2017 INTEGRATED ANNUAL REPORT AND FINANCIAL STATEMENTS

NEXT - GEN
TYRE TECHNOLOGY

The road to the future is more exciting than you think.
So get ready to push your limits and dare to be unstoppable.
The future of tyres is here!

Calling all drivers to experience the next level of driving with Yana tyres

On tarmac, or on rough road,
The license for adventure is now yours for the taking.

Optimize your driving experience with next gen tyre technology.

Africa rides on Yana tyres.

YANA

CORPORATE INFORMATION

Board of Directors

Eng. Erastus Mwongera **(Chairman)**
Allan Walmsley **(Managing Director)**
Sameer Merali
Akif Butt
Peter Gitonga
Lydia Mbuthia
Mary Ngatia
Winnie Nyamute

Audit, Risk and Corporate Governance Committee

Winnie Nyamute **(Chairlady)**
Sameer Merali
Lydia Mbuthia
Mary Ngatia
Peter Gitonga (Alternate to S.N Merali)

Finance and Investment Committee

Lydia Mbuthia **(Chairlady)**
Akif Butt
Allan Walmsely
Peter Gitonga
Sameer Merali

Nominations and Remuneration Committee

Eng. Erastus Mwongera **(Chairman)**
Allan Walmsely
Peter Gitonga
Mary Ngatia

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.

Listing

Nairobi Securities Exchange

Share Registrars

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

Principal Advocates

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

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

Principal Bankers

NIC Bank (Kenya) PLC,
NIC House,
P.O.Box 44599,
00100 Nairobi GPO.

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

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

Auditors

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

Corporate Governance Auditors

Scribe Services Limited,
2nd floor, Lonrho House,
Standard Street,
P.O. Box 3085 - 00100,
GPO Nairobi, Kenya

ABOUT THIS REPORT

We welcome you to Sameer Africa PLC's integrated report for the year ended 31 December 2017.

Since 2014, Sameer Africa PLC 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 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 Council's (IIRC's) Framework, the Capital Markets Authority (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 2017, has been provided by KPMG Kenya, as confirmed in the independent auditor's report on page 73. 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 55 to 58 of the integrated report.

Target audience and materiality

This report has been prepared with the material interests of our stakeholders in mind (page 23) 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 30). 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 (pages 20-21), and the material risks and opportunities facing the Group (pages 24-28). 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 2017, were approved by the board of directors on 28 March 2018 and signed on its behalf by;

Eng Erastus Kabutu Mwongera
(FIEK, RCE, CBS)
Chairman

Allan Walmsley
Managing Director

CONTENT

Forward-looking statements

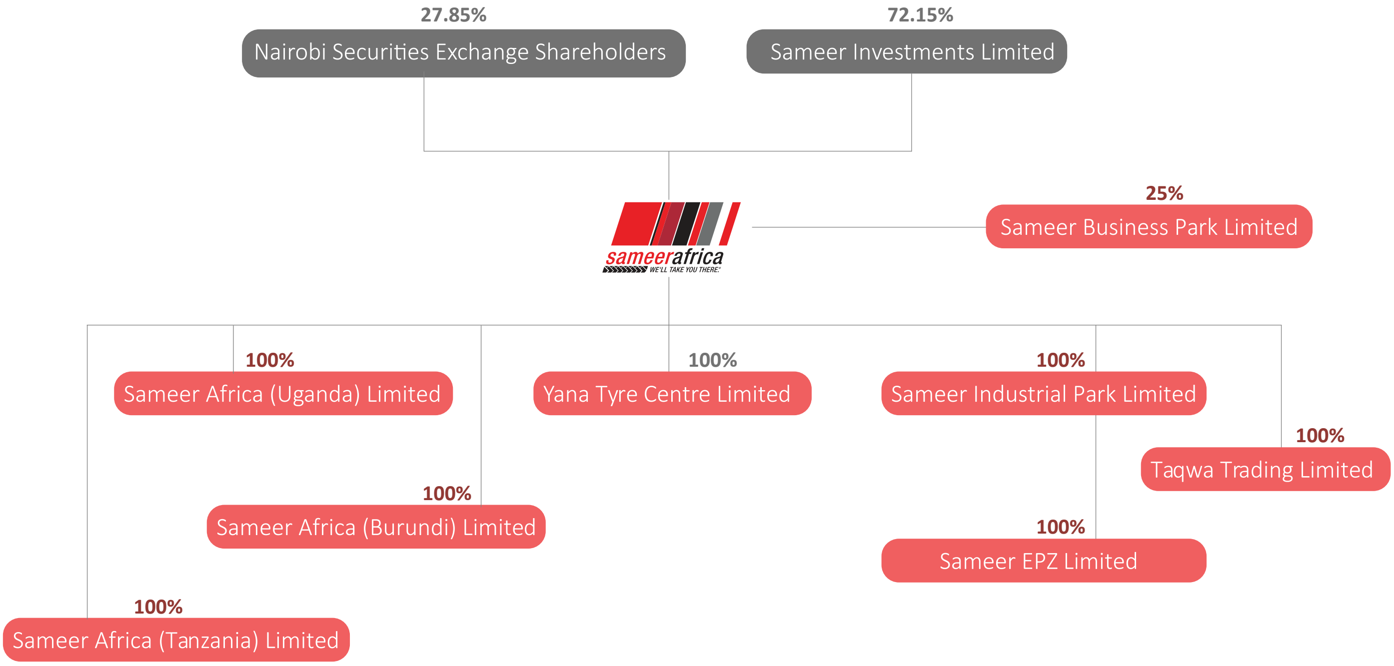
The integrated annual report includes forward-looking statements which relate to the possible future financial position and results of the Group's operations. These statements, by their nature, involve risk and uncertainty, as they relate to events and depend upon circumstances that may or may not occur 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.

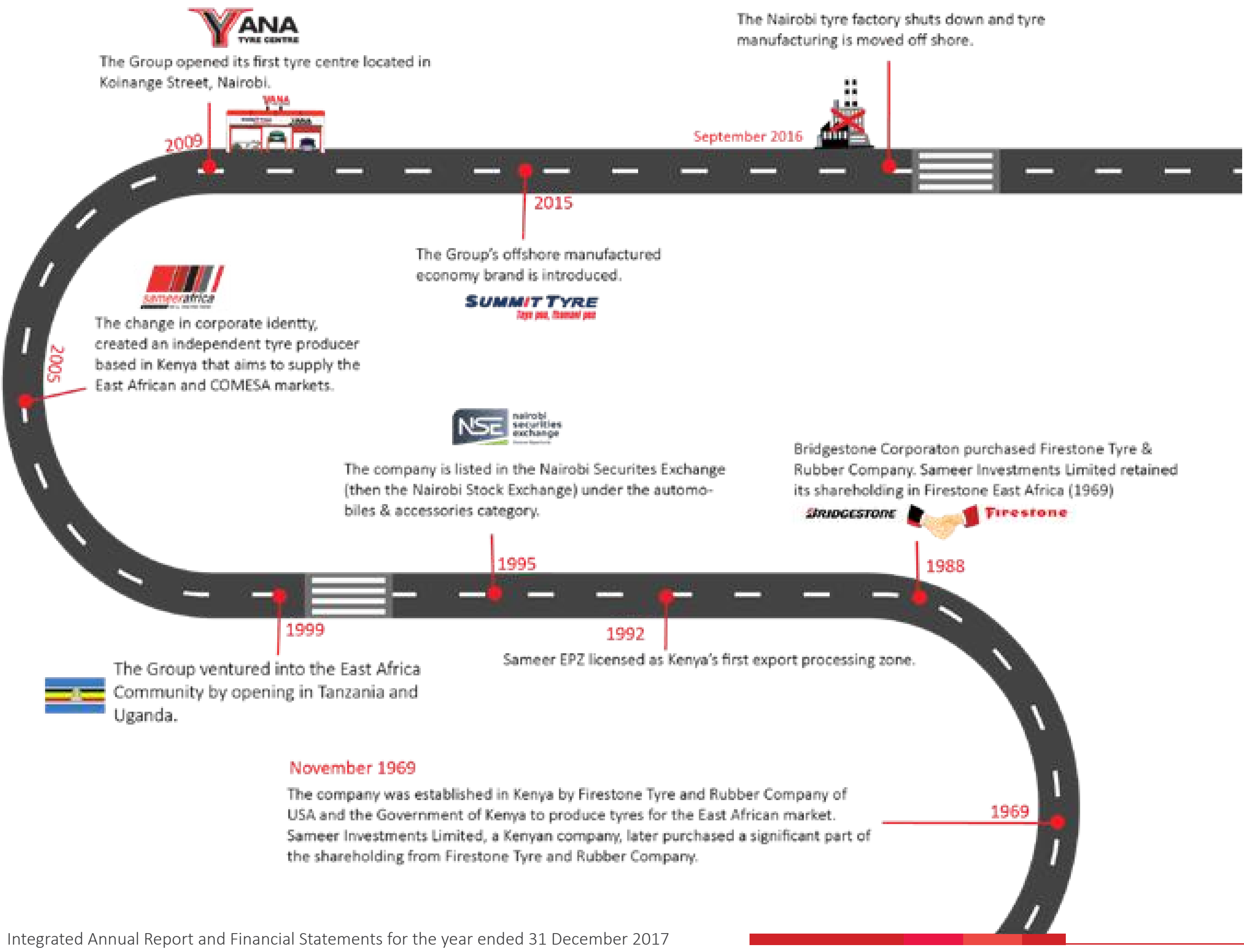
WHO WE ARE

Sameer Africa PLC is a public limited company first incorporated in Kenya in 1969 as Firestone East Africa Limited. The company's principal business is the importation 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 PLC 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 STRUCTURE



HISTORICAL TIMELINE



WHAT WE DO

Our Tyre Business

We import 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.

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.

OUR TYRE BRANDS

Customized for African roads	Value for money	Premium and Quality
185/70R14 Monarch II 195/65R15 Monarch III 205R16 Moran 225/75R15 Moran 750-16 14 Ply Pamoja	185/70R14 Hawk 185/70R13 Hawk 195R15 Tosha 9.5R17.5 Kifaru 315/80R22.5 Kifaru AP	215/70R16 Destination AT 265/65R17 Destination AT 245/70R16 Destination AT 265/70R16 Destination AT 11R22.5 UT3000

OUR PROPERTY BRANDS

sameer INDUSTRIAL PARK	SAMEER BUSINESS PARK	sameerafrica WE'LL TAKE YOU THERE!
Our fully owned subsidiaries, Sameer EPZ Limited and Sameer Industrial Park Limited let space to tenants licensed to operate in an EPZ.	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 lets 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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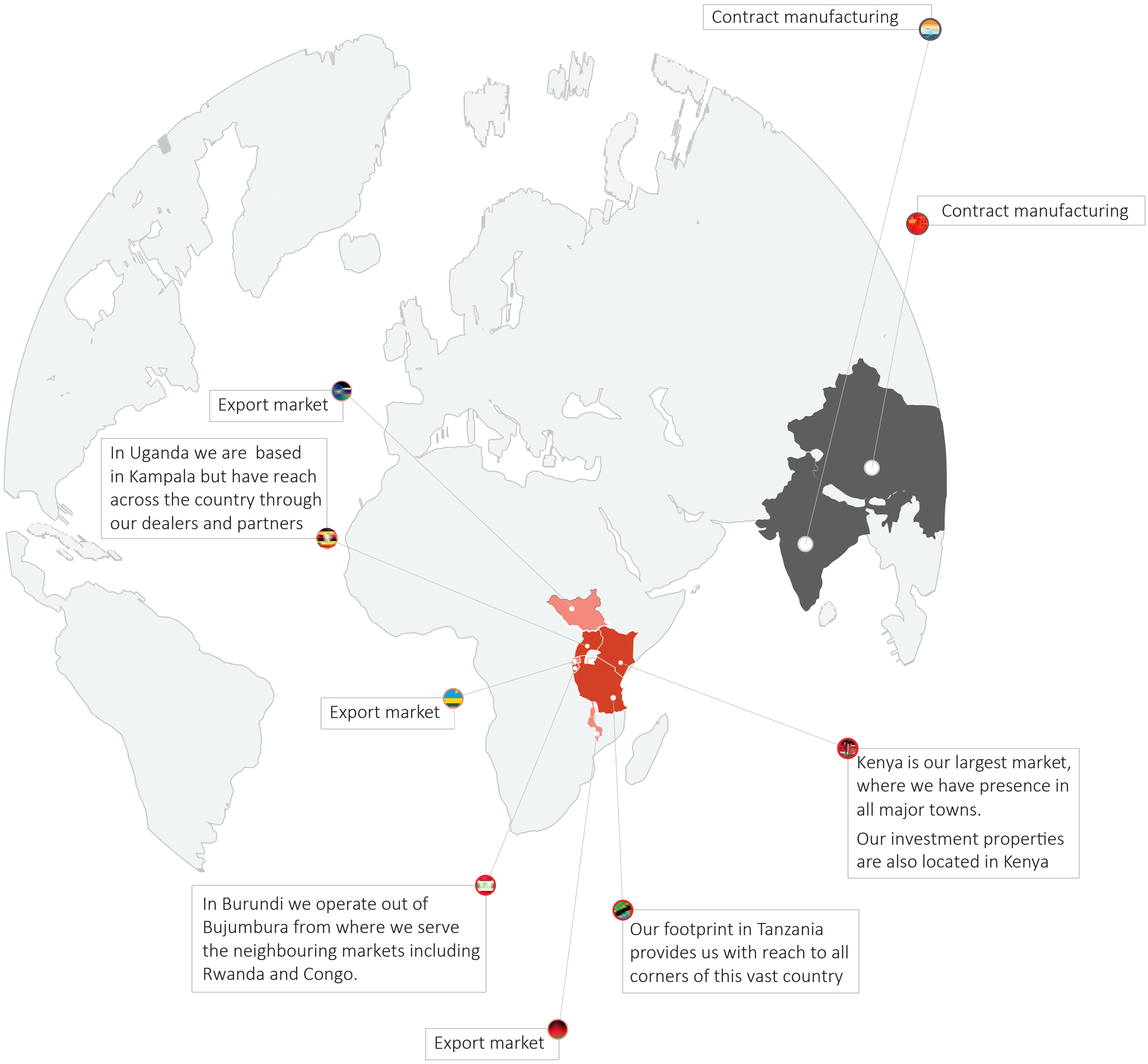


KEY

- Core market
- Export market
- Offshore manufacturing location

PERFORMANCE HIGHLIGHTS

GROUP FIVE-YEAR PERFORMANCE

	2017 Kshs'000	2016 Kshs'000	2015 Kshs'000	2014 Kshs'000	2013 Kshs'000
CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
Revenue	**2,626,975**	**2,882,230**	**3,363,976**	**3,777,146**	**4,029,841**
Gross Profit	**780,741**	**584,340**	**961,514**	**936,511**	**1,078,122**
Profit/(loss) before income tax	27,164	(865,056)	5,689	(69,458)	456,521
Income tax credit/(charge)	(14,135)	212,955	(21,341)	2,528	(55,332)
Profit/(Loss) for the year	**13,029**	**(652,101)**	**(15,652)**	**(66,930)**	**401,189**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	552,139	281,947	483,019	529,659	435,967
Investment properties	175,360	178,496	183,033	180,491	179,197
Equity accounted investees	133,448	114,331	122,695	115,777	116,073
Inventories	730,580	1,401,321	1,536,787	1,512,888	1,268,150
Trade and other receivables	800,475	716,462	691,970	941,504	996,377
Cash and cash equivalents	119,105	132,382	506,684	361,616	482,833
Other assets	458,761	465,928	227,037	215,457	189,890
Total assets	**2,969,868**	**3,290,867**	**3,751,225**	**3,857,392**	**3,668,487**
Equity					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Reserves	446,142	443,482	1,100,735	1,144,732	1,287,901
Total equity	**1,837,854**	**1,835,194**	**2,492,447**	**2,536,444**	**2,679,613**
Liabilities					
Retirement benefit obligations	-	-	191,873	178,344	148,830
Trade and other payables	535,014	623,477	511,988	526,003	257,933
Borrowings	561,840	825,615	543,393	611,258	571,236
Other liabilities	35,160	6,581	11,524	5,343	10,875
Total liabilities	**1,132,014**	**1,455,673**	**1,258,778**	**1,320,948**	**988,874**
Total equity and liabilities	**2,969,868**	**3,290,867**	**3,751,225**	**3,857,392**	**3,668,487**
KEY RATIOS					
Gross Margin	30%	20%	29%	25%	27%
Net Profit Margin	0.5%	-22.6%	-0.5%	-2%	10%
Earnings Per Share (Kshs)	0.05	(2.34)	(0.06)	(0.24)	1.44
Dividends Per Share (Kshs)	0.00	0.00	0.00	0.00	0.30
Dividend Yield	0.00	0.00	0.00	0.00	5.66
Price to Earning Ratio	56.00	-1.22	-55.83	-24.95	3.71
Price to Book Value (Kshs)	0.51	0.00	0.37	0.66	0.57
Return on Equity	1%	-36%	-1%	-3%	15%

2017 KEY FEATURES:

FINANCIAL PERFORMANCE

Revenue:	KSH 2.6 BILLION	(2016: Ksh 2.9 Billion)
Net Assets:	KSH 1.8 BILLION	(2016: Ksh 1.8 Billion)
Normal Operating Expenses:	KSH 781 MILLION	(2016: Ksh 875 Million)
Market Capitalizaton:	KSH 779 MILLION	(2016: Ksh 779 Million)
Gross Profit:	KSH 781 MILLION	(2016: Ksh 584 Million)
Units Sold:	200,899	(2016: 229,929)
Capital Expenditure:	KSH 338 MILLION	(2016: Ksh 95 Million)

OPERATIONAL PERFORMANCE

Employees:	226	(2016: 232)
Recycled Material	149,970	(2016: 8,406 KG)
Major workplace Injuries	0	(2016: 3)
Tyre Claims	0.31%	(2016: 0.30%)
EMS Training	9	(2016: 14)

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.

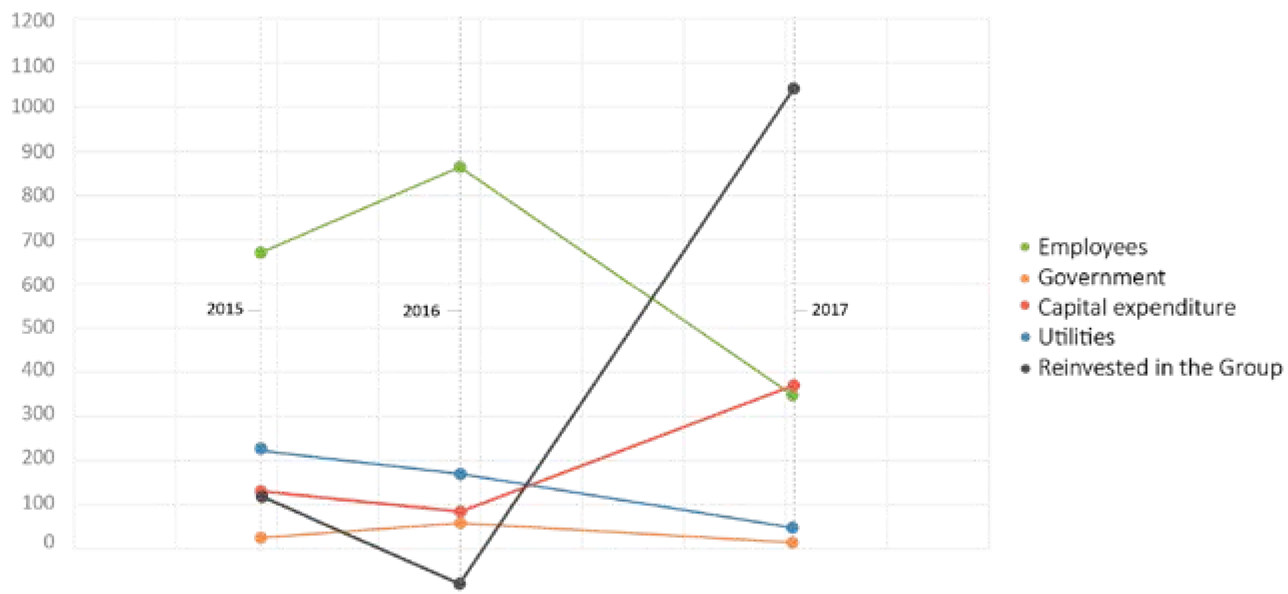
Throughout the value chain, the Group uses its unique strengths and employs its resources and relationships to generate value for its stakeholders (see page 23)

In 2017, the Group generated wealth of Kshs 1.8 billion, which is 72% higher than the Kshs 1.1 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:	2017 Kshs' m	2016 Kshs' m
Gross revenues	2,642	2,901
Payment to suppliers	(808)	(1,836)
Wealth Created	**1,834**	**1,066**
Wealth distribution		
Employees	325	863
Government	16	55
Capital providers	49	43
Capital expenditure	338	95
Utilities	46	185
Reinvested in the Group	1,060	(175)
Wealth Distributed	**1,834**	**1,066**

WEALTH DISTRIBUTION



CHAIRMAN'S STATEMENT

"Our outsourcing strategy enabled us to upgrade many of the Yana tyre patterns that had become dated and also to incorporate the latest tyre technologies available."

Eng. Erastus Mwongera
Chairman

- Our outsourcing strategy enabled us to upgrade many of the Yana tyre patterns that had become dated
- Transit aggressively from a manufacturing company to a selling organisation.

22 Retail network of Yana Tyre Centres

SUMMIT TYRES SALES INCREASED BY **43%** IN VALUE AS AGAINST 2016.

Distinguished shareholders, members of the board, ladies and gentlemen, it is with great pleasure that I welcome you to the 49th annual general meeting of the company.

2017 again posed many challenges for the Group. The transition to offshore manufacturing of the Group's Yana brand was delayed given the Chinese government's environmental crackdown, which adversely affected all tyre and carbon black manufacturers in that country. This led to a significant number of stock-outs of key and high margin Yana radial tyre sizes across the region. The two general elections in Kenya in the second half of 2017, also proved hostile to business, whilst tight liquidity persisted across all East African markets. The threat from subsidized Chinese tyres continued unabated.

As a result, Group revenues declined by 9% to Kshs 2.6 billion compared to Kshs 2.9 billion in 2016. Gross profit increased to Kshs 781 million, as against Kshs 584 million in 2016, although 2016, included factory closure expenses of Kshs 325 million. On an adjusted basis therefore, gross profit actually declined from Kshs 909 million in 2016 to Kshs 781 million in 2017, as a result of the adverse trading conditions and stock-outs of key Yana tyre sizes.

Tight control and various cost reduction strategies enabled the Group to reduce overhead expenses from Kshs 1.427 billion in 2016, to Kshs 781 million in 2017, although 2016 overheads included factory closure expenses of Kshs 552 million. On an adjusted basis therefore, overheads reduced from Kshs 875 million in 2016, to Kshs 781 million in 2017, a reduction of 11%, which is significant. Our costs control actions will continue into 2018.

The combined effect of the decline in Group revenues and margins, offset by our ongoing cost savings efforts, resulted in the Group recording a pre-tax profit of Kshs 27 million as against a loss of Kshs 865 million in 2016. Adjusted for factory closure costs in 2016, the Group recorded a pre-tax profit of Kshs 27 million in 2017, as against a profit of Kshs 12 million in 2016.

OPERATING AND TYRE MANUFACTURING ENVIRONMENT

Macro Environment

The global economy is estimated to have grown by 3.5% in 2017, largely in line with that of 2016, but with uneven results across regions and countries. Performance in emerging markets continued to soften in line with lower commodity prices and low capital investment, 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, GDP growth is forecast at 4.9% in 2017, its weakest in five years and as against the 5.8% recorded in 2016. Election related uncertainty, poor seasonal rainfall and reduced access to credit by the private sector all impacted adversely in the year. However, the impact of these was offset somewhat by a rebound in the tourism sector, strong public investment and relatively low fuel prices. GDP growth in 2018 is expected to rebound to 5.5%.

Inflation in Kenya continued to decline, settling at a very low 4.5% in December 2017, as against 11.7% in May 2017, whilst the Kenya shilling remained very stable throughout the year.

Tyre Sourcing

With the closure of our tyre factory in September 2016, Yana tyre production was outsourced to factories in China and India. Our outsourcing strategy enabled us to upgrade many of the Yana tyre patterns that had become dated and also to incorporate the latest tyre technologies available.

The manufacture of the Yana tyre moulds, which remain the property of Sameer Africa, was completed late in 2017. By year end, we had completed indoor testing on most of the bias tyres from India but the production of radial tyres in China was delayed significantly given the introduction of wide ranging environmental controls by the government in that country. Indoor and market testing of both bias and radial Yana tyres will be completed by end April 2018.

Our Summit tyre brand continues to be manufactured in China and has gained widespread acceptance across the region. Indeed, Summit sales totalled 69,140 units in 2017, an increase of 43% over 2016.

In 2017, we discontinued the distribution of Bridgestone tyres given that we were one of three distributors in Kenya and price competition amongst the three had eroded margins to an unacceptable level. In its place, we negotiated for the distribution rights for Firestone passenger and 4x4 tyres as our premier brand for Kenya given also that Sameer Africa has a strong legacy relationship with that brand.

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+5.5%

PROJECTED GDP GROWTH IN 2018

- Transit aggressively from a manufacturing company to a selling organisation.
- Grow the Yana tyre centre retail footprint through franchising.
- Investment to develop our vacant land portfolio.
- Re-position our tyre distribution business

DISTRIBUTION

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. By December 2017, the Group operated 22 centres, up from the 19 centres at end 2016.

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:-

- 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 – Firestone for the premium price segment of the market, Yana for the high price segment, Summit for the discount segment and a soon to be introduced Chinese brand 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 were three changes to the composition of the board in 2017. Dr. Winnie Iminza Nyamute, Dr Lydia Muthoni Mbuthia and Mrs Mary Wacuka Ngatia were appointed to the board on 4 May 2017. With their rich and diverse backgrounds and experience, the board is confident they will add significant value and expertise in assisting to re-position the Group for future prosperity.

On 23 January 2018, Stephen Maina Githiga retired as a member of the board and we thank him for his enormous contribution over the years and wish him every success in his future endeavours.

In 2017, 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 the 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.

In addition,we 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 2017, given our transition to offshore manufacturing but we report more fully on this topic elsewhere in this integrated report.

OUTLOOK

East African economies are projected to grow at an average of 5.4% in 2017, the best in sub- Saharan Africa and growth is projected to increase to 5.8% in 2018, driven mainly by growth in transport, tourism, communications, mining and agriculture and supported by public investment in infrastructure.

However, significant risk to the downside does exist given the interest rate cap in Kenya, rising credit indiscipline across the region, very high levels of private debt and an increasingly hostile business environment in Tanzania and Burundi. These are significant and increasing risks and in the second half of 2018, we will relook at our business model and cost structure and review whether it is viable to continue with our operations in Tanzania, Uganda and Burundi.

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 manufacturer 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:-

- Re-position our tyre distribution business.
- Property leasing and
- Property development.

Cost reduction and containment efforts are also critical if we are to protect profit margins under the new strategic direction that the Group is embarking upon. Credit extension also needs to be tightened and this may well have far reaching implications on our headcount, branch distribution network and the manner in which we sell.

In 2018, 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.

God bless Sameer Africa and each of you!!!

Eng. Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

TAARIFA YA MWENYEKITI

''Mkakati wetu wa uagizaji ulituwezesha kuboresha mitindo ya matairi yaliokuwa yamepitwa na wakati na pia kujumuisha teknolojia mpya za kisasa zilizoko za kutengeneza matairi.''

Waheshimiwa wanahisa,wanachama wa halmashauri, mabibi na bwana, ninawakaribisha kwa furaha kuu katika mkutano wa arobaini na tisa (49) wa kila mwaka wa kampuni.

Mwaka 2017 ulikumba kundi na changamoto nyingi. Kuhamisha ng'ambo utengenezaji wa bidhaa za kundi za Yana kulicheleweshwa kufuatia hatua kali zilizochukuliwa na serikali ya Kichina za kuzuia uharibifu wa mazingira. Hatua ambazo ziliathiri vibaya watengenezaji wote wa matairi na kaboni nyeusi katika nchi hiyo. Hili lilisababisha kuadimika sana, katika kanda zima, kwa saizi za matairi muhimu za Yana za mfumo wa nusu kipenyo zenye kiwango kikubwa cha faida. Chaguzi kuu mbili nchini Kenya katika nusu ya pili ya mwaka 2017 pia zilidhihirika kuwa na hujuma kwa biashara, aidha hali ya fedha iliobanika iliendelea katika soko zote za kanda nzima za Afrika mashariki.Tishio kutoka kwa matairi ya kichina yaliyopewa ruzuku liliendelea bila ya kusita.

Kama natija ya hayo, mapato ya kundi yalishuka kwa asilimia 9 kufikia shilingi bilioni 2.6 ikilinganishwa na shilingi bilioni 2.9 katika mwaka 2016. Faida ya jumla iliongezeka hadi shilingi milioni 781, ikilinganishwa na shilingi milioni 584 ya mwaka 2016, japokuwa mwaka 2016 ulijumlisha gharama za kufunga kiwanda za shilingi milioni 325. Hivyo basi, kwa msingi wa hesabu za marekebisho, kihakika faida ya jumla ilishuka kutoka shilingi milioni 909 mwaka 2016 hadi shilingi milioni 781 katika mwaka 2017, ikiwa imetokana na mazingira mabaya ya kufanyia biashara na kuadimika kwa saizi muhimu za matairi ya Yana.

Udhibiti wa nguvu na mikakati mbalimbali iliwezesha kundi kupunguza gharama za matumizi kutoka shilingi bilioni 1.427 katika mwaka 2016 hadi shilingi milioni 781 katika mwaka 2017, ijapokuwa matumizi ya mwaka 2016 yalijumlisha gharama za kufunga kiwanda za shilingi milioni 592. Hivyo basi kwa msingi wa hesabu za marekebisho, matumizi yalipungua kutoka shilingi milioni 876 katika mwaka 2016 hadi shilingi milioni 781 katika mwaka 2017, ikiwa ni kushuka kwa asilimia 11, kiwango ambacho ni kikubwa. Hatua zetu za kudhibiti gharama zitaendelea katika mwaka 2018.

Athari inayojumlisha kudorora kwa mapato na pia viwango vya faida vya Kundi, zinazokabiliwa na juhudi zetu zinazoendelea za kuokoa gharama, ilipelekea Kundi kusajili faida ya shilingi milioni 27 kabla ya ushuru ikilinganishwa na hasara ya milioni 865 katika mwaka 2016. Zinaporekebishwa gharama za kufunga kiwanda katika mwaka 2016, Kundi lilisajili faida kabla ya ushuru ya shilingi milioni 27 ikilinganishwa na faida ya shilingi milioni 12 katika mwaka 2016.

MAZINGIRA YA UENDESHAJI KAZI NA UTENGENEZAJI MATAIRI

Mazingira mapana

Uchumi wa dunia ulikua kwa takriban asilimia 3.5 katika mwaka 2017, ikilingana sana na mwaka 2016, lakini kwa matokeo tofautitofauti katika kanda na nchi mbalimbali. Utendaji katika masoko yanayoibuka uliendelea kuwa hafifu sambamba na bei za chini za bidhaa na uwekezaji wa chini wa kimtaji, 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 ukuaji wa pato la kitaifa unatabiriwa kuwa asilimia 4.9 katika mwaka 2017, ikiwa ndiyo kiwango cha chini kabisa katika miaka mitano iliopita na ikilinganishwa na asilimia 5.8 iliosajiliwa mwaka 2016. Hali ya wasiwasi kutokana na uchaguzi, mvua chache ya msimu na kupunguzwa kwa upataji wa mikopo kwa mashirika ya kibinafsi yote yaliathiri vibaya katika mwaka. Hata hivyo, athari ya haya ilipunguzwa kupitia kurejea kwa sekta ya utalii kwa kiasi fulani, uwekezaji thabiti wa mali ya umma na pia bei za chini za mafuta kwa kiasi fulani. Ukuaji wa pato la kitaifa mwaka 2018 unatarajiwa kurudi tena kufikia asilimia 5.5.

Mfumuko wa bei nchini Kenya umeendelea kushuka, kufikia kiwango cha chini sana cha asilimia 4.5 mnamo Desemba 2017, ikilinganishwa na asilimia 11.7 mnamo Mei 2017, huku shilingi ya Kenya ikibakia imara zaidi katika kipindi hicho cha mwaka.

Uagizaji Matairi

Kufuatia ufungaji wa kiwanda mnamo Septemba 2016, utengenezaji wa matairi ya Yana uliagizwa kutoka viwanda nchini Uchina na India. Mkakati wetu wa uagizaji ulituwezesha kuboresha mitindo ya matairi yaliokuwa yamepitwa na wakati na pia kujumuisha teknolojia mpya za kisasa zilizoko za kutengeneza matairi.

Utengenezaji wa kalibu za matairi ya Yana, vifaa ambavyo bado ni mali ya Sameer Africa, ulikamilika mwisho wa mwaka 2017. Kufikia mwisho wa mwaka, tulikuwa tumekamilisha majaribio ya ndani ya matairi ya muundo wa mafyongo kutoka nchini India lakini utengenezaji wa matairi ya muundo wa nusu kipenyo kutoka Uchina ulichelewa kwa kiasi kikubwa kutokana na serikali ya nchi hiyo kuanzisha hatua pana na tofauti za kuthibiti mazingira. Majaribio ya ndani na pia ya soko ya matairi ya Yana ya aina zote mbili za mafyongo na nusu kipenyo yatakamilika kufikia mwisho wa mwezi wa Aprili 2018.

Matairi yetu ya bidhaa za Summit yanaendelea kutengenezwa nchini Uchina na yamepata kukubalika katika kanda nzima. Kwa hakika, mauzo ya Summit yalifikia jumla ya matairi 69,140 katika mwaka 2017 ikiwa ni ongezeko la asilimia 43 juu ya yale ya mwaka 2016.

Katika mwaka 2017 tulisitisha usambazaji wa matairi ya Bridgestone kutokana na kuwa tulikuwa mmoja wa wasambazaji watatu nchini Kenya na ushindani wa bei kati ya watatu ulimomonyoa viwango vya faida kufikia viwango visivyokubalika. Badali yake, tukaafikiana kuhusu haki za usambazaji wa matairi ya gari ndogo na matairi ya 4X4 ya Firestone kuwa bidhaa yetu ya awali nchini Kenya na kwa kuwa pia Sameer Africa ina uhusiano wa urithi mkubwa na bidhaa hiyo.

USAMBAZAJI

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 jambo hili halmashauri kuanzia mwaka 2012 imeendelea kuandama mkakati wake wa kukuza mtandao wake wa vituo vya matairi vya Yana vya uuzaji kwa bei za rejareja. Kufikia Desemba 2017, Kundi lilikuwa linaendesha vituo 22, ikiwa ni ongezeko kutoka vituo 19 mwisho wa mwaka 2016.

UCHAMBUZI WA MKAKATI

Katika mwaka 2016, halmashauri na idara ya usimamizi walipanga mpango mpya wa kimkakati utakaoendelea kwa muda wa miaka mitatu 2017-2019. Nguzo tano muhimu za mpango huo mpya ni kama ifuatavyo:-

a. Gura kwa juhudi kubwa kutoka kampuni ya utengenezaji na kuwa shirika la uuzaji.
b. Kuza ueneaji wa vituo vya matairi vya Yana.
c. Kodisha jengo la zamani la kiwanda kwa wapangaji.
d. Uwekezaji ili kuimarisha ardhi zetu zilizo wazi.

e) Shikamana kwa dhati na mkakati wa bidhaa aina nne katika biashara ya matairi- Firestone kwa kitengo cha bei ghali katika soko,Yana kwa kitengo cha bei za juu, Summit kwa kitengo cha bei zilizopunguzwa na hivi karibuni bidhaa ya kichina itakayozinduliwa kwa kitengo cha bei nafuu.

Mkakati mpya wa miaka 2017 hadi 2019 uliidhinishwa na halmashauri mwezi 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 unatutegemea sisi kuchukua hatua zilizokadiriwa kwa njia ambayo haihatarishi maslahi ya moja kwa moja ya washika dau mbalimbali. Utathmini wa vihatarishi kikamilifu hutuwezesha kutabiri na kukabiliana na mabadiliko katika mazingira yetu ya kibiashara, na pia kufikia maamuzi yenye ufahamu wa mambo wakati wa hali tatanishi.

