: Provision for impairment			<u>(35,000)</u>	<u>(35,000)</u>
Carrying amount			<u>158,414</u>	<u>158,414</u>

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.

19. 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	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Carrying amount				
Interest in associates (Note 19(a))	121,680	125,925	137,026	137,026
Interest in joint venture (Note 19)	<u>(7,349)</u>	<u>(3,230)</u>	<u>-</u>	<u>-</u>
At end of year	<u>114,331</u>	<u>122,695</u>	<u>137,026</u>	<u>137,026</u>

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19. Equity Accounted Investees(Continued)

(a). Reconciliation of carrying amount - Group

	2016			2015		
	Associate Kshs'000	Joint venture Kshs'000	Total Kshs'000	Associate Kshs'000	Joint venture Kshs'000	Total Kshs'000
At 1 January 2016	125,925	(3,230)	122,695	119,895	(4,118)	115,777
Prior year under provision	(9,951)	(1,285)	(11,236)	-	-	-
Share of profit /(loss)	5,706	(2,834)	2,872	6,030	888	6,918
At end of year	121,680	(7,349)	114,331	125,925	(3,230)	122,695

(a) Associate

The Group's has an interest of 25% (2015: 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.

(b) Prior year under provision

During the year, the associated reviewed it capitalisation of borrowing costs and amended its borrowing costs capitalisation policy to comply with IAS 23. Consequently, borrowing costs capitalised subsequent to the qualifying asset – a commercial building – becoming operational were expensed. The associates financial statements were restated to correct this error. Note 19 (a)(ii))

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19. Equity Accounted Investees

(a) Associate (continued)

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

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	125,925	119,895	137,026	137,026
Prior year under provision	(9,951)	-	-	-
Share of profit from continuing operations (net of tax)	5,706	6,030	-	-
At end of year	<u>121,680</u>	<u>125,925</u>	<u>137,026</u>	<u>137,026</u>

(ii) Summarised financial information

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

	2016 Kshs'000	2015 Kshs'000	Restated 2015 Kshs'000
Financial position			
Non-current assets	2,272,809	2,426,910	2,387,135
Current assets	168,433	89,417	89,417
Current liabilities	(14,363)	(20,182)	(20,182)
Non-current liabilities	(1,940,160)	(1,992,476)	(1,992,476)
Net assets	<u>486,719</u>	<u>503,669</u>	<u>463,894</u>
Profit or loss and other comprehensive income			
Revenue	347,651	301,737	304,782
Expenses	(324,826)	(277,619)	(280,664)
Profit after tax	22,825	24,118	24,118
Other comprehensive income	-	-	-
Total comprehensive income	<u>22,825</u>	<u>24,118</u>	<u>24,118</u>

(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% (2015 – 10%) 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 2016 (2015- 12 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.

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19. Equity Accounted Investees (Continued)**(b) Joint venture** (continued)

Group	2016	2015
Percentage of ownership	Kshs'000	Kshs'000
	50%	50%
Non - current assets	-	5,046
Current assets (including cash and cash equivalents : KShs 976,000 (2015 – KShs 699,000)	10,166	12,749
Current liabilities (Borrowing from the Group)	(9,273)	(14,319)
Current liabilities (Trade and other payables)	(13,399)	(10,314)
Retained earnings - deficit	6,838	8,614
Net liabilities – 100%	(5,668)	1,776
Group's share of net obligations in the joint venture	(2,834)	888
Revenue	57,677	47,950
Cost of sales	(37,524)	(24,028)
Staff costs	(4,849)	(3,929)
Depreciation	-	(631)
Interest expense	(661)	(1,193)
Lease charges	(1,418)	(1,545)
Management fees	(2,019)	(1,678)
Other expenses	(16,874)	(13,170)
(Loss)/profit and total comprehensive income - 100%	(5,668)	1,776
Group's share of profit/(loss) and total comprehensive income	(2,834)	888

20. Inventories

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Raw materials	105,619	311,251	105,619	311,251
Stores and supplies	9,713	331,830	6,778	329,661
Work in progress	-	17,278	-	17,278
Finished goods	1,285,989	876,428	845,137	666,300
	1,401,321	1,536,787	957,534	1,324,490

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

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cost of raw material used	829,873	956,300	829,873	956,300
Changes in inventories of work in progress and finished goods	(85,390)	(135,882)	(85,390)	(135,882)
Cost of trading goods sold	641,872	609,841	432,136	371,665
	1,386,355	1,430,259	1,176,619	1,192,083

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20. Inventories (Continued)**(a) Security**

The Company's borrowings are secured through a first ranking debenture over the trade receivables and inventories of the company for Kshs'000 – 1,191,500 (2015: Kshs'000 926,100) shared pari-passu between the company's principal bankers (Note 24).

(b) Amounts recognised in profit or loss

In 2016, inventories of Kshs 1,386,355 (2015 Kshs 1,430,259) were recognised as an expense during the year and included in 'cost of sales'.

Following the factory closure and restructuring of the Groups operation (see Note 8), write-off of inventory amounted to Kshs 404,501,000 (2015 Kshs '000 Nil). These write-offs were recognised as an expense during the year and included in 'cost of sales'.

21. Trade and Other Receivables

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Current				
Trade receivables	513,343	491,804	240,809	242,694
Less: Provision for impairment	(65,211)	(48,328)	(27,707)	(23,592)
	448,132	443,476	213,102	219,102
Amounts due from related companies (Note 33(e)(i))	3,848	35,260	3,258	6,049
Other receivables	155,005	132,112	37,674	100,573
Receivables from subsidiaries (Note 33(e)(ii))	-	-	737,040	299,705
Trade and other receivables	606,985	610,848	991,074	625,429
Prepayments	109,477	81,122	73,028	58,283
	716,462	691,970	1,064,102	683,712

(a) Security

The Company's borrowings are secured through a first ranking debenture over the trade receivables and inventories of the company for Kshs'000 – 1,191,500 (2015: Kshs'000 926,100) shared pari-passu between the company's principal bankers (Note 24).

