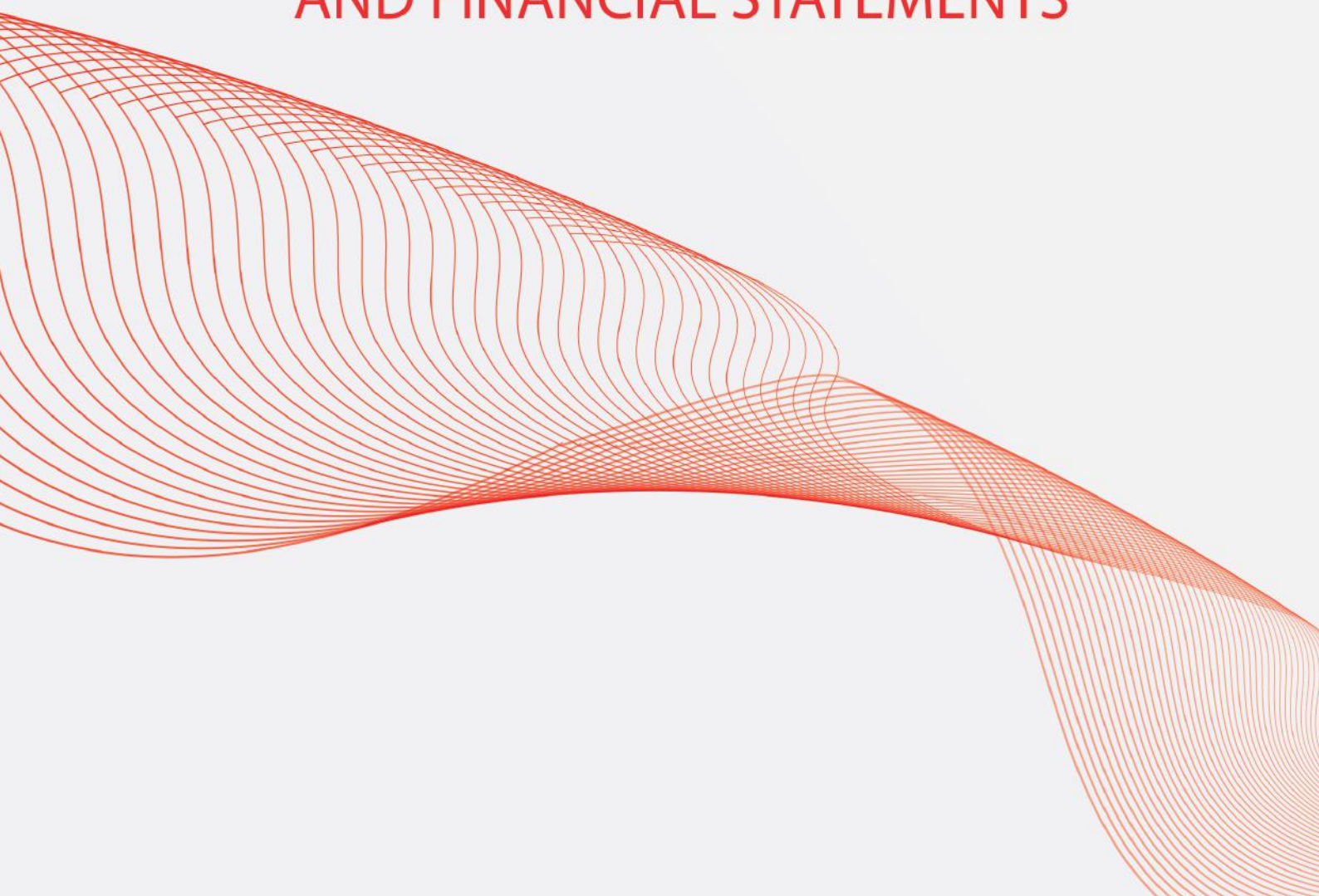


# 2019 ANNUAL REPORT AND FINANCIAL STATEMENTS



# **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.

The logo for Yana features a stylized 'Y' with a red outline and a grey-to-black gradient fill, followed by the word 'YANA' in a bold, black, sans-serif font.