Taratibu za usimamizi wa vihatarishi zimeambatanishwa na mifumo na kaida zetu za kibiashara, ili kwamba hatua zetu dhidi ya kihatarishi zinaendelea kuwa za kisasa na zinamudu mabadiliko. Vihatarishi vyote vikubwa vinavyofungamana na mabadiliko makubwa na hatua muhimu zinazochukuliwa na kampuni pia hujumlishwa katika taratibu za utathmini na usimamizi wa vihatarishi.

UTAWALA NA MISHAHARA

Kulikuwa na mabadiliko matatu katika uwanachama wa halmashauri katika mwaka 2017, Daktari Winnie Iminza Nyamute, Daktari Lydia Muthoni Mbuthia na Bi Mary Wacuka Ngatia waliteuliwa katika halmashauri mnamo tarehe 4 Mei 2017. Kutokana na uzoefu na tajriba zao zenye ukwasi na anuwai, halmashauri ina imani kuwa wataongeza thamani muhimu na ujuzi katika kusaidia kulipa Kundi nafasi nyingi ya mafanikio katika mustakabali.

Mnamo tarehe 23 Januari 2018 Stephen Maina Githiga alistaafu kutoka uwanachama wa halmashauri na tunamshukuru kwa mchango wake mkubwa wa miaka mingi na tunamtakia mafanikio katika juhudi zake za baadaye.

Katika mwaka 2017 kamati mbalimbali za halmashauri ziliendelea kutekeleza wadhifa muhimu wa kuunga mkono halmashauri kutimiza wajibu wake na ninaendelea kuwa mwenye shukurani kwa bidii yao na kujitolea kwao.

Katika ripoti hii jumuishi kuna vifungu vilivyotengwa na vya kina kuhusu utawala, kufuata sharia na maagizo na kuhusu mishahara. Tunaendelea kuripoti kuhusu nyanja muhimu za utawala bora zilizoshughulikiwa ndani ya mwaka na pia vilevile juhudi zetu za kufuata kanuni za mwaka 2015 za utawala bora wa kampuni zinazowalazimu wanaotoa hisa kwa umma. Kufuata kanuni hizo mpya ni jambo zito na lina athari kubwa na ililazimu uchambuzi kamili wa njia zetu za utawala na uambatanaji na maagizo , sera na utaratibu. Jambo hili limekamilishwa pakubwa na nina furaha kuripoti tunakaribia kukamilisha utekelezaji wa kanuni hizo mpya.

Aidha, tunaeleza wazi sera yetu ya misha-hara na vipi inavyoandamana na mikakati. Mwenyekiti wa kamati ya ukaguzi,vihatarishi na utawala bora huripoti kando akiangazia nyanja zilizochambuliwa na kamati hiyo katika mwaka na kuripoti juu ya masuala muhimu ya kifedha na maamuzi yaliyofikiwa kuhusu uta-yarishi wa ripoti za fedha za kampuni na tarati-bu za usimamizi wa vihatarishi.

KUWAJIBIKA KIJAMII NA UENDELEVU

Juhudi zetu za uwajibikaji kijamii na za uendelevu zilipungua kidogo katika mwaka 2016, kutokana na kuhamisha utengenezaji ng'ambo lakini tunaripoti kikamilifu zaidi juu ya suala hilo katika sehemu nyingine ya ripoti hii.

MTAZAMO

Uchumi wa nchi za Afrika Mashariki unatabiri-wa kukua kwa kiwango wastani cha asilimia 5.4 katika 2017, kiwango cha juu kabisa katika nchi za Afrika zilizo chini ya jangwa la sahara na ukuaji unatabiriwa kuongezeka hadi asili-mia 5.8 katika mwaka 2018, ukiendeshwa zaidi na ukuaji katika uchukuzi, utalii, mawasiliano, uchimbaji madini na ukulima na ikisaidiwa na uwekezaji wa umma katika muundo mbinu.

Hata hivyo, kwa upande usio maridhawa kuna kihatarishi kikuu kilichoko kutokana na kuwekwa mipaka ya kiwango cha riba nchini Kenya, ongezeko la utovu wa nidhamu ya kulipa madeni katika kanda nzima, viwango vya juu sana vya madeni ya kibinafsi na hali pingamizi ya kibiashara inayoongezeka nchini Tanzania na Burundi. Hivi ni vihatarishi vikubwa na vinavyoongezeka na katika nusu ya pili ya mwaka 2018, tutaangazia tena mfumo wetu wa kibiashara na mpangilio wa gharama na kuchambua iwapo kuna faida za kuendelea na uendeshaji wetu kazi nchini Tanzania, Uganda na Burundi.

Kampuni yenu inaendelea kujiweka sambamba na hakika mpya za 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 uuzaji. Halmashauri haihadaiki kuhusu juhudi na matakwa ambayo jambo hili litahitaji na tunawarai washika dau wawe wavumilivu na wenye uelewa tunapofanya mabadiliko katika:

a. Kuchukua upya nafasi katika biashara ya usambazaji matairi.
b. Ukodishaji wa majumba.
c. Ujengaji wa majumba.

Juhudi za kupunguza na kudhibiti gharama ni muhimu pia iwapo tunataka kulinda viwango vya faida chini ya mueleko mpya wa kimkakati ambao kundi umeuanza. Ukopeshaji pia unatakikana kubanwa na hili huenda likawa na athari kubwa kwa idadi ya wafanyakazi, mtandao wa matawi ya usambazaji na kwa namna tunavyouza.

Katika mwaka 2018, halmashauri itaendelea kuboresha mienendo ya utawala na uambatanaji, na tutaangazia usimamizi wa vihatarishi bila 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.
Mungu ibariki Sameer Africa na kila mmoja wenu!!!

Eng. Erastus Kabutu Mwongera
FIEK, RCE, CBS
Mwenyekiti

MANAGING DIRECTOR'S REPORT

"In order to align the business with the ever changing business realities in our markets, further and aggressive cost reduction strategies will need to be implemented in 2018."

Allan Walmsley
Managing Director

The two general elections in 2017, together with the interest rate capping in Kenya, the continued onslaught from Chinese subsidised tyres and increased credit indiscipline across the East Africa region all posed significant challenges to our business. Indeed, the difficult economic conditions caused a significant erosion in the size of the high price market segment in which our flagship Yana brand competes. The high price segment of the market has now declined dramatically from 60% of total market in 2006, to an estimated 19% in 2017. As a result of these factors, together with low Government purchases and an export market that remained moribund, total sales declined from Kshs 2.9 billion in 2016, to Kshs 2.6 billion in 2017 – a decline of 9%.

The transition to the offshore manufacture of our flagship Yana brand in China and India did not proceed as smoothly as planned given the introduction of wide ranging environmental controls in China which led to the closure of many tyre factories and carbon black manufacturers. By end December 2017, we had largely completed the indoor testing of Yana product from India and had embarked upon volume and market testing of these products. The results of these tests are superb. We will complete the testing of the Chinese Yana by end April 2018.

Our Summit fighter brand performed very well in 2017, registering a growth in volume sales of 43%. We currently have 16 Summit tyre sizes, all positioned in the significant discount segment of the market.

Given the recent and dramatic decline in the size of both the high price and discount market segments, we will introduce a new Chinese brand in 2018, to compete in the now dominant economy segment. This move is inevitable if we are to remain relevant moving forward.

BUSINESS REVIEW

Sales revenues from our tyre business declined by 9% from Kshs 2.7 billion in 2016 to Kshs 2.45 billion in 2017. Channel performance was mixed with notable growth in sales to original equipment manufacturers and key accounts (28%) and in Uganda (8%). Sales through the Yana Tyre Centres however, declined by 30%, mainly as a result of a shortage of key Yana 4x4 sizes given the challenges in transiting to offshore manufacturing. Indeed, stock-outs of Yana during the transition affected all distribution channels as well, with the Kenya trade channel declining by 6%. In total, unit sales declined to 201,000 units as against the 230,000 units sold in 2016.

Gross profit margins on the tyre business declined to 25% from the 27% recorded in 2016, in line with stock-outs of key and high margin Yana sizes during the transition.

Net finance costs at Kshs 80 million were significantly up on the Kshs 35.6 million recorded in 2016, but in line with the increased and significant level of borrowings in the last quarter of 2016, necessary to finance the closure of the factory. At end 2016, the Group had borrowings of Kshs 693 million which, by year end 2017, had decreased to Kshs 442 million

Our capital spend at KShs 337 million was significantly up on the KShs 95 million spent in 2016, given expenditure on renovating the factory for incoming tenants, the acquisition of new tyre moulds for the manufacture of our Yana brand tyres and equipment for new retail outlets.

UPDATE ON OUR STRATEGIC PRIORITIES

During 2017, 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 9% decline in tyre sales attributable to the continuing decline in the size of the high price and discount tyre market segments and the late arrival of Yana tyres from offshore. The influx of both subsidised Chinese tyres and un-customed tyres across all our markets also impacted adversely as always. The gross margin on tyre sales also declined from an adjusted 27% in 2016, to 25% in line with stock-outs of high margin Yana stocks during the transition.

In 2017, in order to protect net margins, we continued our program to reduce overhead costs. This initiative ensured that we were able to reduce overheads by 11% against 2016 adjusted levels. However, given the macro economic challenges still facing the business, we will need to reduce costs still further and also review our continued presence in Uganda, Tanzania and Burundi, where the general trading environments are becoming increasingly hostile.

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 94%, against a 2017 target of 90%.

During the year, we opened three new Yana tyre centres across the region bringing the total number to 22. Site acquisition challenges again delayed our roll out programme in 2017, and from 2018 we will move to a franchise model so as to ameliorate these challenges. Our Yana call centre operated throughout the year with the key objective of providing a direct link to our customers through various communication channels and in 2017, we flighted over 1.53 million sms' and 992,000 emails.

Our strategy of resolving tyre claims within 48 hours improved to 93%, up from 90% in 2016, and against a target of 95%. Of note is the fact that our claim ratio dropped to only 0.31% of total tyres sold versus 0.34% in 2016, due to our ongoing uniformity and quality improvement initiatives.

Innovation

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 42 staff training courses and at the close of 2017, we had conducted 36, representing 85% of target. Overall leave utilisation was 100% given that in 2017, we introduced a zero carry forward of leave ie a "use it or lose it" policy.

Staff turnover in 2017, was 5.0% versus 4.0% in 2016.

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 to minimise negative impacts and enhance positive ones. In 2017, we were able to renew our ISO 14001:2004 EMS certification.

Employees

Employee turnover in 2017 averaged 5.0% (2016 – 4.0%) which was within the industry acceptable level of 14%. 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 2017, we ran 2 programmes, which was in line with our strategic plan.

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 of 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 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 transiting to offshore manufacture, we were not as active in this area as we had planned. 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 1,355 people across the region in 75 separate training courses.

OUTLOOK

We expect the challenging operating environment, as witnessed in 2017, to persist into 2018. The influx of subsidized and un-customed tyres into our markets will continue. However, given our move to offshore manufacture, increased income from our rental business and the widespread success of the Summit brand across all our markets, we are confident that we can reverse the adverse revenue and profit trend of the past five years.

The economic outlook for most African and emerging markets remains largely bearish, but we remain upbeat about the East African economies. GDP growth for the East Africa region is forecast at 5.3% in 2018, up from 4.5% in 2016. Fallout from the structural challenges of the Chinese economy, high debt levels in Kenya, the Brexit phenomenon, volatile commodity prices, subdued foreign investment 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 periodically throughout 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 2018, we will focus on:-

- continued penetration into the discount sector of the market using our Summit fighter brand as well as introducing a cheaper Chinese brand to compete in the ever growing economy segment.
- aggressive cost reduction to achieve further savings of Kshs 80 million per annum.
- expanding the Yana tyre centre retail footprint across the region on a franchise basis.
- leasing of the former factory premises to achieve 90% occupancy
- 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.

In 2018, we will continue to look aggressively at other opportunities to unlock value from our significant property portfolio. Negotiations are already at an advanced stage with various tenants to construct for them specific warehouse facilities on a "build to suit" basis. This will substantially increase rental income and property yields moving forward.

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 2017, 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 a very 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

RIPOTI YA MKURUGENZI MKUU

"Mikakati zaidi na juhudi kubwa ya kupunguza gharama itahitajika kutekelezwa katika mwaka 2018 ili kuweka biashara sambamba na hali za hakika za kibiashara zinazobadilika mara kwa mara"

Chaguzi mbili kuu katika mwaka 2017 pamoja na kuwekwa mipaka ya riba nchini Kenya, hujuma inayoendelea ya matairi, yaliopewa ruzuku kutoka Uchina na ongezeko la utovu wa nidhamu ya kulipa madeni katika kanda nzima ya Afrika Mashariki hayo yote yalisababisha changamoto kubwa kwa biashara yetu. Kwa hakika, hali ngumu ya kiuchumi iliyosababishwa na mmomonyoko mkubwa wa fungu la soko katika kitengo cha bei ya juu ambamo bidhaa yetu inayoongoza ya Yana inashindania. Kitengo cha bei ya juu katika soko sasa kimeshuka kwa kishindo kutoka asilimia 60 ya soko zima katika mwaka 2006, kufikia takriban asilimia 19 katika mwaka 2017. Kama matokeo ya sababu hizi, pamoja na ununuzi mchache kutoka kwa serikali na soko la mauzo ya nje lililosalia dhoofu, jumla ya mauzo yalishuka kutoka shilingi bilioni 2.9 mwaka 2016 hadi shilingi bilioni 2.6 mwaka 2017-kushuka kwa asilimia 9.

Kuhamisha ng'ambo utengenezaji wa bidhaa yetu bora kabisa na muhimu ya Yana huko Uchina na India hakukuendelea vizuri kama ilivyopangwa kutokana na kuanzishwa kwa hatua pana na tofautitofauti za kuthibiti uharibifu wa mazingira nchini Uchina hatua ambazo zilipelekea kufungwa kwa viwanda vingi vya utengenezaji matairi na kaboni nyeusi. Kufikia mwisho wa Desemba 2017, tulikamilisha pakubwa majaribio ya ndani ya bidhaa ya Yana kutoka India na tulikuwa tumeanza majaribio ya idadi na majaribio ya soko ya bidhaa hizo. Matokeo ya majaribio hayo ni mazuri sana. Tutakamilisha majaribio ya Yana kutoka Uchina mwisho wa Aprili 2018.

Bidhaa yetu shindani ya Summit ilifanya vyema sana mwaka 2017, ikisajili ukuaji wa asilimia 43 ya mauzo kwa idadi. Hivi sasa tuna saizi 16 za matairi ya Summit zote zikiwa zimewekwa kwenye nafasi ya soko muhimu la sekta ya yaliopunguzwa bei.

Kutokana na kushuka hivi karibuni na kwa namna ya kushangaza kwa viwango vya sekta ya soko la bei ya juu na la bei iliopunguzwa tutazindua bidhaa mpya ya Kichina katika mwaka 2018, tupate kushindana katika sekta ya bei nafuu ambayo sasa ndiyo inatawala. Hatua hii hatuna budi nayo ikiwa tunataka kubakia kuwa wahusika tunavyoendelea mbele.

UCHANGANUZI YA KIBIASHARA

Mapato ya mauzo kutoka kwa biashara yetu ya tairi yalipunguzwa kwa asilimia 9 kutoka shilingi bilioni 2.7 mwaka 2016 hadi shilingi bilioni 2.45 bilioni mwaka 2017. Utendaji wa vitengo ulikuwa na matokeo mseto kukiwa na ongezeko la kutambulika katika mauzo kwa watengenezaji waasisi wa vifaa na wateja muhimu (asilimia 28%) na nchini Uganda (8%). Mauzo kupitia vituo vya matairi vya Yana hata hivyo, yalipunguzwa kwa asilimia 30%, hasa kutokana na ukosefu wa bidhaa muhimu za Yana saizi 4X4 kutokana na changamoto za kuhamisha utengenezaji ng'ambo. Kwa hakika ukosefu wa bidhaa za Yana wakati wa mpito vilevile uliathiri vitengo vyote vingine vya usambazaji, huku kitengo cha biashara nchini Kenya kikishuka kwa asilimia 6. Kwa jumla, mauzo kwa idadi yalipunguzwa hadi bidhaa 201,000 ikilinganishwa na bidhaa 230,000 zilizouzwa mwaka 2016.

Faida ya jumla kwa biashara ya tairi ilishuka hadi asilimia 25 kutoka asilimia 27 iliosajiliwa mwaka 2016, sambamba na ukosefu, katika wakati wa mpito, wa saizi muhimu za Yana na zenye viwango vya juu vya faida.

Gharama halisi za kifedha za shilingi milioni 80 zilikuwa juu zaidi ya shilingi milioni 35.6 zilizosajiliwa mwaka 2016, lakini sambamba na ongezeko na kiwango kikubwa cha madeni katika robo ya mwisho ya mwaka 2016, hali hiyo ikilazimu ili kugharamia ufungaji wa kiwanda.

Mwisho wa mwaka 2016 madeni ya kundi yalikuwa shilingi milioni 693 ambayo ilipofikia mwisho wa mwaka 2017 yalikuwa yamepunguzwa hadi shilingi milioni 442.

Matumizi yetu ya mtaji ya shilingi milioni 337 yalikuwa juu zaidi ya shilingi milioni 95 zilizotumiwa mwaka 2016 kutokana na kukarabati kiwanda kwa ajili ya wapangaji wanaoingia na ununuaji wa kalibu mpya za matairi kwa utengenezaji wa bidhaa zetu za matairi ya Yana na vifaa vipya vya vituo vyetu vya uuzaji wa rejareja.

MPASHO KUHUSU VIPAUMBELE VYETU VYA KIMKAKATI

Katika mwaka 2017, 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 utendakazi huku tukikuza mapato. Hata hivyo, katika mwaka tulishuhudia mwenendo wa kurudi nyuma ukilinganishwa na baadhi ya malengo yetu kukiwa na kudorora kwa mauzo ya tairi kwa asilimia 9 ikiwa imesababishwa na kuendelea kupungua kwa fungu la soko la vitengo vya bei za juu na fungu la bei zilizopunguzwa na kwa kuchelewa kuwasili matairi ya Yana kutoka ng'ambo. Kufurika kwa mawili haya, matairi ya kichina yaliopewa ruzuku na matairi yasiolipiwa ushuru katika masoko yetu yote pia yaliathiri vibaya kama kawaida. Faida ya jumla ya mauzo ya tairi ilipunguwa pia kutoka kiwango kilichorekebishwa cha asilimia 27 mwaka 2016 kufikia asilimia 25 sambamba na ukosefu wa bidhaa za Yana zenye viwango vikubwa vya faida katika wakati wa mpito.

Katika mwaka 2017, ili kuhifadhi viwango vya faida, tuliendelea na mpango wetu wa kupunguza gharama za matumizi. Azimio hili lilihakikisha tuliweza kupunguza matumizi kwa asilimia 11 ikilinganishwa na viwango vilivyorekebishwa vya mwaka 2016. Hata hivyo kutokana na changamoto za kiuchumi wa kiwango cha juu ambazo bado zinakabili biashara, tutahitaji kupunguza gharama tena zaidi na pia kuchambua uwepo wetu nchini Uganda, Tanzania na Burundi, ambako mazingira ya jumla ya kufanya biashara yanaongezeka kuwa na pingamizi.

Tungali tunaangazia kufikia viwango visio mithili vya kuridhisha wateja kupitia mawasiliano bora, kuongeza mawasiliano ya moja kwa moja na wateja kupitia vituo vyetu vya Yana, kusambaza bidhaa za hali ya juu kwa wakati utakikanao na kuboresha kwa kufanya upya harakati zetu za masoko.

Kufikia leo tumefikia kipimo cha asilimia 94 cha kuridhisha watumiaji, ikilinganishwa na kipimo kilicholengwa katika mwaka 2017 cha asilimia 90.

Katika mwaka tulifungua katika kanda nzima vituo vitatu vipya vya maitairi vya Yana kufikia jumla ya vituo 22. Changamoto za upatikanaji wa maeneo kwa mara nyingine zilichelewesha mpango wetu wa uzinduzi katika mwaka 2017, na kuanzia mwaka 2018 tutakimbilia mfumo wa uuzaji wa wakala kwa idhini ili kurekebisha changamoto. Kituo chetu cha mawasiliano cha Yana kilihudumu mwaka mzima kwa lengo muhimu la kutoa kiunganishi cha moja kwa moja na wateja wetu kupitia njia tofauti za mawasiliano na katika mwaka 2017 tulipeperusha zaidi ya jumbe fupi milioni 1.53 na barua pepe 992,000.

Mkakati wetu wa kutatua madai ya matairi ndani ya masaa 48 uliboreka kufikia asilimia 93 ikiwa ni ongezeko kutoka asilimia 90 katika mwaka 2016, na ikilinganishwa na lengo la asimilia 95.

La muhimu ni uhakika kuwa kiwango chetu cha madai kilishuka kufikia tu asimilia 0.31 ya jumla ya mauzo ya matairi dhidi ya asilimia 0.34 ya mwaka 2016, kufuatia mipango yetu inayoendelea ya kusawazisha na kuboresha ubora wa bidhaa.

Wafanyakazi na uongozi

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

Katika mwaka tulilenga kufanya kozi 42 za mafunzo kwa wafanyakazi na kufikia mwisho wa mwaka 2017 tulikuwa tumeendesha kozi 36 ikiwa ni asilimia 85 ya lengo. Uchukuwaji wa likizo kwa jumla ilikuwa ni asilimia 100 kwa kuwa mwaka 2017 tulianzisha sera ya kutopeleka mbele siku ya likizo yaani 'ichukuwe au uipoteze'.
Kiwango cha mabadiliko ya wafanyakazi katika mwaka 2017 kilikuwa asilimia 5 dhidi ya asilimia 4 mwaka 2016.

UTENDAJI ENDELEVU

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

Utendaji wa kimazingira

Shughuli zetu za usimamizi wa kimazingira huangazia masuala muhimu ili kupunguza athari hasi na kukuza zile chanya. Katika mwaka 2017 tuliweza kupata upya cheti cha mfumo wa usimamizi wa kimazingira cha ISO (ISO 140001:2004 EMS)

Wafanyakazi

Mabadiliko ya wafanyakazi katika mwaka 2017 yalikuwa kiwango cha wastani cha asilimia 5 (mwaka 2016 – asilimia 4) kilicho ndani ya kiwango cha asilimia 14 kinachokubalika katika sekta hii ya kibiashara. Kampuni hufuata vipimo vya kimataifa vya afya na usalama. Hapakuwa na maafa yoyote yaliotokana na uendeshajikazi wetu wowote katika mwaka huo.

Kampuni ina mpango wa "afya bora" unaotumiwa kuzidisha ufahamu juu ya afya ya kibinafsi ya wafanyakazi wetu. Katika mwaka 2017 tuliendesha mipango miwili, ambayo ilikuwa sambamba na mpango wetu wa kimkakati.

Kampuni inatambua na ina 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 muamala wa kifisadi katika harakati zozote zao za kibiashara. Sera yetu ni kutokubali kamwe maovu hayo.

Uwajibikaji katika bidhaa

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

Kuwajibika kijamii

Mipango ya maendeleo ya kijamii inayoanzishwa na Sameer Africa huangazia kuboresha maisha na ustawi wa jamii tunazoendeshea kazi kati yao. Kutokana na kuangazia kwetu kuhamisha utengenezaji nga'mbo hatukushughulikia sana mambo hayo kinyume na tulivyopanga. Haya yatarekebishwa katika mwaka 2018. Kwa upande wa usalama tuliandaa mafunzo ya kiufundi ya utumiaji wa matairi na usalama wake kwa makundi yaliyolengwa wakiwemo waendeshaji biashara za utalii na mafundi wa magari na tulifaulu kufunza jumla ya watu 1,355 katika kanda nzima katika kozi 75 tofauti.

MTAZAMO

Tunatabiri kuwa mazingira ya uendeshajikazi yenye changamoto yataendelea katika mwaka 2018, kama ilivyoshuhudiwa katika mwaka 2017. Matairi yaliyopewa ruzuku na yasiyolipiwa ushuru yataendelea kuingia katika masoko yetu. Hata hivyo kutokana na hatua yetu ya utengenezaji nga'mbo, ongezeko la mapato kutoka kwa biashara ya kukodisha, na mafanikio yaliosambaa ya bidhaa ya Summit katika masoko yetu yote, tuna imani tunaweza kugeuza mwenendo mbaya wa mapato na faida wa miaka mitano iliyopita.

Mtazamo wa kiuchumi wa masoko mengi ya Kiafrika na wa masoko yanayoibuka yalibaki 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 unatabiriwa kuwa asilimia 5.3 katika mwaka 2018 ikiwa ni ongezeko kutoka asilimia 3.7 mwaka 2016. Hata hivyo, kusambaratika kufuatia changamoto za muundo wa uchumi wa Uchina, kiwango cha juu cha madeni nchini Kenya, tukio la Uingereza kujitenga, bei ya bidhaa zinazoshuka, kufifia kwa uwekezaji wa kigeni na wasiwasi mkubwa kuhusu kuongezwa fedha katika uchumi zitaendelea kuwa sababu kuu za vihatarishi tunavyoendelea mbele.

Tunatarajia bei za raba asili kuendelea kuongezeka kutoka bei zake za 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 mara kwa mara ndani ya mwaka 2017. Watengenezaji matairi wa Kichina pia wataathirika vibaya na vidhibiti vya kimazingira ambavyo vimezumbuliwa ili kudhibiti moshi wa dohani ya chombo cha mvuke (boiler) hatua ambayo imewaathiri vikali wazalishaji wa kaboni nyeusi.

Katika mwaka 2017 tutaangazia:

- kuendelea kupenya katika sekta ya soko yenye punguzo za bei tukitumia bidhaa yetu shindani ya Summit na kadhalika kuanzisha bidhaa ya Kichina ya bei rahisi kushindana katika kitengo hicho kinachoendelea kukua .
- upunguzaji gharama kwa bidii mpaka kufikia uokoaji zaidi wa shilingi milioni 80 kwa mwaka.
- kupanua ueneaji wa vituo vya rejareja vya matairi vya Yana katika kanda kwa msingi wa uuzaji kwa idhini.
- ukodishaji wa jengo kulikokuwemo kiwanda kufikia upangishaji wa asilimia 90
- kuangazia fedha na upunguzaji kwa jumla wa viwango vya mtaji wa kufanya kazi.

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

Katika mwaka 2018, tutaendelea kutafuta kwa juhudi kuu nafasi nyengine za kufumbua thamani kutoka kwa mkusanyiko mkubwa wa majumba yetu. Mazungumzo na wapangaji tofauti yamefika mbali kuhusu kuwatengenezea mabohari maalum kwa msingi wa "jenga ili kufaa". Hili litaongeza pakubwa mapato ya ukodishaji na faida za majengo tunavyoendelea mbele

Kundi halingefika mpaka kipande hiki cha safari yake bila ya watu wetu na mfumo wa maadili ambao unajenga msingi wa shughuli zetu zote.Tulikabiliwa na changamoto kubwa kubwa katika mwaka 2017, lakini kutokana na changamoto hizo tunaamini tumeandaa mikakati au tuko katika hali ya kuandaa mikakati itakayoendelea kuhakikisha kuwa Kundi linafanikiwa katika mustakbali. Katika Kundi tuna kundi 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


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OUR BUSINESS AND VALUE CREATION MODEL

KEY INPUTS, RESOURCES & CAPITALS

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.

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.

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.

NATURAL CAPITAL

Natural capital such as land, water and energy are required for us to operate. Our investment properties sit on land with low impact on both the land itself and the surroundings.

Tyre manufacturing locally or offshore result in the consumption of natural resources, generation of waste and atmospheric pollution.

These impacts are borne by surrounding communities with potential consequences to key relationships. We seek to offset these impacts by a combination of mitigation and minimization strategies.

SOCIAL AND RELATIONSHIP CAPITAL

Our engagement with stakeholders is governed by our corporate values of integrity and respect. Our transformation process 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.

BUILDINGS, EQUIPMENT AND INFRASTRUCTURE CAPITAL

Our investment properties, retail infrastructure, warehousing facilities, computer software, plant & equipment require financial capital combined with human and intellectual capital to provide us with the capacity to generate returns in the long run.

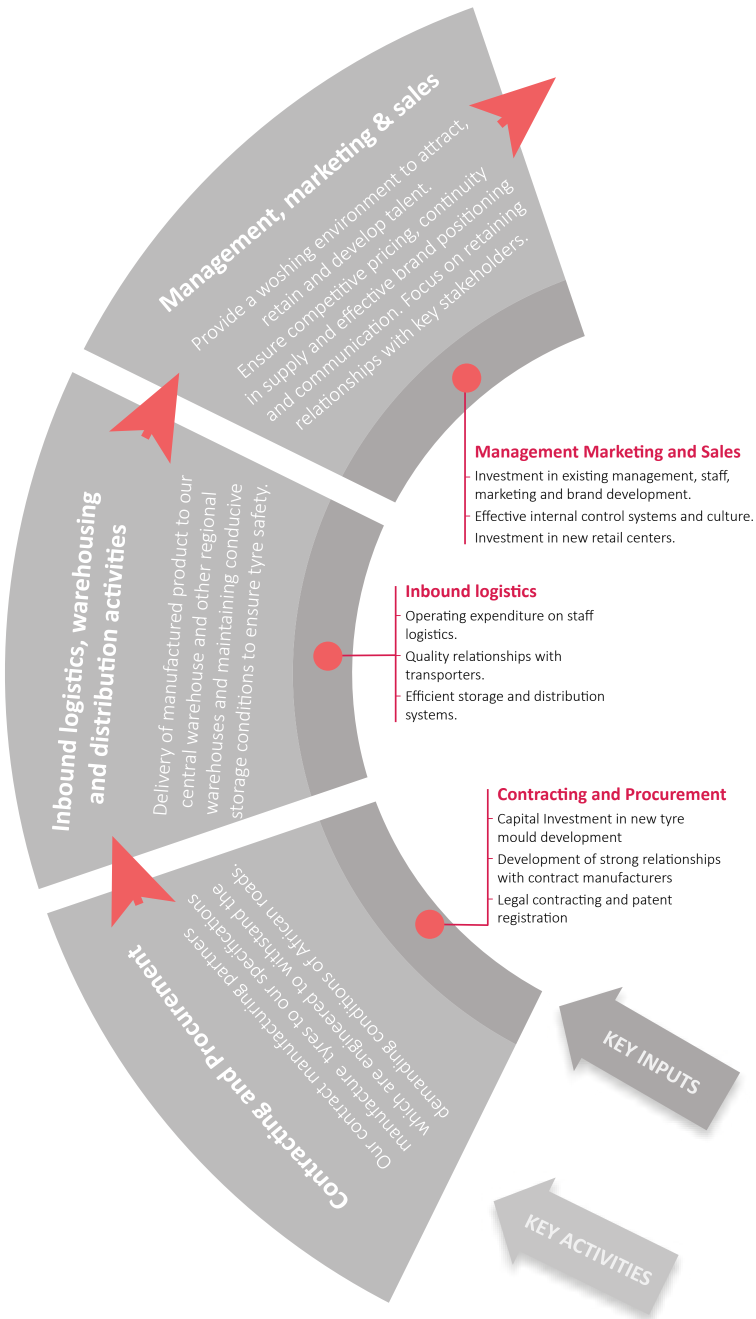
OUR COSTS:

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

POTENTIAL FOR COST DIFFERENTIATION:

- Off-shore manufacturing
- Standard gauge railway
- New franchising model

SUPPLIERS & INPUTS



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.

OUR REVENUE:
- Sales of tyres and tubes
- Letting of rental property.
- Auto services

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

CUSTOMERS & OUTPUTS

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 operatons.

OUTPUTS

Skill development and training
- Ksh 2.4 million invested in training.
- 65 employees trained on work/life balance and wellness.

Operational/ financial
- 200,899 tyres sold.
- 322,000 sq feet let out.
- Ksh 1.8 billion wealth created.

Safety and health
- 2 successful health camps held.

Environmental
- 149,970 Kgs of waste and scrap recycled.
- Average of 31 waste bins collected per month.

OUTCOMES

FINANCIAL CAPITAL
- Reduction in operating expenditure by Ksh. 646 million.
- Net cash generated from operations Ksh 561 million from Ksh 592 million usage.
- Net debt decrease by Ksh 264 million from Ksh 826 million.
- Free cash-flow margin 21%.

HUMAN AND INTELLECTUAL CAPITAL
- Kshs 324 million paid in employee benefits.
- 12 employee management initiatives under taken.
- Employee satisfaction index improved from 57% to 70%
- 2 employee work-life balance initiatives under taken.

NATURAL CAPITAL
- Reduction of environmental aspects from 92 to 79.
- Upgrading of environment and quality management system to ISO 14001:2015 and ISO 9001:2015.
- Nine EMS related trainings conducted.
- Water savings by installation of modern water saving toilets.

SOCIAL AND RELATIONSHIP CAPITAL
- Amicable factory closure.
- Tax contribution of Kshs 55 million.
- No industrial actions.
- No confirmed lawsuits.

BUILDINGS, EQUIPMENT & INFRASTRUCTURE CAPITAL
- Capital expenditure of Kshs 338 million on building and property development.
- 3 retail centres established
- 12 acres of land earmarked for commercial real estate development.

OPERATING CONTEXT

3 key strategic themes and how Sameer is responding to them.

Sameer is subject to external strategic dynamics that inform decision-making, and influence our business performance.

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

- Supply chain turbulence.
- Regional markets decline.
- Commercial real estate potential.

1. Supply chain turbulence

China is one of our key manufacturing bases and the China government's crackdown on certain factories for environmental reasons looks likely to affect some tyre manufacturers' pricing structure at best, and ability to continue to operate at worst.

In the latest round of factory audits enforcing the 2013 environmental regulations, China's clean-up campaign has shut down tens of thousands of Chinese factories with no end in sight. The factory closures are spread across China's main manufacturing areas, from Jilin Province in the north to Zhejiang Province south of Shanghai, to the giant inland cities of Chongqing and Chengdu. Guangzhou factories are next on the Ministry of Environmental Protection's crackdown list.

These factory closures led to a significant number of stock-outs of key volume and margin Yana radial tyres across the region.

Implications for our strategy:
Short-term mitigation measures are limited to switching to compliant manufacturing factories. However, long-term considerations such as transferring production to other manufacturing bases such as India, will be considered if the situation persists.

2. Regional markets decline

The Group operates within the East Africa region with operations in Tanzania, Uganda and Burundi. These regions have been unprofitable over the last few years despite the group's efforts to turn them around. A combination of political instability, declining purchasing power, tight liquidity and arbitrary and unwarranted tax demands have dogged these markets. Due to this, profitability earned by the Kenyan market is eroded by subsidiary company losses resulting in an overall reported loss by the Group.

Implications for our strategy: The Group is therefore considering the most viable option for dealing with these regions, among the possible options being to exit from these markets, changing the current business model to be exclusively dealer driven or franchising the entire regional operations.

3. Commercial real estate potential

Increased investment in infrastructure by the Kenya government has continued to open up more areas for growth especially along the standard gauge railway route and bypasses. The Groups vast undeveloped property holding is located close to the Nairobi railway terminus and within easy access to the main bypases traversing Nairobi. The location is prime for retail developments, industrial sector developments such as up-to-standard warehousing and buildings or hotel developments. Real estate development will therefore be a key agenda for the group in the coming years.

The closure of the factory in 2016 created an opportunity to upgrade that space to lettable property. In 2017 our activities aimed at achieving this were:

- Reopening the factory operations between January and April 2017 to reduce the raw material inventory on hand at the date of the factory closure.
- Disassembly of machines for sale or scrapping.
- Identification of buyers for various items of plant and machinery and shipping of various purchased equipment to overseas locations.
- Construction works to convert sections of the factory to lettable property

Implications for our strategy: The Groups future revenue streams will increasingly be derived from its real estate portfolio marking a change in the Group's current dominant tyre business. Future Group capital investment and manpower resources will be focused on investment property development.

Economic and market outlook

The challenging macroeconomic and market environment in each of our operating countries is impacting consumer disposable income, revenue growth and operating costs.

- In Kenya, the prolonged political impasse, exacerbated by the continuation of the government's interest rate cap on commercial bank lending rates, which has stifled growth in credit to the private sector, will continue to weigh heavily on the economy and threatens to hinder regional partners through negative spillover effects including reduced trade. Although the government has announced intentions to scrap the cap policy, the timeline remains unclear. Growth is expected to pick up, however, as the agriculture sector recovers from a long drought.

- In our other markets, a confluence of political tensions, political and populist policy directives and extremely tight liquidity has affected consumer spending power and the ability of business to service debt. This has resulted in a decline in our operations in these territories and increased credit risk. To mitigate against this risk, the Group has enforced strict credit control measures, which will further constrain revenues in the short run.