(b) Credit and market risks, and impairment losses

Information about the Groups exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 5 (a).

22. Cash and Cash Equivalents

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

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cash at bank and in hand	92,030	219,398	15,654	157,810
Call deposits	40,352	287,286	-	287,286
Cash and bank balances in statement of financial position	132,382	506,684	15,654	445,096
Short term facilities used for cash management (Note 23)	(825,615)	(543,393)	(825,615)	(543,393)
Cash and cash equivalents in the statement of cash flows	(693,233)	(36,709)	(809,961)	(98,297)

Term deposits are presented as cash equivalents if they have a maturity of 3 months or less from the date of acquisition and are repayable within 24 hours notice with no loss of interest.

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23. Capital and Reserves**(a) Ordinary share capital**

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

	2016	2015
Authorised ordinary shares	300,000,000	300,000,000
Authorised par value (Kshs each)	5	5
Authorised share capital (Kshs'000)	<u>1,500,000</u>	<u>1,500,000</u>
<i>Issued and fully paid up capital</i>		
Issued ordinary shares	278,342,373	278,342,373
Issued par value (Kshs each)	5	5
Issued and fully paid up capital (Kshs'000)	<u>1,391,712</u>	<u>1,391,712</u>

(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. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(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 declared by shareholders in a general meeting.

(c) Dividends

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

	2016 Kshs'000	2015 Kshs'000
Declared and paid		
Kshs Nil per qualifying ordinary share (2015: Kshs Nil)	<u>-</u>	<u>-</u>

Dividends paid to resident shareholders who hold equity interest of 12.5% or more in the company are not subject to withholding tax on payment.

24. Borrowings**(a) Carrying amounts**

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Non-current				
Finance lease liabilities	<u>3,304</u>	-	<u>3,304</u>	-
Current				
Short term facilities - Import loans	823,944	543,393	823,944	543,393
Finance lease liabilities	<u>1,671</u>	-	<u>1,671</u>	-
	<u>825,615</u>	<u>543,393</u>	<u>825,615</u>	<u>543,393</u>
Total borrowings	<u>828,919</u>	<u>543,393</u>	<u>828,919</u>	<u>543,393</u>

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

Group	Currency	Nominal interest	Maturity	31 December 2016		31 December 2015	
				Face value	Carrying amount	Face value	Carrying amount
				Kshs'000	Kshs'000	Kshs'000	Kshs'000
Import Financing loan – NIC Bank	USD	8.11%	2017	306,934	360,910	205,407	200,016
Import Financing loan – Standard Chartered Bank	USD	6.94%	2017	306,934	156,482	50,002	48,880
Import Financing loan - Cfc Stanbic Bank	USD	5.32%	2017	260,894	204,577	176,883	173,220
Bank overdraft – NIC Bank	USD	8.00%	2017	102,311	101,975	130,637	121,277
Finance lease liabilities	USD	14.00%	2019	5,139	4,975	-	-
				982,212	828,919	562,929	543,393
Company							
	Currency	Nominal interest	Maturity	31 December 2016		31 December 2015	
				Face value	Carrying amount	Face value	Carrying amount
				Kshs'000	Kshs'000	Kshs'000	Kshs'000
Import Financing loan – NIC Bank	USD	8.11%	2017	306,934	360,910	205,407	200,016
Import Financing loan – Standard Chartered Bank	USD	6.94%	2017	306,934	156,482	50,002	48,880
Import Financing loan - Cfc Stanbic Bank	USD	5.32%	2017	260,894	204,577	176,883	173,220
Bank overdraft – NIC Bank	USD	8.00%	2017	102,311	101,975	130,637	121,277
Finance lease liabilities	USD	14.00%	2019	5,139	4,975	-	-
				982,212	828,919	562,929	543,393

NOTES (CONTINUED)
for the year ended 31 December 2016

24. Borrowings (Continued)

(c) Finance lease liabilities

	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
Less than 1 year	1,671	-	582	-	1,671	-
Between 1 and 2 years	3,304	-	539	-	2,542	-

(d) Security and effective interest rates

The Company's borrowings are secured through a first ranking debenture over the trade receivables and inventories of the company for Kshs'000 – 1,191,500 (2015: Kshs'000 926,100) shared pari –passu between the company's principal bankers. The weighted average effective interest rates at the year-end were:

	2016 %	2015 %
Bank overdrafts – USD	7.09	6.38
Bank borrowings – Kshs	<u>14.00</u>	<u>19.74</u>

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.

(e) Compliance with loan covenants

The Group has complied with all the financial covenants of its borrowing facilities during the 2016 and 2015 reporting period.

25. Deferred Income Tax

(a) Carrying amounts

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

	Group		Company	
	2016 Ksh'000	2015 Ksh'000	2016 Ksh'000	2015 Ksh'000
At start of year	(153,807)	(107,269)	(91,931)	(69,533)
Charge to statement of profit or loss (Note 12 (a))	(251,332)	(49,213)	(248,613)	(25,560)
Prior year under provision	781	872	(330)	1,491
Recognised in other comprehensive income	(1,671)	1,671	(1,671)	1,671
Currency translation differences	-	132	-	-
At end of year	(406,029)	(153,807)	(342,546)	(91,931)
As disclosed on the balance sheet:				
Deferred income tax assets	(409,306)	(158,380)	(342,546)	(91,931)
Deferred income tax liabilities	3,277	4,573	-	-
	(406,029)	(153,807)	(342,546)	(91,931)