## CORPORATE INFORMATION

### Board of Directors

Eng. Erastus Mwongera (Chairman)  
Peter Gitonga (Acting Managing Director) Appointed 29 August 2019  
Sameer Merali  
Akif Butt  
Simon Gachomo (Resigned 28 August 2019)  
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)  
Mary Ngatia  
Akif Butt  
Peter Gitonga  
Sameer Merali

### Nominations and Remuneration Committee

Eng. Erastus Mwongera (Chairman)  
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

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

### Auditors

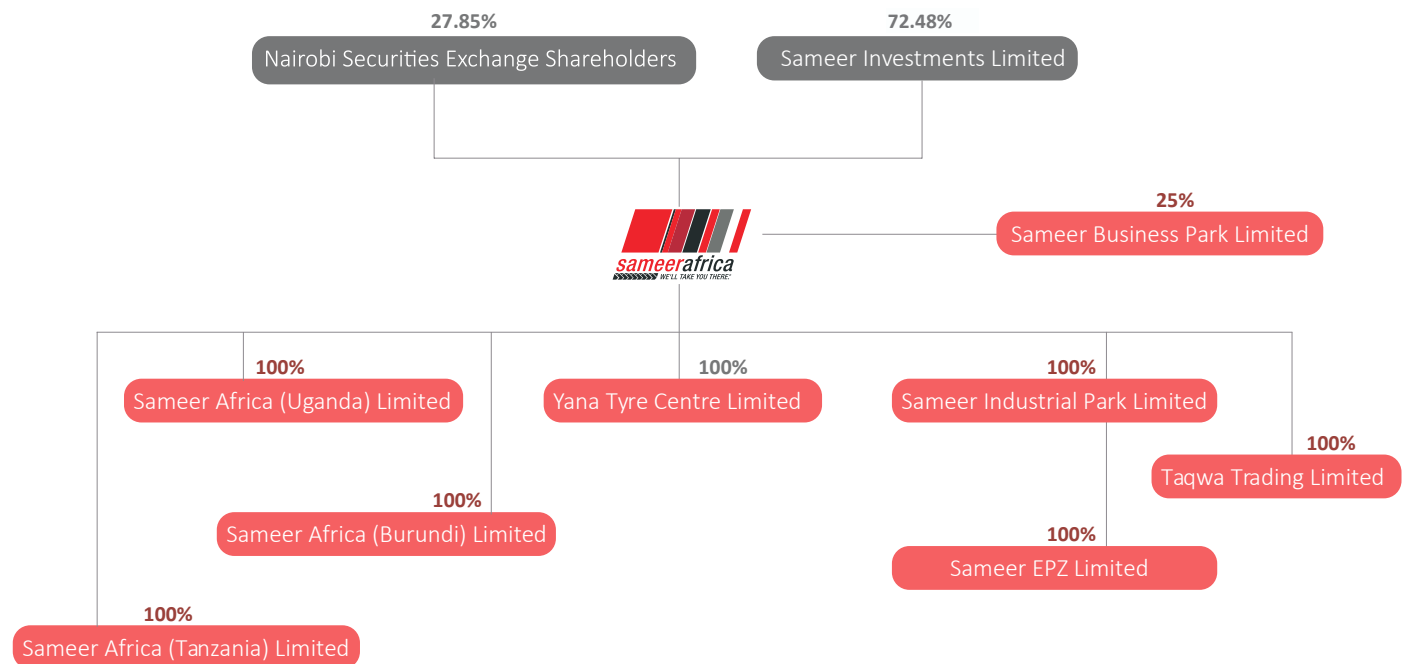
RSM Eastern Africa LLP  
Certified Public Accountants  
1st Floor, Pacis Centre  
Slip road, Off Waiyaki Way, Westlands  
P.O. Box 349-00606  
Nairobi