Implications for our strategy:
These continuing challenges in macroeconomic indicators highlight the importance of maintaining a fit for purpose organization and a strong efficiency drive, which we have delivered through our cost-efficiency programme. Our introduction of an economy brand – Summit - addresses the reducing consumer spending power and offers a low cost but safe product. Further brand extension will allow the Group to provide this low cost product to larger sections of the market.

STAKEHOLDERS ENGAGEMENT

Engaging stakeholders was key to our business strategy in 2017, given our transition from a manufacturing entity to offshore manufacturing. As complex as the transition may have been, we have 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
- ◊ We have a legal, commercial, operational, societal or ethical responsibility

Stakeholder group	Stakeholder material issue	Engagement frequency	Our strategic response
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.	Ongoing through direct contact or through industry association e.g KEPSA, KMI	- 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.
Shareholders	- Sustainable growth in shareholder value through consistent earnings, clear growth plans and adequate capital investment. - Responsible corporate governance practices.	Twice per year during results releases and one direct contact at annual general meetings.	- Strong board and executive leadership. - Sound corporate governance practices. - Public results announcements. - Access to financial reports and other information on website.
Employees	- Opportunities for personal and career development. - Job security, satisfaction and recognition. - Competitive terms of employment and benefits. - Safe and healthy working conditions.	Ongoing through staff forums, annual performance evaluations and one-on-one mentorship sessions.	- Skills training and employee development initiatives. - Competitive remuneration and employment terms. - Compliance with health and safety regulations. - Wealth creation through group operations.
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.	Yearly collective bargaining meetings	- Valid CBA agreement. - Communication forums with the Managing Director. - Skills training and development initiatives. - Recognition through long service awards.
Customers	- Providing safe, essential and quality products at competitive prices. - Proximity to products and services. - Company information.	Ongoing	- 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.
Suppliers and service providers	- Timely payment and favorable payment terms. - Opportunities for reciprocal business.	Ongoing	- Regular communication with key suppliers. - Procurement policy and procedures. - Negotiation of favorable prices where reciprocal business is possible.
Local community	- Responsive to concerns and impacts. - Operations conducted in a safe and lawful manner. - Access to employment and supply opportunities.	Continuously through trade fairs, roadshows and public meetings.	- Compliance with ISO environmental standards. - Submission to regular environmental audits e.g. Nema. - Sourcing employees for new tyre centers from the immediate community.

MATERIAL RISKS AND OPPORTUNITIES

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 20), significant trends in our operating environment (page 22) and the relevant interests of key stakeholders (page 23).

1.Report

Sameer Africa operates in an environment that is open to a wide range of risks. Most of these risks can be foreseen. It is with this in mind that the company, through it risk management process, evaluates and mitigates all unsystematic risks.

The company has an embedded enterprise risk management framework to be able to address risk in an organized and structured manner. During 2017, the company adopted a new strategic plan. The new strategic plan runs for 3 years. This was done with a view to enhance the competitiveness of the company in the ever changing business environment. Assessment on the progress of the plan is done continuously to ensure optimization, in tandem with organizational objectives.

We have assessed the anticipated business performance and the associated risks. The new strategic plan is aggressive and thus necessitated the need to update our strategic risks to include matters such as franchising, logistics and offshoring risks. Our strategic risks have increased as compared to previous years.

We have re-evaluated our risks at both strategic and operational levels to reflect the new business model.

Key risks 2017

In 2017, we reviewed and updated our key risks based upon past experience and current and future business environment evaluation. The changes currently taking place within the company have also greatly influenced our processes in identifying key risks.

During the year, the following risks were considered as key and hence are keenly monitored:

a. Product positioning risk - product positioning remains a key risk as we progress with the implementation of the new strategic plan. As part of risk mitigation on product positioning, the company introduced some tyre sizes and brands to ensure the market is well served. This included tapping into the lucrative off the road (O.T.R) market. Going forward, the company will further mitigate this risk when the transitioning project is finalized.

b. Corporate and product brand risk - the company has faced the risk of incorrect perception of brands from some Asian countries. The company has partnered with advertising agencies who understand the company as well as the market to run awareness campaigns on the quality of our products. We have our team of experts who work with our manufacturing partners to ensure the quality of our products and thus our corporate and brand name. Our brand image and name remains strong in the market.

c. Market share risk - here the company is faced with an onslaught of cheap and low quality products imported into the country under very dubious circumstance as far as quality checks and import duty remittance is concerned. During the year, the company continued with the introduction of quality fighter brands to address this risk. With the new strategic plan currently in place, market share should improve.

d. Cost escalation risk - the major driver for manufacturing offshore was as a result of increasing manufacturing costs making the company's products very uncompetitive. The operating costs are now within set tolerance limits and they will remain low due to the offshoring strategy. Intensive cost cutting measures currently being undertaken also adequately cover this risk.

e. Capital adequacy risk - availability of capital was within the set limits in 2017 as a result of effective and efficient budgeting as well as proper debt management. Managing our debt portfolio is also key in addressing this risk.

f. Sub-optimal staff performance risk - employees play a role in the success or failure of any organization. For any company to prosper it must invest a lot in employees. In this regard, employees are hired through competitive interviews where the best are selected. To ensure that employees are performing optimally, the company utilizes a balanced score card as a performance measurement tool.

g. Staff turnover risk - during the year we witnessed staff turnover in some departments. However, turnover was within global standards as well as within our own tolerance limits. The company has put in place measures to reduce turnover by improving employee satisfaction. During the year a number of events took place, accompanied by innovative actions to boost morale and increase motivation. A staff survey was also conducted during the year and the results were encouraging.

h. ICT capacity constraints - the company recognizes the crucial role that is played by ICT. To further enhance the efficiency of the ICT system, the company has engaged external service providers to ensure efficient service provision and IT security. During the year changes were made to IT security to take advantage of a more proven and capable IT security service provider.

i. Fraud risk - during the year we had a number of fraud cases that were reported as well as those discovered during the normal audit process. Despite the complications surrounding fraud, we have robust controls to minimize fraud, for example, the company has reduced cash handling by employees through the use of payment options such as MPESA and debit/ credit cards at our points of sales. Strict disciplinary actions on employees found to have been fraudulent, as well as focusing on integrity when hiring new employees, has also impacted favourably.

j. Franchising risk - in line with our new strategic plan, the company has moved into franchising as a way of increasing our retail footprint in the market. This has brought about new risks associated with this such as :

- Injury to the company's reputation due to actions of the franchisee
- Inability to collect royalties from the franchisee
- Inability to control the activities of the franchisee.

To avert the risks associated with this model, the company has put in place controls to monitor the implementation of the new business model to ensure risks are identified and attended to appropriately.

k. Risk of fire - fortunately, and unlike in 2016, there were no fire incidents reported across the company in 2017. The company has not only invested significantly in fire protection and safety equipment but also in training. In every work station, we have a fire marshal who has been trained adequately to help as a first responder in the event a fire. Going forward, this will also be extended to our third party partners especially our contracted security service providers.

MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)

Key Opportunities

Below is a list of opportunities currently open to the company and these are being evaluated:

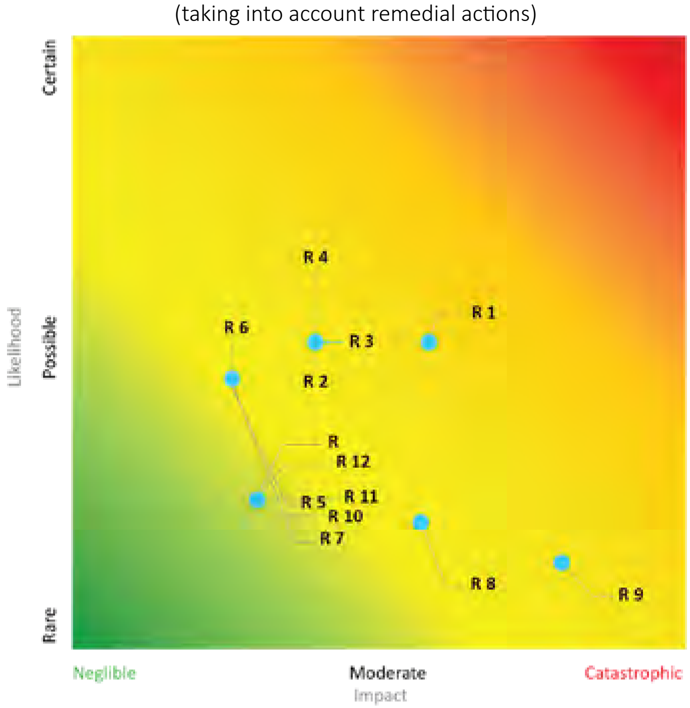
- Automotive service and parts.
- OTR and specialized tyres.
- Discount segment of the market.
- Government motor vehicle leasing policy.
- New vehicle assemblers
- YANA brand strength

2. Strategic risks summary -2016 and 2017 comparison

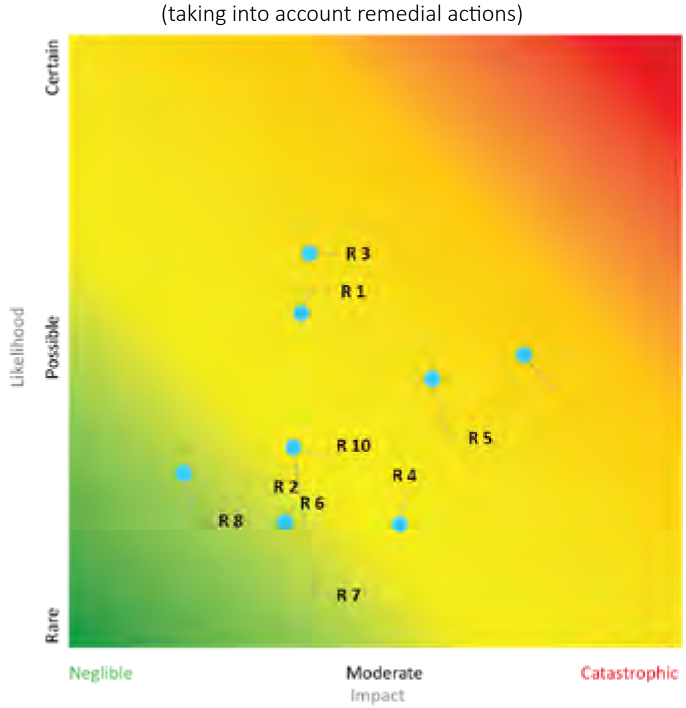
Risk Description	2017 Ranking	2016 Ranking	Key	2017 Rating	Key
Logistics	1	N/A	R1	12	N/A
Corporate and product brand risk (includes franchising risk)	2	2	R2	9	R2
Market share	3	3	R3	9	R3
Capital adequacy	4	5	R4	9	R5
Product positioning in the market	5	1	R5	6	R1
Product innovation	6	4	R6	6	N/A
ICT Capacity constraints	7	8	R7	6	R8
Fraud	8	9	R8	6	R9
Fire	9	10	R9	5	R10
Cost escalation	10	4	R10	4	R4
YTC operations	11	11	R11	4	N/A
Staff turnover	12	7	R12	4	R7
Sub-optimal staff performance	13	6	R13	4	R6

Risk Rating- 25 being highest and 1 being lowest

STRATEGIC RISK HEAT MAP 2017
(taking into account remedial actions)



STRATEGIC RISK HEAT MAP 2016
(taking into account remedial actions)



3. Escalation of risks in 2017:

During the year the ranking of the following risks were escalated:

- **Stock holding levels.**
  Due to offshoring, the company had to maintain high inventory levels or risk stock outs. As a mitigation, the company has intensified market research to ensure correct information is collected to allow proper order planning.

- **Cyber security**
  Cyber threats where criminals are constantly making use of information technology to perpetrate illegal acts, are increasing significantly. As a mitigation, the company has an efficient firewall and back up procedures in place and these have been fully tested.

MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)

4. Yana alternative sourcing strategy (Yass)

The company has now transitioned from manufacturing to trading. This was in line with the new strategic direction. This move was to enhance the performance of the company in a highly competitive environment.

Status of the project:
The transition project has progressed well and currently the company is considering entering into the second phase of the project which entails extension of tyre sizes that were not previously produced under YANA brand. The closure of the first phase is ongoing since the planning and the implementation stage have since been accomplished.

The project is currently on course and the first consignment was received in November 2017. Since then we have received several shipments from our overseas suppliers. The risks associated with the YASS project remain unchanged but will continue being keenly monitored.
The following risks are associated with the project:

i. Partnership risk
This is a third party risk that is as a result of the company entering into contractual partnerships with other parties, specifically the contract manufacturers. As a mitigation, the company carries out supplier due diligence, thorough review of contracts, feasibility studies to establish partner capacity as well as on site visits. During 2017 the partnership risk was well managed.

ii. Logistic risks
This involves the procedures from the placing of orders until actual delivery of the goods. To mitigate risks, a cross functional team consisting of finance, sales and planning is given the mandate to oversee the entire process to completion. Service level agreements with logistics service providers are also in place.

iii. Capital outlay risk
The YASS project is capital intensive and its success or failure is highly dependent on the availability of finance. To mitigate against the risk, the company has budgeted well for the project as well as partnering with financial institutions who offer finance through letters of credit (LCs) and post import financing, when need arises.

iv. Competitor action
This is in reference to what our competitors might do as a result of closure of the manufacturing plant and our transitioning to offshore production. To mitigate against this risk, a market intelligence team has been set up to gather information from the market as well as intense lobbying activities put in place to address the malpractices in the importation and distribution of tyres.

v. Management risk
Managers play a key role in the success of a project as they offer direction and oversight as well as the provision of resources. As a mitigation, an effective management team has been set up, as well as the implementation committee. During the year the team performed superbly hence mitigating this risk.

vi. Reputational risk
Our shift of production to Asia means that our products may be associated with quality issues. As a mitigation, the marketing team is tasked with handling all PR issues and planning advertising campaigns. Field engineering is also tasked with proper testing and inspection of our products to guarantee quality.

vii. Product risk
This is mainly in regard to the performance of our tyre products. As a control, the field engineering team carry out intensive product evaluation procedures, handling of claims and planning new product release procedures.

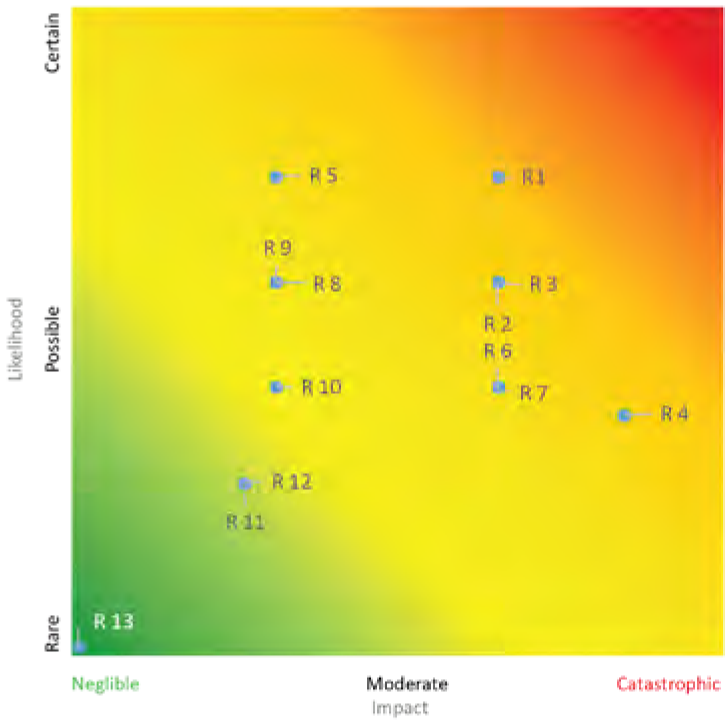
viii. Innovation risk
The business environment is not static. We will continue to innovate and this shall be done by the field engineering team and the use of third party research and development capability.

ix. Uncertainty risk
By offshoring, we lost control of the entire manufacturing process. This affects the supply chain mainly due to issues of servicing of our purchase orders. To control this, we have in place a marketing research department that will enable better forecasting as well as ensuring exit/back up strategies.

TRANSITION RISKS

Risk	Rank	Rating
Partnership risks	1	15
Logistics risk	2	12
Competitor action	3	12
Capital outlay risk	4	12
Reputational risks	5	10
Management risks	6	9
Payment terms risk	7	9
Staff risks	8	8
Uncertainty risk	9	8
Product risk	10	6
Innovation risk	11	4
Regulatory risk	12	4
Export market risks	13	0

TRANSITION RISK HEAT MAP 2017
(taking into account remedial actions)



MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)

5. Emerging risks

The following risks were considered as emerging in 2017:

- **Goods lost in transit:**

During the year, we experienced a case where we lost a significant consignment from the port of Mombasa. To mitigate, the company has reviewed clearance turnaround times and has also reviewed our clearing agents list.

- **High inventory levels.**

Due to the factory shutdown, high inventory levels were expected to take care of the period after manufacturing but before receipt of stock from the contract manufacturers. This risk is still considered as emerging since the offshoring process is yet to fully stabilize. As a mitigation, the company is continually revising the appropriate level of stock to be ordered so as to achieve optimality.

- **Debtors Management**

This is emerging as a high risk area. This is mainly contributed by liquidity challenges across the region and the effects of our internal credit capping . We will mitigate this by instituting a stringent credit policy with credit capping.

6. Risk focus 2018

As we move into 2018, we shall continue to regularly assess the trends of our key risks as well as the control environment,

As a company, the following risks have been considered as key:

- **Geopolitical risks**

This risk is as a result of our operations in the global environment in terms of offshore manufacturing. Events in the outside world have a crucial impact on our operations especially the politics in America and North Korea, the effects of Brexit and Chinese environmental review measures to name but a few.

- **Cyber security**

The cyber-attacks of 2017 may well progress into 2018. Technological advancement is ongoing and hence criminality will not stop. To mitigate the risk, the company is sufficiently protected but we will review our control environment continuously.

- **Regulatory risks**

These are risks brought about by changes in the regulatory environment for all countries in which we operate. As a mitigation measure, the company conducts a regulatory compliance audit annually to ensure the company is in full compliance of all requirements.

- **Third party risks**

Third parties will always exist in any business undertaking. They form part of the company's stakeholders. In the course of our business dealings with third parties, we are exposed to certain risks for example supplier business failure. As a mitigation, supplier due diligence is done through extensive vetting by the company before any dealings with such third parties.

Key Health Check Indicators Performance

	Risk	Indicator	Base	Tolerance limit	2016 Trend monthly Average	2016 Risk Direction	2017 Trend monthly Average	2017 Risk Direction
	STRATEGIC							
1.	Sales target (tyres, tubes and services	Percentage actual to budgeted sales	100 and above is positive	100%	62%		74%	
2.	Gross profit	(% to turnover)	30% and above is positive	30%	28%		31%	
3.	Total cost	Costs-KSh M	330=100%(2016) 50M=100%(2017) 0 to 100% is positive	100%	71%		140%	
4.	Net profit (before tax)	(% to turnover Tyre Business)	10% above is positive	10%	-2%		-0.02%	
5.	Fire accidents		0 is positive	0	1		0	
	FINANCE							
6.	Net cash position	KShs M	(100M) =100% 0 to -100 is positive result	100%	-295%		-483%	
7.	Post import finance	KShs M	-420=100% 0 to 100> is positive	100%	124%		128%	
8.	Post import finance (Total foreign liability to stock)	As a percentage of raw materials plus finished stock	0-50% is positive	50%	37%		57%	
9.	Working capital days	Days	156=100% 0 to 100% is positive	100%	71.89%		84%	

MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)

Key Health check indicators performance

	Risk	Indicator	Base	Tolerance limit	2016 Trend monthly Average	2016 Risk Direction	2017 Trend monthly Average	2017 Risk Direction
	SALES							
10.	Trade debtors days		45 days =100% 0 to 100% is positive	100%	154%		157%	
11.	YTC revenue		45M=100% 100% and above is positive	100%	113%		88%	
	MARKETING							
12.	Customer satisfaction index	As measured at YTC on walk in customers	85% and above is positive	85%	80%		91.4%	
13.	Tyre claims	(% to Sales)	0 to 0.5% is positive	0.5%	0.4%		0.3%	
	SUPPLY CHAIN							
14.	Vendor advances	KShs M	100M=100% 0-100% is positive	100%	90%		133%	
15.	Custom clearance turnaround time.	Days	10 days=100% 0-10 days is positive	100%	322.5%		208.9%	
16.	Full order delivery	Order fulfillment	95% and above is positive	95%	83%		94%	
	HUMAN RESOURCES							
17.	Leave utilization	Progressive in each month	90% and above is positive	90%	57%		100%	
	SAFETY AND ENVIRONMENT							
18.	Accidents		0 is positive	0	4		0	

TREND

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


ELEVATE THE
SELF-DRIVE EXPERIENCE
Optimize your driving experience with YANA TYRES.
Built with NEXT-GEN Tyre Technology.
MODERN
TREAD PATTERN
| Stylish | Puncture
& wear resistance
IMPROVED
SIDEWALL
| Comfortable ride
| Better stability
STRONGER
CASING
| Takes extra load
| Tyre-burst safe
STRONGER
BELTS
| Enhanced
puncture resistance
YANA
MONARCH-III
PRODUCT OF SAMEER AFRICA
Yana Monarch
For Saloon Cars
YANA
SameerAfricaPLC SameerAfricaPLC Call Centre: +254 730 156 222. www.sameerafrica.com

OUR STRATEGY

Mission: Provide safe mobility with unparalleled experience.

Vision: To be the ultimate provider of innovative reliable tyre solutions.

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

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

The Sameer Values:
How we do things

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

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

INNOVATION:
We will continously develop market relevant products through innovation and efficient service delivery.

ACCOUNTABILITY:
We will individually and collectively take full responsibility for our actions and hold ourselves accountable to each other and to all stakeholders.

Enablers:

Finance and accounting | Fit-for-purpose operating model and structures | Effective leadership

What we want to achieve

STRATEGIC GOALS

1. Grow turnover by at least 12%
2. Earnings before tax of 8% - 10% of turnover
3. Protect gross profit margin with 25% - 30% range.
4. Grow regional average market share to 7.2% by 2019 from 6.6% in 2016.
5. Achieve end-user consumer satisfaction levels of 80%.
6. Grow retail footprint.
7. New products launch.
8. Process improvement
9. Staff satisfaction index 70%.
10. Training days per employee.

How we will achieve it

STRATEGIC INITIATIVES

Profitable growth
- Implement business improvement and efficiency payouts to reduce costs.
- Optimise working capital.
- Enter the industrial tyre market segment in the off-the-road categories.

Customer Focus
- Realise at least 5 new outlets annually.
- Invest in Yana and Summit brand awareness and equity.
- Enhance reputation with stakeholders.
- Enhance governance and compliance.

Innovation
- Launch new brands/patterns/sizes.
- Reduce costs through innovation and technology.

People and Leadership
- Ensure we have the right people in the right roles.

Right workforce structure | Innovation and technology | Governance and compliance

PERFORMANCE
Measurement of our performance against the **four pillars of our strategy** is on the next page.

PERFORMANCE

Performance against strategy – Profitable growth

Our Strategic Journey

Regulatory and market changes since 2005 have resulted in declining market share from 62% in 2005 to only 25% in 2014. Sameer responded by restructuring the business, improving operational performance and investing for the future in new product development, increased market presence and significant invesment in the property portfolio.

While this major transformation of our business is both an exciting opportunity and a challenge, the integrated effort of our people is proving our goals are attainable. Our vision is to be the leader in the provision of both tyre solutions and real estate. Progress against our strategic priorities is detailed here while our strategic journey is shown below.

Restructuring and repositioning our company into a fit-for-purpose organization

Restructuring since 2016

- Closed the tyre factory in Nairobi
- Transferred tyre manufacturing to China and India
- Rationalized staff numbers from 527 to 232

Repositioning

- Introduction of the economy segment "Summit Tyre" opening up the discount market
- Increased retail footprint to 18 owned tyre centers
- Launched tyre franchises- 'Yana Auto Centers"

Fit-for-purpose business

- Lean and agile head office structure
- Dissolution of non-profitable joint ventures
- Dedicated property development team

Profitable Growth

To maintain 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. The group monitors its growth using both financial and operational metrics. Top line growth is measured by sales values and units growth, while sourcing and pricing efficiency are measured by the gross margin. Management's containment of overhead expenses is measured against turnover and bottom line profitability is reported by the net profit margin.

Our profitability measures:

30%
TARGET GROSS MARGIN

ACHIEVE YEAR-ON-YEAR TURNOVER GROWTH OF ATLEAST
12%

ATTAIN EARNINGS BEFORE TAX OF NOT LESS THAN
10%
OF ANNUAL TURNOVER

MAINTAIN OPERATING OVERHEAD WITHIN
18%
OF ANNUAL TURNOVER

How we performed

Metric	Target	Actual	Performance
1 Gross profit	30%	30%	On target
2 Turnover growth	12%	(10%)	Off target
3 Operating overhead	18%	30%	Off target
4 Earnings before tax	5%	1%	Off target

1. Gross profit margin

Gross profit margin was on target at 30% as the Group maintained its ability to adjust prices to reflect changing market conditions while remaining price competitive. This was in spite of product supply challenges and the discounting of premium brands for high price segment customers with the aim of maintaining customer loyalty to our brands and retaining acceptable supply levels to our key customers. Secondly, as the new offshore manufactured product is received, the benefits of lower cost manufacturing will keep gross margins target bound and increase the groups pricing flexibility.

2. Turnover growth

The Kshs 2.9 billion recorded in 2016 declined to Kshs 2.7 billion in 2017 due to several factors

- Unforeseen delays in our migration to offshore manufacturing resulting in severe product shortages in all our markets
- Depressed sales in Kenya in the run up to the general elections as a wait-and-see approach was adopted, followed by the collapse in sales during the period leading to the repeat presidential election and after that as the second Supreme Court petition was heard.
- Production disruptions in China as environmental regulations were enforced leading to the closure of factories that produce our offshore manufactured products.
- Tight liquidity in all regional markets as governments reduced spending in response to economic slowdowns and decline in tax collection.

3. Operating overheads

Operating overheads in 2017 were Kshs 781 million, being a 45% reduction from 2016's Kshs 1.4 billion. Excluding factory closure costs the overheads in 2016 would have been Kshs 875 million. The 2017 overheads reduced against 2016, but were 30% of turnover which exceed the 18% target set in the strategic plan. Cost containment efforts continue to be emphasized throughout the group to further reduce operating overheads. This efforts together with initiatives to increase revenues will bring operating expenses within the target range in 2018.

4. Earnings before tax

2017 earnings before tax of Kshs 27 million and at 1% of turnover was a significant improvement from the 2016 loss before tax of Kshs 865 million. The return to profitability is expected to continue in 2018 and beyond with the 5% target being attained.

Performance against strategy – Innovation

Innovation is a key pillar of our strategy. We challenge the status quo and ourselves to contantly change and innovate to keep up with the changing landscape and customer tastes and preferences. We rapidly test and adopt new approaches to more effectively and efficiently accomplish our strategy.

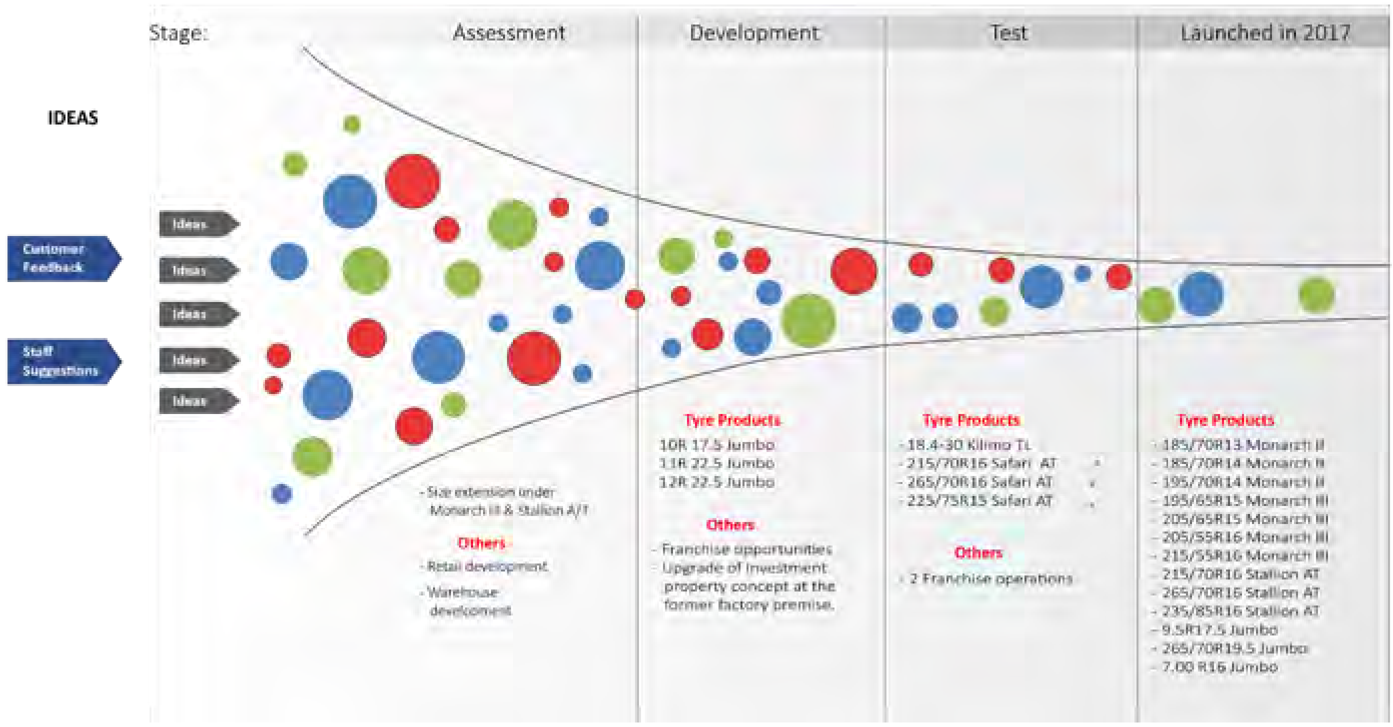
We are renowned for the technical excellence and superior performance of our products. We achieve this through our customer's feedback program which is driven by our field engineers. The feedback received is channeled back to our offshore manufacturers who, aided by our world-class indoor testing laboratory, our offshore manufacturers and vehicle mounted tests, leads to the creation of new and improved products to address customer requirements or to simply improve our customers experience with our products.

Our innovation funnel also receive ideas from our board, staff and other stakeholders, these ideas undergoe vetting, market analysis, finacial feasibility and an assessment of their fit to the overall group strategy before proceeding to development, testing and final market launch.

Our performance in 2017

Below is the current status of our innovation funnel. The success of our innovation funnel is evident from the number of products, services and concepts that were launched in 2017.

Sameer Africa's Innovation Funnel 2017



Yana Monarch III

Yana Stallion A/T

1. New Technology

- Yana tyres have been modified with new technology to achieve a perfect balance between wear life, handling (vehicle control) and durability.
- Yana tyres have innovative tyre beads that provide an accurate fit on your rims for a smooth and comfortable ride.
- Yana Monarch comes in low profile sizes that offer great maneuverability and stability.

2. Modern tread pattern design

- Yana tyre treads are made with cut and chipping resistant compounds that balance between flexibility/softness to prevent cuts and strength to resist tearing and chipping while offering longer mileage.
- Yana tyre treads have advanced under tread compounds that provides excellent heat dispersion properties for ultimate heat resistance and durability.
- Yana tyres come in stylish and trendy tread designs that gives your vehicle a contemporary look.
- Yana tyre tread patterns work to bring you tyres that not only offer superior breaking power but also quiet and comfortable ride.
- The tyre treads provide grip on both wet and dry roads whilst still providing outstanding wear resistance.
- Yana tyre tread designs are optimized to offer wider contact patch for more traction and great stability.

3. Durability

- Yana tyres footprints are optimized to guarantee safety on the road and better mileage yield.
- Yana tyres are made of full width additional nylon cap-strips on the belts providing extra strength for steering stability and protection from external hazards for improved durability.

Performance against strategy – Customer Focus

2018 Outlook

The steady pipeline flow will ensure sustainability of the business with new products being introduced to replace obsolete products and new ideas being converted to new business models and opportunities.

The Group engaged in various marketing activities in 2017, which were aimed at improving business relationships with customers, improving market share, ensuring safety on our roads and ensuring that customers obtain value for money.

Road Safety

In order for a vehicle to handle safely on the road, the vehicle's tyres should always be in good condition. This requires regular monitoring and timely maintenance of all tyres. In 2017, Sameer Africa sustained and even extended its engagement in grass-roots 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. Our "touch-base" programme was extended to matatu saccos, dealer workshops, KTDA, Kenya Defense Force, corporates and organized fleets. The trainings focused on tyre safety and maintenance as well as insightful information on Sameer Africa brands with regards to quality, pricing and positioning in the market. There was a 26% increment in the number of people trained as compared to 2016.

Improving customer satisfaction

With ever changing customer needs and demands, pressure is on all companies to consistently ensure that their customers are satisfied and their needs are promptly responded to. In 2017, Sameer Africa engaged in various activities to get as close as possible to its customers.

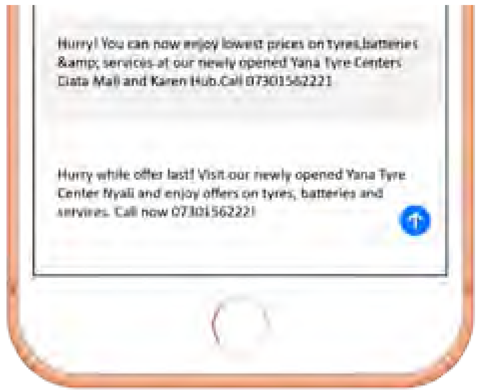
Digital Marketing

In 2017, the company continued to interact with its actual and potential customers through social media platforms in which participation and responses by the public complemented traditional forms of advertising. The need to diversify ways of reaching out to customers is changing rapidly around the globe and Sameer Africa in 2017, embraced digital marketing to reach out to its techno-savvy clientele.

Direct Procurement and Importation

Direct procurement was introduced in 2016, to fill the gaps in stock availability and ensure that all customers' needs are met. It is an arrangement that allows Sameer Africa to buy tyres directly from other tyre companies in the country to supply to customers. This continued in 2017, and was supported by our importation of other brands in the market to fill gaps in various market segments. With preference resting on Sameer Africa brands, customers demanding other brands can still be easily served through this arrangement.

ENGAGING CUSTOMERS ON SOCIAL MEDIA



SMS PROMOTIONS

Our Customer Driven Retail Centres Designs

Yana Tyre Centre Ntinda

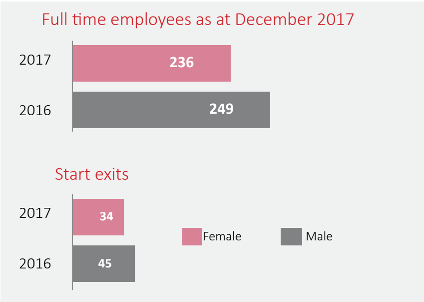
Yana Tyre Centre CIATA

Performance against strategy - Our People

Our people

Our employees define our success. We are focused on attracting, retaining and developing the best talent and skills and on providing a safe and motivating workplace. We pride ourselves in continuously seeking to develop and mentor our staff to be the best they can be in the industry and globally.

Number of employees



Employee distribution

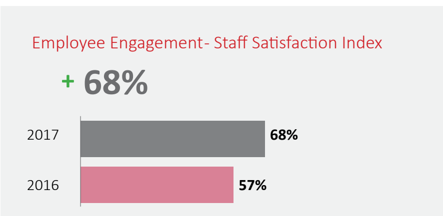
	2016	2017
Executive employees	8	7
Management employees	96	96
Retail center employees	91	93
Country employees	37	40
Total	**232**	**236**

Performance Culture

We remain committed towards driving a high performance culture. We make use of the balanced score card approach to measure employee performance. Our high performers are those employees who are aligned to our strategic plan, which is reflected in the balanced score card financial, customer focus, internal business process and learning and development perspectives. In addition to the alignment to our strategic plan, our high performers have embraced a change mindset and freely share information with colleagues.

Employee engagement

As we strive to motivate our employees to not only to perform at their best, we also strive to create an environment that ensures employees are well engaged and motivated in a number of activities. This is integral in ensuring our employees feel valued and appreciated. A total of 12 engagement activities were conducted during the year in order to enhance employee engagement. Incentives have also been provided to encourage employee innovation which has in turn led to enhanced employee engagement.