NOTES (CONTINUED)
for the year ended 31 December 2016

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

Group 2016

Deferred income tax asset

	Net balance at 1 January Kshs'000	Recognised in profit or loss Kshs'000	Recognised in other comprehensive income Kshs'00	Prior year (under) /over provisions Kshs'000	Exchange differences Kshs'000	Net balance at 31 December Kshs'000
<i>Deferred income tax asset</i>						
Property, plant and equipment and intangibles	(25,812)	(53,783)	-	(330)	-	(79,925)
Investment properties	79,272	1,056	-	-	-	80,328
Provisions	(93,119)	59,176	-	-	-	(33,943)
Tax Losses	(116,843)	(261,178)	-	1,111	-	(376,910)
Actuarial gains and losses on retirement benefit obligations	1,671	-	(1,671)	-	-	-
Effects of movements in exchange rates	(3,549)	4,693	-	-	-	1,144
	(158,380)	(250,036)	(1,671)	781		(409,306)
<i>Deferred income tax liability</i>						
Investment properties	4,697	(1,449)	-	-	-	3,248
Provisions	(124)					(124)
Effects of movements in exchange rates	-	153	-	-	-	153
	4,573	(1,296)	-	-	-	3,277
Net deferred income tax asset	(153,807)	(251,332)	(1,671)	781	-	(406,029)

NOTES (CONTINUED)

for the year ended 31 December 2016

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

Group 2015	Net balance at 1 January Kshs'000	Recognised in profit or loss Kshs'000	Recognised in other comprehensive income Kshs'000	Prior year (under) /over provisions Kshs'000	Exchange differences Kshs'000	Net balance at 31 December Kshs'000
<i>Deferred income tax asset</i>						
Property, plant and equipment and intangibles	(1,695)	(25,278)	-	1,141	20	(25,812)
Investment properties	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)
Actuarial 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)
<i>Deferred income tax liability</i>						
Investment properties	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)

NOTES (CONTINUED)
for the year ended 31 December 2016

25. Deferred Income Tax (Continued)

(b) Movement in deferred tax balances (continued)

Company 2016	Net balance at 1 January KShs'000	Recognised in profit or loss KShs'000	Recognised in other comprehensive income KShs'000	Prior year under / (over) provisions KShs'000	Net balance at 31 December KShs'000
<i>Deferred income tax asset</i>					
Property, plant and equipment and intangibles	(27,309)	(51,725)	-	(330)	(79,364)
Investment properties	16,357	1,056	-	-	17,413
Provisions	(74,191)	50,175	-	-	(24,017)
Actuarial gains and losses on retirement benefit obligations	1,671	-	(1,671)	-	-
Tax losses	-	(255,815)	-	-	(255,815)
Exchange differences	(8,459)	7,696	-	-	(763)
	(91,931)	(248,613)	(1,671)	(330)	(342,546)
2015					
<i>Deferred income tax asset</i>					
Property, plant and equipment and intangibles	(4,188)	(24,612)	-	1,491	(27,309)
Investment properties	15,253	1,104	-	-	16,357
Provisions	(70,601)	(3,590)	-	-	(74,191)
Actuarial 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)

NOTES (CONTINUED)
for the year ended 31 December 2016

25. Deferred Income Tax (Continued)

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future profit will be available which the Group can the benefits therefrom.

	2016		2015	
	Gross amount	Tax effect	Gross amount	Tax effect
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Tax losses	<u>85,220</u>	<u>25,566</u>	<u>-</u>	<u>-</u>

(d) Tax losses carried forward

Tax losses for which no deferred tax asset was recognised expire as follows

	2016		2015	
	Kshs '000	Expiry date	Kshs '000	Expiry date
Expire	7,795	2017-2018	-	-
Never expire	<u>17,771</u>			

In 2016, the Group's Burundi subsidiary incurred a tax loss of Kshs 25,983,000 increasing cumulative tax losses to Kshs 105,312,000. Management has determined that the recoverability of cumulative tax losses, which expire 2017 – 2020, is uncertain due to the political uncertainty and shortage of hard currency in this country. However, if the political situation in Burundi improves soon or new taxable temporary differences arise in the next financial year, then additional deferred tax assets and a related income tax benefit of upto Kshs 7,795,000 could be recognised.

In 2016, the Group's Tanzania subsidiary incurred a tax loss of Kshs 50,072,000 increasing cumulative tax losses to Kshs 118,555,000. The long term business prospects for this subsidiary and the three year Group strategic plan indicate that this subsidiary will be profit making by 2018, however, based on the accumulated tax losses carried forward, management found it prudent not to recognise any further deferred tax assets until the subsidiary is demonstrably profitable. Should the subsidiary turn profitable in the next financial year, then additional deferred tax assets and a related income tax benefit of upto Kshs 17,771,000 could be recognised

26. Defined Contribution Liability

(a) Carrying amount

	Group and Company	
	2016	2015
	Kshs'000	Kshs'000
Defined benefit liability	191,873	197,717
Benefits paid (Note 26 (b))	<u>(191,873)</u>	<u>(9,659)</u>
Closing defined contribution liability transferred	-	188,058
Add: Employer defined contributions	-	5,791
Less: Defined contribution benefit payable	<u>-</u>	<u>(1,976)</u>
Balance at 31 December	<u>-</u>	<u>191,873</u>

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26. Defined Contribution Liability (Continued)**(b) Description of the plan**

The Group operated a gratuity scheme for its unionisable employees up to 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.

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 provident fund was to be completed after registration of the 'Sameer Africa Limited Staff Provident Fund'. However, the Group executed a business restructuring (see Note 8) before registration of the provident fund had been finalised, consequently, all the amounts held in respect of the provident fund was paid out through employees individual pension plans.

(c) Movement in defined benefits obligation

	2016 Kshs'000	2015 Kshs'000
Balance at 1 January	-	178,344
Included in profit or loss		
Current service cost net of employees' contributions	-	5,093
Interest on obligation	-	9,680
Losses on settlement and curtailments	-	17,813
	-	32,586
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)
- experience adjustments arising from changes in financial assumptions	-	3,646
	-	(13,068)
Other movements		
Contributions paid by the employer	-	(145)
Settlements on transfer to defined contribution arrangements (Note 26(a))	-	(197,717)
	-	(197,862)
Balance at 31 December	-	-

The defined benefits obligation as at 31 May 2015 was transferred to a defined contribution arrangement.