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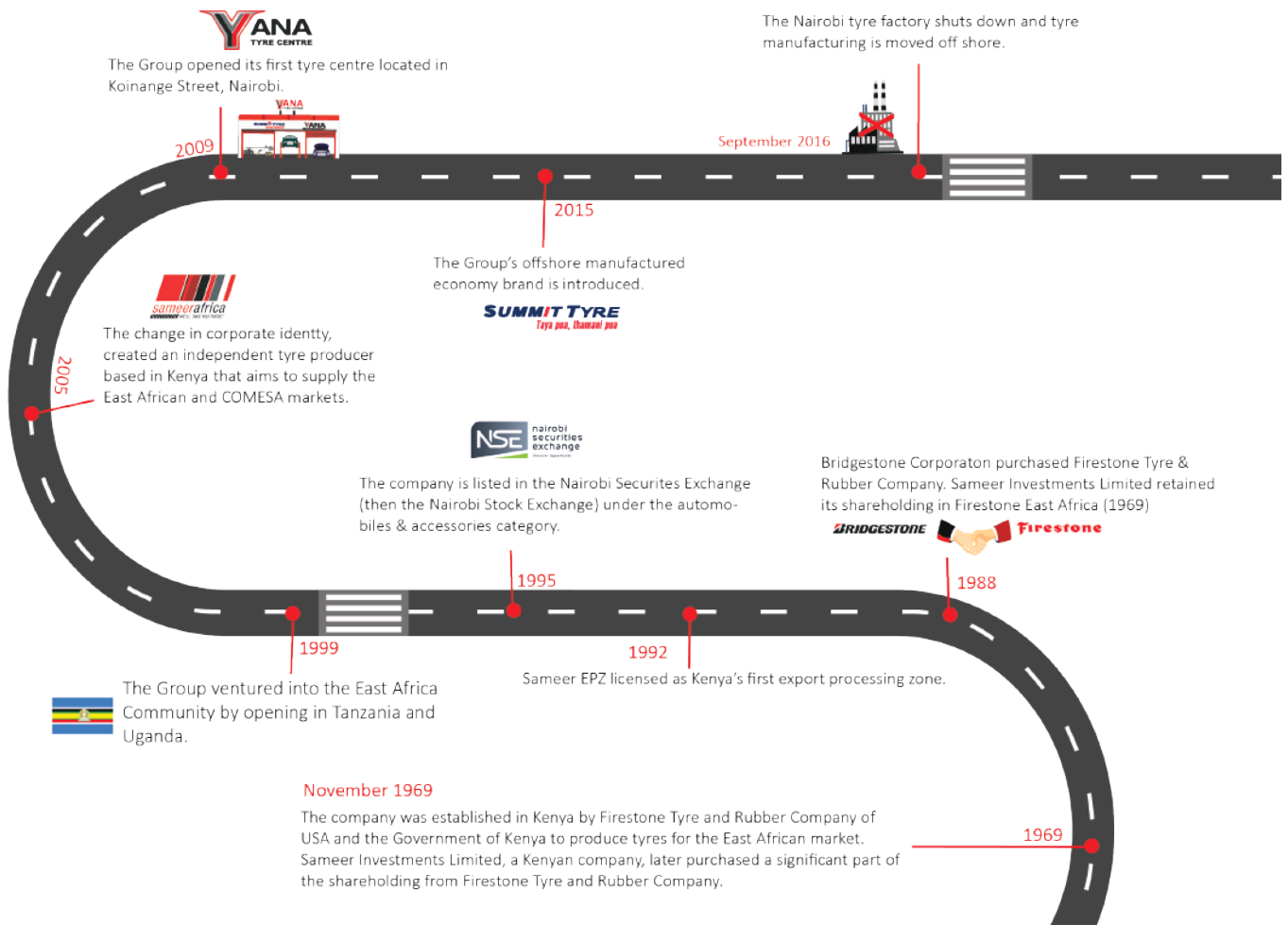
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Sameer Africa PLC is a public limited company first incorporated in Kenya in 1969 as Firestone East Africa Limited. The company's principal business is the importation and sale of tyres and allied products and the letting of investment property. We operate primarily in Kenya, with tyre operations in Tanzania, Uganda and Burundi. Sameer Africa PLC is 72.48% 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**

185/70R14 Monarch II  
195/65R15 Monarch III  
205R16 Moran  
225/75R15 Moran  
750-16 14 Ply Pamoja

**Value for money**

185/70R14 Hawk  
185/70R13 Hawk  
195R15 Tasha  
9.5R17.5 Kifaru  
315/80R22.5 Kifaru AP

**Premium and Quality**

215/70R16 Destination AT  
265/65R17 Destination AT  
245/70R16 Destination AT  
265/70R16 Destination AT  
11R22.5 UT3000

**OUR PROPERTY BRANDS**

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.



## CHAIRMAN'S STATEMENT



*“Having closed the loss-making units of the Group, the board and management will focus on the Groups real estate portfolio, which has been recording profitable growth over the years.”*

Eng. Erastus Mwongera  
**Chairman**

Distinguished shareholders, members of the board, ladies and gentlemen, it is with great pleasure that I welcome you to the 51st Annual General Meeting of your company.

The year 2019 again posed many challenges for the Group. The transition to offshore manufacturing of the Group's Yana brand continued to pose significant challenges to the Group's supply chain leading to prolonged stock-outs of key tyre sizes across the region. Also, the Group's regional operations in Burundi and Tanzania continued to perform poorly leading to the Board's decision to exit from these locations during the year. The Board also approved the closure of nine Yana Tyre Centers in Kenya. These were centers that were loss-making despite attempts made to turn them around to profitability.

More recently, with the rise and rapid spread of the coronavirus, the Group's tyre business has been severely affected. Our tyre business was anchored on our offshore manufacturing transition and with the cessation of manufacturing and importation of tyres due to the COVID-19 pandemic, our supply chain collapsed.

Having considered all available options, and with intention of having a viable business operation after the coronavirus pandemic, the Board on 20 April 2020 took the weighty decision to cease operations of the tyre business and focus on the Group's real estate portfolio.