Employee wellness

Going by our wellness theme "Our health, our wealth" we have successfully reduced our medical expenses over the past 3 years. This was done by ensuring proper management of outpatient cases and keen follow up on employees with chronic illnesses.

Employees at a medical camp at the Group head office.

Our commitment is to continuously have initiatives that guarantee our employees wellbeing and a well-balanced lifestyle. A very successful medical camp was undertaken that saw representation from renowned service providers gracing the event on a sponsorship basis. In order to properly manage employee' work-life balance, the company organized for employees to undertake a personal effectiveness program that focused on personal branding, professional etiquette, time management, goal setting, career progression and personal finance. A total of 65 employees successfully completed the program with future programs planned targeting to reach all employees.

Developing our employees

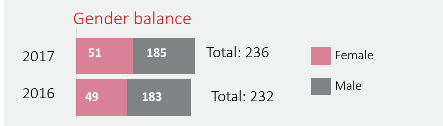
Staff development has been our key focus and pillar as part of staff motivation but also as a continuity strategy for the success of the group. Employees are continuously sponsored to attend development trainings and forums that would expose them to opportunities that would develop their skills and mindset. We are 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.

Diversity and inclusion

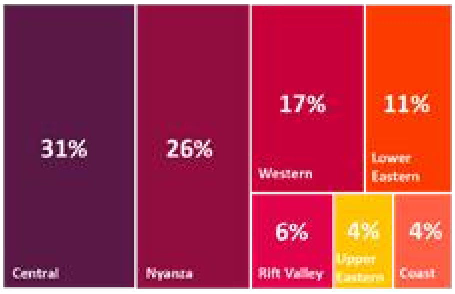
In our quest to ensure a well-balanced and diversified working environment we have ensured diversity in all areas possible. We are a fully multi ethnic organization with all regions of the country well balanced and represented. Our workforce encompasses a multi -generational profile, which ensures skills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

Diversity and inclusion are key to our sustainability strategy, ensuring talent continuity and broadening the company's appeal to employees in various market segments. This will allow us to continue attracting and retaining employees who positively contribute to our success.

Gender diversity



Regional diversity



Safety

We continue to strengthen our commitment to safety by ensuring that a safe and conducive environment is provided to all employees and stakeholders. We commit to 100% compliance to all statutory requirements in regards to safety and continuously conduct internal audits to ensure compliance. A health & safety committee has also been constituted with representation from across the company and has been adequately trained and equipped to manage all aspects safety. Employees have also been trained on safety and health related areas. Emphasis has also been placed on embracing a safety culture in all work operations through regular safety briefings and inspections.

Branch Mentorship

In our quest to ensure that we develop our employees to their full potential, coaching remains a key area of focus. Departmental heads are charged with the responsibility to mentor staff under them and ensure they attain their goals. Departmental heads are also responsible for coaching the various branch & country offices.

The branch mentorship has led to a more engaged workforce and also provided a forum for employees to provide feedback on company performance as well as driving innovation through generation of new ideas for business growth.

OUR CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Corporate Social Responsibility

As a social enterprise, we continue to demonstrate our commitment to corporate social responsibility. Attention has been paid to ensure that corporate social responsibility informs our operations and that our employees actively embrace the same.

In 2017, Sameer Africa sponsored various charitable institutions including the annual fundraiser of St. Aloysius Gonzaga School in Kibera, Nairobi with Kshs. 30,000/-. The school brings together children orphaned by HIV and those who are suffering from HIV and it equips them with technical knowledge to help them grow as self-starters in life. Sameer Africa also sponsored the annual Kenya Society for the Protection and Care of Animals (KSPCA)fundraiser event with Kshs. 40,000/-. KSPCA is the main charitable organization caring for the welfare of animals in Kenya with the objective of promoting their protection. The company also donated tyres and Kshs. 120,000/- to Little Sisters of the Poor, a charitable institution caring for the elderly poor in Kenya. The institution depends solely on charity and donations to keep it afloat and provide for the destitute.

Sameer Africa also sponsored and participated in a number of events that directly linked the company to its customers. These included the Agricultural Society of Kenya shows in Kisumu, Eldoret, Nakuru and Nyeri. There were also Kenya Mining Forum and Agritec events, the World Ploughing Contest and the Sasini Coffee Millers open day.

As part of the Sameer Group of companies, Sameer Africa contributed to the sponsorship of the Furaha Sports Festival with Kshs. 800,000/-. The festival is a sporting event that brings together participants from all over the world and has over the years served as a valuable platform for companies and partners to expose their products and services. These sponsorships provided a significant opportunity for the company to enhance its visibility and directly sell its products to potential customers.

1: Employees participating in the 2017 Standard Chartered Marathon whose aim is to raise funds for the needy in the community.
2: Employees participating in a charity walk in aid of the Cerebral Palsy Society of Kenya.
3: A player competing at the 13th Furaha Sports Festival aimed at bringing people together by playing together.
4: Sameer Africa making a donation to the Little Sisters of the Poor (Nyumba ya Wazee).

FINANCIAL OVERVIEW

Performance review

The Group's 2017 performance as against 2016 performance is a pointer to the success of the bold strategic decisions taken by the board. These decisions being 1) the closure of our factory operations in Nairobi in favor of offshore contract manufacturing 2) focus on unlocking the potential of the groups property portfolio 3) rightsizing of the business to fit with the new business model.

Group financial overview

	Kshs million	Kshs million	
	31-Dec-17	31-Dec-16	% change
Revenue	2,627	2,882	-9%
Operating expenses	(781)	(1,427)	-45%
Operating profit/(loss)	95	(821)	>100%
Operating margin	4%	-28%	>100%
Profit/(loss) for the year	13	(652)	>100%
Net cash generated from /(used in) operating activities	561	(592)	>100%
Capital expenditure	338	95	>100%
Borrowings	562	826	-32%

Revenue

2017 was a transition year from the locally produced Yana tyre to the offshore manufactured product. Despite our elaborate transition planning we experienced product shortages during the second half of the year resulting in reduced unit sales – revenue declined 9% from Kshs 2.9 billion in 2016 to Kshs 2.6 billion in 2017- as unit sales reduced 13% from 229,929 in 2016 to 200,899 in 2017.

Operating expenditure

Our cost containment initiatives that began in 2015 were sustained throughout 2017. The year closed with total overheads at Kshs 781 million being a 45% reduction from 2016's Kshs 1.4 billion. Included in 2016 overheads were factory closure costs of Kshs 552 million, which if excluded, 2016 normalised overheads were Kshs 875 million.

Profit for the year

The group's profit for the year was Kshs 13 million a significant improvement from the Kshs 652 million loss in 2016. Factory closure cost of Kshs 877 million in 2016 significantly eroded profitability during that year.

Cash generated from operations

Net cash generated from operating activities was Kshs 561 million an improvement from 2016 where Kshs 592 million was used. During 2016, cash payments to exiting employees amounting to Kshs 268 million and Kshs 192 million paid in respect of retirement obligations were the key cash utilizers.

Capital expenditure

As the group focuses on developing its property portfolio to be a significant revenue generator in future, investment is being made in upgrading the existing owner-occupied building that the group does not intend to continue occupying and converting them to investment property. In line with this, the groups capital expenditure increased from Kshs 95 million in 2016 to Kshs 338 million in 2017.

Borrowings

Group borrowings are majorly short term borrowing facilities used for working capital financing with each drawdown being repaid within six months. Borrowings reduced to Kshs 562 million in 2017 from Kshs 826 million in 2016. The current borrowing is aimed at restocking our markets with the new offshore manufactured products. 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 Kshs 2.80 on 31 December 2017 which was a similar closing price as at 31 December 2016, maintaining the market capitalization at Kshs 779 million.

OPERATIONAL PERFORMANCE

Sustainable environmental management, product safety and quality management

Key issues

The key issues that impact our sustainability are:
1. Product safety & quality
2. Environmental impacts

1. Product safety and quality

At Sameer Africa, the safety of our customers is at the core of our business philosophy. Each product manufactured under the Yana label or the Summit label goes through rigorous indoor testing and through stringent quality control checks before sale. Our company has successfully implemented ISO 9001:2015 Quality management systems as well as ISO 14001:2015 Environmental management systems certification.

To demonstrate the quality of our products, we are in the process of obtaining Diamond marks of Quality for products being manufactured in the off-shore manufacturing sites in India and China. We have continued offering product warranty covering all our products thus building on customer satisfaction. We regularly monitor product returns from customers as a measure of quality performance. Tyre claim ratio measures the number of tyres returned from customer in comparison to sold units in the same period. There has been tremendous reduction in product returns as more imported products gets to penetrate the market. One of the key objectives of outsourcing manufacturing was to take advantage of modern tyre manufacturing technology and better product quality. In the 1st quarter, there was a slight increase in claim ratio, attributed to clearance of raw and in-process materials. However, the trend improved with the imported products, indicating better quality.


QUALITY AND ENVIRONMENT POLICY

Sameer Africa shall consistently provide high quality automotive products and services that meet and exceed customer's and statutory requirements, while protecting the environment by where practically possible, eliminate, reduce and recycle waste.

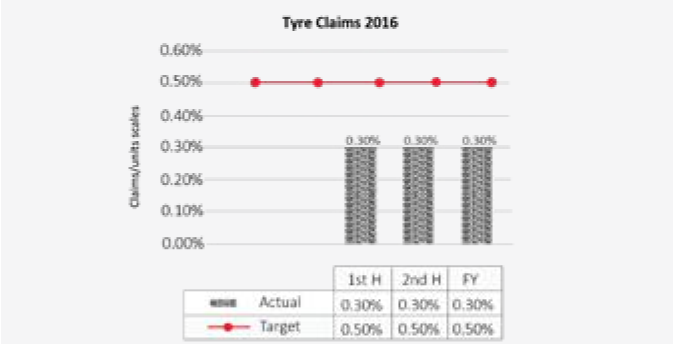
This policy shall be guided by our Mission, Vision, Core Values and the procedures that have been developed from this policy framework which sets out the organizational direction and commitment.

Sameer Africa will comply with the requirements defined in ISO 9001:2015 and ISO 14001:2015 Standards as well as the applicable Legal requirements and other compliance obligations that we subscribe to.

Sameer Africa will continually improve the Quality and Environmental performance by setting clear objectives, targets and performance indicators which shall be periodically reviewed.

This policy will be implemented, maintained and communicated to all stakeholders including our employees, our customers and all interested parties.

Allan Walmsley
Managing Director
Sameer Africa Limited
22/08/2017



2. Environmental impacts

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

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

Implementing our sustainability strategy means holding ourselves accountable for our most material social and environmental impacts in every aspect of our business from sourcing to advising on the proper usage of our products. We are open on reporting our sustainable strategies, goals and accomplishments and embrace systematic performance improvements to achieve our goals throughout the value chain.

2017 Environmental activities and Impacts

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

The company is ISO 14001:2015 certified and subjects itself to planned internal & external environmental audits and trainings. Year 2017 environmental activities can be summarized as follows:

- Nine EMS related trainings conducted.
- One internal and one external audit carried out.
- Following system improvements after ISO 14001:2015 & ISO 9001:2015 Gap analysis audits, Environmental aspects reduced from 92 to 79. Environmental Management Programs (EMPs) remained at 4.
- In the year 2017, we achieved upgrading of our Environmental and Quality Management Systems from ISO 14001:2004 and ISO/TS 16949: 2009 to ISO 14001:2015 and ISO 9001:2015 respectively.

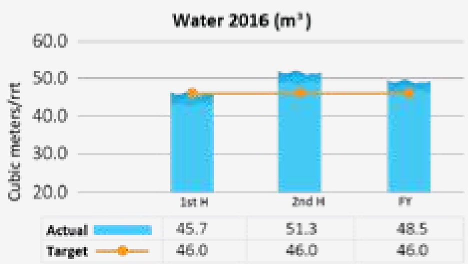
OPERATIONAL PERFORMANCE (Continued)

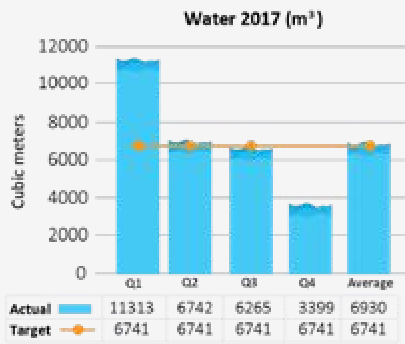
Our key environmental concerns (Environmental management programs) are:

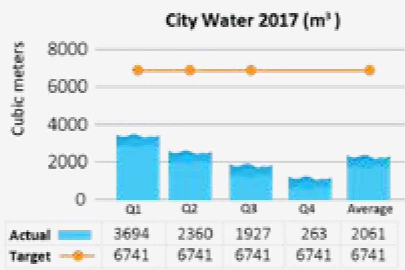
a. Reduce water usage
b. Reduce electricity usage
c. Solid waste management
d. Employees safety

a) Water Usage

The units of water consumption measurement changed from cubic meters/ RRT to absolute units after closure of the factory. With relocation of the administration block to the former sales offices, modern water saving toilets were installed thus moving away from sloan flushing system whose water consumption is uneconomical. To reduce water expenses, the company changed from use of city water to borehole water in the month of October 2017. Factory closure provided an opportunity of rental business where every tenant is billed based on water consumed. Water consumption in the 1st quarter was high due to the final production run that was carried out to clear raw materials that remained after factory closure.

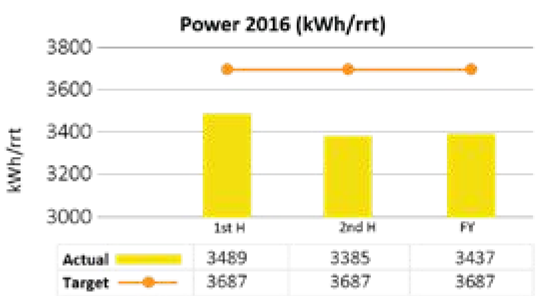


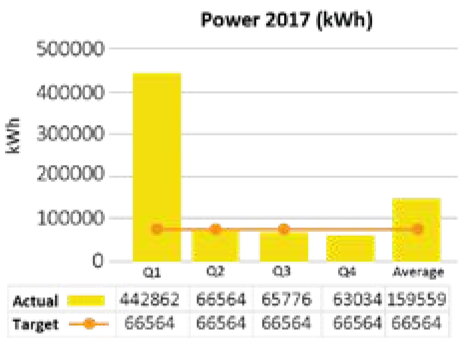




b) Electricity Consumption

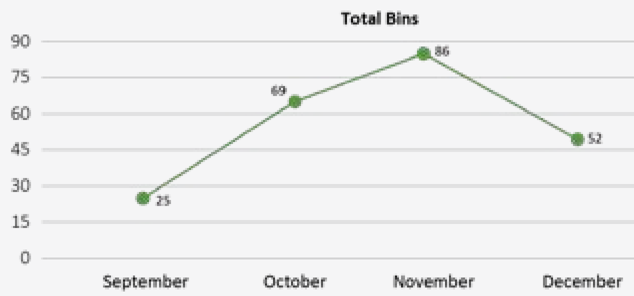
The units of water consumption measurement changed from KWH/ RRT to absolute units after closure of the factory. The company has embarked on cost of electricity reduction by ensuring that fluorescent lighting bulbs are replaced with LED type. Each tenant has their own meter and billing is done based on consumption. Power consumption in the 1st quarter was high due to the final production run that was carried out to clear raw materials that remained after factory closure.





c) Solid Waste Management

Waste sources have significantly reduced after factory closure. Most of the waste generated within the company is normal waste generated from trading activities. The company handles waste from some tenants based on volumes and monitoring is done on weekly basis. Waste is segregated before it is collected by a licensed waste handling service provider to enhance reuse and recycling. Since September 2017, waste generation from the various tenants has been done and monitoring is ongoing in terms of total bins collected, with a view of identifying the highest generators and finding ways to reduce it. Tenants pay a service charge that caters for waste disposal.



d) Employees 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 are causing or 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 the applicable standards.
- Employees have access to 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 are safe and without risks to employees' health.


ELEVATE
THE 4X4 EXPERIENCE
Optimize your driving experience with YANA TYRES.
Built with NEXT-GEN Tyre Technology.
MODERN TREAD PATTERN
I Stylish I Puncture & wear resistance
IMPROVED SIDEWALL
I Comfortable ride
I Better stability
YANA
STALLION A/T
PRODUCT OF SAMEER AFRICA
STRONGER BELTS
I Enhanced puncture resistance
STRONGER CASING
I Takes extra load
I Tyre-burst safe
Yana Stallion A/T
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GOVERNANCE

Board of Directors

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

Engineer Erastus Mwongera - Chairman (Independent)

Appointed: 23 July 2010

Engineer 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 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 served as 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 forty 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 community affairs 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 PLC and also the chairman of the nominations and remuneration committee.

Allan Walmsley - Managing Director (Executive)

Appointed: August 2012

Allan 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.

Dr. Winnie Iminza Nyamute - Director (Independent Non-Executive)

Appointed: 4 May 2017

Winnie holds a PhD in Business Administration (Finance), an MBA (Finance) and a Bachelor of Commerce (Accounting). She is a Certified Public Accountant, a Member of Kenya Institute of Management, the Association of Women Accountants of Kenya and the Institute of Directors(IOD). Winnie is currently a lecturer (Finance and Accounting) at the University of Nairobi.

She has been serving on the Research and Education Committee of the Institute of Certified Public Accountants of Kenya (ICPAK). She is a past member of the ICPAK's Audit Quality Assurance and the Special Interest Group Committees. She is a faculty advisor for the Certified Financial Analyst (CFA) Research Challenge, University of Nairobi (UoN) as well as a board advisor for the Finance Students Association (FISA) of UoN. She has been the coordinator for partnerships and linkages for the School of Business (UoN) and a panel judge of the Excellency in Financial Reporting (FIRE) Awards Scheme. She is an independent director at the Nairobi Securities Exchange where she chairs the Audit, Risk Management and Compliance Committee.

Winnie is the chair of the audit, risk and corporate governance committee of the board.

Dr. Lydia Muthoni Mbuthia - Director (Independent Non-Executive)

Appointed: 4 May 2017

Lydia holds a PhD in Commerce from Nelson Mandela Metropolitan University (NMMU), South Africa, an MBA (Finance) and a Bachelor of Education (Science) from Kenyatta University. She is a qualified accountant and a member of The Association of Chartered Certified Accountants. Lydia is also a member of The Kenya Institute of Management and The Institute of Directors of Kenya.

She has previously served in various capacities at Catholic University of Eastern Africa (CUEA) including Director of University Advancement and University Examinations Officer. Lydia also served as Chair of the University's Advancement Advisory Board. She has published several books and articles in refereed journals.

Lydia is the chair of the finance and investments committee of the board.

Board of Directors (Continued)

Sameer N. Merali - Director (Non-Executive)

Appointed: 22 November 2012
Sameer holds a Master of Science degree in Banking and International Finance and a BSc (Hons) in Management Science.

Sameer 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 PLC, a company listed on the Nairobi Securities Exchange.

Sameer is a member of the finance and investments committee and audit risk and corporate governance committee of the board.

Peter M. Gitonga (Non-Executive)

Appointed: 1 August 2005
Peter has previously served in various capacities at senior management level in Sameer Africa. 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).

Peter 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.

Ms. Mary Ngatia - Director (Independent Non-Executive)

Appointed: 4 May 2017
Mary is a seasoned banker with more than 30 years of experience in retail, corporate banking, treasury management and microfinance. She holds an MBA in Strategic Management from Moi University and a Bachelor of Science (BSc) in Business Administration from the University of Maryland (USA).

She is a member of the Kenya Institute of Bankers and Institute of Directors of Kenya. She currently serves as the Vice Chairperson of the Board of Directors of Kenya Women's Microfinance Bank. She also chairs the Finance and Procurement Committee and serves on the Board Credit Committee of the bank.

She is also a board member of Bank of India and serves as treasurer for the Kenyatta Hospital League of Friends.

Ms. Ngatia is a member of the audit, risk and corporate governance committee of the board.

Akif H. Butt - Director (Non-Executive)

Appointed: 24 July 2008
Akif 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.

Akif is a member of the finance and investments committee of the board.

Akif is also a Director of Sasini PLC and Eveready East Africa PLC, which are both quoted on the Nairobi Securities Exchange.

Executive Committee

Allan Walmsley- Managing Director

Allan 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).

Eric Githinji - General Manager Finance & Strategy

Eric 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 currently pursuing his MBA. He is a Certified Public Accountant- CPA (K) and a member of the Institute of Certified Public Accountants of Kenya.

Jackline Omuka - Head of Human Resource

Jackline 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.

Edgar Imbamba - Company Secretary

Edgar 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. Edgar holds a diploma in law from Kenya School of Law and is a certified corporate governance auditor. 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 & Risk

Hassan 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

Richard holds a Bachelors of Science degree in Computer Science from Makerere University and is currently pursuing his MBA. 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.

Nixon Ojijo - Head of Regional Sales

Nixon is responsible for giving strategic direction to the sales function with emphasis on regional business expansion, wholesale market growth and customer satisfaction.

Nixon joined the Group in 2001 and has a wealth of experience in sales gained from his seventeen years with the Group in various positions within the sales function. Prior to his promotion to the position of head of regional sales in May 2018, Nixon was the country Manager in Tanzania. He has previously worked in sales function in Toyota Kenya and Hyundai Motors (Kenya) Limited.

Robert Akungo - Head of Supply Chain

Robert 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.

Chairman's Governance Statement

"The board believes that a high standard of corporate governance is a key contributor to the long-run success of the company. The board remains committed to ensuring that a combination of good leadership and the highest standard of corporate governance are maintained through a robust internal framework of systems and control underpinned by the right values and culture."

Eng. Erastus Mwongera
Chairman

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.

During 2017, the board focused on providing leadership during the Group's transition to offshore manufacturing, as I enumerated on page 11. The transition has faced challenges but the board, having overall responsibility and accountability for the success and sustainability of the company and working with management, is confident of overcoming these challenges and achieving a successful transition.

On governance, the board was strengthened in 2017 by the appointment of three directors. The newly appointed directors are all independent, non-executive, and being female come from various professional backgrounds and bring on board a wealth of experience.

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 Group, as well as its operations.

Statement of policy on good governance
The board and executive committee of Sameer Africa 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. Areas of non-compliance or partial compliance with the Code of Corporate Governance have been disclosed on page 53 and on our website www.sameerafrica.com, giving more detail of the status of our compliance with the Code.

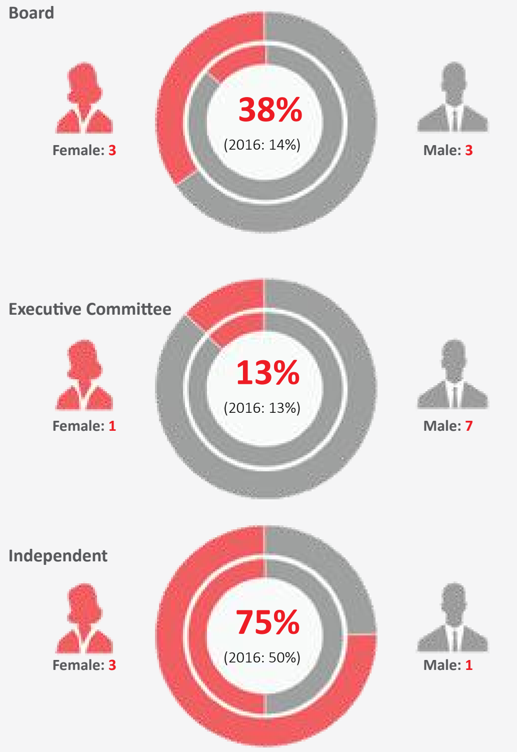
As part of our compliance with the Code of Corporate Governance, the Company in 2018 subjected itself to a corporate governance audit conducted by an independent and certified corporate governance auditor. A disclosure of the key governance matters are self-declared on pages 49 - 54, as part of our corporate governance ethos.

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 obligations.

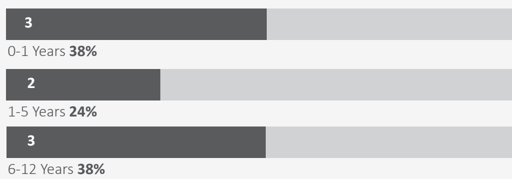
At each ordinary board meeting, the chairpersons of the board committees are required to report to the board on the highlights of the deliberations of the committees and to escalate to the board all matters requiring the board's consideration and approval. The reports of the committee chairpersons are contained on pages 55 to 62. The reports provide more details on their deliberations and key achievements in the year 2017.

Remuneration
Details of remuneration paid to the directors are set out in the Remuneration Report on pages 63 to 66 as required by the Companies Act 2015.

Gender diversity



2017 Tenure



Chairman's Governance Statement (Continued)

Board and Committee Structure

Sameer Africa PLC's Board

Ethical leadership and stewardship

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.

Audit, Risk and Corporate Governance Committee
Oversight responsibility to ensure and oversee the integrity of the Group's accounting and reporting processes and for risk assessment and management.
Report on page 55

Finance and Investments Committee
Ensures integrity of the Groups published financial information, oversight of corporate finance and financial planning, reporting and overall financial performance of the Group.
Report on page 59

Nominations and Remuneration Committee
Responsible for board nominations, composition and performance appraisal and all high level establishment issues relating to senior executive staff.
Report on page 61

Managing Director → **Executive Committee**

The Board of Directors

Role

The board of Sameer Africa 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 positon 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 55, 59 and 61. 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.

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.

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.

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 PLC's shares are set out in the Remuneration Report on pages 63 to 66.

Whistleblowing

The group maintains secure and anonymous whistleblowing facilities. Disclosures can be submitted by email to whistleblowing@sameerafrica.com. More details on the whistle blowing 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 55 to 58.

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.

Chairman's Governance Statement (Continued)

The Board of Directors (CONTINUED)

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 2017 reporting date, areas of non-compliance with the code are reported on pages 53 to 54. The complete reporting template is also available on our website www.sameerafrica.com.

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 subjected itself to a governance audit, the report of which is contained on page 49. However a compliance audit is yet to be carried out. 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 is taking steps to ensure full compliance with the new Companies Act 2015.

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 61-62.

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 9 June 2017, Mr Peter Gitonga 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 49th annual general meeting on page 150.

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, Dr. Lydia Mbuthia, Ms. Mary Ngatia and Dr. Winnie Nyamute met the independence criteria as set out in the Code. Eng. Mwongera, Dr. Nyamute and Ms. Ngatia 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 the independent board members have not individually exceeded a cumulative term of nine years.

Chairman's Governance Statement (Continued)

Board composition, roles and attendance in 2017

	Attendance		
	Scheduled	Special	Responsibilities
Chairman Eng. Erastus Mwongera	4/4	1/1	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.
Executive Director			
Allan Walmsley	4/4	1/1	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.
Non-executive directors			
Sameer Merali	2/4	1/1	Independent directors: Provide an independent perspective and challenge the status quo and assumptions held by the board. They also monitor the Group's performance and alignment to the strategic plan. Non-independent: Provide insights into the workings of the group and business continuity having worked with the group and at the board level for extended periods.
Akif Butt	4/4	1/1	
Peter Gitonga	4/4	1/1	
Lydia Mbuthia	3/4	N/A	
Mary Ngatia	3/4	N/A	
Winnie Nyamute	3/4	N/A	
Director who resigned during 2017			
Stephen Githiga	3/4	1/1	

NB: L.M. Mbuthia, M. Ngatia and W. Nyamute were appointed to the board on 4 May 2017, which was after the special board meeting and after one scheduled board meeting had been held.

Succession planning

To ensure that board tenure is not only appropriate but encourages fresh thinking and ideas the board has put in place a succession planning framework. 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.

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. For details See page 158.

The board is 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.

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

Information supplied to the board

The board is always kept abreast of significant issues within the company through its various committees and through it's 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 has formal channels of receiving information through meetings and formal interaction. Members however, 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 chairpersons of the respective committees are also available to answer questions at the AGM. The chairman and managing director present the Group's business and its performance

Chairman's Governance Statement (Continued)

OVERVIEW
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OTHER INFORMATION

for 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 2018 AGM will be held at 11 a.m. on 22 June 2018 at Sameer Industrial Park situated along Road C, off Enterprise 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

In 2017, a consultant was engaged to carry out the board evaluation process. The board evaluation tool kit has been agreed upon and the evaluation process is ongoing. Key area to be assessed includes 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 2018.

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.

EXECUTING GOVERNANCE

The board held a special sitting on 1 March 2017. The purpose of this special meeting was to review and approve the 2017-2019 strategic plan. Following the significant changes to the business in 2016, development of a new strategic direction adapted to the changed business and the volatile operating environment was required.

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 compliance reviews.

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 2017

During the year the key board agenda items included:

- Approving the boards calendar of meetings for the year.
- Approved the 2017-2019 corporate strategic plan;
- Receiving the managing directors and departmental progress reports;
- Approved the appointment of three additional independent non-executive directors
- Reviewed financial and operational performance for each subsidiary company.
- Deliberation on the company's response to its economic and operating context.

Continuing professional education

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

During 2017, directors attended a 4 day governance workshop aimed at keeping them abreast of governance and leadership issues.

Principal shareholders

The ten largest shareholdings in the company and the respective number of shares held at 31 December 2017 are as follows:

	Name:	Number of Shares:	%
1.	Sameer Investments Ltd	200,817,982	72.15%
2.	Goodwill (Nairobi) Limited	5,618,700	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	2,134,200	0.77%
6.	Musangi Andrew Mukite	1,907,000	0.69%
7.	Kenya Commercial Bank Nominees Limited A/C 915b	1,892,517	0.68%
8.	Craysell Investments Limited	1,875,171	0.67%
9.	Shah Minaxshri Shah and Sureshchandra	1,071,600	0.38%
10.	Bid Management Consultancy Limited	1,029,100	0.37%

Distribution of shareholders

Share range	Number of shareholders	Number of shares	%
0- 500	7,831	2,157,251	0.78%
501- 5000	5,069	8,063,385	2.90%
5,001 – 10,000	472	3,609,963	1.30%
10,001 – 100,000	501	15,514,758	5.57%
100,001 – 1,000,000	79	25,987,366	9.34%
Over 1,000,000	10	223,009,670	80.12%
Total	13,962	278,342,393	100%

Corporate Governance

During the year aggressive efforts were made towards compliance with all corporate governance dictates and pronouncements. A number of outstanding items from the previous year and areas of non-compliance are disclosed in this section of the 2017 Integrated Annual Report.

Key activities towards governance compliance were;

1. Audit by the Institute of Certified Public Secretaries (ICPSK) now known as Institute of Certified Secretaries (ICS).
2. Internal self-assessment carried out by the internal audit and risk function under the mandate of the audit, risk and corporate governance committee.
3. Preparation for the statutory external governance audit to be carried out in 2018.

Winner in the Industrial and Allied Sector at the 2017 Champions of Governance (COG) Awards.

COG AWARDS

The COG Awards is an excellence award that honours individuals and organizations that are outstanding in the practice of good governance in both the private and public sectors.

The awards aim at recognizing the best individuals and organizations that exhibit the highest standards in good governance practices, in line with the vision and mission of the Institute of Certified Public Secretaries of Kenya (ICPSK).

This win by Sameer Africa follows strides taken in the recent past to enhance its corporate governance practices including making its board more diverse and dynamic, adopting more transparent reporting, increasing focus on enterprise risk management and development of robust environmental, social and governance policies.

Indeed, Sameer Africa has adopted sound practices and disclosure not just as a matter of compliance as a company but also as part of its culture.

1. Audit by the Institute of Certified Secretaries

Institute of Certified Public Secretaries of Kenya, Champions of Governance Award Report

Extract of key governance issues noted from the ICS audit

1.1 The Board of Directors

"The Board members have performed well in ensuring that the company recognizes the rights, interests and obligations of all stakeholders and in keeping with good governance practice, ensured their equitable treatment. The Board has provided strategic direction to the company, exercised control and remained accountable to shareholders."

"However, the company is yet to enact policies on ICT, CSR, procurement, legal and regulatory compliance, gift and hospitality and business continuity (BCP)"

It is worth noting that the ICT and procurement policies have since been finalised and approved by the board.

"Other areas of improvement include putting in place a detailed Board work plan aligned to the strategic objectives of the company, assessing training needs of directors and developing skills development programs to address gaps identified, conducting external Board evaluation and implementing recommendations of the resultant reports and subjecting the organization to annual governance audits."

(a) Appointment, Composition and Size of the Board
"The Board has a membership of eight directors,with one executive director and seven nonexecutive directors. The Board has directors with a sufficient mix of competencies, diversity and skills. Three directors are female, four are male"

(b) Roles and Functions of the Board
"The Board provides the overall leadership of the company's affairs and is responsible for the strategic direction of the company. It is accountable for the mission and values that guide and shape the organization".

(c) Term Limits for Non-Executive Board Members
"There are no specific term limits for directors in the Board Charter, Policy on Appointment of Directors and Memorandum and Articles of Association."

"However, some non-executive Board members have served beyond the recommended term limits of six years (or 2 terms of 3 years each) and this may pose a challenge to the Board's dynamism and independence. In addition, the requirement that the renewal of a Board member's tenure for a second term should be subject to a favorable evaluation, has not been fully entrenched. However, the recent appointment of three directors for a period of 3 years, renewable on rotation, is a pointer to improvements in this area."

(d) Committees of the Board
"The Board has set up 3 Board Committees to assist it in fulfilling its mandate."

"From the charters and the minutes, it is evident that the Board reviews the mandate of the committees periodically and ratifies their decisions. The chairperson of each committee is appointed by the Board and all the committees meet at least four times a year."

(e) Board Meetings
"From the minutes, it is evident that the Board formally transacts its business. The minute books are quite bulky and outdated. However, it was observed that the CS has commenced a modern and better method of recording and storage of minutes for the Board, the committees and shareholder's meetings."

(f) Board Work Plan
"The Board has put in place a calendar of meetings but no work plan."

(g) Board Induction and Continuous Skills Development
"The newly appointed directors were taken through an induction process."

Corporate Governance (Continued)

"The Board members should assess their training needs and put in place a development program to address any gaps relative to their roles and responsibilities."

(h) Board Charter
"The Board has a Board Charter that sufficiently sets out the roles, responsibilities, structures, processes and authorities of the Board. The charter was reviewed in 2017.

(i) Board Evaluation
"The Board has not ensured that periodic evaluations of the performance of the Board, facilitated by an external consultant are conducted to ensure that the Board carries out its responsibilities efficiently and effectively."

(j) Governance Audit
"The Board has not subjected the company to an annual governance audit facilitated by an external governance auditor who is accredited by the ICPSK."

This was however, subsequently done and results are shown below.

(k) Succession Planning
"Some directors have been on the Board for very long which points to a deficiency in the Board's succession plan for the non-executive/independent Board members. The recent appointment of three directors and enactment of a Policy on Appointment of Directors is a step in the right direction."

(l) Board Remuneration
"The Board has developed a remuneration policy for non-executive members and the same has been approved by the shareholders"

(m) Board Independence
"The independence of the Board is defined by the Companies Act 2015, CMA Act, guidelines, regulations and listing obligations, Memorandum and Articles of Association (revised in 2017), NSE Listing Rules, Sameer Africa Plc Code of Corporate Governance of 2013 and Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Board Charter (revised in 2017) and the Policy on Appointment of Directors enacted in 2017."

(n) Appointment of the CEO
"The Board has appointed the CEO of the Company, who is an executive member of the Board. The Board should also ensure that the succession plan for the CEO and top management are reviewed regularly."

(o) Separation of Roles [Governance & Management]
"The role of the Board is separate from that of management and the CS."

Recommendations:

"Although performance in the area of the supervisory role of the Board members performance is satisfactory, the same can be enhanced and sustained by:

- Enhancing and implementing the succession plan for non-executive directors, CEO and top management.
- Developing and implementing training needs assessment and personal development programs for the Board.
- Preparing a detailed work plan to guide on the oversight activities of the company.
- Employing an independent expert to conduct Board evaluation and implement recommendations of the resultant report.
- Conducting an annual Corporate Governance Audit in keeping with good corporate governance practice and the CMA Code of Corporate Governance."

1.2 Ethical Leadership and Corporate Citizenship

"The Board ensures that the company is guided by ethical practices that seek to promote corporate citizenship at all times. The company treats all its stakeholders with dignity. Overall, the company takes good corporate citizenship seriously and it is alive to its environmental and societal responsibilities."