NOTES (CONTINUED)

for the year ended 31 December 2016

27. Trade and Other Payables**(a) Carrying amounts**

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Trade payables	454,261	351,180	344,788	323,141
Amounts due to related companies (Note 33(e)(ii))	9,397	16,983	9,397	16,983
Amounts due to subsidiaries (Note 33(e)(ii))	-	-	92,890	211,090
Accrued expenses and other payables	159,819	136,874	104,045	69,866
Current income tax	-	6,951	-	4,648
	623,477	511,988	551,120	625,728

Information on the Group's exposure to currency and liquidity risk is included in Note 4 (e)

(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 2016 was as follows:

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Balance at 1 January	1,291	6,084	490	3,916
Additional provisions	8,426	8,178	6,317	6,461
Utilised in the year	(4,244)	(12,971)	(2,626)	(9,887)
Balance at 31 December	5,473	1,291	4,181	490

28. Unclaimed Dividends

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, through its share registrars forwarded Kshs 1,052,727 (2015: Kshs Nil) 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.

NOTES (CONTINUED)
for the year ended 31 December 2016

29. Statement of Cash Flows – Reconciliation of Receipts and Payments

	Note	Group		Company	
		2016	2015	2016	2015
		Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cash receipts from customers					
Revenue	9	2,882,230	3,363,976	2,299,076	2,777,105
Other income	10 (a)	21,481	9,628	20,981	1,455
Net foreign exchange losses	11	(23,064)	(48,798)	(466)	(26,299)
Translation differences		(6,824)	(39,742)	-	-
Movement in trade and other receivables	21	(24,492)	249,534	(380,390)	268,307
Cash collections from customers		2,849,331	3,534,598	1,939,200	3,020,568
Cash payments for purchases					
Opening inventory stock	20	(1,536,787)	(1,512,888)	(1,324,490)	(1,238,627)
Cost of sales	10 (b)	2,297,890	2,402,462	2,084,793	2,147,888
Closing inventory stock	20	1,401,321	1,536,787	957,534	1,324,490
Retirement benefits paid	26	191,873	9,804	191,873	9,804
Movement in trade payables	27 (a)	(103,081)	(49,618)	(21,647)	(53,944)
		2,251,216	2,386,547	1,888,063	2,189,611
Adjustments for non-cash expenses					
Depreciation and amortization	10 (c)	144,383	178,984	104,150	143,729
Impairment loss on assets	8	179,315	-	179,315	-
Transfer to Insurance receivable	14(a)	1,540	-	-	-
Expenses related to defined benefit plans	26 (b)	-	32,586	-	32,586
Movement in defined contribution liability	26 (a)	-	3,815	-	3,815
		325,238	215,385	283,465	180,130
Cash payment for purchases		1,925,978	2,171,162	1,604,598	2,009,481
Cash payments for expenses					
Other operating expenses	10(b)(ii)	1,427,027	916,123	1,052,494	582,615
Movement in accruals and other payables	27(a)	(8,408)	63,633	96,255	28,231
Cash payments for expenses		1,418,619	979,756	1,148,749	610,846

NOTES (CONTINUED)

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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.

(i) Future minimum lease payments

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Motor vehicles				
Not later than 1 year	18,248	44,737	7,056	28,499
Later than 1 year and not later than 5 years	12,870	12,870	8,152	8,152
	31,118	57,607	15,208	36,651
Leases for premises				
Not later than 1 year	100,237	75,183	4,036	3,512
Later than 1 year and not later than 5 years	113,002	99,454	-	-
	213,239	174,637	4,306	3,512

(ii) Amounts recognised in profit or loss

Lease expense	134,449	118,828	31,083	30,435
Sub - lease income	(17,720)	(22,685)	-	-
	116,729	96,143	31,083	30,435

(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	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Leases for investment properties				
Not later than 1 year	90,378	90,378	62,205	62,205
Later than 1 year and not later than 5 years	254,659	254,659	209,056	209,056
	345,037	345,037	271,261	271,261

(ii) Amounts recognised in profit or loss

Rental income from investment properties and maintenance expenses included in operating expenses are shown on Note 16(b).

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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		2016 Kshs '000	2015 Kshs '000
	2016 Kshs '000	2015 Kshs '000		
Property, plant and equipment	<u>134,314</u>	<u>67,866</u>	<u>129,514</u>	<u>59,917</u>

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% (2015: 72.15%).

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	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Basic pay and other allowances	47,469	45,586	47,469	45,586
Pension / gratuity	2,921	2,635	2,921	2,921
Total	<u>50,390</u>	<u>48,221</u>	<u>50,390</u>	<u>48,507</u>

(ii) Directors' shareholding

At 31 December 2016 directors' shareholding in the company was as follows:

	2016 Shares	2015 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)	<u>20,000</u>	<u>20,000</u>

NOTES (CONTINUED)

for the year ended 31 December 2016

33. Related Party Transactions (Continued)**(c) Transactions with key management personnel****(iii) Directors' remuneration**

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Directors' remuneration				
Fees as directors	5,140	4,860	5,140	4,860
Other emoluments (included under key management compensation above)	25,909	25,909	25,909	25,909
Total remuneration of directors of the company	31,049	30,769	31,049	30,769

(d) 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

	Company	
	2016	2015
	Kshs'000	Kshs'000
Subsidiaries		
Sameer Africa (Tanzania) Limited	253,299	247,763
Sameer Africa (Uganda) Limited	55,542	85,610
Sameer Africa (Burundi) Limited	27,079	46,023
Yana Tyre Centre Limited	417,365	282,597
	753,285	661,993

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Joint Venture				
Yana Tyre Centre – Galleria	28,802	25,173	28,802	25,173
Other related parties				
Ryce East Africa Limited	16,255	17,971	15,908	15,471
Ryce Southern Sudan	1,830	3,082	1,830	3,082
Sameer Agriculture & Livestock	-	6,519	-	-
Eveready Batteries (K) Limited	598	279	-	150
Sasini Limited	1,251	1,147	-	-
	19,934	28,998	17,738	18,703

NOTES (CONTINUED)
for the year ended 31 December 2016

33. Related Party Transactions (Continued)

(d) Transactions with other related parties (continued)