As a result of the decisions to reduce the Group's trading footprint, Group revenues declined by Kshs 311 Million or 15% and the gross margins declined from Kshs 342 Million to Kshs 270 Million a decrease of 21%. Overheads increased from Kshs 786 Million to Kshs 876 Million, an increase of 11% mainly due to staff redundancy costs and the impairment of fixed assets following the closure of various tyre business entities.

The group made a loss of Kshs 1.1 Billion for

the year ended 31 December 2019 against a loss of Kshs 529 Million recorded in 2018.

#### OUTLOOK

As discussed above, the board has taken significant decisions to ensure the survival of the company during the current unprecedented pandemic and more so, to ensure that the business that emerges after is both viable and profitable.

Having closed the loss-making units of the Group, the board and management will focus on the Groups real estate portfolio, which has been recording profitable growth over the years.

#### 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. A 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

During the year 2019, Mr Simon Gachomo who had been with the Group since October 2018 resigned on August 2019 and was replaced with Mr Peter Gitonga as Managing Director in an acting capacity from 29 August 2019. I would like to thank Mr Gachomo for his contribution and wish him success in his future endeavours

In 2019, 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.

In 2020, the board will 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 goes 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 God bless each of you!!!

**Eng. Erastus Kabutu Mwongera.**



## TAARIFA YA MWENYEKITI

Waheshimiwa wanahisa, wanachama wa halmashauri, mabibi na mabwana, ni kwa furaha kubwa ninawakaribisha katika mkutano wa kampuni yenu. Mkutano mkuu wa kila mwaka wa 51.

Mwaka 2019 kwa mara nyingine, ulikuwa na changamoto nyingi kwa Kundi. Kuhamisha ngambo utengenezaji wa bidhaa za Kundi za Yana kuliendelea kusababisha changamoto kubwa kwa mfumo wa uagizaji bidhaa za Kundi uliopelekea ukosekanaji wa matairi ya vipimo vinavyotatikana sana katika kanda nzima. Pia, utendakazi wa Kundi katika kanda nchini Burundi na Tanzania uliendelea kuzorota hali iliopelekea uamuzi wa halmashauri kujiondoa kutoka maeneo hayo katika mwaka huo. Halmashauri pia iliidhinisha kufungwa kwa vituo tisa vya magurudumu ya Yana nchini Kenya. Vituo hivyo vilikuwa vinaleta hasara licha ya juhudi nyingi zilizofanywa kuvigeuza viwe vina faida.

Hivi karibuni, kufuatia kuchimbuka na kuenea kwa kasi kwa virusi vya korona, biashara ya matairi ya Kundi imeathirika sana. Biashara yetu ya matairi ilikuwa imedhibitiwa na utengenezaji wa mpito kutoka ngambo na kwa kusitishwa utengenezaji na uagizaji kutoka nje wa matairi kutokana na janga la korona, mfumo wa uagizaji ulipomoka.

Baada ya kuzingatia chaguo zote zilizopo na kwa nia ya kuwa na biashara yenye utendaji wa kufanikiwa litakapo ondoka janga la virusi vya korona, halmashauri mnamo 20 Aprili 2020 ilichukuwa uamuzi thakili wa kusitisha utendaji wa biashara ya matairi na kushughulika na mkusanyiko wa majumba ya kukodisha yanayomilikiwa na Kundi.

Matokeo ya maamuzi ya kupunguza utandaa wa kibiashara wa Kundi, Mapato ya Kundi yalishuka kwa shilingi milioni 311 au asilimia 15 na faida ya jumla ilishuka kwa shilingi milioni 342 kufika shilingi milioni 270 ikiwa ni kupungua kwa asilimia 21. Gharama ziliongezeka kutoka shilingi milioni 786 kufika shilingi

milioni 876 ikiwa ni ongezeko la asilimia 11% iliosababishwa hasa na gharama za kupunguza wafanyakazi na uchakavu wa mali isiohamishi-ka kufuatia kufungwa kwa vitengo kadhaa vya kibiashara vya matairi.

Kundi lilipata hasara ya bilioni 1.1 katika mwaka uloishia 31 Desemba 2019 ikilinganishwa na hasara ya milioni 529 iliosajiliwa mwaka 2018.

### MTAZAMO

Kama ilivyojadiliwa hapo juu, halmashauri imechukuwa uwamuzi muhimu wa kuhakikisha kunusurika kwa kampuni wakati wa janga la sasa ambalo halijaonekana na hasa zaidi, kuhakikisha kuwa biashara itakayo ibuka baadaye itakuwa ya kufanikiwa na yenye faida.

Baada ya kutamatisha kufunga vitengo vya Kundi vilivyo kuwa vinaleta hasara, halmashauri na idara ya usimamizi itaangazia mkusanyiko wa majumba ya kukodisha ya Kundi ambayo yamekuwa yakisajili ukuaji wa faida katika miaka iliyopita.