Recommendations:
"To enhance ethical leadership and corporate citizenship further, the Board should consider:

- Developing and implementing a Corporate Gifts Policy and Register.
- Developing and implementing a CSR Policy. There remains an opportunity to enhance the budget for CSR, subject to other budgetary considerations.
- The company should consider developing and implementing a Corporate Communications Policy."

1.3 Accountability, Risk Management and Internal Control

Key strengths
- "Internal audit function is in place and conducts a risk based audit of the internal control system in line with the risk policy and CMA Regulations and Guidelines and NSE Listing Rules."
- "Risk management and compliance function, policy and framework are in place."
- "The board conducts quarterly reviews and key risks are reported in the integrated annual report."
- "External audits are conducted by competent auditors".

"The Board has ensured preparation of timely and comprehensive annual reports and IFRS and IAS compliant financial statements. The company has also maintained high standards in risk management, accountability and internal control systems. It has performed exceptionally well in this parameter."

Recommendations:
"The Board should maintain the stellar performance in this parameter to retain the effectiveness of systems and processes of accountability, risk management and internal control. However, the performance in the parameter can be enhanced by:

- Enacting an internal controls policy which harnesses all the internal control measures.
- Reviewing and disclosing the procurement policy to guide procurement processes."

1.4 Transparency & Disclosure

"The company complies with the minimum disclosure requirements in the International Financial Reporting Standards (IFRS) and in the CMA Regulations and Guidelines. The Code of Ethics and Conduct 2013 is accessible on the Company's website. The statement of policy on corporate governance within the annual reports is well detailed and clearly shows the extent of the company's compliance. A number of useful policy documents are in place. The annual reports generally disclose the company's extent of compliance with the laws, regulations and standards applicable to it. Overall, the company has performed well in this parameter."

Recommendation:
"To ensure effective, accurate, timely and transparent disclosure of pertinent information on the performance of the organization, the Board should ensure that:

- A gift policy and a gift register be put in place.
- A Board evaluation policy is developed and disclosed to the shareholders.
- An annual board evaluation is conducted by an independent expert and a summary of the resultant report shared with the shareholders.
- The company should consider developing/updating and implementing Procurement and ICT Policies.
- The policies of the organization are disclosed on the intranet of the organization."

1.5 Shareholders Rights and Obligations

"As evidenced in the AGM minutes, notice convening meetings and at the AGM, the Board ensures that the shareholders receive relevant information and financial statements on time.

Corporate Governance (Continued)

Further, at the AGM, the shareholders approve dividends or distribution of surplus as well as the financial statements. At the same meeting, all key issues are discussed which includes the appointment of the external auditor and major corporate decisions.

Overall, the shareholders are knowledgeable of their rights and obligations but policy and programs to enhance the same are not in place."

Recommendation:
"The Board should ensure that:

- A shareholders education policy and program regarding their rights and obligations is developed.
- There is an effective shareholder dispute resolution mechanism in place."

1.6 Stakeholder Relationships

"Customer and employee satisfaction surveys are conducted and recommendation from the resultant reports used to inform policy. However, the surveys do not cover other stakeholders such as key suppliers, regulators, among others. The complaints and compliments data is however not analyzed and results used to inform strategic decisions."

Recommendations:
"The Board should ensure that stakeholder relationships are managed in a proactive manner so as to ensure the realization of the legitimate interests and expectations of stakeholders and the achievement of corporate objectives by:

- Putting in place a Complaints Register to record all complaints received, resolved and pending at any one time.
- Analyze complaints and compliments data and use the same to inform policy and strategic decisions.
- Completing stakeholder mapping.
- Putting in place policies on the management of stakeholder relationship and communications."

1.7 Compliance with Laws and Regulations

"There is a legal affairs function headed by the CS. The company's statement on corporate governance emphasizes the need for legal and regulatory compliance. There exists internal procedures and monitoring systems that ensure action is taken to implement Board resolutions. The management committee meets regularly to review all Board resolutions, policies and directions and ensure their implementation in their various departments. CS makes quarterly presentations to the Board on compliance with laws, rules and regulations, codes and standards."

Recommendations:
"In order for the Board to ensure that the company conducts its business affairs in full compliance with all applicable laws, rules, regulations and standards in Kenya, it should ensure that:

- Develop and implement a legal and regulatory compliance policy.
- Develop and implement a policy on legal and regulatory audits.
- Conduct annual legal and compliance audits by an external independent expert.
- Put in place a compliance dashboard."

1.8 Sustainability and Performance management

"The Board is well focused on long term sustainability of the company and has put in place policies and measures to support its long term goals."

Recommendations:
"To enhance sustainability goals and strategy and performance management, the Board should:

- Develop and disclose policy on long-term sustainability of the Company.
- Put in place business continuity plan (BCP) and disaster recovery systems
- Develop and disclose an ICT policy.
- Put in place a talent development implementation matrix and a management succession plan to fully implement the HR Policy."

1.9 Conclusion

"The company is participating in the 2017 COG Award for the first time. The performance of the Company is satisfactory in most of the parameters of assessment/governance.

The Board has performed well in their role of steering the company into greater heights of prosperity. Board members have diverse skills and experience and all members, except the CEO, are nonexecutive.

The Board has put in place dynamic Strategic Plans 2012-2016 and 2017-2019 that have been cascaded to all levels of the organization.

The performance of the Board should be evaluated every year by an independent expert, reports shared with stakeholders and recommendations implemented.

The practice of developing and promoting ethical culture based on core values and installing a Code of Conduct and Ethics to promote ethical behavior by the Board is good.

The practice of accountability, risk management and internal control is excellent and well entrenched in the company.

Effective processes and systems of accountability, risk management and internal control are in place.

The practice of disclosing pertinent information to stakeholders in its annual reports and financial statements is satisfactory.

The Board has performed well in ensuring that the organization recognizes the rights, interest and obligations of all stakeholders and in keeping with good governance practice, ensured their equitable treatment.

The practice of managing stakeholder relationships in a proactive manner so as to ensure the realization of the legitimate interests and expectations of stakeholders and the achievement of corporate objectives is fairly satisfactory.

The rights and obligations of stakeholders are taken into account in decision making. There is need to put in place the policy on the management of stakeholder relationships and communication with stakeholders.

The practice of ensuring that the company conducts its business affairs in full compliance with all applicable laws, rules, regulations, codes and standards is satisfactory. However, a legal and regulatory policy should be put in place and a legal compliance audit should be conducted by an independent expert to establish the level of compliance with applicable laws, rules, regulations and standards and recommend necessary actions. The practice of the company embracing policies that meet the needs of the present without compromising their ability to sustain their future development needs and objectives is satisfactory."

Corporate Governance (Continued)

2. Internal self-assessment on governance

Following implementation of findings from the ICS audit and in preparation for the annual governance audit, the company's Internal audit and risk function was mandated to carry out an internal self-assessment on governance. The areas of assessment were guided by the areas expected to be covered by the external auditor and other areas key to the Group's governance structures.

Below is the assessment outcome from this audit:

Self-evaluation on compliance and adherence to key corporate governance areas		
Area of review	**Score %**	**Full Adherence Score**
Ethical leadership and strategic management;	90	100
Transparency and disclosure;	95	100
Compliance with laws and regulations;	90	100
Communication with stakeholders;	80	100
Board independence and governance;	95	100
Board policies, systems, practices and procedures;	95	100
Financial reporting	100	100
Consistent shareholder and stakeholder value enhancement;	90	100
Corporate social responsibility and investment; and	75	100
Sustainability	90	100
Total	**900**	**1000**
	90%	**100%**

The areas that contribute to the gaps highlighted by scores above, which will be focused on in 2018, are:

- The company does not have a documented succession plan.
- Company board evaluations have not been adequately done.
- The company CSR activities are not significant and have not been disclosed in the financial reports.
- A compliance register is not been kept by the Company
- A legal audit has not been carried out awaiting a toolkit to be suggested by the Law Society of Kenya
- A comprehensive communication and media relation policy need to be put in place
- Terms and term limit for board members need to be specified.
- There is no Gift Policy in place. However, the Board is in the process of implementing one.
- The chairman is a member of the Board Nominations and Remuneration Committee which he also chairs. Ideally the chairperson should not be a member of any committee.
- There is no documented strategy for stakeholder engagement. though other policy cover aspects of stakeholder engagement.
- The company does not have a Sustainability and Responsibility Policy but the board ensures that the business activities are conducted in a sustainable and responsible manner that is aligned to the company's values and with best practice.

3. External Governance Audit

The Companies Act, 2015 makes it mandatory for all quoted companies to annually assess the extent to which they observe corporate governance policies and strategies, in addition to this, The Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, requires the board to subject the company to an annual governance audit by a competent and recognized professional accredited for that purpose by ICPSK.

The Company subjected itself to an annual corporate governance audit, conducted in accordance with Governance Audit Standards issued by ICPSK. The respective responsibilities for the Governance audit are as follows:

Board

Responsible for maintaining an appropriate governance and compliance management system, for the selection and application of appropriate policies and ensuring conformity to laws and regulations. The board is also responsible for making available to the governance auditor, as and when required, all the Company governance records including but not limited to registers and other records and information including minutes of all management, directors' and shareholders' meetings and information and explanations which we consider necessary for the performance of their duties.

Corporate Governance (Continued)

Governance Auditor

Responsible for:

◊ Reporting to the members of the company whether in their opinion the company complies with all relevant laws and regulations and exhibits good governance practices. In arriving at their opinion, the auditor shall consider the following matters and report on them:

a. Ethical leadership and strategic management;
b. Transparency and disclosure;
c. Compliance with laws and regulations;
d. Communication with stakeholders;
e. Board independence and governance;
f. Board policies, systems, practices and procedures
g. Consistent shareholder and stakeholder value enhancement;
h. Corporate social responsibility and investment;
i. Sustainability; and,
j. Whether all information and explanations have been provided, which to the best of the auditor's' knowledge and belief were necessary for the purposes of their audit.

◊ Reporting if the company has been governed in conformity with the relevant provisions fo the law, ICPSK Governance Standards and best practices. The auditor has to report on all areas of non-compliance and give an opinion as to whether they concur or not with any departures.

◊ Considering whether other information in documents of governance is consistent with the requirements for the constitutive documents and the law.

By the date when the annual integrated report was approved for issue by the board of directors, a governance audit was in progress and a report on the findings thereof will be included in the 2018 annual integrated report and financial statements.

Code of Corporate Governance - Reporting Template – Areas of Non-Compliance

Most of the requirements as highlighted in the template of Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public have been complied with. The following are the exceptions:-

Key F.A-Fully Applied, P.A-Partially Applied, N.A- Not Applied.

The following tables shows items that haven't been fully complied with:

Mandatory or "apply or explain"	Question	Application (See key)	Comment
	BOARD OPERATIONS AND CONTROL		
A or E	Has the board adopted a policy to ensure the achievement of diversity including age, race and gender in its composition?	F.A	Draft policy under review
M	Have any alternate board members been appointed? If so, have the Alternate Director(s) been appointed according to regulation and code requirements?	F.A	One appointed in accordance with the code requirements.
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.
A or E	Has the board established and applied a formal induction program for in-coming members?	P.A	Yes. Policy on appointment of board members covers induction.

C. Code of Corporate Governance -Reporting Template – Areas of non-compliance (Continued)

Mandatory or "apply or explain"	Question	Application (See key)	Comment
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 2018
	STAKEHOLDER RELATIONS		
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.
	ETHICS AND SOCIAL RESPONSIBILITY		
A or E	How does the board ensure that compliance with the Ethics Code and Conduct is integrated into company operations?	P.A	Policy adopted by the board. Reporting on implementation can be improved.
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 board/ management developed policies on corporate citizenship and sustainability and strategies for company use?	P.A	Draft policy under review
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		
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.
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.
	TRANSPARENCY AND DISCLOSURE		
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	Disclosures to be included in the integrated report 2017

Audit Risk and Corporate Governance Committee Report

"The principal objectives of the committee are to support the maintenance and continual upgrade of our control environment and to ensure the integrity of the financial information provided to all stakeholders within an environment where risk amelioration is maximized."

Dr. Winnie I. Nyamute
Chairperson Audit, Risk and Corporate Governance Committee.

The audit, risk and corporate governance 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.

This committees' 2017 report is set out in page 55 to 58 of this Annual Integrated Report, the report provides insight into the functions and activities of the audit, risk and corporate governance committee specifically;

- Activities during 2017
- How the committee evaluates the Internal control environment
- The Group's risk management framework
- Corporate governance review

During the year the composition of the audit, risk and corporate governance committee underwent significant changes. Three new members joined, all of whom have very strong financial backgrounds. The chairmanship of the committee changed from Mr. Stephen Maina Githiga to Dr Winnie I. Nyamute on 9th June 2017. Mr. Stephen Maina Githiga also retired from the board.

During the year the committee:

- Reviewed and approved the 2017 audit plan.
- Monitored the work of the internal auditor.
- Engaged the external auditor and received their reports.
- Considered and reviewed the external auditor's appointment and fees.
- Reviewed risk management reports.
- Reviewed corporate governance reports.
- Received and discussed key audit matters reviewed by the external auditor.
- Followed up for closure of issues raised.

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

Dr. Winnie I. Nyamute
Chairperson Audit, Risk and Corporate Governance Committee.
28 March 2018
Board Audit, Risk and Governance Committee

Committee composition

Member	21.03.17	19.07.17	15.11.17
Winnie Nyamute (Chair)	NA	✓	✓
Sameer Merali	✓	x	x
Peter Gitonga (Alternate to S. Merali)	x	✓	✓
Stephen Githiga	✓	x	✓
Lydia Mbuthia	NA	x	✓
Mary Ngatia	NA	✓	✓

NA- Not Appointed ✓ attended x- absent with apology

Other attendees at committee meetings in 2017 included: The managing director, head of internal audit, the general manager finance and strategy and the company secretary, all of whom are permanent invitees to committee meetings.

The committee's composition is four members, three (W. Nyamute, L. Mbuthia and M. Ngatia) being independent non-executive directors and one (S. Merali) being a non-executive director.

The committee members have extensive and relevant experience and bring an independent mindset to their role. The board is satisfied that the committee chair Dr. Nyamute has current and relevant financial reporting, audit and risk experience and that all other members have a broad experience and knowledge to enable them to discharge their committee roles effectively.

Committees responsibilities

The committee's role is to review, on behalf of the board, the Group's internal financial controls. It is also responsible for oversight and advice to the board on matters relating to reporting and risk and has exercised oversight of the work undertaken by the internal auditor and the external auditor, KPMG.

Activities in the year

Our auditors	Action taken
The internal auditor	The Group has a robust internal audit function headed by the Head of Internal Audit and Risk. The department is independent and reports functionally to the audit, risk and corporate governance committee. The members of staff in this department are qualified and highly skilled and are members of the Institute of Certified Public Accountants (ICPAK) and some are members of ISACA, the international association on IT governance. During the year a team member in internal audit joined the Institute of Internal Auditors (IIA). This will benefit the company by: • Securing comprehensive professional educational and development opportunities, standards and other professional practice guidance. • Sharing, researching, disseminating, and promoting knowledge concerning internal auditing and its appropriate role in control, risk management and governance. • Education on best practices in internal auditing. The internal audit department continued providing assurance on internal control matters, risk and governance and also provided consultancy services on process enhancements and improvements. The staff in the department attended various continuing professional development (CPD) training programs to maintain their knowledge and skills related to their professions. This is done not only as a requirement of their professional affiliation but also as a company tradition. 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. Below is a listing of internal audit reports that were released during 2017:-

Type of report	Number
Audit plan assignments	23
Special investigations including suspected frauds	4
Investigations requested by management	11
Total	**38**
Number of staff dismissed on fraud related incidents	11
Total amount lost in fraud but claimed from insurance or recovery measures instituted	Kshs 5.9 M

The external auditor	The committee recommended the continued engagement of KPMG as external auditors for 2017. The agreed fees for the group and its subsidiaries for the financial year 2017 were Kshs 6.65M (2016-Kshs 7.76M) During the year, the committee considered the performance and audit fees of the external auditor and recommended to the board that a resolution for the reappointment of KPMG for a further year as the company's auditor be proposed to shareholders at the AGM to be held in June 2018. During the year 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.

Financial Reporting	Action taken
Complex and discrete transactions	There were no complex or discrete transactions on or off the balance sheet made by management that were identified during the year. There are however, potential legal cases that may be filed by former employees as a result of the factory closure. The company is, however, confident of its position, as at the time of factory closure, the company complied with all legal requirements.
Impairment losses:	During the year the committee continued its assessment of accounts receivables and evaluated the management on impairment losses arising therefrom. Concerns were raised by the committee on account receivables and as a result, key controls in credit evaluation and extension were instituted to further strengthen existing controls.
Filing of statutory returns:	The committee reviewed the filing of various returns in the regions in which the Group operates in and were satisfied with compliance. There were however, some short-comings, though not significant, in the handling of VAT matters in the subsidiaries that were immediately and appropriately handled.
Stock holding:	The committee also reviewed the stock holding and recommended for management to maintain optimum stock and the right mix of stock keeping units in order to reduce costs and avoid stockouts. There was a significant stock build up in the year which was deliberately done in order to manage the transition from manufacturing to trading. The impact of the increase in inventory levels was a challenge to our liquidity position. Management was directed to ensure the situation is normalized as soon as possible. There were also discussions on risks involved in stock movements and stocks logistics and measures to control logistics risks were recommended and adopted.

Activities in the year (Continued)

Financial Reporting (Continued)	
Operations at the Sameer Industrial Park and Export Processing Zones:	Were reviewed and the committee was satisfied with the controls instituted. Focus on adherence to the EPZ Authority requirements was satisfactory. However, the nature of business has its challenges especially given the inherent risks in property management. These risks are being handled impressively.
Revenue:	During the period, special focus was paid to revenue from services in our tyre centers. The focus was aimed at stemming revenue leakages and maximizing profits. A number of control activities were instituted such as regular reporting and trend analysis.
Information technology	
Cyber security risks	The committee was also appraised on cyber security risks and action was taken to mitigate these risks.
ICT Steering Committee	The committee called for enhancement of the ICT committee and it now receives minutes of the ICT committee meetings. This allows the committee to stay updated on the actions taken with regards to information technology in general and cyber security in particular.
ICT audits	We are pleased to inform that that a number of issues previously raised by both internal and external audit were adequately addressed in 2017. This included access controls within the SAP system, authority levels within the system and the integrity of discount structures. The committee impressed upon management the need to utilize technology to curb fraud and enhance efficiency.

Internal Controls

During 2017, the committee advocated for a comprehensive review of policies and procedures to reflect the changes that had taken place in the company given our transition from manufacturing to trading. A number of significant changes took place especially in stock management, logistics and debtors management. This process of policy review is ongoing.

We shall ensure all policies that need review have been reviewed and meaningful internal controls are suitably embedded in the new policies and procedures.

The policy review and establishment of effective and adequate internal controls is aimed at protecting company assets and stakeholder interests. Through constant interaction with management and with the assistance of the internal audit department, the committee is able to continuously evaluate the effectiveness of the internal control environment.

The committee is appraised regularly in respect of performance gaps noted, corrective action taken and improvement recommendations provided.

In 2017, internal controls were in place and functioning as required. Areas of improvement were identified and corrective action implemented. No major deficiencies were identified during the year.

Risk Management

Background

It is three years since the risk management process was implemented in Sameer Africa. A number of benefits have been realized as a result of the implementation such as:

- a more defined planning process,
- risks are identified and addressed in advance,
- enhanced safety of employees,
- increased customer satisfaction (customer satisfaction survey showed an improvement from 80% to 92% in 2017),
- risk management awareness across the organization,
- low incidents of fraud and the impact therefrom,
- satisfactory internal control environment,
- other benefits incidental to the risk management process.

We believe the risk management process has protected shareholder value and is ensuring company sustainability, albeit under changing circumstances. The risk management process has provided a self-check tool and has helped the company safeguard itself against risks that would otherwise have impacted the company negatively.

The operational and business environment has been dynamic in line with the changes that have taken place in the last few years in our company in particular and in the manufacturing sector in general. As a result of this dynamism, the audit, risk and governance committee has advocated for matching dynamism in the risk management process and is satisfied with progress so far. In addition, the risk management process also takes cognizance of the opportunities available to the company as a whole and to various departments in particular. In this regard, the risk registers incorporate a section on opportunities identified.

Ultimately, the board is responsible for the formulation, implementation and continuity of the risk management process. Through the committee the board is regularly updated on progress.

Due to budgetary constraints the audit function is still tasked with risk management coordination. Budget allowing, the function of internal audit and risk management shall be separated in due course.
During the year the major achievements in risk management were:-

- Updated the risk registers in accordance with ISO requirements.
- Refined tolerance limits.
- Revised key risks across all departments

One major emerging risk area is the risk associated with our newly emerging franchise business. These risks include among others things reputational and business risks. The franchise risks have been identified and mitigating measures are in place and this shall be monitored closely as we venture further into this type of business.

OVERVIEW
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OTHER INFORMATION

Corporate governance and compliance review

During the year the company was audited by the Institute of Certified Public Secretaries of Kenya (ICPSK) (now Institute of Certified Secretaries (ICS)) under their Champions of Governance (COG) award initiative. The company was awarded the champion of governance award in the industrial sector. The company was found to be largely complying with governance dictates. There were areas of improvement which were identified:

- Improvements in the maintenance of board meeting minute books.
- Improvements in board evaluation process.
- Improvements in board performance evaluation.
- Enrichment of the Code of Ethics and Conduct.
- Setting up of a stakeholder engagement process.
- Setting up a laws and regulations compliance scorecard.
- Legal and regulatory compliance audits.

In addition, the company won the 2017 FIRE (financial reporting) award in the governance category, emerging as the overall winner.

During the year the committee also continued with its review of the company's code of business conduct and ethics for directors and executive management.

The committee also continued with the review of corporate governance issues and the implementation of the new CMA Code of Corporate Governance Practices for Listed Companies. Most of the items have been fully implemented. The following were partially and substantially done:

- Improvement of a stakeholder inclusive approach in the practice of corporate governance.
- Integration of the code of business conduct and ethics into the company operations.
- Monitoring and assessment of the company's performance on ethics and disclosure to stakeholders.
- Development of policies on corporate citizenship and sustainability.
- Monitoring and reporting of activities by the board leading to good corporate citizenship.
- Establishment of an effective risk management framework to include environmental and social risks.

Yet to be fully implemented are:

- Appointment of alternate board members.
- Periodic legal and compliance audits.

Finance and Investments Committee Report

" The finance and investments committee plays a critical role assisting the board in fulfilling its financial oversight responsibilities. "

Dr. Lydia Muthoni Mbuthia
Chair of the Finance and Investments Committee

The committee has exercised its authority delegated by the Board for ensuring the integrity of the Group's published financial information, by discussing and challenging the judgements made by management and the assumptions and estimates on which they are based.

We have reviewed and discussed with the board, managements business projections and estimates and challenged management on the bases and realism of such scenarios.

This Committee in a joint meeting with the audit,risk and corporate governance committee, reviewed and discussed the work undertaken by the external auditor- KPMG, and extensively discussed significant audit findings during the year as reported in the audited opinion as "key audit matters" together with other findings presented in their management letter.

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:

- Finalizing the preparation of the press releases announcing half year or full year results.
- 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.

During the year, this committee was reconstituted with the following changes made:

- Dr. Lydia Mbuthia was appointed chair of the committee replacing Mr. Akif Butt. Akif Butt remains as a member of the committee to provide continuity and support to the incoming chair. Dr. Mbuthia' s appointment, fulfills the requirements of the CMA Code of Corporate Governance that requires the chair of the finance committee to be an independent non-executive director.

- Mr. Sameer Merali joined the committee as a member. Mr. Merali is a non-executive director and his commercial and financial experience will add to the collective committee experience.

The committee contributed to the strengthening of the Group's governance structures by reviewing, criticising and strengthening various operational policies and procedures.

Dr. Lydia Muthoni Mbuthia
Chair of the Finance and Investments Committee
28 March 2018

Committee composition

Member	21.03.17	18.07.17	14.11.17
L.M Mbuthia (Chair)	NA	x	✓
A.H. Butt	✓	✓	✓
A. Walmsley	✓	✓	✓
P. Gitonga	✓	✓	✓
S.N. Merali	NA	✓	x

NA- Not Appointed ✓ attended x- absent with apology

Other attendees at committee meetings in 2017 included: The general manager finance & strategy and the company secretary. The former chair of the finance committee, Stephen Githiga, also attended one of the committee meetings in 2017.

The committee's composition is five members, one (L.M. Mbuthia) being an independent non-executive director, one (A.Walmsley) being an executive director and three (A.Butt, S.Merali and P.Gitonga) being non-executive directors.

The committee members have detailed and relevant experience and bring an independent mindset to their role. The board is satisfied that Dr. Lydia Mbuthia, is an independent non-executive director and has the requisite and relevant financial experience. All other committee members have broad experience and knowledge of financial reporting and investments.

Activities in the year

Discussion area	Action taken
Financial reporting	Satisfied itself of the Group's accounting policies and practices. Monitored the integrity of the Group's published financial statements and formal announcements relating to the Group's financial performance, reviewing the significant financial judgements and accounting issues.
Oustanding accounts receivables	Reviewed as a standing item, outstanding customer balances challenging the credit quality of the debtors portfolio and current impairement provisions carried in the financial statements. In respect of long overdue amounts (>120 days) the committte was briefed on the collection efforts and recovery actions taken on delinquent accounts.
Recoverability of the parents investment in subsidiaries	Discussed and considered confirmation from management that they had adequately assessed the recoverability of investments in subsidiaries.
Recoverability of deferred tax assets arising from tax losses	Reviewed and considered management assessment of the going concern assumption in the regional subsidiaries, the viability of these businesses and impairement of the deferred tax assets in the books of each subsidiary.
Provisions for legal and regulators matters	Considered advice presented on the current status of significant tax and legal matters, and considered management's judgement on the level of provisions and the adequacy of disclosure as presented in the financial statements.
Long-term and short-term borrowing	Reviewed and considered reports detailing the Group's financing needs, current borrowing, debt repayment plans and the Group risk appetite. The committee assessed the group's compliance with debt covenants and collateral pledged as security.
Debt to equity conversion	Having reviewed and considered management's impairement assessment on the Group's invesments in subsidiaries together with inter-company indebtedness and the potential tax implications of long-outstanding indebtedness. The committee presented to the board for considerations the conversion of certain outstanding debt to equity.
Taxation	Reviewed and considered management's judgements and assumptions with respect to tax risks and are satisfied these are reasonable and adequate disclosure in the financial statements has been made.
Annual report content and disclosures:	The committee considered, satisfied itself and recommended to the Board, that the processes and procedures in place ensure that the annual financial statements provide adequate information necessary for shareholders to assess the Group's position and performance, business model and strategy and the business risks it faces. All important elements have been disclosed and the descriptions of the Group's business as set out in the Annual Integrated Report are consistent with those used for financial reporting in the Group's financial statements. The Committee can confirm that the key judgements and significant issues reported are consistent with the disclosures of key estimation uncertainties and critical judgements as set out in Note 4 and Note 5 of the 2017 annual financial statements.
Annual financial budget	The committee received, interrogated and recommended to the board the 2018 budget. Managements judgments and assumptions were challenged and altered where found necessary.
Financing arrangements	Reviewed the current banking and borrowing arrangements of the Group and the financial risk exposures posed by the Groups' borrowing arrangements. During the year some of the banking facilities availed to the group came up for renewal and the committee received, considered and recommended them to the board for renewal.

Nominations and Remuneration Committee

" In framing how we remunerate our executives we are guided by the measures of successes as set out in our corporate strategy. This is designed to ensure that executives take a long-term approach to decision-making and to minimize activities that focus only on short-term results at the expense of longer-term business growth and success. "

Eng. E.K. Mwongera
Chair of Nominations and Remunerations 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 formal procedures exist to properly identify and assess all new board nominations and senior executive staff appointments and reviewing the composition of all Group boards and committees.

2017 remuneration and link to strategy

The detailed directors remuneration report for the year ended 31 December 2017 is contained on pages 63 to 66. Remuneration in 2017 reflects the performance of the business in the context of a depressed market and our transition to offshore manufacturing whilst recognizing the significant achievements made by the executive team in reshaping the company. Our corporate strategy sets out our purpose, values and how we measure our success. In framing how we remunerate our executives we are guided by the measures of success contained therein. They are designed to ensure that executives take a long-term approach to decision-making and to minimize activities that focus only on short-term results at the expense of longer-term business growth and success. The committee has considered the ways in which risk management and the long-term horizon are reflected throughout the Group's remuneration arrangements for all executives, and is satisfied that our approach reinforces the desired behaviors.

Due to difficult trading environment and our transition to offshore manufacturing which has taken longer than previously envisaged, the committee did not recommend any salary increase for 2017 or a bonus payment to staff. This strengthens alignment with shareholders and the future performance of the company and with the interests of investors in funds managed by the company.

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

Eng. E.K. Mwongera
Chair of Nominations and Remunerations committee
28 March 2018

Committee composition

Member	23-Mar	10-Apr	19-Apr	21-Jul	24-Nov
E.K. Mwongera (Chair)	✓	✓	✓	✓	✓
Allan Walmsley	✓	✓	✓	✓	✓
Peter Gitonga	✓	✓	✓	✓	✓
Mary Ngatia	NA	✓	✓	✓	✓

NA- Not Appointed ✓ attended x- absent with apology

Other attendees at committee meeting in 2017 included: The head of human resources and the company secretary.

The committee members have detailed and relevant experience and bring and independent mindset to their role. Eng. Erastus Mwongera, an independent non-executive director has extensive experience at various boards and leadership positons and current relevant human resource experience having served as chair and board member of the Federation of Kenya Employers.

Changes to committee composition:
Ms. Mary Ngatia, an independent non-executive director, joined the committee as a member on 9 June 2017.

She brings on board extensive commercial experience gained from her various leadership roles and her experience leading teams in the banking sector and other board memberships.

Activities during the year

Key area	Action taken
Recruitment of additional directors to the board	Guided by the Groups diversity policy, the need to have adequate independent non-executive directors, and the need to replace G. Kemei who resigned as a director in 2017, this committee undertook the recruitment of additional directors to the board. Three female directors were thus appointed to the board and were subsequently re-elected by shareholders at the Annual General Meeting held on 9 June 2017. **Below is a summary of the recruitment process.** The process, which ran from February 2017 to March 2017 was led by the committee with the assistance of The Institute of Directors of Kenya (IOD). *Shortlist* IOD was invited to shortlist and provide curriculum vitae of suitable candidates meeting the assessment criteria (see below). IOD provided CV's of eight potential candidates who met the assessment criteria. *Assessment criteria* Key criteria for the proposed new directors were: • Independence (as defined by the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015) • Financial and accounting knowledge and experience • Business orientation and experience • Gender (to comply with the company's board diversity policy) • Age (also to comply with the company's board diversity policy and board succession planning) • Availability to attend scheduled meetings and other board engagements as they arise. *Presentations* The shortlisted candidates were invited to meet with the committee for them to understand the Group's operations and the to receive further details of the directors role. The candidates in turn had the opportunity to demonstrate their fit with the assessment criteria. The committee members completed scorecards against the assessment criteria for each candidate. *Final decision* The final shortlist contained three candidates who were invited to meet with the full board. Other board members had the opportunity to provide feedback on the candidates while the candidates had an opportunity to further understand the company's past, present and proposed future direction based on the current operating context. The final shortlisted candidates were subsequently issued with appointment letters and began their stewardship role in the company. The three new directors are: 1. Mrs. Mary Ngatia 2. Dr. Winnie Nyamute 3. Dr. Lydia Mbuthia The committee is satisfied that the above directors will bring to the board a wealth of experience gained from their respective fields.
Board evaluation kit	The committee reviewed and recommended to the board the adoption of a revised board evaluation kit which was aligned to the new board charter.
Executive management changes	The committee considered and approved executive management changes: the retirement of Steven Mwenda who held the position of general manager sales and marketing and the appointment of Nixon Ojijo to the position of head of regional sales.
Job evaluation and salary survey	A comprehensive review and evaluation of all jobs in the organization and functional structures was undertaken to ensure alignment of remuneration , functions and grade levels.
Industrial and employee relations	The Yana Tyre Center collective bargaining agreement lapsed in March 2016 and engagement with the union on renewal terms was undertaken. By the end of the year no amicable solution had been reached and the matter has since been referred to the Ministry of Labour.
Board training and induction	The committee recommended the training of directors on governance issues. A three day training was undertaken for five directors including all the newly appointed directors.

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.

Shareholder approval

The remuneration policy and outcomes as presented below will be subject to shareholder approval at the company's annual general meeting to be held on 22 June 2018.

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 2017, namely remuneration paid to directors and executive management during 2017, including details of directors interests other than remuneration. External assurance for this section of the report has been provided by the independent auditor, KPMG.

Section 1: Key remuneration elements (non-auditable)

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

In line with shareholders' interests being managed within a robust governance framework, the company aims to retain and incentvise 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 contributon;
- The achievement of individual objectves, 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 creaton of long-term shareholder value;
- Ongoing oversight of a robust risk management framework;
- Maintenance of strong capital and liquidity positons; and
- Additon of senior talent, building succession for leadership and setting a strong governance structure for the board's delegated authorites

Executive Directors and Senior Management remuneration policy

The table below summarizes the main elements of the remuneraton package for the executive director and senior management.

Purpose and link to strategy	Operation	Performance metrics
Basic Salary Reflects the individual's skills, responsibilites 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. Consideraton 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 atract and retain superior talent, balanced against the need to provide a cost-effectve overall remuneraton package. • The wider employee pay review. • Basic salary is subject to tax and other statutory deductons 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.

Director's Remuneration Report (Continued)

Purpose and link to strategy	Operation	Performance metrics
Provision for an income in retrenchment 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 partcipate in the Sameer Africa defined contributon scheme or receive a gratuity allowance. Contributons are set as a percentage of base salary. Post-retirement benefits do not form part of the base salary for the purposes of determining incentves. Contract gratuity is payable at the end of the contract period and is subject to tax under the PAYE system.	None. The maximum contributons 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. Additonal benefits include company car or car allowance, educaton support and club membership subscriptons. Other ad-hoc benefits such as relocaton can be offered, depending on personal circumstances. Non- cash benefits are taxable in accordance with the Income Tax Act.	None.
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 commitee following the year-end based on performance against objectves. Paid once per annum. The commitee has the discreton 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

Performance measures selection and approach to target-setting

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

The commitee sets targets for long-term incentive plans taking into account external forecasts, internal budgets and business priorites. 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 exceptonal performance. When considering performance outcomes, the commitee will look beyond formulaic results to ensure the outcomes align with the overall business performance. The long-term incentve measures are in line with the long-term strategic focus of the company and are reviewed as part of the annual board strategic review.

Non-executive directors' remuneraton policy

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

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

Purpose and 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 commitee 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 contributon 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 consideraton of sector relevance. The chairman's remuneraton is recommended by the remuneraton commitee and approved by the board. Director's fees are subject to tax under the PAYE regulatons.	None

Director's Remuneration Report (Continued)

Purpose and link to strategy	Operation	Performance metrics
Sitting allowances To encourage directors' full participaton 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	None	None

Service contracts and loss of office

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

A payment in lieu of notice, including base salary, allowances and contractual provision for an income on retirement is provided for and payable if:

a. Either party terminates the employment of the executive with or Without due notice; or
b. Terminaton 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 obligatons 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
Notice period (by either Company or director)	3 months
Contractual enttlement annual bonus.	None
Provisions for contract terminaton	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.
Terminaton due to incapacitaton or ill health	Full payment for the first 30 days of absence including accrued gratuity. Thereafer the commitee may issue a notice to discontInue any further payments.

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

When considering exit payments, the commitee reviews all outstanding incentve awards and assesses outcomes that are fair to both shareholders and partcipants.

Long-term incentives

The company does not currently have a share opton scheme for its executve directors and members of the executive commitee. However, management is encouraged to invest in the company's shares by normal trading through the Nairobi Securites Exchange.

External appointments

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

Director's Remuneration Report (Continued)

Section 2: Key remuneration elements (audited)

Executive director and non-executive directors

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

	2017				2016			
	Fees Kshs '000	Non-cash benefits Kshs '000	Sitting allowances Kshs '000	Total Kshs '000	Fees Kshs '000	Non-cash benefits Kshs '000	Sitting allowances Kshs '000	Total Kshs '000
Eng.E.K.Mwongera	2,700	25	280	3,005	2,700	25	100	2,825
S.N.Merali	480	-	80	560	480	-	60	540
P.Gitonga	480	-	370	850	480	-	170	650
S.M.Githiga	480	-	100	580	480	-	90	570
A.H. Butt	480	-	160	640	480	-	100	580
G.J.Kemei	40	-	-	40	211	-	30	241
L.M.Mbuthia	320	-	220	540	-	-	-	-
M.W.Ngatia	320	-	260	580	-	-	-	-
W.Nyamute	320	-	220	540	-	-	-	-
Total	5,620	25	1,690	7,335	4,831	25	550	5,406

	Mr. Allan Walmsley		Executive Committee (ExCo)	
	2017 Kshs '000	2016 Kshs '000	2017 Kshs '000	2016 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	4,500	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 compositon of the executve commitee is as shown on page 43.