(ii) Purchase of goods and services

	Group and Company	
	2016	2015
	Kshs'000	Kshs'000
Other related parties		
Ryce East Africa Limited	28,336	39,684
First Assurance Company Limited	22,350	33,234
Sameer Management Limited	5,868	5,000
Sasini Limited	897	803
Sameer Investments	-	226
Sameer Agriculture & Livestock	-	16
	<u>57,451</u>	<u>78,963</u>

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 (2015: Kshs-Nil)

Banking facilities

A related party – Spire 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 2016 as are follows:

	Group and Company	
	2016	2015
	Kshs'000	Kshs'000
Bank balances	(20)	6,277
Term deposits	<u>-</u>	<u>287,286</u>
	<u>(20)</u>	<u>293,563</u>

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	
	2016	2015
	Kshs'000	Kshs'000
Total amount advanced	<u>19,831</u>	<u>22,793</u>
Interest income earned	<u>1,075</u>	<u>1,193</u>

NOTES (CONTINUED)
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33. Related Party Transactions (Continued)

(e) Outstanding balances

At 31 December 2016, outstanding balances with related parties comprised the following;

	Group		Company	
	2016 Kshs'000	2015 Kshs'000	2016 Kshs'000	2015 Kshs'000
(i) Amounts due from:				
<i>Subsidiaries</i>				
Taqwa Trading Limited	-	-	28,646	28,646
Yana Tyre Centre Limited	-	-	145,777	-
Sameer Industrial Park Limited	-	-	6,834	-
Sameer Africa(Tanzania) Limited	-	-	300,466	84,380
Sameer Africa (Uganda) Limited	-	-	33,308	-
Sameer Africa(Burundi) Limited	-	-	222,009	186,679
	<u>-</u>	<u>-</u>	<u>737,040</u>	<u>299,705</u>
<i>Associate</i>				
Sameer Business Park Limited	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Joint venture</i>				
Joint venture with Discount Tyres	<u>-</u>	<u>25,822</u>	<u>-</u>	<u>2,117</u>
<i>Other related parties</i>				
Ryce East Africa Limited	3,437	4,481	3,258	3,857
Sameer Agricultural & livestock	-	4,726	-	-
Eveready Batteries (K) Limited	351	198	-	75
Sasini Limited	60	33	-	-
	<u>3,848</u>	<u>9,438</u>	<u>3,258</u>	<u>3,932</u>
Total due from other related parties	<u>3,848</u>	<u>35,260</u>	<u>3,258</u>	<u>6,049</u>

NOTES (CONTINUED)

for the year ended 31 December 2016

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33. Related Party Transactions (Continued)**(e) Outstanding balances**

	Group		Company	
	2016	2015	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
(ii) Amounts due to:				
<i>Subsidiaries</i>				
Yana Tyre Centre Limited	-	-	-	67,789
Sameer Industrial Park Limited	-	-	-	36,008
Sameer Africa(Uganda) Limited	-	-	-	21,666
Sameer EPZ Limited	-	-	92,890	85,627
	-	-	92,890	211,090
<i>Other related parties</i>				
Ryce East Africa Limited	5,365	12,975	5,365	12,975
First Assurance Company Limited	3,135	3,554	3,135	3,554
Sasini Limited	897	409	897	409
Sameer Investments	-	45	-	45
	9,397	16,983	9,397	16,983

(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.

34. Events After the Reporting Period

On 29 January 2017 the joint arrangement trading under the name of Yana Tyre Centre Galleria (Note 24) was dissolved after the Company's joint venture partner-Discount Tyres Limited exercised their option to exit the joint arrangement as provided for in the Joint Venture Agreement.

The Joint Venture Agreement provides for an independent audit to be carried out at the date of dissolution of the joint venture arrangement, with the purpose of determining the assets, liabilities and allocation of any profit or loss as at the dissolution date. By the date of issue of this financial statements the audit had not been concluded.

Discount Tyres Limited has offered to acquire the joint venture assets contributed by the Yana Tyre Centre Limited and any inventory on hand at the termination date. Further, Discount Tyres Limited has proposed to continue operating a tyre centre business as a franchisee of Yana Tyre Centre Limited.

NOTICE AND AGENDA OF THE 48TH ANNUAL GENERAL MEETING

Notice is hereby given that the 48th Annual General Meeting of members will be held at Sameer Industrial Park situated along Road C, off Enterprise Road, Nairobi on Friday 9th June 2017, 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 47th Annual General Meeting held on Tuesday 14th June 2016.

3. Financial Statements and Reports

To receive, consider and if deemed fit, adopt the financial statements for the year ended 31 December 2016, together with the reports thereon of the directors and the auditors.

4. Election of Directors

4.1 Re-election on account of rotation:

- i) In accordance with Article 92 of the company's Articles of Association, Mr. Peter Gitonga retires by rotation and being eligible, offers himself for re-election.

4.2. Re-election pursuant to Article 99 of the company's Articles of Association

- i) In accordance with article 99 of the company's articles of association, Dr. Winnie Iminza Nyamute, having been appointed an additional director on the board with effect from 4th May 2017, to hold office until the conclusion of the next Annual General Meeting, retires and being eligible, offers herself for re-election.
- ii) In accordance with article 99 of the company's articles of association, Dr. Lydia Muthoni Mbuthia, having been appointed an additional director with effect from 4th May 2017, to hold office until the conclusion of the next Annual General Meeting, retires and being eligible, offers herself for re-election.
- iii) In accordance with article 99 of the company's articles of association, Ms. Mary Ngatia, having been appointed an additional director with effect from 4th May 2017, to hold office until the conclusion of the next Annual General Meeting, retires and being eligible, offers herself for re-election.

5. Appointment of the Members of the Audit, Risk and Corporate Governance Committee of the Board

To approve the following:

In accordance with section 769 of the Companies Act 2015, the following being members of the audit, risk and corporate governance committee of the board, be elected to continue to serve on the said committee.

- (i) Dr. Winnie Iminza Nyamute (ii) Dr. Lydia Muthoni Mbuthia (iii) Ms. Mary Ngatia (iv) Mr. Stephen Githiga (v) Mr. Sameer Merali

6. Directors Emoluments

To authorize the board to fix the directors remuneration.