### USIMAMIZI WA VIHATARISHI

Halmashauri kwa muda mrefu imeshikamisha Kundi na mchakato wa usimamizi wa vihatarishi ambao umesawazishwa na misingi ya utendaji 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 mbali mbali. Utathmini wa vihatarishi kikamilifu hutuwezesha kutabiri na kukabiliana na mabadiliko katika mazingira yetu ya kibiashara, na pia utuwezesha kufikia maamuzi yenye ufahamu wa mambo wakati wa hali tatanishi.

Taratibu za usimamizi wa vihatarishi zimeambatishwa 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.

Katika mwaka 2019 Bwana Simon Gachomo, ambae alikuwa pamoja na Kundi toka Oktoba 2018, alijiuzulu mnamo Agosti 2019 na mahali pake kuchukuliwa na Bwana Peter Gitonga kama Mkurugenzi Msimamizi katika nafasi ya kaimu kutoka 29 Agosti. Ningependa kumshukuru Bwana Gachomo kwa mchango wake na namtakia mafanikio katika juhudi zake za baadaye.

Katika mwaka 2019 kamati mbalimbali za halmashauri ziliendelea kutekeleza wadhifa muhimu wa kuunga mkono halmashauri kutimiza wajibu wake na ninaendelea kuwa mwenye shukurani kwa bidii zao na kujitolea kwao.

Katika mwaka 2020 halmashauri itaendelea kuboresha utawala bora na mazoea ya uambataji maagizo na itaangazia 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 Mungu ambariki kila mmoja wenu!!!

**Mhandisi Erastus Kabutu Mwongera.**



## MANAGING DIRECTOR'S STATEMENT



***“Our transition from manufacturing to trading exposed the Group to the adverse effects of offshore outsourcing.”***

Peter Gitonga  
**Acting Managing Director**

2019 was undoubtedly a tough year for the Group. Our transition from manufacturing to trading exposed the Group to the adverse effects of offshore outsourcing while our domestic markets continued to plunge as tight liquidity restricted trade.

In response to the difficult trading conditions in our regional subsidiaries, and following management's best salvage efforts which did not bear fruit, the board decided to exit from our locations in Arusha, Dar es Salaam and Mwanza in Tanzania and Bujumbura in Burundi. The exit from these locations was to allow the Group to focus on its key market in Kenya.

However, the outbreak of the coronavirus pandemic, unforeseen and unexpected, severely affected our ability to continue with the tyre business operation that is anchored on an offshore manufacturing model. Secondly, the uncertainty, devastation and time to find a vaccine or eradicate the virus cast significant uncertainty on the ability of the tyre business to continue as a going concern. It was therefore prudent to conserve the Group's resources around a business model anchored on a more stable foundation.

Transformation into a Real Estate Business

Following the decision to exit the tyre business, the focus will now be on shaping the business to focus on property portfolio development and management.

We have been in the real estate business for many years and have achieved growth and profitability from this segment of the business. By concentrating our time and effort on this growth-segment, we are confident that the Group will return to a trajectory of growth and profitability, despite the initial shrinkage due to the cessation of the tyre business.

**Peter Gitonga**  
**Acting Managing Director**

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**TAARIFA YA MKURUGENZI MSIMAMIZI**

Mwaka 2019 bila ya shaka ulikuwa mwaka mgumu kwa Kundi. Kuhama kwetu kutoka utengenezaji hadi ufanyaji biashara kuliwacha Kundi paruwanja kwa athari mbaya za uagizaji kutoka ngambo na huku masoko ya ndani yakiendelea kudidimia wakati uhaba wa fedha ukizonga biashara.

Kwa kukabili hali ngumu ya kibiashara katika matawi yetu kwenye kanda na baada ya juhudi bora za usimamizi za kuokoa ambazo hazi kufua dafu, halmashauri iliamua kujiondoa kutoka vituo vyetu Arusha, Dar es Salaam na Mwanza nchini Tanzania na Bujumbura nchini Burundi. Kuondoka kutoka vituo hivyo ilikuwa ni kwa ajili ya kuwezesha Kundi kuangazia soko lake kuu nchini Kenya.

Hata hivyo, mkurupuko wa janga la Korona, ambao haukutabirika wala haukutarajiwa, uliathiri vibaya uwezo wetu wa kuendelea na utendakazi wa biashara ya matairi ambayo likuwa imetegemea mfumo wa utengezaji kutoka ngambo. Kisha, hali ya utatanishi, uharibifu na kipindi cha kutafuta chanjo au kutokomeza virusi inasababisha utata mkubwa juu ya uwezo wa biashara ya matairi kuendelea kama biashara ya kudumu. Kwa hivyo ikawa ni busara kuhifadhi rasilimali za Kundi na kuzijumuisha katika mfumo wa biashara uliodhibitishwa juu ya msingi ulioimara.