Interests of executive and non-executive directors and executive commitee 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	2017	2016
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	2017	2016
Executive Committee		
Edgar Imbamba	1,700	-
Total	**1,700**	**-**

By order of the board

Edgar J. Imbamba
Company Secretary
Date: 28 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and presentation of the consolidated and separate financial statements of Sameer Africa PLC set out on pages 76 to 149, the directors report as set out on page 69 to 70 and the directors remuneration report as set out on page 63 to 66.

The consolidated and separate financial statements comprise the consolidated and separate statements of financial position at 31 December 2017, 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.

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.

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.

Approval of the financial statements
The financial statements, as indicated above, were approved by the board of directors on 28 March 2018 and were signed on its behalf by:

EKMwongera

Eng.Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

Allan Walmsley
Managing Director

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017. 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 sourcing, importation and sale of tyres and related products and services and the letting of investment property.

A comprehensive business review as required by the Companies Act 2015 is included in the Integrated Report on pages 11 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.

Change of Name
Persuant to Section 53 of the Kenyan Companies Act, 2015, the company changed its name from Sameer Africa Limited to Sameer Africa PLC on 27 June 2017.

Results
The results for the year are as set out below:

	Group		Company	
	2017 Kshs '000	2016 Kshs '000	2017 Kshs '000	2016 Kshs '000
Turnover	2,626,975	2,882,230	1,798,957	2,299,076
Operating profit/(loss)	95,086	(821,008)	157,772	(817,230)
Profit/(loss) after tax	13,029	(652,101)	80,363	(404,095)
Shareholders equity	2,969,868	3,290,867	2,731,467	2,904,803

Dividends
The directors do not recommend the payment of a dividend (2016 – 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
P. Gitonga	
A.H. Butt	
S.N. Merali	
L.M Mbuthia	Appointed on 4 May 2017
W.I. Nyamute	Appointed on 4 May 2017
M. Ngatia	Appointed on 4 May 2017

*British

On 23 January 2018 S.M. Githiga gave notice in writing of his retirement as a director.

In accordance with the company's articles of association, Eng. Erastus Kabutu Mwongera and Mr. Akif Butt will retire by rotation and, being eligible, will offer themselves 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, L.M. Mbuthia, W.I. Nyamute and M. Ngatia, and as at the date of this report still considers them to be independent.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017 (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 2017 is shown in the Directors Remuneration 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 2017 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 but will nevertheless be counted 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 give in the Corporate Governance Report on page 44.

Donations

During the year, the Group made donations of Kshs 990,000/- to various causes.

BY ORDER OF THE BOARD

Mr. Edgar Jumba Imbamba
COMPANY SECRETARY
Date: 28 March 2018

RIPOTI YA WAKURUGENZI
MWAKA ULIOISHA 31 DESEMBA 2017

Wakurugenzi wanawasilisha ripoti yao na taarifa za kifedha zilizokaguliwa za mwaka ulioishia 31 Desemba 2017. Ripoti ya wakurugenzi imo katika kurasa 69 hadi 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.

Uchambuzi wa kibiashara wa kina kwa mujibu wa Sheria ya Makampuni 2015 umejumlishwa katika ripoti hii jumuishi katika kurasa 11 hadi 66 pamoja na uchambuzi wa kimkakati wa biashara za kampuni na za sekta nzima, vihatarishi vikuu, na hali tatatanishi inayokabili kampuni na uchambuzi wa utendaji katika mwaka. Maelezo kuhusu wafanyakazi wa kampuni, mazingira, mambo ya kijamii na jamii yatikikanayo kujumuishwa katika ripoti ya wakurugenzi chini ya Sheria ya Makampuni 2015 yameelezwa katika ripoti hii jumishi.

Kubadilisha Jina
Kwa mujibu wa kifungu 53 cha sheria ya Makampuni ya Kenya, Kampuni ilibadilisha jina kutoka Sameer Africa Limited na kuwa Sameer Africa PLC mnamo tarehe 27 Juni 2017.

Matokeo
Matokeo ya mwaka ni kama ifuatavyo:

	Kundi		Kampuni	
	2017 Kshs '000	2016 Kshs '000	2017 Kshs '000	2016 Kshs '000
Mapato	2,626,975	2,882,230	1,798,957	2,299,076
Faida(hasara) ya uendeshaji	95,086	(821,008)	157,772	(817,230)
Faida/(Hasara) baada ya kodi	13,029	(652,101)	80,363	(404,095)
Thamani kwa wanahisa	2,969,868	3,290,867	2,731,467	2,904,803

Gawio
Wakurugenzi hawapendekezi kulipa gawio (2016 – Bila).

Wakurugenzi
Wakurugenzi waliohudumu katika mwaka hadi tarehe ya ripoti hii walikuwa:

Mhandisi. E.K. Mwongera	Mwenyekiti asiye mtendaji
Allan Walmsley*	Mkurugenzi Mkuu
P. Gitonga	
A.H. Butt	
S.N. Merali	
L.M Mbuthia	Aliteuliwa mnamo tarehe 4 Mei 2017
W.I. Nyamute	Aliteuliwa mnamo tarehe 4 Mei 2017
M. Ngatia	Aliteuliwa mnamo tarehe 4 Mei 2017

*Mwingereza

Mnamo tarehe 23 Januari 2018 S.M. Githiga alipeana taarifa ya waraka ya kustaafu kwake kama mkurugenzi.

Kwa mujibu wa Makala ya chama, Mhandisi Erastus Mwongera na Bw. Akif Butt watajiuzulu kwa zamu na kwa kuwa wanastahili watajitolea kuchaguliwa tena katika mkutano mkuu unaokuja wa kila mwaka.

Kufikia tarehe ya kuripoti, kampuni imepokea thibitisho kuhusu kujitegemea kutoka kwa Mhandisi E.K. Mwongera ,L.M Mbuthia, W.I. Nyamute na M. Ngatia na kufikia tarehe ya ripoti hii bado inachukulia kuwa wao ni wa kujitegemea.

RIPOTI YA WAKURUGENZI
MWAKA ULIOISHA 31 DESEMBA 2017 (Kuendelea)

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 2017 inapatikana katika ripoti kuhusu utawala bora katika ukurasa 66.

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 mkataba wowote wenye ushawishi katika biashara ya kundi, au katika kampuni tanzu yoyote katika mwaka mzima.

Wakaguzi na ubainishaji wa taarifa kwa wakurugenzi

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

Kufikia sasa na kama wajuavyo wakurugenzi, hakuna taarifa husika ya ukaguzi ambayo wakaguzi wa kampuni hawaijui. Wakurugenzi wamechukuwa hatua zote wanazotakikana kuchukuwa 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 2017 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 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 44.

Michango

Katika mwaka kampuni ilitoa shilingi 990,000 kama michango ya kusaidia mahitaji mbalimbali ya hisani.

Kwa Amri ya Halmashauri

Bw. Edgar Jumba Imbamba
Katibu wa Kampuni
Tarehe :28 Machi 2018

KPMG

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SAMEER AFRICA PLC

Report on the audit of the consolidated and company financial statements

Opinion
We have audited the Consolidated and Company financial statements of Sameer Africa Plc (formerly Sameer Africa Limited) (the 'Group' and 'Company') set out on pages 76 to 149 which comprise the Consolidated and Company statements of financial position as at 31 December 2017, 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 accompanying consolidated and separate financial statements give a true and fair view of the Consolidated and Separate financial position of Sameer Africa Plc as at 31 December 2017, 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 consolidated and company 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 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 Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 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. The process of identification and verification of inventories assessed as impaired is independently carried out by the Group and Company. Impairment of inventory is considered a key audit matter because the assessment and application of inventory provisions and the determination of realisable value are complex and subject to significant judgment, made by the directors.	Our audit procedures in this area included, among others: – Testing the design and operating effectiveness of controls in place 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 and Company applies in the recognition and de-recognition of inventory; – Considering whether management had identified realisable values for all inventory items; – Inspecting the inventory ageing report and recomputing the inventory provision on the basis of the accounting policy; and – Independently assessing, with reference to the relevant accounting standards, the accounting basis that should be applied to the inventory items that have no realisable values.
Recognition of 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 recognition of the deferred tax asset depends on the ability of the Group and Company to achieve sufficient taxable profits in the future as well as the ability to utilise the tax losses given the various tax loss utilisation periods stipulated by the tax authorities within the jurisdictions in which the Group has operations.	Our audit procedures in this area included, among others: – Testing the controls designed and applied by the Group and Company to ascertain that the assumptions used in preparing the deferred tax asset calculations are regularly updated, and reviewed by the 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;

KPMG

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF SAMEER AFRICA PLC (Continued)

Recognition of deferred tax asset arising from accumulated tax losses (Continued)	
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 complexity and significance of the amounts involved has increased during the year due to a consistent history of losses in the Group's and Company's business operations. Recognition of the deferred tax is considered a key audit matter because the forecasting of the Group's and Company's performance and the decisions on whether or not to recognize deferred tax are complex and subject to significant judgment, made by the directors.	– Identifying and analysing changes in assumptions from prior periods and assessing the consistency of assumptions used by management; and – Inspecting the deferred tax assets workings and agreeing the underlying information to supporting information.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, but does not include the Consolidated and Company financial statements and our auditors' report thereon.

Our opinion on the Consolidated and Company 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 financial 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 consolidated and company financial statements

As stated on page 68, the directors are responsible for the preparation of the Consolidated and Company financial statements that give a true and fair view 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 Consolidated and Company 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 / or the 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 consolidated and company financial statements

Our objectives are to obtain reasonable assurance about whether the Consolidated and Company 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 Company 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 Consolidated and Company 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.

– 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.

KPMG

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF SAMEER AFRICA PLC (Continued)

Auditors' responsibilities for the audit of the consolidated and company financial statements (Continued)

- 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 Company 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 auditors' report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated and Company financial statements, including the disclosures, and whether the Consolidated and Company 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 financial statements. We are responsible for the direction, supervision and performance of the Group 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 Company 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:

- In our opinion, the information given in the report of the directors on pages 69 to 70 is consistent with the financial statements.
- In our opinion, the auditable part of the directors' remuneration report on pages 63 to 66 has been properly prepared in accordance with the Kenyan Companies Act, 2015; and
- Our opinion is unqualified.

The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA Joseph Kariuki – P/2102.

KPMG Kenya

KPMG Kenya,
Certified Public Accountants.
Date: 28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Note	2017 KShs'000	2016 KShs'000
Revenue	9	2,626,975	2,882,230
Cost of sales	10 (b) (i)	(1,846,234)	(2,297,890)
Gross profit		**780,741**	**584,340**
Other operating income	10 (a)	95,030	21,679
Selling and distribution costs	10 (b) (ii)	(253,194)	(269,019)
Administrative expenses	10 (b) (ii)	(376,553)	(728,198)
Other operating expenses	10 (b) (ii)	(150,938)	(429,810)
Operating profit/(loss)		**95,086**	**(821,008)**
Finance income	11	29,264	104,601
Finance costs	11	(108,954)	(140,285)
Share of profit/(loss) of equity accounted investees (net of income tax)	19 (a)	11,768	(8,364)
Profit/(loss) before income tax		**27,164**	**(865,056)**
Income tax (expense)/credit	12 (a)	(14,135)	212,955
Profit/(loss) for the year		**13,029**	**(652,101)**
Other comprehensive income (net of tax)			
(a) Items that will never be reclassified to profit or loss			
Actuarial gains on remeasurement of defined benefit liabilities net of related tax	25 (b)	-	1,671
		-	**1,671**
(b) Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		(10,369)	(6,823)
Total other comprehensive income for the year		**(10,369)**	**(5,152)**
Total comprehensive income for the year		**2,660**	**(657,253)**
Earnings per share:			
Basic and diluted (KShs)	13 (a)	**0.05**	**(2.34)**

The notes set out on pages 83 to 149 form an integral part of these financial statements.

Company Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Note	2017 KShs'000	2016 KShs'000
Revenue	9	1,798,957	2,299,076
Cost of sales	10 (b) (i)	(1,336,200)	(2,084,793)
Gross profit		**462,757**	**214,283**
Other operating income	10 (a)	88,939	20,981
Selling and distribution costs	10 (b) (ii)	(103,707)	(117,622)
Administrative expenses	10 (b) (ii)	(213,588)	(578,729)
Other operating expenses	10 (b) (ii)	(76,629)	(356,143)
Operating profit/(loss)		**157,772**	**(817,230)**
Finance income	11	24,575	290,938
Finance costs	11	(77,635)	(108,316)
Profit/(loss) before income tax		**104,712**	**(634,608)**
Income tax (expense)/credit	12 (a)	(24,349)	230,513
Profit/(loss) for the year		**80,363**	**(404,095)**
Other comprehensive income (net of tax)			
Items that will never be reclassified to profit or loss			
Actuarial gains on remeasurement of defined defined benefit liabilities net of related tax	25 (b)	-	1,671
		-	**1,671**
Total other comprehensive income for the year		**-**	**1,671**
Total comprehensive income for the year		**80,363**	**(402,424)**

The notes set out on pages 83 to 149 form an integral part of these financial statements.

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Consolidated Statement of Financial Position

as at 31 December 2017

	Note	2017 KShs '000	2016 KShs '000
ASSETS			
Non-current assets			
Property, plant and equipment	14 (a)	552,139	281,947
Intangible assets	15 (a)	5,818	16,152
Investment properties	16 (a)	175,360	178,496
Prepaid operating lease rentals	17 (a)	349	353
Equity accounted investees	19	133,448	114,331
Deferred income tax	25 (b)	404,264	409,306
Total non-current assets		**1,271,378**	**1,000,585**
Current assets			
Inventories	20	730,580	1,401,321
Trade and other receivables	21	800,475	716,462
Current income tax	12 (c)	48,330	40,117
Cash and cash equivalents	22	119,105	132,382
Total current assets		**1,698,490**	**2,290,282**
TOTAL ASSETS		**2,969,868**	**3,290,867**
EQUITY (Page 80)			
Share capital	23 (a)	1,391,712	1,391,712
Retained earnings	23 (b)	611,051	598,022
Translation reserve	23 (b)	(164,909)	(154,540)
Total equity		**1,837,854**	**1,835,194**
LIABILITIES			
Non-current liabilities			
Borrowings	24 (a)	31,026	3,304
Deferred income tax	25 (b)	4,134	3,277
Total non-current liabilities		**35,160**	**6,581**
Current liabilities			
Trade and other payables	27 (a)	535,014	623,477
Borrowings	24 (a)	561,840	825,615
Total current liabilities		**1,096,854**	**1,449,092**
Total liabilities		**1,132,014**	**1,455,673**
TOTAL EQUITY AND LIABILITIES		**2,969,868**	**3,290,867**

The financial statements on pages 76 to 149 were approved and authorised for issue by the Board of Directors on **28 March 2018.**

Eng.Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

Allan Walmsley
Managing Director

The notes set out on pages 83 to 149 form an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2017

	Note	2017 KShs '000	2016 KShs '000
ASSETS			
Non-current assets			
Property, plant and equipment	14 (a)	343,690	101,229
Intangible assets	15 (a)	5,818	16,051
Investment properties	16 (a)	96,529	98,194
Prepaid operating lease rentals	17 (a)	349	353
Investment in subsidiaries	18	533,625	158,414
Equity accounted investees	19	137,026	137,026
Deferred income tax	25 (b)	319,394	342,546
Total non-current assets		**1,436,431**	**853,813**
Current assets			
Inventories	20	409,331	957,534
Trade and other receivables	21	792,505	1,064,102
Current income tax	12 (c)	17,411	13,700
Cash and cash equivalents	22	75,789	15,654
Total current assets		**1,295,036**	**2,050,990**
TOTAL ASSETS		**2,731,467**	**2,904,803**
EQUITY (Page 80)			
Share capital	23 (a)	1,391,712	1,391,712
Retained earnings	23 (b)	213,415	133,052
Total equity		**1,605,127**	**1,524,764**
LIABILITIES			
Non-current liabilities			
Borrowings	24 (a)	31,026	3,304
Total non-current liabilities		**31,026**	**3,304**
Current liabilities			
Trade and other payables	27 (a)	533,474	551,120
Borrowings	24 (a)	561,840	825,615
Total current liabilities		**1,095,314**	**1,376,735**
Total liabilities		**1,126,340**	**1,380,039**
TOTAL EQUITY AND LIABILITIES		**2,731,467**	**2,904,803**

The financial statements on pages 76 to 149 were approved and authorised for issue by the Board of Directors on **28 March 2018.**

Eng.Erastus Kabutu Mwongera
FIEK, RCE, CBS
Chairman

Allan Walmsley
Managing Director

The notes set out on pages 83 to 149 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Note	Share capital KShs'000	Retained earnings KShs'000	Translation reserve KShs'000	Total KShs'000
2017					
At start of year		1,391,712	598,022	(154,540)	1,835,194
Comprehensive income for the year					
Profit for the year		-	13,029	-	13,029
Other comprehensive income		-	-	(10,369)	(10,369)
Total comprehensive income		-	13,029	(10,369)	2,660
At end of year		**1,391,712**	**611,051**	**(164,909)**	**1,837,854**
2016					
At start of year		**1,391,712**	**1,248,452**	**(147,717)**	**2,492,447**
Comprehensive income for the year					
Loss for the year		-	(652,101)	-	(652,101)
Other comprehensive income	25 (b)	-	1,671	(6,823)	(5,152)
Total comprehensive income		-	**(650,430)**	**(6,823)**	**(657,253)**
At end of year		**1,391,712**	**598,022**	**(154,540)**	**1,835,194**

Company Statement of Changes in Equity

for the year ended 31 December 2017

	Note	Share capital KShs'000	Retained earnings KShs'000	Total KShs'000
2017				
At start of year		**1,391,712**	**133,052**	**1,524,764**
Comprehensive income for the year				
Profit for the year		-	80,363	80,363
Other comprehensive income		-	-	-
Total comprehensive income		-	**80,363**	**80,363**
At end of year		**1,391,712**	**213,415**	**1,605,127**
2016				
At start of year		**1,391,712**	**535,476**	**1,927,188**
Comprehensive income for the year				
Loss for the year		-	(404,095)	(404,095)
Other comprehensive income	25 (b)	-	1,671	1,671
Total comprehensive income		-	(402,424)	(402,424)
At end of year		**1,391,712**	**133,052**	**1,524,764**

The notes set out on pages 83 to 149 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	Note	2017 KShs'000	2016 KShs'000
Cash flows from operating activities			
Cash receipts from customers	29	2,596,026	2,849,331
Cash payments for purchases	29	(1,162,813)	(1,925,978)
Cash payments for expenses	29	(807,035)	(1,418,619)
Cash generated/(used in) from operating activities		626,178	(495,266)
Interest paid	11	(49,058)	(42,549)
Income tax paid	12(c)	(16,449)	(54,560)
Net cash generated/(used in) from operating activities		**560,671**	**(592,375)**
Cash flows from Investing activities			
Interest received	11	745	29,929
Purchase of property, plant and equipment	14 (a)	(336,099)	(92,439)
Purchase of intangible assets	15 (a)	(450)	(2,676)
Additions to investment property	16 (a)	(1,621)	-
Proceeds from disposal of property, plant and equipment		5,108	-
Net cash used in investing activities		**(332,317)**	**(65,186)**
Cash flows from financing activities			
Proceeds from borrowings	24 (a)	31,026	3,304
Repayment of borrowings	24 (a)	(3,304)	-
Net cash absorbed by financing activities	29(b)	**27,722**	**3,304**
Increase/(decrease) in cash and cash equivalents		**256,076**	**(654,257)**
Movement in cash and cash equivalents:			
At start of year		(693,233)	(36,709)
Increase/(decrease) in cash and cash equivalents		256,076	(654,257)
Effects of exchange movements on cash held		(5,578)	(2,267)
At end of year	22	**(442,735)**	**(693,233)**

The notes set out on pages 83 to 149 form an integral part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2017

	Note	2017 KShs'000	2016 KShs'000
Cash flows from operating activities			
Cash receipts from customers	29	2,155,437	1,939,200
Cash payments for purchases	29	(759,215)	(1,604,598)
Cash payments for expenses	29	(397,882)	(1,148,749)
Cash generated/(used in) from operating activities		998,340	(814,147)
Interest paid	11	(49,058)	(42,549)
Income tax paid	12(c)	(4,908)	(36,778)
Net cash generated/(used in) from operating activities		**944,374**	**(893,474)**
Cash flows from investing activities			
Interest received	11	54	25,637
Dividend received	11	-	200,000
Purchase of property, plant and equipment	14(a)	(272,580)	(44,455)
Purchase of intangible assets	15(a)	(450)	(2,676)
Investment in subsidiaries	18	(375,210)	-
Net cash (used in)/generated from investing activities		**(648,186)**	**178,506**
Cash flows from financing activities			
Proceeds from long term borrowings	24 (a)	31,026	3,304
Repayment of borrowings	24 (a)	(3,304)	-
Net cash absorbed by financing activities	29(b)	**27,722**	**3,304**
Increase/(decrease) in cash and cash equivalents		**323,910**	**(711,664)**
Movement in cash and cash equivalents:			
At start of year		(809,961)	(98,297)
Increase/(decrease) in cash and cash equivalents		323,910	(711,664)
At end of year	22	**(486,051)**	**(809,961)**

The notes set out on pages 83 to 149 form an integral part of these financial statements.

NOTES
for the year ended 31 December 2017

1. REPORTING ENTITY

Sameer Africa Plc (formerly Sameer Africa Limited) is a public limited 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 2017 comprise the company, its subsidiaries, associate and joint venture (together referred to as the "Group"). The Group primarily is involved in the 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.

NOTES (Continued)

for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

(iv) Interests in equity accounted investees

The Group's interest in equity accounted investees, comprise its interest in an associate.

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 is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements includes the Group's share of profit or loss and other comprehensive income of the equity accounted investees until the date on which significant influence or joint control ceases.

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

Unrealised gains arising from transaction with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised 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 transalation 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 sourcing 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.

NOTES (Continued)

for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 recognised 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.

(ii) 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 recognised within 'payables and accrued expenses' and the movement in the year is charged to profit or loss.

(iv) Termination benefits

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

(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. Unrecognised 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 realised 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.

NOTES (Continued)
for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

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

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

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

(iii) Subsequent costs
The cost of replacing a component of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iv) Depreciation
Depreciation 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
Tyre and tube molds and fittings	3- 8 years
Computer equipment	3 years
Vehicles	4 years
Furniture, fittings and equipment	8 years

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

(iv) De-recognition
The carrying amount of an item of property, plant and equipment is derecognised 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 derecognised (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 amortisation and any accumulated impairment losses. Computer software development and acquisition costs are amortised on a straight line basis over 8 years.

(k) Inventories
Stores and supplies,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 recognises 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 derecognises 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 derecognised financial asset that is created or retained by the Group is recognised as separate asset or liability.

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

NOTES (Continued)
for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(ii) Non-derivative financial assets – measurement

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

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

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

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security or other observable data relating to a Group of assets such as adverse changes in the payment status of borrowers or issuers in the Group or economic conditions that correlate with defaults in the Group.

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

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

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

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

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

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

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

(n) Operating leases

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

At inception or on reassessment of whether an arrangement contains a lease, the Group separates payments and other consideration required by the arrangement into those of the lease and those for other elements on the basis of their relative fair values.

NOTES (Continued)
for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Operating leases (Continued)

(i) Determining whether an arrangement contains a lease (Continued)
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 provison 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.

(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.

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 2017, including consequential amendments to other standards with the date of initial application by the Group and Company being 1 January 2017.

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.

NOTES (Continued)
for the year ended 31 December 2017

4. NEW STANDARDS, AMENDMENT AND INTERPRETATIONS (Continued)

(a) New standards, amendments and interpretations effective and adopted during the year (Continued)

The nature and effects of the changes are explained below:

New standard or amendments	
Amendments to IAS 7: Disclosure initiative	The amendments in Disclosure Initiative (Amendments to IAS 7) 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. To satisfy the new disclosure requirement, the group has provided a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities. This reconciliation is provided in note 29 (b).
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	The group has no exposure to debt instruments measured at fair value and therefore the amendment to this standard has no impact on the assessment of the Group's deferred tax assets.
Amendments to IFRS 12 Disclosure of Interest in Other Entities: Annual improvements cycle (2014-2016)	This amendment clarified the scope of disclosure requirements to apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group does not have interests in other entities that are classified or included in a disposal group or held for sale and therefore the adoption of this amendment did not have an impact on the Group's financial statements.

(b) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been applied in preparing these financial statements.

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

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.

NOTES (Continued)
for the year ended 31 December 2017

4. NEW STANDARDS, AMENDMENT AND INTERPRETATIONS (Continued)

(b) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 (Continued)

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 Financial Instruments: Recognition and Measurement. This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.
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	**— Accounting for modifications of share-based payment transactions from cash-settled to equity-settled** 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: – On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date. – Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.
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 if 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 standard	**IFRS 9: Financial Instruments | IFRS 4: Insurance Contracts**
Effective date and transition relief	**Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)** 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.

NOTES (Continued)
for the year ended 31 December 2017

4. NEW STANDARDS, AMENDMENT AND INTERPRETATIONS (Continued)

(b) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 (Continued)

Title of standard	IFRS 9: Financial Instruments | IFRS 4: Insurance Contracts
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	The amendments are effective for annual periods beginning on or after 1 January 2018.
Title of standard	**IFRS 16: Leases**
Nature of change	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: – short-term leases (i.e. leases of 12 months or less) and; – 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 290,592,000 (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.
Title of standard	**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**
Nature of change	This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it). This Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. This Interpretation does not apply to income taxes, insurance contracts and circumstances when an entity measures the related asset, expense or income on initial recognition: (a) at fair value; or (b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

NOTES (Continued)
for the year ended 31 December 2017

4. NEW STANDARDS, AMENDMENT AND INTERPRETATIONS (Continued)

(b) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 (Continued)

Title of standard	IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Impact	The adoption of these changes will not have a significant impact on the amounts and disclosures of the financial statements.
Effective date	The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with early application permitted.
Title of standard	**IAS 40: Investment Property**
Nature of change	The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.
Impact	The Group transfers property assets to investment property when the actual change of use occurs and the property is occupied and begins earning rentals or is held for capital appreciation. Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no economic benefits are expected from its disposal. Therefore, the adoption of this standard will not have an impact on the financial statements of the Group.
Effective date and transition relief	The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted. A company has a choice on transition to apply: – the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date; or – the retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight.
Title of standard	**IFRIC 23: Uncertainty Over Income Tax Treatments**
Nature of change	**Clarification on accounting for Income tax exposures** IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed. The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty). The entity will also need to provide disclosures, under existing disclosure requirements, about a. Judgments made; b. Assumptions and other estimates used; and c. Potential impact of uncertainties not reflected.

NOTES (Continued)
for the year ended 31 December 2017

4. NEW STANDARDS, AMENDMENT AND INTERPRETATIONS (Continued)

(b) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 (Continued)

Title of standard	IFRIC 23: Uncertainty Over Income Tax Treatments
Impact	To satisfy the new disclosure requirement, the Group intends to provide judgements and information about the assumptions and estimates made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
Effective date	The new Standard is effective for annual periods beginning on or after 1 January 2019.
Title of standard	**IFRS 9: Financial Instruments**
Nature of change	**Prepayment Features with Negative Compensation** The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.
Impact	The Group does not expect any significant impact from adoption of this amendment given its limited use of complex loans and debt securities.
Effective date and transition relief	The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.
Title of standard	**IAS 28: Investments in Associates and Joint Ventures**
Nature of change	**Long-term Interests in Associates and Joint Ventures** The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
Impact	The adoption of these changes will not affect the amounts and disclosures of the Company's financial statements.
Effective date and transition relief	The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted.
Title of standard	**IFRS 17 Insurance Contracts**
Nature of change	IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to: a. insurance contracts, including reinsurance contracts, it issues; b. reinsurance contracts it holds; and c. investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of: a. the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and b. the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided. IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity: a. accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and

NOTES (Continued)
for the year ended 31 December 2017

4. NEW STANDARDS, AMENDMENT AND INTERPRETATIONS (Continued)

(b) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 (Continued)

Title of standard	IFRS 17 Insurance Contracts (Continued)
Nature of change	b. chooses where to present the effects of some changes in discount rates— either in profit or loss or in other comprehensive income. IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.
Impact	The Group does not issue insurance or reinsurance contracts within the scope of IFRS 17, therefore the adoption of this standard is not expected to have any impact on the financial statements of the Group.
Effective date and transition relief	IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.
Title of standard	**IFRS 10: Consolidated Financial Statements / IAS 28 : Investment in Associates and Joint Ventures**
Nature of change	**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)** The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.
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 IAS 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.

NOTES (Continued)
for the year ended 31 December 2017

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.

The Group recognises 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 recognises that in pursuit of its mission and strategic objectives it may choose to accept a lower level of reward in order to mitigate the potential hazard of the risks involved. To assist in implementing its risk management policy, the Group has:

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

The risk management function is supervised by the Audit, Risk and Corporate Governance Committee. Management identifies, evaluates, hedges and manages financial risks under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as price risk, foreign exchange risk, interest rate risk,credit risk, us 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.

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.

NOTES (Continued)
for the year ended 31 December 2017

5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

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	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Trade receivables (net)	617,290	448,132	310,843	213,102
Other receivables (including amounts due from related parties)	11,781	158,853	335,783	777,972
Note 21	**629,071**	**606,985**	**646,626**	**991,074**

Geographical sector risk concentrations:

At 31 December 2017, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows;

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Kenya	350,848	331,054	525,693	435,290
Uganda	100,137	81,159	52,490	33,309
Tanzania	134,486	158,849	35,994	300,466
Burundi	43,600	35,923	32,449	222,009
	629,071	**606,985**	**646,626**	**991,074**

Counterparty risk concentrations:

At 31 December 2017, the maximum exposure to credit risk for trade and other receivables by type of counter party was as follows:

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Fleet customers	209,895	150,622	94,649	58,954
Dealers	270,542	212,542	112,856	63,074
Government	82,834	76,417	77,219	64,284
Oil Companies	-	586	-	586
Export customers	5,757	40,443	7,559	42,504
Rental customers	43,383	32,695	26,693	6,385
Related parties	4,880	4,084	126,093	559,278
Others	11,780	89,596	201,557	196,009
	629,071	**606,985**	**646,626**	**991,704**

Others includes original equipment manufacturers and corporate clients.

NOTES (Continued)
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5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Guarantees

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

The analysis of customer refundable deposits and letters of credit held as at 31 December 2017 is as follows;

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Rental deposits	38,315	34,582	18,162	9,467
Irrevocable letters of credit	-	20,462	-	20,462
Other trade deposits	14,786	15,233	14,786	15,233
	53,101	**70,277**	**32,948**	**45,162**

The Group had issued the following financial guarantees as at 31 December 2017.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Customs bonds	10,000	10,000	10,000	10,000
Other guarantees	6,282	5,241	6,282	5,241
	16,282	**15,241**	**16,282**	**15,241**

Impairment losses

The aging of trade receivables at the reporting date was:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Not past due	**93,341**	**99,068**	**71,383**	**54,110**
Past due but not impaired				
:by 31 to 60 days	119,330	120,628	82,352	61,333
:by 61 to 90 days	83,567	84,497	48,769	50,131
:by 91 to 180 days	140,695	79,409	41,576	34,438
:over 181 days	180,357	64,530	66,763	13,090
Total past due but not impaired	**523,949**	**349,064**	**239,460**	**158,992**
Total unimpaired	**617,290**	**448,132**	**310,843**	**213,102**
Impaired	**69,355**	**65,211**	**28,149**	**27,707**
Total trade receivables	**686,645**	**513,343**	**338,992**	**240,809**

NOTES (Continued)
for the year ended 31 December 2017

5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Impairment losses - 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 2017, the analysis of the credit quality of trade receivables that are neither past due nor impaired was as follows.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Secured	10,860	9,876	10,860	9,876
Externally credit rated	-	-	-	-
Over 4 years trading history with the group/company	33,016	59,269	35,228	34,297
2-4 years trading history with the group/company	34,171	14,643	18,096	107
1-2 years trading history with the group/company	5,946	8,090	5,946	6,048
1-2 years trading history with the group/company	9,348	7,190	1,253	3,782
Higher risk	-	-	-	-
	93,341	**99,068**	**71,383**	**54,110**

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Balance at 1 January	65,211	48,328	27,707	23,592
Impairment loss recognised	19,642	26,372	11,335	7,310
Impairment loss released	(15,498)	(9,489)	(10,893)	(3,195)
Balance at 31 December	**69,355**	**65,211**	**28,149**	**27,707**

Cash and cash equivalents

The Group held cash and cash equivalents of KShs'000 –119,105 (2016: KShs'000 -132,382). The cash and cash equivalents were held with reputable banks and financial institutions.

NOTES (Continued)
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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.

(i) Group

		Contractual cash flows				
	Carrying amount	1 - 3 months	3months - 1 year	1-2 years	Over 2 years	Total
31 December 2017:	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Non - derivative financial liabilities						
Finance lease liabilities (Note 24 (a))	7,325	1,048	3,143	4,282	-	8,473
Short term facilities (Note 24 (a))	558,467	83,522	745,310	-	-	828,832
Long term loan (Note 24 (a))	27,074	-	-	44,257	-	44,257
Trade and other payables (Note 27 (a))	535,014	535,014	-	-	-	535,014
At 31 December 2017	**1,127,880**	**619,584**	**748,453**	**48,539**	**-**	**1,416,576**
31 December 2016:						
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**

(ii) Company

31 December 2017:	Carrying amount KShs '000	1 - 3 months KShs '000	3months - 1 year KShs '000	1-2 years KShs '000	Over 2 years KShs '000	Total KShs '000
Non - derivative financial liabilities						
Short term facilities (Note 24 (a))	558,467	83,522	745,310	-	-	828,832
Finance lease liabilities (Note 24 (a))	7,325	1,048	3,143	4,282	-	8,473
Long term loan (Note 24 (a))	27,074	-	-	44,257	-	44,257
Trade and other payables (Note 27 (a))	533,474	533,474	-	-	-	533,474
At 31 December 2017	**1,126,340**	**618,044**	**748,453**	**48,539**	**-**	**1,415,036**
31 December 2016:						
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**

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(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

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

Exposure to currency risk

The summary quantitative data about the Group and Company's exposure to currency risk as reported to the management of the Group is as follows; (amounts in KShs '000)

Financial instruments

	31 DECEMBER 2017				31 DECEMBER 2016			
	USD	TZS	UGX	BIF	USD	TZS	UGX	BIF
	'000	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
Financial assets								
Cash and cash equivalents	1,548	232	2,939	12,576	12,739	22,926	12,583	7,902
Trade receivables	48,416	136,682	91,929	44,126	85,991	134,085	56,007	29,701
	49,964	**136,914**	**94,868**	**56,702**	**98,730**	**157,011**	**68,590**	**37,603**
Financial liabilities								
Short term facilities	(586,459)	-	-	-	(726,768)	-	-	-
Trade and other payables	(59,874)	(5,980)	(2,160)	(2,130)	(152,343)	(19,344)	(8,883)	(2,675)
	(646,333)	**(5,980)**	**(2,160)**	**(2,130)**	**(879,111)**	**(19,344)**	**(8,883)**	**(2,675)**
Net financial exposure	**(596,369)**	**130,934**	**92,708**	**54,572**	**(780,381)**	**137,667**	**59,708**	**34,928**

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

	Average rate		Year-end spot rate	
	2017	**2016**	**2017**	**2016**
USD	103.4244	101.5225	103.2317	102.4858
TZS	0.0462	0.0464	0.0461	0.0471
UGX	0.0286	0.0296	0.0284	0.0284
BIF	0.0599	0.0624	0.0585	0.0612

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.

		Profit or loss/equity	
Effect in KShs '000		**Strengthening**	**Weakening**
31 December 2017			
Currency	% movement		
USD	3%	(12,524)	12,524
TSH	10%	9,165	(9,165)
UGX	5%	3,244	(3,244)
BIF	3%	1,146	(1,146)

		Profit or loss/equity	
Effect in KShs '000		**Strengthening**	**Weakening**
31 December 2016			
USD	3%	(16,387)	16,387
TSH	10%	9,637	(9,637)
UGX	5%	2,089	(2,089)
BIF	3%	733	(733)

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.