7. Appointment of Auditors

To re-appoint KPMG Kenya as auditors of the company in accordance with the provisions of section 721(4) of the Companies Act 2015 of the Laws of Kenya and to authorize the directors to fix their remuneration for the ensuing financial year.

8. Special Business

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

- (i) That in accordance with Sections 53 and 62 of the Companies Act 2015 the name of the company be changed from "Sameer Africa Limited" to "Sameer Africa PLC".
- (ii) That the company adopts new articles of association in lieu of the existing memorandum and articles of association.

9. 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

10th May 2017, 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 48 WA KILA MWAKA

Ilani inatolewa hapa kuwa mkutano mkuu wa kila mwaka wa arobani na nane (48) wa wanachama utafanyika Sameer Industrial Park, kando ya barabara ya Road C, kutokea barabara ya Enterprise road Nairobi, Ijumaa tarehe 9 Juni 2017 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 saba (47) uliofanyika Jumanne tarehe 14 Juni 2016.

3. Taarifa na ripoti za fedha

Kupokea, kuchunguza na ikithibitishwa sawa, kukubali taarifa ya matumizi ya fedha ya mwaka ulioishia 31 Desemba 2016, pamoja na taarifa za wakurugenzi na wakaguzi.

4. Uchaguzi wa wakurugenzi:

4.1 Kuchaguliwa tena ikiwa ni kwa zamu:

- i) Kwa mujibu wa ibara 92 ya Makala ya chama ya kampuni, Bwana Peter Gitonga anastaafu kwa zamu na kwa kuwa anastahili anajitolea kuchaguliwa tena.

4.2. Kuchaguliwa tena kwa mujibu wa ibara 99 ya Makala ya chama ya kampuni

- i) Kwa mujibu wa ibara 99 ya Makala ya chama ya kampuni. Dakari Winnie Iminza Nyamute, baada ya kuteuliwa kama mkurugenzi wa ziada katika halmashauri mnamo tarehe 1 Mei 2017, kushikilia wadhifa mpaka kukamilika kwa mkutano mkuu ufuatao, anastaafu kwa zamu na kwa kuwa anastahili anajitolea kuchaguliwa tena.
- ii) Kwa mujibu wa ibara 99 ya Makala ya chama ya kampuni. Dakari Lydia Muthoni Mbuthia, baada ya kuteuliwa kama mkurugenzi wa ziada katika halmashauri mnamo tarehe 1 Mei 2017, kushikilia wadhifa mpaka kukamilika kwa mkutano mkuu ufuatao, anastaafu kwa zamu na kwa kuwa anastahili anajitolea kuchaguliwa tena.
- iii) Kwa mujibu wa ibara 99 ya Makala ya chama ya kampuni. Bi Mary Ngatia, baada ya kuteuliwa kama mkurugenzi wa ziada katika halmashauri mnamo tarehe 1 Mei 2017, kushikilia wadhifa mpaka kukamilika kwa mkutano mkuu ufuatao, anastaafu kwa zamu na kwa kuwa anastahili anajitolea kuchaguliwa tena.

5. Kuteua wanachama wa kamati ya ukaguzi

Kuidhinisha yafuatayo:

- (i) Dakari Winnie Iminza Nyamute (ii) Dakari Lydia Muthoni Mbuthia (iii) Bi Mary Ngatia
- (iv) Mr. Stephen Githiga (v) Mr. Sameer Merali

6. Malipo ya wakurugenzi

Kuidhinisha malipo ya wakurugenzi.

7. Kuteua Wakaguzi

Kuwateua tena KPMG kama wakaguzi wa kampuni kwa mujibu wa masharti ya kifungu 721(4) cha sheria ya Makampuni 2015 ya sheria za Kenya na kuwaidhinisha wakurugenzi kuamua malipo yao ya mwaka wa kifedha unaofuata.

8. Shughuli Maalum

Kuchunguza na ikidhaniwa sawa kupitisha maazimio yafuatayo kama maazimio maalum

9. Shughuli nyengine yoyote

Shughuli nyingine yoyote inayoweza kushughulikiwa katika mkutano mkuu wa pamoja wa kila mwaka.

Kwa Amri ya Halmashauri

Edgar Imbamba

Katibu wa Kampuni

10 Mei 2017, 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 mkutano kufanyika.

TYRE CARE TIPS FROM SAMEER AFRICA LIMITED

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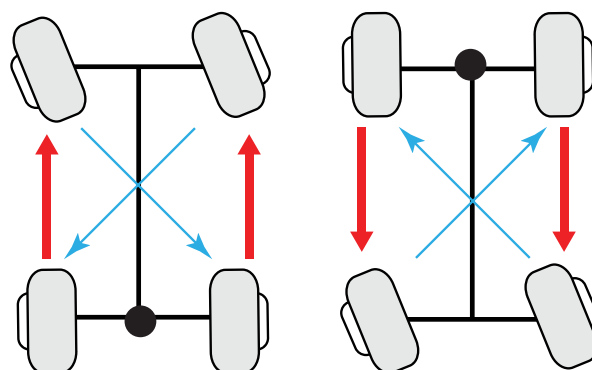
The functions of tyres

- Supporting the weight of the vehicle
- Absorbing road shocks
- Transmitting traction and braking forces
- Changing and 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

YANA MONARCH II

You're Powerful, Graceful and
Comfortable in your own skin

RIDE LIKE A
LEGEND



YANA
AFRICA RIDES ON YANA 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 Sameer Industrial Park situated along Road C, off Enterprise Road, Nairobi on Friday 9th June 2017, at 11.30 am and any adjournment thereof.