**Kughairi biashara kuwa ni ya majumba ya kukodisha**

Kufuatia uamuzi wa kujiondoa katika biashara ya matairi, zingatia litakuwa sasa nikuunda biashara inayo angazia kukuza na kusimamia mkusanyiko wa mali ya majumba na ardhi.

Tumekuwa katika biashara ya ukodishaji majumba kwa miaka mingi na tumepata ukuaji na faida kutoka kwa kitengo hiki cha biashara. Kwa kuanzazia wakati wetu na juhudi zetu kwa kitengo hiki cha ukuaji, tunaimani kuwa Kundi litarejesha mwenendo wa ukuaji na faida, licha ya kunywea hapo awali kwa sababu ya kusitisha biashara ya matairi.

Peter Gitonga  
Mkurugenzi Msimamizi

**OPTIMIZE YOUR DRIVING EXPERIENCE  
WITH YANA TYRES**

# **NEXT-GEN TYRE TECHNOLOGY**

## **STRONGER BELTS**

| Enhanced  
puncture resistance

## **MODERN TREAD PATTERN**

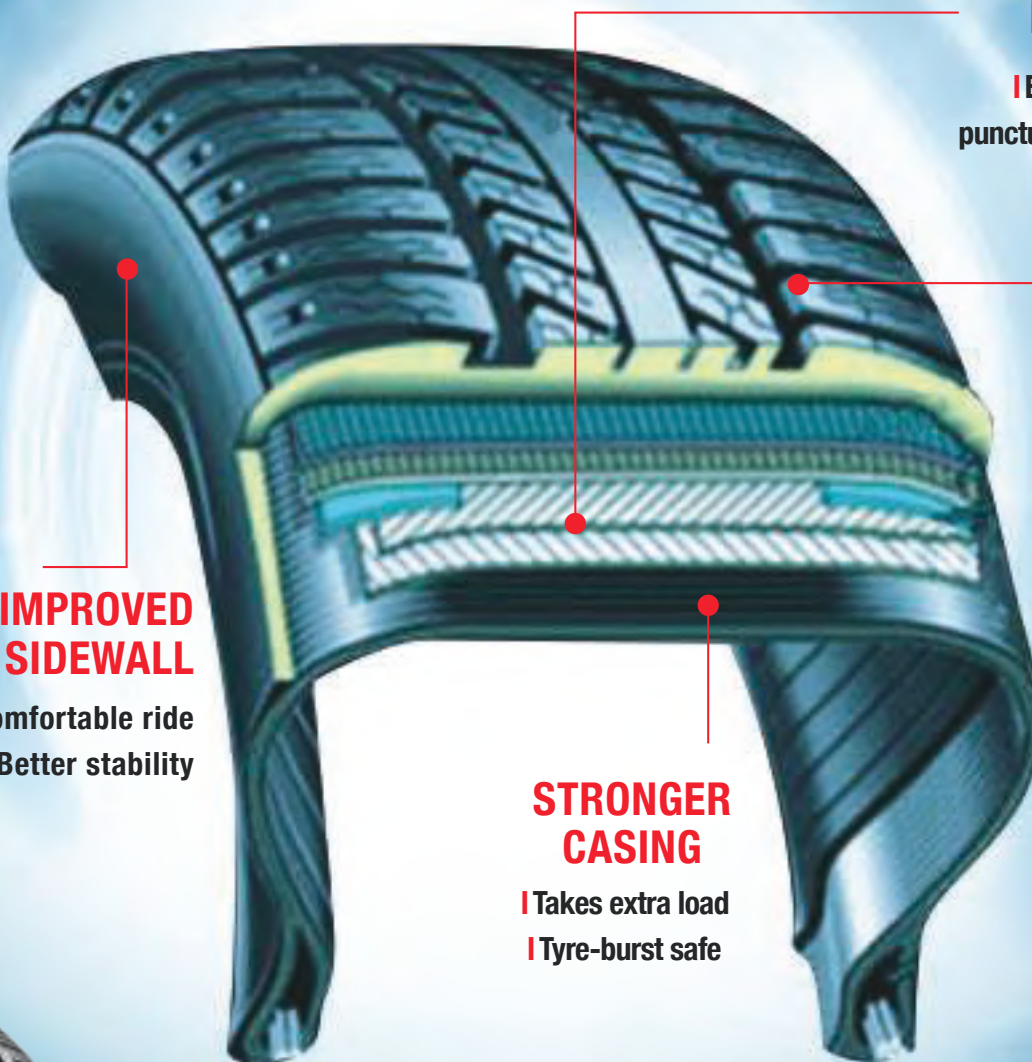
| Stylish | Puncture  
& wear resistance

## **IMPROVED SIDEWALL**

| Comfortable ride  
| Better stability

## **STRONGER CASING**

| Takes extra load  
| Tyre-burst safe



## 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.

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#### Engineer Erastus Mwongera - Chairman (Independent)

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.