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5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

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 2017 would have had on the translation reserve are shown below:

Uganda
At 31 December 2017, if the Ugandan Shilling had weakened/strengthened by 5% (2016 – 5%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the other comprehensive income would have been KShs 6,631,269 (2016 – KShs 4,241,333) higher/lower.

Burundi
At 31 December 2017, if the Burundi Franc had weakened/strengthened by 3% (2016 – 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been KShs 3,141,369 (2016 – KShs 9,315,988) higher/lower.

Tanzania
At 31 December 2017, if the Tanzanian Shilling had weakened/strengthened by 10% (2016 – 10%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been KShs 24,850,720 (2016 – KShs 22,090,017) higher/lower.

Company exchange risk from recognised financial assets and liabilities

At 31 December 2017, 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 12,524,645 (2016 – KShs 16,387,470) 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

NOTES (Continued)
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5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Market risk (continued)

(ii) Interest rate 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	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Fixed rate instruments				
Financial assets (Note 22)	47,000	40,352	47,000	-
Financial liabilities (Note 24 (a))	(592,866)	(828,919)	(592,866)	(828,919)
Exposure	**(545,866)**	**(788,567)**	**(545,866)**	**(828,919)**

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.

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5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Capital management (continued)

	Group		Company	
	2017	2016	2017	2016
	KShs '000	KShs '000	KShs '000	KShs '000
Total borrowings (Note 24)	592,866	828,919	592,866	828,919
Less: Cash and cash equivalents (Note 22)	(119,105)	(132,382)	(75,789)	(15,654)
Net debt	473,761	696,537	517,077	813,265
Total equity	1,837,854	1,835,194	1,605,127	1,524,764
Total capital	**2,311,615**	**2,531,731**	**2,122,204**	**2,338,029**
Gearing ratio	**20.49%**	**27.51%**	**24.37%**	**34.78%**

(e) Fair values

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

6. OPERATING SEGMENTS

(a) Basis of segmentation

The Group identifies primary segments based on the dominant source, nature of risks and returns, geographical distribution and internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit /(loss) is evaluated regularly by the 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
Sourcing and distribution	Sourcing, 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									
	Sourcing & distribution		Regional operations		Yana Tyre centres		Rental business		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
External revenues	1,286,396	1,430,877	690,098	677,317	478,139	596,487	172,342	177,549	2,626,975	2,882,230
Inter-segment revenues	388,006	753,284	-	-	-	-	-	-	388,006	753,284
Segment revenue	**1,674,402**	**2,184,161**	**690,098**	**677,317**	**478,139**	**596,487**	**172,342**	**177,549**	**3,014,981**	**3,635,514**
Segment profit / (loss) before tax	91,455	(683,465)	(61,163)	(99,963)	(51,295)	50,769	36,110	77,585	15,107	(655,074)
Income tax	(24,535)	240,241	370	2,520	16,374	(14,779)	(6,344)	(15,027)	(14,135)	212,955
Segment profit after tax	**66,920**	**(443,224)**	**(60,793)**	**(97,443)**	**(34,921)**	**35,990**	**29,766**	**62,558**	**972**	**(442,119)**
Interest income	54	25,637	539	586	152	3,706	-	-	745	29,929
Interest expense	(49,058)	(42,549)	-	-	-	-	-	-	(49,058)	(42,549)
Depreciation and amortisation	(20,519)	(95,968)	(20,651)	(16,354)	(24,733)	(20,263)	(10,430)	(11,798)	(76,333)	(144,383)
Restructuring expenses (Note 8)	-	(877,068)	-	-	-	-	-	-	-	(877,068)
Share of profit /(loss) from equity accounted investees	11,768	(4,245)	-	-	-	(4,119)	-	-	11,768	(8,364)
Segment assets	**2,327,415**	**2,860,546**	**578,193**	**374,255**	**338,128**	**377,485**	**447,945**	**447,172**	**3,691,681**	**4,059,458**
Equity accounted investees	137,026	137,026	-	-	-	-	-	-	137,026	137,026
Capital expenditure	(273,030)	(46,951)	(10,408)	(726)	(52,975)	(47,316)	(1,757)	(122)	(338,170)	(95,115)
Segment liabilities	**(1,136,624)**	**(1,404,901)**	**(186,482)**	**(644,227)**	**(278,885)**	**(257,923)**	**(94,225)**	**(115,092)**	**(1,696,216)**	**(2,422,143)**

NOTES (Continued)
for the year ended 31 December 2017

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.

	2017 KShs'000	2016 KShs'000
(i) Revenues		
Total revenues for reportable segments	3,014,981	3,635,514
Elimination of intersegment revenues	(388,006)	(753,284)
Consolidated revenue	**2,626,975**	**2,882,230**
(ii) Profit/(loss) before tax		
Segments loss before tax	15,107	(655,074)
Actuarial gains on remeasurement of defined benefit liability	-	-
Share of (loss) on equity accounted investee	11,768	(8,364)
Inter-segment dividend income	-	(200,000)
Inter-segment unrealised profits	289	(1,618)
Consolidated Profit/(loss) before tax	**27,164**	**(865,056)**
(iii) Assets		
Total segment assets	3,691,681	4,059,458
Elimination of inter-segment;		
-Net unrealised profits on inventories	(4,870)	(5,157)
- Receivables	(568,335)	(967,753)
Investment in subsidiaries	(597,624)	(222,414)
Share of loss of equity accounted investees	(3,578)	(22,690)
Consolidated total assets	**2,517,274**	**2,841,444**
(iv) Liabilities		
Total segment liabilities	1,696,216	2,422,143
Elimination of inter-segment payables	(568,336)	(969,747)
Consolidated total liabilities	**1,127,880**	**1,452,396**

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.

NOTES (Continued)
for the year ended 31 December 2017

6. OPERATING SEGMENTS (Continued)

(d) Geographic information (Continued)

	2017 KShs'000	2016 KShs'000
(i) Revenues		
Country of domicile		
Kenya	1,410,952	1,545,792
All foreign countries		
Uganda	211,295	186,415
Tanzania	394,484	426,209
Burundi	95,144	78,698
Others	515,100	645,116
Consolidated revenue	**2,626,975**	**2,882,230**
(ii) Non-current assets		
Country of domicile		
Kenya	833,039	551,524
All foreign countries		
Uganda	9,686	642
Tanzania	11,291	18,842
Burundi	13,098	20,271
Consolidated total non-current assets	**867,114**	**591,279**

(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

In 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 transacation 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 2017.

NOTES (Continued)
for the year ended 31 December 2017

6. OPERATING SEGMENTS (Continued)

	Reportable segments									
	Sourcing & distribution		Regional operations		Yana Tyre centres		Rental business		Total	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
External revenues	1,286,396	1,430,877	690,098	677,317	478,139	596,487	172,342	177,549	2,626,975	2,882,230
Inter-segment revenues	287,003	417,365	-	-	-	-	-	-	287,003	417,365
Segment revenue	**1,573,399**	**1,848,242**	**690,098**	**677,317**	**478,139**	**596,487**	**172,342**	**177,549**	**2,913,978**	**3,299,595**
Segment profit / (loss) before tax	2,516	224,101	(61,163)	(99,963)	(51,295)	50,769	36,110	77,585	(73,832)	252,492
Income tax	2,147	(32,029)	370	2,520	16,374	(14,779)	(6,344)	(15,027)	12,547	(59,315)
	4,663	**192,072**	**(60,793)**	**(97,443)**	**(34,921)**	**35,990**	**29,766**	**62,558**	**(61,285)**	**193,177**
Interest income	54	25,637	539	586	152	3,706	-	-	745	29,929
Interest expense	(49,058)	(42,549)	-	-		-	-	-	(49,058)	(42,549)
Depreciation and amortisation	(20,519)	(27,464)	(20,651)	(16,354)	(24,733)	(20,263)	(10,430)	(11,798)	(76,333)	(75,879)
Share of profit /(loss) from equity accounted investees	11,768	(4,245)	-	-	-	(4,119)	-	-	11,768	(8,364)
Segment assets	**2,670,011**	**2,801,407**	**666,706**	**823,679**	**359,613**	**377,485**	**447,945**	**447,172**	**4,144,275**	**4,449,743**
Equity accounted investees	137,026	137,026	-	-		-	-	-	137,026	137,026
Capital expenditure	(273,030)	(46,951)	(10,408)	(726)	(52,975)	(47,316)	(1,757)	(122)	(338,170)	(95,115)
Segment liabilities	**(1,139,079)**	**(1,404,901)**	**(186,482)**	**(644,227)**	**(277,805)**	**(257,923)**	**(96,984)**	**(115,092)**	**(1,700,350)**	**(2,422,143)**

NOTES (Continued)
for the year ended 31 December 2017

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.

NOTES (Continued)
for the year ended 31 December 2017

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

- ***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 25: 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.

8. RESTRUCTURING 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 re-engineering 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 restructuring 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.

NOTES (Continued)
for the year ended 31 December 2017

8. RESTRUCTURING COSTS (Continued)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Impairment expenses				
Plant and machinery	-	176,923	-	176,923
Software	-	2,392	-	2,392
	-	**179,315**	**-**	**179,315**
Inventory impairment				
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**
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	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Sales of manufactured goods	1,283,185	1,898,648	1,017,055	1,708,086
Sales of imported goods	1,148,387	783,663	659,000	476,629
Rendering of services	31,553	28,194	6,931	4,548
Discounts, claims and warranties	(8,492)	(5,824)	(5,830)	(5,102)
Investment property rentals (Note 16(b))	172,342	177,549	121,801	114,915
	2,626,975	**2,882,230**	**1,798,957**	**2,299,076**

NOTES (Continued)
for the year ended 31 December 2017

10. OTHER OPERATING INCOME AND EXPENSES

(a) Other operating income

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Gain on sale of property plant and equipment	220	198	-	-
Other income	94,810	21,481	88,939	20,981
	95,030	**21,679**	**88,939**	**20,981**

Other income includes income from the sale of impaired assets and scrap materials.

(b) Expenses by function

(i) Cost of sales

	Group		Company	
Prime costs	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Cost of raw materials used in production	151,052	734,104	151,052	734,104
Cost of raw material impaired (Note 8)	-	95,769	-	95,769
Changes in inventories of finished goods	502,431	(85,390)	502,431	(85,390)
Direct labour	20,195	132,441	20,195	132,441
	673,678	**876,924**	**673,678**	**876,924**
Factory overheads				
Indirect labour	27,564	127,832	26,421	127,832
Factory maintenance	6,754	59,551	6,754	59,551
Energy	37,551	163,029	37,551	163,029
Depreciation	32,569	86,335	14,741	69,967
Consumables	13,390	71,055	13,390	71,055
Cost of consumables impaired	-	50,032	-	50,032
Transport and insurance	7,397	19,775	7,397	19,775
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	13,296	22,170	3,407	35,177
	138,521	**779,094**	**109,661**	**775,733**
Cost of imported trading goods sold	**1,034,035**	**641,872**	**552,861**	**432,136**
Total cost of sales	**1,846,234**	**2,297,890**	**1,336,200**	**2,084,793**

NOTES (Continued)
for the year ended 31 December 2017

10. OTHER OPERATING INCOME AND EXPENSES (Continued)

(b) Expenses by function

(ii) Operating expenses

	Group		Company	
	2017 KShs'000	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
Selling and distribution costs				
Distribution costs	15,561	24,154	9,533	18,758
Selling expenses	188,986	186,840	66,926	58,632
Marketing and sales promotions	48,647	58,025	27,248	40,232
	253,194	**269,019**	**103,707**	**117,622**
Administrative expenses				
Indirect staff costs	276,849	322,340	168,206	220,860
Staff redundancy costs (Note 8)	-	278,808	-	278,808
Other administrative expenses	99,704	127,050	45,382	79,061
	376,553	**728,198**	**213,588**	**578,729**
Legal & professional fees	57,942	57,263	30,023	29,550
Travel and vehicle maintenance	23,509	29,697	13,843	21,111
Establishment expenses	52,443	314,941	20,868	284,608
Bank charges and fees	17,044	27,909	11,895	20,874
	150,938	**429,810**	**76,629**	**356,143**
Total operating expenses	**780,685**	**1,427,027**	**393,924**	**1,052,494**

NOTES (Continued)
for the year ended 31 December 2017

10. OTHER INCOME AND EXPENSES (continued)

(c) Expenses by nature

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Cost of raw materials used in production	151,052	734,104	151,052	734,104
Cost of raw material impaired (Note 8)	-	95,769	-	95,769
Changes in inventories of finished goods	502,431	(85,390)	502,431	(85,390)
Cost of imported trading goods sold	1,034,035	641,872	552,861	432,136
Employee benefits expense (Note 10 (d)	324,872	863,115	215,382	760,690
Audit fees	6,140	6,290	4,060	4,060
Bank charges	17,044	27,908	11,895	20,874
Consumables	10,886	61,447	10,886	61,447
Cost of consumables impaired (Note 8)	-	50,032	-	50,032
Depreciation and amortisation	76,333	144,383	33,900	104,150
General expenses	64,570	72,531	28,387	41,669
Legal and professional fees	40,101	40,358	19,358	21,002
Advertising and promotions	48,689	58,123	27,266	40,240
Electricity, water and fuel	46,439	185,411	39,307	179,347
Repairs and Maintenance	56,072	146,872	39,968	123,116
Cost of spares impaired (Note 8)	-	242,435	-	242,435
Sales commissions and bonuses	43,423	30,350	34,655	16,659
Rent and rates	104,563	98,648	7,160	8,181
Telephone and postage	17,555	24,631	6,456	13,688
Transport, travelling and insurance	72,097	95,763	44,369	68,828
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	10,617	10,951	731	24,935
Total cost of sales, selling and distribution, administrative and other operating expenses	**2,626,919**	**3,724,918**	**1,730,124**	**3,137,287**

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10. OTHER INCOME AND EXPENSES (Continued)

(d) Employee benefits expense

	Group 2017 KShs'000	Group 2016 KShs'000	Company 2017 KShs'000	Company 2016 KShs'000
Salaries and wages	212,298	345,384	147,103	285,010
Staff redundancy costs (Note 8)	-	278,808	-	278,808
Allowances and other benefits	101,308	213,253	60,461	175,113
Leave pay accrual	(5,473)	(4,244)	(4,181)	(2,626)
Defined contribution scheme	13,336	25,989	11,736	23,575
National Social Security Fund	3,403	3,925	263	810
	324,872	**863,115**	**215,382**	**760,690**

(e) Employee particulars for the year

	Group 2017	Group 2016	Company 2017	Company 2016
(i) Average number of employees	288	479	156	338
(ii)Average number of employees per employee category				
Managment	184	288	101	147
Unionisable	54	162	5	162
Casual workers	50	29	50	29
Total	**288**	**479**	**156**	**338**

11. NET FINANCE COSTS

	Group 2017 KShs'000	Group 2016 KShs'000	Company 2017 KShs'000	Company 2016 KShs'000
Finance income				
Interest income	745	29,929	54	25,637
Dividend received	-	-	-	200,000
Foreign exchange gains	28,519	74,672	24,521	65,301
	29,264	**104,601**	**24,575**	**290,938**
Finance costs				
Foreign exchange losses	59,896	97,736	28,577	65,767
Interest expense on bank borrowings	49,058	42,549	49,058	42,549
	108,954	**140,285**	**77,635**	**108,316**
Net finance (costs)/income	**(79,690)**	**(35,684)**	**(53,060)**	**182,622**

NOTES (Continued)
for the year ended 31 December 2017

12. INCOME TAXES

(a) Amounts recognised in profit or loss

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Current tax expense:				
Current income tax	8,236	37,596	1,197	18,430
	8,236	**37,596**	**1,197**	**18,430**
Deferred tax expense (Note 25(b)):				
Deferred income tax	5,899	(251,332)	23,152	(248,613)
Under/(over) provision of deferred tax in prior year	-	781	-	(330)
	5,899	**(250,551)**	**23,152**	**(248,943)**
Income tax expense/(credit)	**14,135**	**(212,955)**	**24,349**	**(230,513)**

The Group income tax expense/(credit) excludes the Group's share of income tax expense/ (credit) of its equity accounted investee of KShs'000 –73, 2016: KShs'000- 2,701, which has been included in "share of profit/(loss) of equity accounted investee, net of tax".

(b) Reconciliation of effective tax rate

The tax on the Group's and company's profit/ (loss) before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Group	2017		2016	
	Rate %	**KShs'000**	**Rate %**	**KShs'000**
Profit/(loss) before income tax		**27,164**		**(865,056)**
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2016 - 30%)	30%	8,149	30%	(259,517)
Tax effect of:				
Share of (profit)/loss of equity accounted investee	(13.00%)	(3,530)	(0.10%)	861
Expenses not deductible for income tax purposes	(15.48%)	(4,205)	(2.13%)	18,423
Under/(over) provision of deferred income tax in prior years	-	-	(0.09%)	781
Effects of unrecognised deferred tax (Note 25(d))	48.65%	13,215	(2.96%)	25,566
Effect of lower tax rates in Sameer EPZ Ltd	1.86%	506	(0.11%)	931
Income tax expense/(credit)	**52.03%**	**14,135**	**24.61%**	**(212,955)**

NOTES (Continued)
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12. INCOME TAXES (Continued)

(b) Reconciliation of effective tax rate (continued)

Company	2017		2016	
	Rate %	KShs'000	Rate %	KShs'000
Profit/(loss) before income tax		**104,712**		**(634,608)**
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2012 - 30%)	30%	31,414	30%	(190,382)
Tax effect of:				
Income not subject to income tax	-	-	6.94%	(60,000)
Expenses not deductible for income tax purposes	(6.75%)	(7,065)	(2.33%)	20,199
Under/(over) provision of deferred income tax in prior years	-	-	0.04%	(330)
Income tax expense/(credit)	**23.25%**	**24,349**	**34.65%**	**(230,513)**

(c) Reconciliation of carrying amounts

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Net liability / (asset) at start of year	(40,117)	(23,153)	(13,700)	4,648
Charge for the year - profit or loss (note 12(a))	8,236	37,596	1,197	18,430
Income tax paid	(16,449)	(54,560)	(4,908)	(36,778)
Net liability/(asset) at end of year	**(48,330)**	**(40,117)**	**(17,411)**	**(13,700)**
Represented by:				
Income tax assets	(48,330)	(40,117)	(17,411)	(13,700)
Income tax liabilities	-	-	-	-
	(48,330)	**(40,117)**	**(17,411)**	**(13,700)**

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.

NOTES (Continued)
for the year ended 31 December 2017

13. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2017	2016
Profit/(loss) attributable to equity holders of the Company (KShs '000)	13,029	(652,101)
Weighted average number of ordinary shares in issue ('000)	278,342	278,342
Basic earnings per share (KShs)	0.05	(2.34)

(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 2017 or 2016. Diluted earnings per share are therefore the same as basic earnings per share.

NOTES (Continued)
for the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT
(a) Reconciliation of carrying amounts

Group 2017:	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 2017	192,969	203,465	68,522	319,098	4,495	788,549
Additions	26,584	42,910	3,160	24,151	239,294	336,099
Disposal	-	(5,626)	(3,275)	(1,433)	-	(10,334)
Transfers	7,250	4,119	1,826	(12,942)	(253)	-
Transfer to investment property	(5,568)	-	-	-	-	(5,568)
Currency translation	-	(213)	(1,037)	(1,711)	8	(2,953)
Transfer from insurance receivable	-	1,540	-	-	-	1,540
At 31 December 2017	**221,235**	**246,195**	**69,196**	**327,163**	**243,544**	**1,107,333**
Accumulated depreciation and impairment						
At 1 January 2017	122,447	115,986	50,181	217,988	-	506,602
Charge for the year	6,857	25,882	9,081	18,971	-	60,791
Transfers	681	4,119	1,826	(6,626)	-	-
Transfer to investment property	(5,568)	-	-	-	-	(5,568)
Disposal	-	(2,346)	(2,586)	(514)	-	(5,446)
Currency translation	-	(710)	(770)	295	-	(1,185)
At 31 December 2017	**124,417**	**142,931**	**57,732**	**230,114**	**-**	**555,194**
Carrying amounts At 31 December 2017	**96,818**	**103,264**	**11,464**	**97,049**	**243,544**	**552,139**

Group 2016:	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 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 2017

14. PROPERTY PLANT AND EQUIPMENT (Continued)

a. Reconciliation of carrying amounts (continued)

Company	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings &equipment KShs'000	Capital Work in Progress KShs'000	Total KShs'000
2017						
Cost						
At 1 January 2017	169,939	50,727	21,682	186,733	1,662	430,743
Additions	8,544	22,595	-	2,095	239,346	272,580
Inter-Company transfers	-	(4,005)	(4,830)	(446)	-	(9,281)
Transfer to investment property	(5,568)	-	-	-	-	(5,568)
At 31 December 2017	**172,915**	**69,317**	**16,852**	**188,382**	**241,008**	**688,474**
Depreciation and impairment						
At 1 January 2017	119,954	29,688	13,580	166,292	-	329,514
Charge for the year	5,973	8,476	1,293	5,807	-	21,549
Inter-Company transfers	-	(130)	(255)	(326)	-	(711)
Transfer to investment property	(5,568)	-	-	-	-	(5,568)
At 31 December 2017	**120,359**	**38,034**	**14,618**	**171,773**	**-**	**344,784**
Carrying amounts						
At 31 December 2017	**52,556**	**31,283**	**2,234**	**16,609**	**241,008**	**343,690**

Company	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings &equipment KShs'000	Capital Work in Progress KShs'000	Total KShs'000
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)
for the year ended 31 December 2017

14. PROPERTY PLANT AND EQUIPMENT (Continued)

(a) 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 2017 confirmed that no additional information was gained during the year to warrant any revisions.

(b) Transfer to investment property

During 2017, 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.

(c) Transfer from joint venture

Furniture and tyre center equipment with a net book value of KShs Nil (2016-5,046,000) 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.

(d) Impairment loss

Following a change in the tyre sourcing strategy, the Group's tyre factory was closed in 2016. 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.

(e) Leased assets

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

	2017 KShs '000	2016 KShs '000
Leased motor vehicles		
Cost	10,152	5,560
Accumulated depreciation	(2,112)	(232)
Carrying amount	**8,040**	**5,328**

(f) Contractual committements 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 it new offshore tyre manufacturing locations. The commitments were in the form of irrevocable letters of credit in the amount of KShs 30,917,894 (2016-KShs 102,448,000).

(g) 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 1,540,000. 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.

NOTES (Continued)
for the year ended 31 December 2017

15. INTANGIBLE ASSETS

Computer software

(a) Reconciliation of carrying amounts

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Cost				
At 1 January	137,902	137,620	137,580	137,296
Impairment	-	(2,392)	-	(2,392)
Currency translation	(4)	(2)	-	-
Additions	450	2,676	450	2,676
At 31 December	**138,348**	**137,902**	**138,030**	**137,580**
Amortisation and impairment				
At 1 January	121,750	99,424	121,529	99,316
Currency translation	(1)	8	-	-
Charge for the year	10,781	22,318	10,683	22,213
At 31 December	**132,530**	**121,750**	**132,212**	**121,529**
Carrying amount at 31 December	**5,818**	**16,152**	**5,818**	**16,051**

(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	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
At start of year	178,496	183,033	98,194	99,656
Transfer from buildings (Note 14)	5,568	-	5,568	-
Additions	1,621	-	-	-
Transfer from buildings (Note 14)	(5,568)	-	(5,568)	-
Depreciation	(4,757)	(4,537)	(1,665)	(1,462)
At end of year	**175,360**	**178,496**	**96,529**	**98,194**

NOTES (Continued)
for the year ended 31 December 2017

16. INVESTMENT PROPERTIES (Continued)

(a) Reconciliation of carrying amounts (Continued)

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Comprising				
Cost	274,942	267,754	150,355	144,787
Accumulated depreciation	(99,582)	(89,258)	(53,826)	(46,593)
At end of year	**175,360**	**178,496**	**96,529**	**98,194**

Investment property comprises:

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

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

(b) Rental income and operating expenses

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Rental income	**172,342**	**177,549**	**121,801**	**114,915**
Operating expenses				
Staff costs	80,091	44,365	79,057	42,137
Administrative expenses	17,161	15,677	14,853	14,789
Security expenses	10,317	7,621	8,250	5,786
Legal and professional fees	16,786	14,959	12,009	8,217
Repairs and maintenance	1,220	4,632	671	3,666
Depreciation	10,430	11,798	6,950	8,287
Net other income	227	912	334	893
	136,232	**99,964**	**122,124**	**83,775**
Net rental income	**36,110**	**77,585**	**(323)**	**31,140**

NOTES (Continued)
for the year ended 31 December 2017

16. INVESTMENT PROPERTIES (Continued)

(c) Measurement of fair value

(i) Fair value hierarchy

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications every 3 years. In the intervening periods between valuations, management adjusts fair values on the basis of annual housing index reports provided by professional consultants. During the year, management used the "The Hass Property Index" report provided by Hass Consult – a Real Estate Consultancy firm in association with Investment Managers Stanlib. The annual growth rate used to value the group's investment properties as at 31 December 2017, was 5.8% (2016: 7.6%)

The fair value measurement of – Group KShs'000 – 7,422,251 (2016: KShs'000 -7,015,360); Company KShs'000 –6,018,861 (2016: KShs'000 – 5,688,905) has been categorized as level 2 fair value based on the inputs to the valuation techniques used.

(ii) Level 2 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	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Fair values				
Commercial properties	3,764,242	3,557,885	3,038,597	2,872,020
Leasehold land	3,658,009	3,457,475	2,980,264	2,816,885
	7,422,251	**7,015,360**	**6,018,861**	**5,688,905**
Carrying amounts				
Commercial properties	175,011	178,143	96,180	97,841
Leasehold land	349	353	349	353
	175,360	**178,496**	**96,529**	**98,194**
Fair value gains not recognised in profit or loss	**7,246,891**	**6,836,864**	**5,922,322**	**5,590,711**

NOTES (Continued)
for the year ended 31 December 2017

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 property *Discounted cash flows:* The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth, occupancy rates and other costs not paid by tenants. The net cash flows are discounted using the risk adjusted discount rate.	1. Expected market rental growth (2017 and 2016: 3.75-5.8%) 2. Occupancy rates (2017 and 2016: 90%- 95%) 3. Risk-adjusted discount rate (2017 and 2016:9%)	The estimated fair values would increase / (decrease) if; 1. Expected rental growth were higher / (lower) 2. Occupancy rates were higher / (lower) 3. Risk-adjusted discount rate was lower / (higher)
(b)Leasehold land held for value appreciation and development. *Market approach:* The valuation model uses prices and other relevant information generated by market transactions involving identical or similar assets. The fair value is determined as the price that would be paid to sell the land in an orderly transaction to market participants.	1. Property prices in the locality 2. Infrastructure developments	The estimated fair values would increase / (decrease); 1. If property prices were higher / (lower) 2. Increase with improvements in infrastructure.

(d) Investment property pledged as security

Included under investment property are residential properties leased out to third parties. In 2016, the Group pledged these properties to one of its financiers as security for a three-year term loan of KShs 123,878,000. The carrying amount of the pledged property was KShs 10,629,000 with a fair value of KShs 327,000,000. By 31 December 2017, the Group had drawn down Kshs 27,074,000 on this loan.

NOTES (Continued)
for the year ended 31 December 2017

17. PREPAID OPERATING LEASE RENTALS

(a) Reconciliation of carrying amount

	Group and Company	
	2017 KShs'000	2016 KShs'000
At start of year	353	357
Amortisation charge for the year	(4)	(4)
At end of year	**349**	**353**

(b) Classification

The Group classifies leasehold land under development of factory buildings, administration block roads and other buildings as prepaid operating leases. Undeveloped leasehold land held for future development or value appreciation is accounted for under investment property.

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	2017 KShs'000	2016 KShs'000
Sameer Africa (Uganda) Limited	Uganda	100%	26,612	26,612
Sameer Africa (Tanzania) Limited	Tanzania	100%	155,100	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%	221,913	1,728
Taqwa Trading Limited	Kenya	100%	35,000	35,000
			568,625	193,414
Less: Provision for impairment			(35,000)	(35,000)
Carrying amount			**533,625**	**158,414**

The provision for impairment relates to Taqwa Trading Limited which ceased trading with effect from 1 January 2007 and has since been dormant.

During the year Sameer Africa Plc increased its investment in the regional subsidiaries by KShs 375,210,000 in Sameer Africa (Tanzania) Limited by KShs 155,026,000 and in Sameer Africa (Burundi) Limited by KShs 220,184,000.

(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.

NOTES (Continued)
for the year ended 31 December 2017

19. EQUITY ACCOUNTED INVESTEES (Continued)

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	
	2017	**2016**	**2017**	**2016**
Carrying amount	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Interest in associates (Note 19(a))	133,448	121,680	137,026	137,026
Interest in joint venture (Note 19(c))	-	(7,349)	-	-
At end of year	**133,448**	**114,331**	**137,026**	**137,026**

(a) Reconciliation of carrying amount - Group

	2017			2016		
	Associate KShs'000	**Joint venture KShs'000**	**Total KShs'000**	**Associate KShs'000**	**Joint venture KShs'000**	**Total KShs'000**
At 1 January 2017	121,680	(7,349)	114,331	125,925	(3,230)	122,695
Prior year under provision	-	-	-	(9,951)	(1,285)	(11,236)
Dissolution of Joint venture	-	7,349	7,349	-	-	-
Share of profit /(loss)	11,768	-	11,768	5,706	(2,834)	2,872
At end of year	**133,448**	**-**	**133,448**	**121,680**	**(7,349)**	**114,331**

(a) Associate

The Group's has an interest of 25% (2016: 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.

Prior year under provision

During the year 2016, the associate 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)).

NOTES (Continued)
for the year ended 31 December 2017

19. EQUITY ACCOUNTED INVESTEE (Continued)

(a) Associate (continued)

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
At start of year	121,680	125,925	137,026	137,026
Prior year under provision	-	(9,951)	-	-
Share of profit from continuing operations (net of tax)	11,768	5,706	-	-
At end of year	**133,448**	**121,680**	**137,026**	**137,026**

(ii) Summarised financial information

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

	2017	**2016**
	KShs'000	**KShs'000**
Financial position		
Non-current assets	2,283,560	2,272,809
Current assets	109,256	168,433
Current liabilities	(21,362)	(14,363)
Non-current liabilities	(1,837,664)	(1,940,160)
Net assets	**533,790**	**486,719**
Profit or loss and other comprehensive income		
Revenue	363,857	347,651
Expenses	(316,785)	(324,826)
Profit after tax	47,072	22,825
Other comprehensive income	-	-
Total comprehensive income	**47,072**	**22,825**

(b) Joint venture

The Group's subsidiary, Yana Tyre Centre Limited and Discount Tyres Limited had entered into a joint arrangement to operate a tyre centre within Galleria Mall in the upmarket area of Karen, Nairobi County. The joint venture ceased effective 31st December 2017 and was structured as a separate business in which the Group had residual interest in the net assets and / or obligations to the residual liabilities of the joint arrangement.

NOTES (Continued)
for the year ended 31 December 2017

19. EQUITY ACCOUNTED INVESTEE (Continued)

(b) Joint venture (continued)

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 (2016 – 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 did not operate in the year 2017 (2016- 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.

	2017	**2016**
Group	**KShs'000**	**KShs'000**
Percentage of ownership	**50%**	**50%**
Non - current assets	-	-
Current assets (including cash and cash equivalents : KShs 976,000 (2016 – KShs 699,000)	-	10,166
Current liabilities (Borrowing from the Group)	-	(9,273)
Current liabilities (Trade and other payables)	-	(13,399)
Retained earnings - deficit	-	6,838
Net liabilities – 100%	**-**	**(5,668)**
Group's share of net obligations in the joint venture	**-**	**(2,834)**
Revenue	-	57,677
Cost of sales	-	(37,524)
Staff costs	-	(4,849)
Depreciation	-	-
Interest expense	-	(661)
Lease charges	-	(1,418)
Management fees	-	(2,019)
Other expenses	-	(16,874)
Loss and total comprehensive income - 100%	**-**	**(5,668)**
Group's share of loss and total comprehensive income	**-**	**(2,834)**

NOTES (Continued)
for the year ended 31 December 2017

19. EQUITY ACCOUNTED INVESTEE (Continued)

(c) Joint venture (continued)

The Movement in the carrying amounts of the equity accounted investee is as summarised below:

	2017 KShs '000	2016 KShs'000
Balance at 1 January	(7,349)	(4,515)
Share of Net assets	18,119	-
Share of Net Liabilities	(9,275)	-
Share of Joint venture loss on dissolution	(1,495)	(2,834)
Balance at 31 December	**-**	**(7,349)**

20. INVENTORIES

	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
Raw materials	-	105,619	-	105,619
Stores and supplies	7,711	9,713	5,865	6,778
Finished goods	722,869	1,285,989	403,466	845,137
	730,580	**1,401,321**	**409,331**	**957,534**

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

	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
Cost of raw material used	151,052	829,873	151,052	829,873
Changes in inventories of work in progress and finished goods	502,431	(85,390)	502,431	(85,390)
Cost of trading goods sold	1,034,035	641,872	552,861	432,136
	1,687,518	**1,386,355**	**1,206,344**	**1,176,619**

(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 – 1,261,600 (2016: KShs'000 1,191,500) shared pari –passu between the company's principal bankers (Note 24).

(b) Amounts recognised in profit or loss

In 2017, inventories of KShs'000 1,687,518 (2016 – KShs'000 1,386,355) were recognised as an expense during the year and included in 'cost of sales.

Following the factory closure and restructuring of the Groups operation (Note 8), write-off for inventory amounted to KShs '000 Nil (2016 – KShs '000 404,501).

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21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Current				
Trade receivables	686,645	513,343	338,992	240,809
Less: Provision for impairment	(69,355)	(65,211)	(28,149)	(27,707)
	617,290	**448,132**	**310,843**	**213,102**
Amounts due from related companies (Note 33(d)(i))	4,880	3,848	3,538	3,258
Other receivables	6,901	155,005	(11,762)	37,674
Receivables from subsidiaries (Note 33(d)(i))	-	-	344,007	737,040
Trade and other receivables	629,071	606,985	646,626	991,074
Prepayments	171,404	109,477	145,879	73,028
	800,475	**716,462**	**792,505**	**1,064,102**

(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 – 1,261,600 (2016: KShs'000 1,191,500) 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	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Cash at bank and in hand	72,105	92,030	28,789	15,654
Call deposits	47,000	40,352	47,000	-
Cash and bank balances in statement of financial position	**119,105**	**132,382**	**75,789**	**15,654**
Short term facilities used for cash management (Note 24)	(561,840)	(825,615)	(561,840)	(825,615)
Cash and cash equivalents in the statement of cash flows	**(442,735)**	**(693,233)**	**(486,051)**	**(809,961)**

As at 31 December 2017 all cash and cash equivalents balances were available for use by the Group and Company.

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22. CASH AND CASH EQUIVALENTS (Continued)

(a) Classification as cash and cash equivalent

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours' notice with no loss of interest.See note 3 (l)(ii) for the Group's other accounting policies on cash and cash equivalents.

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.

	2017	2016
Authorised ordinary shares	300,000,000	300,000,000
Authorised par value (KShs each)	5	5
Authorised share capital (KShs'000)	**1,500,000**	**1,500,000**
Issued and fully paid up capital		
Issued ordinary shares	278,342,393	278,342,393
Issued par value (KShs each)	5	5
Issued and fully paid up capital (KShs'000)	**1,391,712**	**1,391,712**

(b) Nature and purpose of reserves

(i) Translation reserve

The translation reserve comprise all foreign currency differences arising from the translation of financial statements of foreign operations as well as the effective portion of foreign currency arising from hedges of a net investment in a foreign operation. The cumulative amount is reclassified to profit or loss when the net investment is disposed of. Translation reserve is a non-distributable reserve.

(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.