As witness my/our hand(s) this _____ day _____ 2017

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 office 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 majengo ya kampuni kando ya barabara ya Mombasa, Nairobi tarehe 9 Juni, mwaka 2017, kuanzia saa tano na nusu asubuhi na kwenye uahirishwaji wake wowote

Kama ushahidi wangu/wetu siku hii ya _____ Mwez-i wa _____ 2017

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 wakati uliowekwa wa kufanyika mkutano

FOLD 2

Affix
Stamp
Here

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



FOLD 3

Insert Flap Inside



FOLD 1



Makes driving in poor conditions look easy

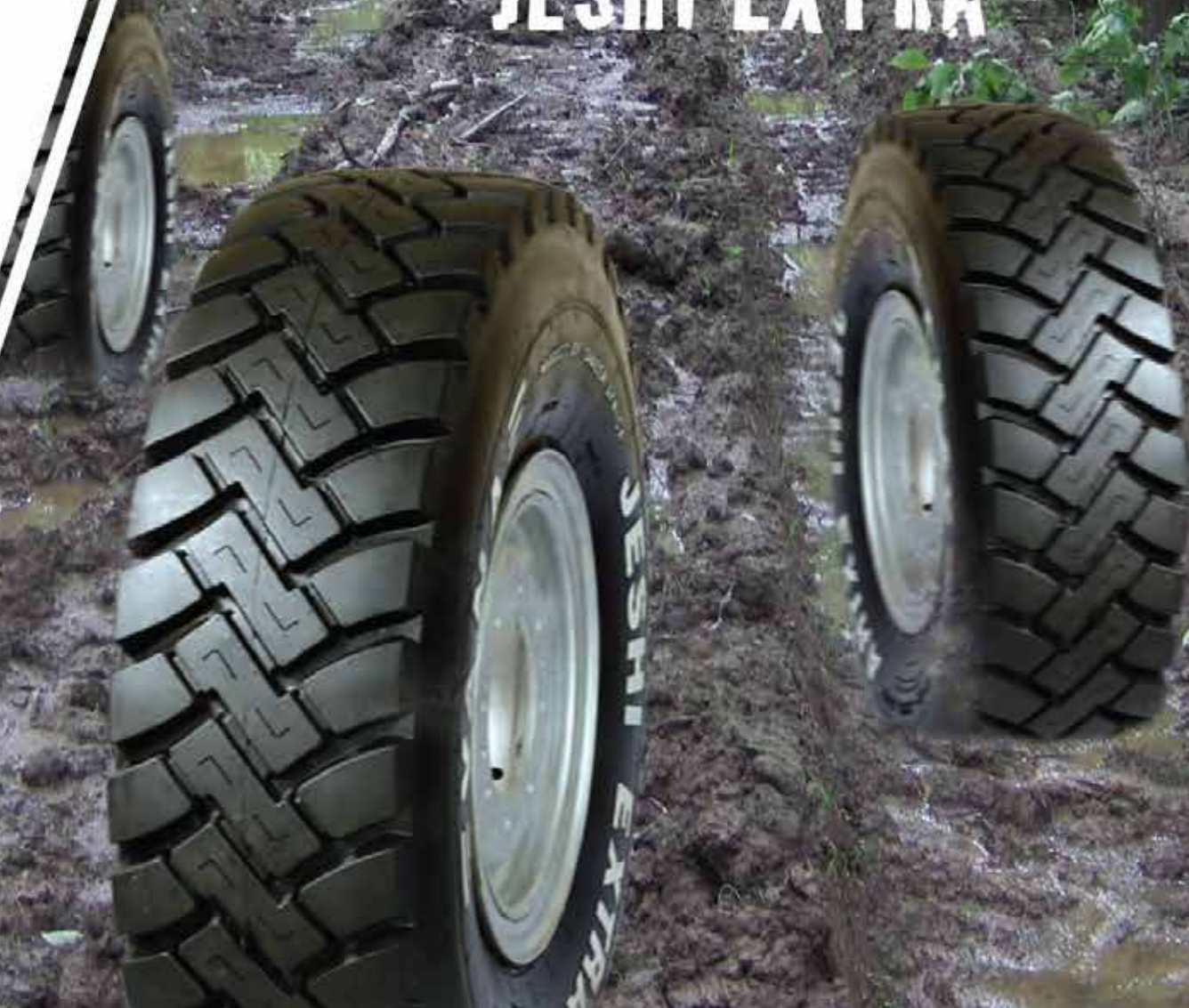
YANA JESHI EXTRA TRUCK & BUS OFF ROAD

14.00-20

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

YANA
AFRICA RIDES ON YANA TYRES

JESHI EXTRA





SUMMIT TYRE

Taya poa, thamani poa.

THE NEW RANGE OF SUMMIT TYRES



HAWK



TOSHA



KIFARU



KIFARU-D



KIFARU-ST



YANA STALLION AT

You've got the power of
4 stallions at your feet

RIDE LIKE A
LEGEND



YANA
AFRICA RIDES ON YANA TYRES

Sameer Africa Sales Depot Addresses

Kenya

Nairobi – Mombasa Road

P.O. Box 30429 - 00100, Nairobi
Tel: 020 - 3962 000
Fax: 020 - 3962 888
Email: info@sameerafrica.com

Mombasa – Machakos Road

P.O. Box 90491, Mombasa
Tel: 041- 314 800/ 1
Fax: 041- 315822
Email: msa.manager@sameerafrica.com

Eldoret – Old Uganda Road

P.O Box 8413, Eldoret
Tel: 053- 2013 956 / 2063 617
Fax :053 – 2033359
Email: eld.manager@sameerafrica.com

Tanzania

Dar es Salaam

Sameer Africa (T) Ltd
Nyerere Road
P.O Box14849, Dar es Salaam, Tanzania
Tel: 007-222-862584
Fax: 007-222-862585
Email: info@sameerafrica.co.tz

Arusha

P.O. Box 14238, Arusha, Tanzania
Tel: 007-272-505821
Fax: 007-272-505822
Mobile: 077-744-561608

Mwanza

Kenyatta Road
P.O Box 11047, Mwanza South, Tanzania
Tel: 007-282-540303

Nakuru – Timber Mill Road

P.O Box 15998, Nakuru
Tel: 051- 221 227/ 8
Fax: 057- 2023657
Email: nkr.manager@sameerafrica.com