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.

#### 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

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



#### Peter M. Gitonga - Acting Managing Director (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.



#### 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.



**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.

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**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.

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**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.

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**Peter M. Gitonga - Acting Managing Director**

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.

OUR BUSINESS

**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.

OUR PERFORMANCE

**Grace Ireri - Ag. Head of Human Resource**

Grace joined the company in April 2008. She is a Human Resource Specialist with a strong grasp of labour laws, compliance issues and other aspects of Human Resource Management with over 10 years' experience in Employee Relations, HR Services and Administration.

Grace holds a Bachelor of Business Administration and

a Diploma in Human Resource Management from Kenya Methodist University and the Institute of Human Resource Management respectively. She is a member of the Institute of Human Resource Management.

GOVERNANCE

**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.

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**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 Signon 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).

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**Sylvestre Yonga - Ag. Chief Information Officer**

Sylvestre holds a BSc degree in Computer Science from Makerere University and is a certified SAP associate in Procurement with SAP ERP 6.0 EHP6 and Business Foundation & Integration with SAP ERP 6.0 EHP5.

He is a member of the Information Systems Audit and

Control Association (ISACA-CISA).

Sylvestre joined the company in 2013 as an SAP ERP business analyst with a background in Supply Chain Management, Materials Management, Inventory Management, and Sales & Distribution.

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## DIRECTORS' REPORT

The directors have the pleasure of presenting their report together with the audited financial statements for the year ended 31 December 2019, which discloses the state of affairs of the Group and the Company.

### 1.Principal activities

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.

### 2.Results

The results for the year are set out on page 25 and 26.

### 3.Dividend

The directors do not recommend the payment of a dividend (2018 – Nil).

### 4.Directors

The directors who held office during the year and to the date of this report are set out on page 1.

### 5.Business overview

During the year under review, total revenue was KShs 1,757 million which showed a 15% decrease from the previous year (2018 – KShs 2,068 million). The reduced performance was mainly attributable to closure of nine retail outlets in Kenya, four in the regional markets, cheap imports from the Asian continent and stock out of key tyre sizes and curtailment in government expenditure.

Total operating expenses were KShs 876 million which showed a 11% increase from the previous year (2018 – KShs 786 million).

The Board will continue to both challenge and support the actions of management as they work to ensure the Group transitions successfully over the next coming years to a more profitable and cash-generating business in the future.

The information on management of risks facing the business is disclosed in note 5 to the financial statements.

### 6.Relevant audit information

The Directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the Group's auditor is unaware; and

(ii) Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### 7.Auditors

The auditor, KPMG resigned and RSM Eastern Africa LLP was appointed in office in accordance with Section 745 of the Kenya Companies Act, 2015

### 8.Approval of financial statements

The financial statements were approved and authorized for issue at a meeting of the directors held on 20 April 2020.

### BY ORDER OF THE BOARD



**Mr. Edgar Jumba Imbamba**  
**COMPANY SECRETARY**

**Date: 20 April 2020**

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## DIRECTORS' REMUNERATION REPORT

### A. Non-auditable section of the Directors Remuneration 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 the Kenya Companies Act, 2015 and the Capital Markets Authority (CMA) Code and Listing Rules.

Details of directors' remuneration in 2019, namely remuneration paid to directors and executive management during 2019 are included in page 19.

#### The remuneration policy

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

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

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

Executive director and senior management remuneration

The table below summarizes the main elements of the remuneration packages for the Executive Director and senior management.

#### Executive director and senior management remuneration

The table below summarizes the main elements of the remuneration packages for the Executive Director and senior management.

Function	Purpose and link to strategy	Operation	Performance metrics
Basic Salary	Reflects the individual's skills, responsibilities and experience. Supports the recruitment and retention of executive directors of the calibre required to deliver the business strategy within the competitive market environment the company operates.	Reviewed annually and paid monthly in cash. Consideration is given to a range of factors when determining salary levels, including: <ul style="list-style-type: none"> <li>— Personal and companywide performance.</li> <li>— Pay levels in relevant markets for each executive whilst recognising the need for an appropriate premium to attract and retain superior talent, balanced against the need to provide a cost-effective overall remuneration package.</li> <li>— The wider employee pay review.</li> <li>— Basic salary is subject to tax and other statutory deductions such as NSSF and NHIF paid monthly.</li> </ul>	Continued good performance. Overall individual and business performance is considered when setting and reviewing salaries.