NOTES (Continued)
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23. CAPITAL AND RESERVES (Continued)

(c) Dividends

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

	2017 KShs'000	2016 KShs'000
Declared and paid		
KShs Nil per qualifying ordinary share (2016 – KShs Nil)	-	-

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

	Group		Company	
(a) Carrying amounts	**2017 KShs'000**	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
Non-current				
At start of year	3,304	-	3,304	-
Long term loans	27,074	-	27,074	-
Finance lease liabilities	3,952	3,304	3,952	3,304
Repayment	(3,304)	-	(3,304)	-
	31,026	3,304	31,026	3,304
Current				
Short term facilities – Import loans	524,825	823,944	524,825	823,944
Long term loans	33,642	-	33,642	-
Finance lease liabilities	3,373	1,671	3,373	1,671
	561,840	825,615	561,840	825,615
Total borrowings	**592,866**	**828,919**	**592,866**	**828,919**

NOTES (Continued)
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24. BORROWINGS (Continued)

(b) Terms and repayment schedule

Group

	Currency	Nominal interest	Maturity	31 December 2017 Face value	31 December 2017 Carrying amount	31 December 2016 Face value	31 December 2016 Carrying amount
				KShs'000	KShs'000	KShs'000	KShs'000
Import Financing loan – NIC Bank (K) PLC	USD	8.00%	2018	309,695	144,063	306,934	360,910
Import Financing loan – Standard Chartered Bank (K) Ltd	USD	6.50%	2018	309,695	68,249	306,934	156,482
Import Financing loan - Stanbic Bank (K) Ltd	USD	6.00%	2018	325,180	190,365	260,894	204,577
Term loan –Standard Chartered Bank (K) Ltd	USD	6.50%	2020	123,878	60,716	-	-
Bank overdraft – NIC Bank (K) PLC	USD	8.00%	2018	120,000	122,148	102,311	101,975
Finance lease liabilities	KSH	14.00%	2020	10,152	7,325	5,139	4,975
				1,198,600	**592,866**	**982,212**	**828,919**

Company

	Currency	Nominal interest	Maturity	31 December 2017 Face value	31 December 2017 Carrying amount	31 December 2016 Face value	31 December 2016 Carrying amount
				KShs'000	KShs'000	KShs'000	KShs'000
Import Financing loan – NIC Bank (K) PLC	USD	8.00%	2018	309,695	144,063	306,934	360,910
Import Financing loan – Standard Chartered Bank (K) Ltd	USD	6.50%	2018	309,695	68,249	306,934	156,482
Import Financing loan - Stanbic Bank (K) Ltd	USD	6.00%	2018	325,180	190,365	260,894	204,577
Term loan-Standard Chartered Bank (K) Ltd	USD	6.50%	2020	123,878	60,716	-	-
Bank overdraft – NIC Bank (K) PLC	USD	8.00%	2018	120,000	122,148	102,311	101,975
Finance lease liabilities	KSH	14.00%	2020	10,152	7,325	5,139	4,975
				1,198,600	**592,866**	**982,212**	**828,919**

NOTES (Continued)
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24. BORROWINGS (Continued)

(c) Finance lease liabilities

	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
Less than 1 year	3,373	1,671	818	582	3,373	1,671
Between 1 and 2 years	3,952	3,304	250	539	3,952	2,542

The Group leases motor vehicles with a carrying amount of KShs '000 7,325 (2016 – KShs '000 4,975) under finance leases expiring within three years. Under the terms of the leases,the Group has joint ownership and title in the motor vehicles until expiry of the leases, when full title passes to the Group. This option lapses in the event the Group fails to meet all periodic lease payments.

(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 (2016 – KShs'000 926,100) shared pari –passu between the company's principal bankers.
The weighted average effective interest rates at the year-end were:

	2017 %	2016 %
Bank overdrafts – USD	8.00	7.09
Bank borrowings – KShs	14.00	14.00

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 the financial covenants of its borrowing facilities during the 2017 and 2016 reporting period.

NOTES (Continued)
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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	
	2017 KShs'000	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
At start of year	(406,029)	(153,807)	(342,545)	(91,931)
Charge to statement of profit or loss(Note 12 (a))	5,899	(251,332)	23,152	(248,613)
Prior year under provision	-	781	-	(330)
Recognised in other comprehensive income	-	(1,671)	-	(1,671)
Currency translation differences	-	-	-	-
At end of year	**(400,130)**	**(406,029)**	**(319,393)**	**(342,546)**
As disclosed on the balance sheet:				
Deferred income tax assets	(404,264)	(409,306)	(319,393)	(342,546)
Deferred income tax liabilities	4,134	3,277	-	-
	(400,130)	**(406,029)**	**(319,393)**	**(342,546)**

(b) Movement in deferred tax balances

Group 2017

	Net balance at 1 January KShs'000	**Recognised in profit or loss KShs'000**	**Net balance at 31 December KShs'000**
Deferred income tax asset			
Property, plant and equipment and intangibles	(79,925)	6,463	(73,462)
Investment property	80,328	1,216	81,544
Provisions	(33,943)	9,769	(24,174)
Tax losses	(376,910)	(16,969)	(393,879)
Effects of movements in exchange rates	-	4,563	4,563
Prior year under provision	1,144	-	1,144
	(409,306)	**5,042**	**(404,264)**
Deferred income tax liability			
Investment property	3,248	743	3,991
Provisions	153	-	153
Effects of movements in exchange rates	(124)	114	(10)
	3,277	**857**	**4,134**
Net deferred income tax asset	**(406,029)**	**5,899**	**(400,130)**

NOTES (Continued)
for the year ended 31 December 2017

25. DEFERRED INCOME TAX (Continued)

(b) Movement in deferred tax balances (continued)

Group 2016

	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	Net balance at 31 December KShs'000
Deferred income tax asset					
Property, plant and equipment and intangibles	(25,812)	(53,783)	-	(330)	(79,925)
Investment property	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)**
Deferred income tax liability					
Investment property	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)**

Company 2017

	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
Deferred income tax asset					
Property, plant and equipment and intangibles	(79,364)	8,471	-	-	(70,893)
Investment property	17,413	1,216	-	-	18,629
Provisions	(24,017)	9,875	-	-	(14,142)
Tax losses	(255,815)	4,759	-	-	(251,056)
Exchange differences	(763)	(1,169)	-	-	(1,932)
	(342,546)	**23,152**	**-**	**-**	**(319,394)**
2016					
Deferred income tax asset					
Property, plant and equipment and intangibles	(27,310)	(51,725)	-	(330)	(79,364)
Investment property	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)
	(91,932)	**(248,613)**	**(1,671)**	**(330)**	**(342,546)**

NOTES (Continued)
for the year ended 31 December 2017

25. DEFERRED INCOME TAX (Continued)

(c) Carrying amount

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

(d) Unrecognised deferred tax assets

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 benefit there from.

	2017		2016	
	Gross amount	Tax effect	Gross amount	Tax effect
	KShs '000	KShs '000	KShs '000	KShs '000
Tax losses	**44,050**	**13,215**	**85,220**	**25,566**

(e) Tax losses carried forward

Tax losses for which no deferred tax asset was recognised expire as follows

	2017		2016	
	KShs '000	Expiry date	KShs '000	Expiry date
Expire	6,076	2018 - 2019	7,795	2017 - 2018
Never expire	7,139		17,771	

In 2017, the Group's Burundi subsidiary incurred a tax loss of KShs 28,753,265 increasing cumulative tax losses to KShs 127,290,428. Management has determined that the recoverability of cumulative tax losses, which expired in 2017, 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 deffered tax assets and a related income tax benefit of up to KShs 6,076,000 could be recognised.

In 2017, the Group's Tanzania subsidiary incurred a tax loss of KShs 15,296,441 increasing cumulative tax losses to KShs 138,130,768. 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 profitable. Should the subsidiary turn profitable in the next financial year, then additional deferred tax assets and a related income tax benefit of up to KShs 7,139,000 could be recognised.

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26. DEFINED CONTRIBUTION LIABILITY

Carrying amount

	Group and Company	
	2017	**2016**
	KShs'000	**KShs'000**
Defined benefit liability	-	191,873
Benefits paid	-	(191,873)
Closing defined contribution liability transferred	-	-
Add: Employer defined contributions	-	-
Less: Defined contribution benefit payable	-	-
Balance at 31 December	**-**	**-**

27. TRADE AND OTHER PAYABLES

(a) Carrying amounts

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Trade payables	392,148	454,261	331,099	344,788
Amounts due to related companies (Note 33(d)(ii))	9,591	9,397	9,591	9,397
Amounts due to subsidiaries (Note 33(d)(ii))	-	-	110,398	92,890
Accrued expenses and other payables	133,275	159,819	82,386	104,045
	535,014	**623,477**	**533,474**	**551,120**

Information on the Group's exposure to currency and liquidity risk in included in Note 5(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 2017 and 2016 was as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Balance at 1 January	5,473	1,291	4,181	490
Additional provisions	-	8,426	-	6,317
Utilised in the year	(5,473)	(4,244)	(4,181)	(2,626)
Balance at 31 December	**-**	**5,473**	**-**	**4,181**

NOTES (Continued)
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28. UNCLAIMED DIVIDENDS

(a) Carrying amount

	Group and company	
	2017 KShs'000	2016 KShs'000
Unclaimed dividends	-	-

The Group pays dividends to shareholders through its share registrars. In the past the group would recall amounts from the registrars which have remained unclaimed for a considerable period of time. The balances so recalled would have represented the carrying amounts.

(b) Analysis of total unclaimed dividends

In addition to amounts already recalled by the group noted above, there are also unclaimed dividends held by the Registrars. The analysis of the total unclaimed dividends for the group is as follows;

	2017 KShs'000	2016 KShs'000
Amounts held by the Registrars	-	-
Total unclaimed dividends	-	-

(c) Unclaimed Financial Assets Act

The Unclaimed Financial Assets Act was enacted as an Act of Parliament in Kenya in December 2011. The Act provides for the reporting and dealing with unclaimed financial assets and the establishment of the Unclaimed Financial Assets Authority (UFAA) and the Unclaimed Financial Assets Trust Fund.

Under the provisions of the Act, unclaimed dividends payable by the Group and the associated ordinary shares are considered to be unclaimed assets. The Group made its report to the Authority in respect of unclaimed assets on 1 November 2014.

The Unclaimed Financial Assets Authority has set a cut-off of 3 years dormancy for unclaimed assets. During the year, the Group did not forward any unclaimed dividends (2016: 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.

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29. (a) STATEMENT OF CASH FLOWS – RECONCILIATION OF RECEIPTS AND PAYMENTS

	Note	Group 2017	Group 2016	Company 2017	Company 2016
Cash receipts from customers		**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Revenue	9	2,626,975	2,882,230	1,798,957	2,299,076
Other income	10 (a)	94,810	21,481	88,939	20,781
Net foreign exchange losses	11	(31,377)	(23,064)	(4,056)	(466)
Translation differences		(10,369)	(6,824)	-	-
Movement in trade and other receivables	21	(84,013)	(24,492)	271,597	(380,390)
Cash collections from customers		**2,596,026**	**2,849,331**	**2,155,437**	**1,939,200**
Cash payments for purchases					
Opening inventory stock	20	(1,401,321)	(1,536,787)	(957,534)	(1,324,490)
Cost of sales	10 (b)	1,846,234	2,297,890	1,336,200	2,084,793
Closing inventory stock	20	730,580	1,401,321	409,331	957,534
Retirement benefits paid	26	-	191,873	-	191,873
Movement in trade payables	27 (a)	62,113	(103,081)	13,689	(21,647)
		1,237,606	**2,251,216**	**801,686**	**1,888,063**
Adjustments for non-cash expenses					
Depreciation and amortisation	10 (c)	76,333	144,383	33,900	104,150
Impairment loss on assets	8	-	179,315	-	179,315
Transfer to Insurance receivable	14(a)	(1,540)	1,540	-	-
Inter-company asset transfers	14(a)	-	-	9,281	-
Depreciation transfers	14(a)	-	-	(711)	-
		74,793	**325,238**	**42,470**	**283,465**
Cash payment for purchases		**1,162,813**	**1,925,978**	**759,215**	**1,604,598**
Cash payments for expenses					
Other operating expenses	10(b)(ii)	780,685	1,427,027	393,924	1,052,494
Movement in accruals and other payables	27(a)	26,350	(8,408)	3,958	96,255
Cash payments for expenses		**807,035**	**1,418,619**	**397,882**	**1,148,749**

(b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group and Company

	Net balance at 1 January 2017	Cashflows	New leases	Net balance at 31 December 2017
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Non-current				
Long term loans	-	-	27,074	27,074
Finance lease liabilities	3,304	(3,304)	3,952	3,952
Total borrowings	**3,304**	**(3,304)**	**31,026**	**31,026**

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.

The Group also leases commercial vehicles for use by its sales force in selling and marketing activities. Vehicle leases run for a period of 4 years with no option for renewal.

(i) Future minimum lease payments

At 31 December 2017, the future minimum lease payments under current leases are as follows.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Motor vehicles				
Not later than 1 year	8,707	18,248	6,189	7,056
Later than 1 year and not later than 5 years	4,476	12,870	3,365	8,152
	13,183	**31,118**	**9,554**	**15,208**
Leases for premises				
Not later than 1 year	58,310	100,237	2,018	4,036
Later than 1 year and not later than 5 years	219,099	113,002	-	-
	277,409	**213,239**	**2,018**	**4,306**

(ii) Amounts recognised in profit or loss

	Group 2017	Group 2016	Company 2017	Company 2016
Lease expense	101,379	134,449	3,995	31,083
Sub - lease income	(13,579)	(17,720)	-	-
	87,800	**116,729**	**3,995**	**31,083**

(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.

NOTES (Continued)
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30. OPERATING LEASES (Continued)

(b) Lease as lessor (continued)

(i) Future minimum lease rentals

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Leases for investment properties				
Not later than 1 year	202,073	90,378	159,444	62,205
Later than 1 year and not later than 5 years	573,644	254,659	477,648	209,056
	775,717	**345,037**	**637,092**	**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).

31. COMMITMENTS

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Property, plant and equipment	**127,724**	**134,314**	**107,080**	**129,514**

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 54 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% (2016: 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.

NOTES (Continued)
for the year ended 31 December 2017

33. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with key management personnel

(i) Key management compensation

Key management compensation comprised the following;

	Group		Company	
	2017 KShs'000	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
Basic pay and other allowances	56,676	47,469	56,676	47,469
Pension/gratuity	6,690	2,921	6,690	2,921
Total	**63,366**	**50,390**	**63,366**	**50,390**

(ii) Directors' shareholding

At 31 December 2017 directors' shareholding in the company was as follows:

	2017 Shares	**2016 Shares**
Peter Gitonga	12,750	12,750
Akif H. Butt	450	450
Sameer N. Merali	15,000	15,000
Akif H. Butt (jointly with another party)	20,000	20,000

(iii) Directors' remuneration

	Group		Company	
	2017 KShs'000	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
Directors' remuneration				
Fees as directors	5,500	4,831	5,500	4,831
Other emoluments (included under key management compensation above)	1,835	550	1,835	550
Managing director	25,909	25,909	25,909	25,909
Total remuneration of directors of the company	**33,244**	**31,290**	**33,244**	**31,290**

NOTES (Continued)
for the year ended 31 December 2017

33. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with key management personnel (continued)

(iv) Directors' remuneration

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Directors' remuneration				
Fees as directors				
Eng. E.K. Mwongera	2,700	2,700	2,700	2,700
S.N. Merali	480	480	480	480
P. Gitonga	480	480	480	480
S.M. Githiga	480	480	480	480
A.H. Butt	480	480	480	480
G.J. Kemei	40	211	40	211
L.M. Mbuthia	320	-	320	-
M.W. Ngatia	320	-	320	-
W.I. Nyamute	320	-	320	-
	5,620	**4,831**	**5,620**	**4,831**
Other emoluments (included under key management compensation above)				
Eng. E.K. Mwongera	305	100	305	100
S.N. Merali	80	60	80	60
P. Gitonga	370	170	370	170
S.M. Githiga	100	90	100	90
A.H. Butt	160	100	160	100
G.J. Kemei	-	30	-	30
L.M. Mbuthia	220	-	220	-
M.W. Ngatia	260	-	260	-
W.I. Nyamute	220	-	220	-
Total	**1,715**	**550**	**1,715**	**550**
A. Walmsley*	25,909	25,909	25,909	25,909
Total remuneration of directors of the company	**27,624**	**26,459**	**27,624**	**26,459**

* Managing Director

NOTES (Continued)
for the year ended 31 December 2017

33. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with other related parties

In addition to the parent and the ultimate controlling party, the Group also has other companies that are related through common shareholdings or common directorships.

Transactions with related parties included the following:

(i) Sale of goods and services

	Company	
	2017	**2016**
	KShs'000	**KShs'000**
Subsidiaries		
Sameer Africa (Tanzania) Limited	57,460	253,299
Sameer Africa (Uganda) Limited	26,289	55,542
Sameer Africa (Burundi) Limited	17,254	27,079
Yana Tyre Centre Limited	287,003	417,365
	388,006	**753,285**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Joint Venture				
Yana Tyre Centre – Galleria	**-**	**28,802**	**-**	**28,802**
Other related parties				
Ryce East Africa Limited	15,677	16,255	11,479	15,908
Ryce Southern Sudan	-	1,830	-	1,830
Eveready Batteries (K) Limited	2,976	598	2,670	-
Sasini Limited	1,083	1,251	-	-
	19,736	**19,934**	**14,149**	**17,738**

NOTES (Continued)
for the year ended 31 December 2017

33. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with other related parties (continued)

(ii) Purchase of goods and services

	Group and Company	
	2017	**2016**
	KShs'000	**KShs'000**
Other related parties		
Ryce East Africa Limited	25,664	28,336
First Assurance Company Limited	29,571	22,350
Sameer Management Limited	5,851	5,868
Sasini Limited	-	897
	61,086	**57,451**

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 – Nil (2016: 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 2017 as are follows:

	Group and Company	
	2017 KShs'000	**2016 KShs'000**
Bank balances	4,008	(20)
	4,008	**(20)**

NOTES (Continued)
for the year ended 31 December 2017

33. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with other related parties (continued)

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	
	2017 KShs'000	**2016 KShs'000**
Total amount advanced	-	19,831
Interest income earned	-	1,075

(d) Outstanding balances

At 31 December 2017, outstanding balances with related parties comprised the following;

	Group		Company	
	2017 KShs'000	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
(i) Amounts due from:				
Subsidiaries				
Taqwa Trading Limited	-	-	-	28,646
Yana Tyre Centre Limited	-	-	223,074	145,777
Sameer Industrial Park Limited	-	-	-	6,834
Sameer Africa(Tanzania) Limited	-	-	35,994	300,466
Sameer Africa (Uganda)	-	-	52,490	33,308
Sameer Africa(Burundi) Limited	-	-	32,449	222,009
	-	**-**	**344,007**	**737,040**
Associate				
Sameer Business Park Limited	**129**	**-**	**129**	**-**
Other related parties				
Ryce East Africa Limited	2,734	3,437	2,542	3,258
Sameer Agricultural & livestock	-	-	-	-
Eveready Batteries (K) Limited	1,655	351	867	-
Sasini Limited	362	60	-	-
	4,751	**3,848**	**3,409**	**3,258**
Total due from other related parties	**4,880**	**3,848**	**3,538**	**3,258**

NOTES (Continued)
for the year ended 31 December 2017

33. RELATED PARTY TRANSACTIONS (Continued)

(d) Outstanding balances (Continued)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
(ii) Amounts due to:				
Subsidiaries				
Sameer Industrial Park Limited	-	-	3,798	-
Sameer EPZ Limited	-	-	106,600	92,890
	-	**-**	**110,398**	**92,890**
Other related parties				
Ryce East Africa Limited	3,176	5,365	3,176	5,365
First Assurance Company Limited	3,515	3,135	3,515	3,135
Sasini Limited	2,900	897	2,900	897
	9,591	**9,397**	**9,591**	**9,397**

(e) Bad debts provisions

No doubtful debts provision or expense has been made in respect of receivables outstanding from related parties. The group has reviewed individually the outstanding balances for impairment loss and based on the review considers the amounts to be recoverable.

(f) 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

There were no adjusting or non-adjusting events after the balance sheet date.

NOTES (Continued)
for the year ended 31 December 2017

35. PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION

Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2017 are as follows:

Name		Number of Shares	%
1.	Sameer Investments Limited	200,817,982	72.15%
2.	Goodwill (Nairobi) Limited A/C 94	5,618,700	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	2,134,200	0.77%
6.	Andrew Mukite Musangi	1,907,000	0.69%
7.	Kenya Commercial Bank Nominees Limited A/C 915B	1,892,517	0.68%
8.	Craysell Investments Limited	1,875,171	0.67%
9.	Minaxshri Shah and Sureshchandra Raichand Shah	1,071,600	0.38%
10.	Bid Management Consultancy Limited	1,029,100	0.37%

Distribution of shareholders

Share range	Number of shareholders	Number of shares	%
0- 500	7,831	2,157,251	0.78%
501- 5000	5,069	8,063,385	2.90%
5,001 – 10,000	472	3,609,963	1.30%
10,001 – 100,000	501	15,514,758	5.57%
100,001 – 1,000,000	79	25,987,366	9.34%
Over 1,000,000	10	223,009,670	80.12%
Total	13,962	278,342,393	100%

NOTICE AND AGENDA OF THE 49TH ANNUAL GENERAL MEETING

Notice is hereby given that the 49th annual general meeting of the company will be held at Sameer Industrial Park situated along Road C, off Enterprise Road, Nairobi on Friday 22nd June 2018, commencing 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 48th annual general meeting held on Friday 9th June 2017.

3. **Financial Statements and Reports**
   To receive, consider and if deemed fit, adopt the financial statements for the year ended 31 December 2017, 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 1.123 of the company's articles of association, Mr. Akif Hamid Butt retires by rotation and being eligible, offers himself for re-election.
   ii. In accordance with Article 1.123 of the company's articles of association, Eng. Erastus Kabutu Mwongera retires by rotation and being eligible, offers himself for re-election.

5. **Confirmation of Members of the Audit, Risk and Corporate Governance Committee of the Board**
   To approve the following:
   In accordance with section 769(1) of the Companies Act 2015, the following being members of the audit, risk and corporate governance committee of the board, be confirmed to continue to serve on the said committee.
   i. Dr. Winnie Iminza Nyamute
   ii. Dr. Lydia Muthoni Mbuthia
   iii. Ms. Mary Wacuka Ngatia
   iv. Mr. Sameer Naushad Merali

6. **Directors Remuneration Policy and Emoluments**
   To approve the directors remuneration and the directors remuneration report for the year ended 31st December 2017 and authorize the board to fix the directors remuneration.

7. **Appointment of Auditors**
   To re-appoint KPMG Kenya to continue in office as the company's auditors who being eligible, have expressed their willingness to continue serve as auditors of the company in accordance with the provisions of section 721(2) of the Companies Act 2015 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

   (a) Changes to the Company's Articles of Association
   i. That the articles of association of the company be amended in accordance with the draft articles of association available on the company's website at www.sameerafrica.com, the changes being principally to align the articles of association of the company with the Companies (Amendment) Act 2017
   ii. That the company's board of directors be and is hereby mandated to take all such actions that may be necessary to give effect to this resolution.

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 2018, 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.
4. A copy of this notice, the proxy form, the integrated annual report may be viewed from the company's website at www.sameerafrica.com.

ILANI NA AJENDA YA MKUTANO MKUU WA KILA MWAKA WA 49

Ilani inatolewa hapa kuwa mkutano mkuu wa kampuni wa kila mwaka wa arobaini na tisa (49) utafanyika Sameer Industrial Park, kando ya barabara ya Road C, kutokea barabara ya Enterprise road Nairobi, Ijumaa tarehe 22 Juni 2018 kuanzia saa tano na nusu kuendesha shughuli zifuatazo:

AJENDA

1. **Kuitisha mkutano**
   Katibu kusoma ilani ya kuitisha mkutano, kuwasilisha fomu za wakala na kutambua kuwepo akidi.

2. **Kuthibitisha Kumbukumbu**
   Kuthibitisha kumbukumbu za mkutano mkuu wa kila mwaka wa arobaini na nane (48) uliofanyika Ijumaa tarehe 9 Juni 2017.

3. **Taarifa na Ripoti za Fedha**
   Kupokea, kuchunguza na ikithibitishwa sawa, kukubali taarifa za matumizi ya fedha za mwaka ulioishia 31 Desemba 2017, pamoja na ripoti za wakurugenzi na wakaguzi kuhusu taarifa hizo.

4. **Uchaguzi wa wakurugenzi**

   4.1 Kuchaguliwa tena ikiwa ni kwa zamu:
   i. Kwa mujibu wa ibara 1.123 ya makala ya chama ya kampuni Bw. Akif Hamid Butt anastaafu kwa zamu na kwa kuwa anastahili anajitolea kuchaguliwa tena.
   ii. Kwa mujibu wa ibara 1.123 ya makala ya chama ya kampuni Mhandisi Erastus Kabutu Mwongera anastaafu kwa zamu na kwa kuwa anastahili anajitolea kuchaguliwa tena.

5. **Kuthibitishwa kwa Wanachama wa Kamati, ya Halmashauri, ya Ukaguzi, Vihatarishi na Utawala wa Kampuni**
   Kuidhinisha yafuatayo:
   Kwa mujibu wa kifungu 769 (1) ya Sheria ya Makampuni 2015, wafuatao wakiwa ni wanachama wa kamati, ya halmashauri, ya ukaguzi, vihatarishi na utawala wa kampuni kuthibitishwa kuendelea kuhudumu katika kamati iliyotajwa.
   i. Dkt. Winnie Iminza Nyamute
   ii. Dkt. Lydia Muthoni Mbuthia
   iii. Bi. Mary Wacuka Ngatia
   iv. Bw. Sameer Naushad Merali

6. **Sera ya Mishahara ya Wakurugenzi na Malipo**
   Kuidhinisha malipo ya wakurugenzi na ripoti kuhusu malipo ya wakurugenzi ya mwaka ulioishia 31 Desemba 2017 na kuidhinisha halmashauri kuamua mishahara ya wakurugenzi.

7. **Kuteua Wakaguzi**
   Kuwateua tena KPMG Kenya kuendelea kushikilia ofisi ya wakaguzi wa kampuni na kwa kuwa wanastahili wameonyesha kuwa tayari kuendelea kuhudumu kama wakaguzi wa kampuni kwa mujibu wa masharti ya kifungu 721 (2) cha Sheria ya Makampuni 2015 na kuidhinisha wakurugenzi kuamua malipo yao ya mwaka wa kifedha unaofuatia.

8. **Shughuli Maalum**
   Kuzingatia na ikidhaniwa sawa kupitisha maazimio yafuatayo kama maazimio maalum.
   a). Mabadiliko katika Makala ya Chama ya Kampuni
   i. Kuwa makala ya chama ya kampuni irekebishwe kwa mujibu wa makala rasimu ya chama yanayopatikana katika tovuti ya kampuni www.sameerafrica.com, mabadiliko yakiwa hasa ni kwa ajili ya kusawazisha makala hayo ya chama ya kampuni na Sheria ya Makampuni (marekebisho) 2017.
   ii. Kuwa halmashauri ya wakurugenzi ya kampuni iwe na hapa imepewa mamlaka kuchukua hatua zote zitakikanazo kutekeleza azimio hili.

3. **Shughuli Nyengine Yoyote**
   Kushughulikia shughuli nyingine yoyote inayoweza kushughulikiwa katika mkutano mkuu wa pamoja wa kila mwaka.

Kwa Amri ya Halmashauri

Edgar Imbamba

Katibu wa Kampuni
10 Mei 2018, 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.
4. Nakala ya ilani hii, fomu ya wakala, ripoti jumuishi ya kila mwaka zinaweza kuonekana katika tovuti ya kampuni www.sameerafrica.com.

TYRE CARE TIPS FROM SAMEER AFRICA PLC

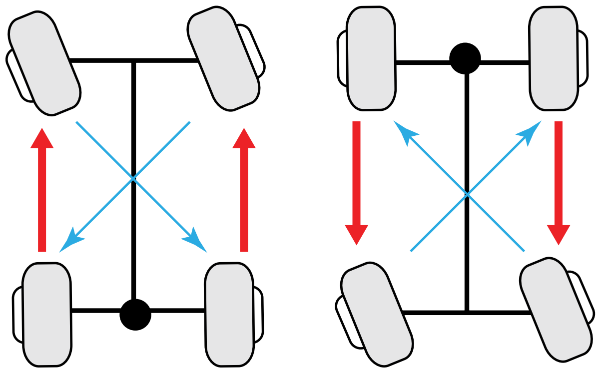
The functions of tyres

- Supporting the weight of the vehicle
- Absorbing road shocks
- Transmitting traction and braking forces
- Changing an maintaining direction of travel

What tires are right for your vehicle?

Consider:

- Manufacturer's recommendation on tyre size and inflation pressure
- The load, speed and driving habits.
- The most common terrain / road conditions.
- The tyre design & construction in all aspects.
- Seek expert advice before choosing a tyre



Dangers of low inflation pressure

- Overheating of tyres leading to bursts
- Irregular tyre wear
- Reduced tyre life - 10% pressure reduction causes 5-10% less life
- Reduced fuel economy - 10% pressure reduction can cause 1.4% extra fuel consumption
- Always use the recommended inflation pressure

Dangers of excessive inflation pressure

- Reduced riding comfort
- Irregular wear – concentrated at the centre
- Reduced tyre life
- Tyre bursts – hence accidents
- Always use the recommended inflation pressure

Benefits of wheel alignment

- Increased wear resistance – longer tyre life
- Better vehicle control and braking
- Softer steering
- Safer cornering

What to check before you drive

- Correct air pressure
- Sufficient tread depth
- Any irregular wear
- Any tear or crack

Proper tyre rotation

- Is critical since it ensures even wearing of all tyres
- Can increase tyre life by up to 20%
- Newer tyres require frequent rotation
- Rotate tires regularly : tyres should be rotated every 5000kms, to prevent irregular wear and prolonged tyre life
- Ask your Yana Tyre Centre experts for more advice on tyre rotation

Important tyre care tips for Africa

- Ensure correct inflation pressure
- Rotate your tyres regularly
- Check your wheel alignment often
- Avoid speeding
- Seek expert advice on specific tyre care problems

What unique tyre features are suitable for African road conditions?

- Reinforced side walls to resist damage caused by pot holes, objects, sharp road edges, curbs and rough terrain
- Reinforced bead and tread area to withstand varied load, unique usage habits and possible abuse
- Warranty/guarantee on purchase of new tyres
- Reliable, durable and relevant tyres


BINGWA WA MATATU APISHWE
Optimize your driving experience with YANA TYRES.
Built with NEXT-GEN Tyre Technology.
MODERN TREAD PATTERN
Stylish
Puncture & wear resistance
IMPROVED SIDEWALL
Comfortable ride
Better stability
YANA
FAIDA
PRODUCT OF SAMEER AFRICA
STRONGER BELTS
Enhanced puncture resistance
STRONGER CASING
Takes extra load
Tyre-burst safe
Yana Faida
For Matatus and Light Vans
YANA
SameerAfricaPLC
meerAfricaPLC
Call Centre: +254 730 156 222.
www.sameerafrica.com


RIDE HIGH
ON RELIABILITY
Optimize your driving experience with YANA TYRES.
Built with NEXT-GEN Tyre Technology.
MODERN
TREAD PATTERN
Stylish
Puncture & wear resistance
IMPROVED
SIDEWALL
Comfortable ride
Better stability
YANA
PAMOJA
STRONGER
BELTS
Enhanced puncture resistance
STRONGER
CASING
Takes extra load
Tyre-burst safe
Yana Pamoja
For Medium Trucks/Buses
YANA
SameerAfricaPLC
SameerAfricaPLC
Call Centre: +254 730 156 222.
www.sameerafrica.com

Form of Proxy

I/We, ______________________________ of_____________________________________
Being (a) member(s) of Sameer Africa PLC, 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 22nd June, 2018 commencing at 11.30 am and any adjournment thereof.

As witness my/our hand(s) this _________________________day_________________2018

Signature_________________________________

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

Notes:

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

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

3. To be valid, a form of proxy must be duly completed and signed by a member and must either be lodged at the offices of the company's share registrars, Custody and Registrars Services Limited, 6th Floor, Bruce House, Standard Street, Nairobi, to reach their offices not less than 48 hours before the meeting or be posted to the company secretary through P.O. Box 30429-00100, Nairobi to reach him not less than 48 hours before the time appointed for holding the meeting.

4. A copy of this notice, the proxy form, the Integrated Annual Report may be viewed from the company's website at: www.sameerafrica.com.

Fomu ya Uwakilishi

Mimi/Sisi_______________________________________wa_________________________________
nikiwa/tukiwa mwanachama/wanachama wa Sameer Africa PLC, namteua/tunamteua
____

au akikosa yeye, aliyeteuliwa kama mwenyekiti wa mkutano kuwa mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa kila Mwaka wa kampuni utakaofanyika Sameer Industrial Park, kando ya barabara ya Road C, kutokea barabara ya Enterprise road Nairobi, tarehe 22 Juni, mwaka 2018, kuanzia saa tano na nusu asubuhi na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu siku hii ya________________Mwezi wa ___________________2018

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 si lazima awe mwanachama wa Kampuni

2. Fomu ya wakala imo kwenye ripoti hii.

3. Ili kuwa halali, fomu ya wakala lazima ijazwe kikamilifu na kutiwa sahihi na mwanachama na lazima ifikishwe katika ofisi za wasajili wa hisa za Kampuni Custody and Registrars Services Limited ghorofa ya 6 jumba la Bruce, barabara ya Standard, Nairobi, iwafikie katika muda usiopungua masaa 48 kabla ya mkutano au kutumwa kwa katibu wa Kampuni kwa njia ya posta kutumia anwani S.L.P 30429-00100, Nairobi, imfikie katika muda usiopungua masaa 48 kabla ya wakati uliowekwa wa kufanyika mkutano.

4. Nakala ya ilani hii,fomu ya wakala,ripoti jumuishi ya kila mwaka zinaweza kuonekana katika tovuti ya kampuni: www.sameerafrica.com.

FOLD 2

Affix
Stamp
Here

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

FOLD 1

sameerafrica
WE'LL TAKE YOU THERE.®

FOLD 3

Insert Flap Inside


SUMMIT TYRE
Taya poa, thamani poa.
SUMMIT TYRE RANGE
HAWK
TOSHA
KIFARU
KIFARU-D
KIFARU-ST
sameerafrica

Sameer Africa Sales Depot Addresses

Kenya

Nairobi – Mombasa Road
P.O. Box 30429 - 00100, Nairobi
Mobile: 0733 611138/9
0722 204674/5
0730 156222
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

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

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

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: 0733750053
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: 0742 967632/0780 777804
Email: yana.karen@sameerafrica.com

Yana Tyre Centre - Athi-River
Kobil Service Station - Namanga Road
P.O.Box 30429-00100, Nairobi
Mobile: 0780777803
Email: yana.athiriver@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 – SBP
Sameer Business Park
Mombasa road
P.O. Box 30429- 00100
Nairobi,Kenya
Mobile:0732808057
Email: yana.sbp@sameerafrica.com

Yana Tyre Centre – Ciata
Ciata city mall
Kiambu road opp, Ridgeways mall
P.O. Box 30429- 00100
Nairobi,Kenya
Mobile: 0733366122
Email: yana.ciatamall@sameerafrica.com

Nakuru
Kolem House, Nakuru-Kisumu Highway
Jirani Road Junction
P.O. Box 15998, Nakuru, Kenya
Mobile: 0734333346/0720607706
Email: yana.nakuru@sameerafrica.com

Kisumu
Obote Road
P.O. Box 1497 Kisumu, Kenya
Tel: 057-2041 547/ 2045 007 / 3962 48
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: 0733 780 761
Email: yana.msa@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 – Nyali
Malindi Road
Nyaliu
P.O. Box 646- 80109
Mtwapa, Kilifi
Mobile: 0735451226
Email:yana.nyali@sameerafrica.com

Yana Tyre Centre – Machakos
Kobil Service Station at Chumvi/Kangundo
road junction
P.O. Box 2725 - 90100, Machakos
Mobile: 0733366124
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

Tanzania

Dar es Salaam
Sameer Africa (T) Ltd
Nyerere Road
P.O. Box14849, Dar es Salaam, Tanzania
Tel: 007-222-862584
Mobile: +255713757692
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 94/96, 7th Street, Industrial Area
Tel: +256 414 347665/ 667/ 635
Mobile: +256 752433020
Fax: 041-347670
Email: info@sameerafrica.co.ug

Ntinda
Sameer Africa (U) Ltd
Shell Ntinda (Opposite Harware World)
P.O. Box 8972, Kampala, Uganda.
Tel: +256 752433019
Mobile: +256 752433020
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

Head Office

Sameer Africa PLC, 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: +254 730 156 222
Email: customer.service@sameerafrica.com or info@sameerafrica.com
Website: www.sameerafrica.com

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