Nyeri – Nyahururu Road

P.O Box 321, Nyeri
Tel: 061- 2032 145/2032 187
Fax: 061- 20330053
Email: nyr.manager@sameerafrica.com

Kisumu – Obote Road

P.O Box 1497, Kisumu
Tel: 057- 2041 547/ 2045 007
Fax: 057- 2023657
Email: ksm.manager@sameerafrica.com

Uganda

Kampala

Sameer Africa (U) Ltd
Plot 96/98, 5th street Industrial Area
P.O. Box 8972, Kampala, Uganda
Tel: +256 414 347665/ 667/ 635
Fax: 041-347670
Email: info@sameerafrica.co.ug

Burundi

Bujumbura
Sameer Africa (Burundi) Ltd
Kanindo, Plot 2750,
Boulevard 1 er Novembre
P.O. Box 5840 Kanindo,
Telephone (Telephone): +257 784 39180/ 222 78209

Yana Tyre Centres Addresses

Kenya

Koinange Street

Uniafric House
P.O Box 30429-00100, Nairobi, Kenya
Tel: 020 -2244 037/34, 3962 471
Mobile: 0734 333341/ 0720 607701
Fax: 020 -2244551
Email: yana.koinange@sameerafrica.com

Embakasi

Kobil Service Station, Airport North Road,
P.O Box 30429 -00100, Nairobi, Kenya
Tel: 020-3962 470,
Mobile: 0733 642323,
Fax: 020-820459
Email: yana.embakasi@sameerafrica.com

Langata

Kenol Kobil Service Station,
Opp. Carnivore Road
P.O Box 30429 -00100, Nairobi, Kenya
Tel: 020- 602818, 3962 474
Mobile: 0735 999003,
Fax: 020 602819
Email: yana.langatard@sameerafrica.com

Waiyaki Way

Total Service Station, Next to ABC Place
P.O Box 30429 – 00100, Nairobi Kenya
Tel: 020 3962 473
Mobile: 0734 339666
Email: yana.abc@sameerafrica.com

The Hub - Karen

P.O Box 30429 – 00100, Nairobi Kenya
Mobile: 0727 884694
Email: yana.karen@sameerafrica.com

Nakuru

Kolem House, Nakuru-Kisumu Highway
Jirani Road Junction
P.O. Box 15998, Nakuru, Kenya
Mobile: 0786 333038
Email: yana.nakuru@sameerafrica.com

Kisumu

Obote Road
P.O. Box 1497 Kisumu, Kenya
Tel: 057-2041 547/ 2045 007 / 3962 48 5,
Mobile: 0736 800192 / 0717 550685
Email: yana.kisumu@sameerafrica.com

Eldoret

Old Uganda Road
P.O Box 8413, Eldoret
Tel: 053 – 2031 956 /2063 617
Mobile: 0734 333345/ 0720 607705
Fax: 053 -2033359
Email: eldoret@sameerafrica.com

Mombasa Island

Tangana Road/ Pandya Road Junction
P.O. Box 90491, Mombasa, Kenya
Mobile: 0720 607704
Tel: 041- 2225963
Email: yana.msa@sameerafrica.com

Yana Tyre Centre – SBP

Sameer Business Park
Mombasa road
P.O. Box 30429- 00100
Nairobi,Kenya
Mobile:0733 611138/39
Email: yana.sbp@sameerafrica.com

Yana Tyre Centre – Mtwapa

Kenol service station
(next to Tuskys supermarket)
P.O. Box 646- 80109
Mtwapa, Kilifi
Mobile: 0786 333023
Email:yana.mtwapa@sameerafrica.com

Yana Tyre Centre – Rabai Road

Total Service station
Jogoo /Rabai road junction
P.O. Box 30429-00100, Nairobi
Mobile: +254780227723
Email: yana.rabairoad@sameerafrica.com

Yana Tyre Centre – Machakos

Kobil Service Station at Chumvi/Kangundo road junction
P.O. Box 2725 - 90100, Machakos
Mobile: 0733366122
Email: yana.machakos@sameerafrica.com

Yana Tyre Centre – Nyeri

National Oil Corporation Service Station at King'ong'o along Nyeri/Nanyuki Highway
P.O.Box 321-10100, Nyeri
Mobile: +254720607707
Email: yana.nyeri@sameerafrica.com

Yana Tyre Centre - Athi-River

Kobil Service Station - Namanga Road
P.O.Box 30429-00100, Nairobi
Mobile: +254798 634854
Email: yana.athiriver@sameerafrica.com

Tanzania

Dar es Salaam

Sameer Africa (T) Ltd
Nyerere Road
P.O. Box14849, Dar es Salaam, Tanzania
Tel: 007-222-862584
Fax: 007-222-862585
Email: info@sameerafrica.co.tz

Dar es Salaam

Sameer Africa (T) Ltd
Buguruni - Ilala District
P.O. Box14849, Dar es Salaam, Tanzania
Tel: 007-222-860068
Fax: 007-222-862585
Email: yana.ilala@sameerafrica.co.tz

Uganda

Kampala

Sameer Africa (U) Ltd
Plot 96/98, 5th street Industrial Area
P.O. Box 8972, Kampala, Uganda
Tel: +256 414 347665/ 667/ 635
Fax: 041-347670
Email: info@sameerafrica.co.ug

Burundi

Bujumbura

Sameer Africa (Burundi) Ltd
Kanindo, Plot 2750,
Boulevard 1 er Novembre
P.O. Box 5840 Kanindo,
Telephone: +257 784 39180/ 222 78209

Website:www.sameerafrica.com

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Head office

Sameer Africa Ltd. Mombasa/Enterprise Road Junction,
P.O. Box 30429 - 00100, Nairobi, Kenya.

Tel: +254 20 3962 000 | Mobile: +254 733 - 611138/9, 722 - 204674/5

Customer Service Number: +254 20 3962 601

Fax: +254 20 3962 888 or +254 20 533 440

Email: customer.service@sameerafrica.com or info@sameerafrica.com

Website: www.sameerafrica.com