Function	Purpose & link to strategy	Operation	Performance metrics
Housing Allowance	Allowances paid monthly to cater for executive housing. This is determined on the basis of housing rates for executives of comparable entities.	Paid in cash and is subjected to tax under the PAYE system.	None
Provision for an income in retirement	To provide competitive post-retirement benefits or cash allowance as a framework to save for retirement. Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy.	Executives can choose to participate in the Sameer Africa defined contribution scheme or receive a gratuity allowance. Contributions are set as a percentage of base salary. Post-retirement benefits do not form part of the base salary for the purposes of determining incentives. Contract gratuity is payable at the end of the contract period and is subject to tax under the PAYE system.	None  The maximum contributions for gratuity allowances for the executive directors are 25% of base salary.
Benefits	To provide non-cash benefits which are competitive in the market in which the executive is employed. Ensures the overall package is competitive and provides financial protection for executives and their families.	The Company provides a range of market competitive benefits including leave passages, private medical insurance and other life benefits. Additional benefits include company car, education support and club membership subscriptions. Other ad-hoc benefits such as relocation can be offered, depending on personal circumstances. Non- cash benefits are taxable in accordance with the Income Tax Act.	None
Performance bonus	Incentivises executives and senior management to achieve key strategic outcomes on an annual basis. Focus on key financial metrics and objectives to deliver the business strategy.	Measures and targets are set annually based on business plans at the start of the financial year and pay-out levels are determined by the Committee following the year-end based on performance against objectives. Paid once per annum. The Committee has the discretion to amend the bonus pay-out based on performance.	The bonus is based on the remuneration committee's assessment of executive directors' performance over the financial year against objectives, which cover: <ol style="list-style-type: none"> <li>1. Strategy, structure and people.</li> <li>2. Profit and loss performance and sales.</li> <li>3. Financial health.</li> <li>4. Risk, compliance and reputation.</li> </ol>

## Non-executive directors' remuneration policy

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

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

Function	Purpose & link to strategy	Operation	Performance metrics
Fees	To attract and retain non-executive directors of the highest calibre and experience relevant to Sameer Africa. Directors' fees are fixed and payable monthly in arrears.	The committee determines the directors' fees at a level that is considered to be appropriate, taking into account the size and complexity of the business and the expected time commitment and contribution of the role.  Fees are reviewed annually by the board at the year-end taking into account market benchmarks for non-executives of companies of similar size and complexity with consideration of sector relevance.  The chairman's remuneration is recommended by the remuneration committee and approved by the board. Director's fees are subject to tax under the PAYE regulations.	None
Sitting allowances	To encourage directors' full participation in board and committee meetings.	Sitting allowances are paid on the basis of actual meetings attended by each director.	None
Benefits	Non- executive directors are currently not entitled to any other benefits	Not applicable	None

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## B. Auditable section of the Directors Remuneration Report

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

	2019			2018		
	Fees KShs' 000	Sitting allowances KShs' 000	Total KShs' 000	Fees KShs' 000	Sitting allowances KShs' 000	Total KShs' 000
Eng. E.K. Mwongera	2,700	345	3,045	2,700	545	3,245
S.N. Merali	480	300	780	480	320	800
P. Gitonga	480	360	840	480	460	940
S.M. Githiga	-	-	-	28	-	28
A.H. Butt	480	360	840	480	380	860
L.M. Mbuthia	480	420	900	480	480	960
M.W. Ngatia	480	420	900	480	480	960
W. Nyamute	480	300	780	480	400	880
<b>Total</b>	<b>5,580</b>	<b>2,505</b>	<b>8,085</b>	<b>5,608</b>	<b>3,065</b>	<b>8,673</b>

Managing Director	<b>2019</b>	<b>2018</b>
<b>A.Walsmsley</b>	<b>KShs' 000</b>	<b>KShs' 000</b>
Basic pay and other allowances	-	11,900
Non-cash benefits	-	379
Pensions/gratuity	-	2,576
<b>Total</b>	<b>-</b>	<b>14,855</b>

Managing Director	<b>2019</b>	<b>2018</b>
<b>S.N.Gachomo</b>	<b>KShs' 000</b>	<b>KShs' 000</b>
Basic pay and other allowances	18,229	5,550
Pensions/gratuity	2,100	1,125
<b>Total</b>	<b>20,329</b>	<b>6,675</b>

Acting Managing Director	<b>2019</b>	<b>2018</b>
<b>P.Gitonga</b>	<b>KShs' 000</b>	<b>KShs' 000</b>
Basic pay and other allowances	2,650	-
<b>Total</b>	<b>2,650</b>	<b>-</b>
<b>Total 31 (b) iii</b>	<b>22,979</b>	<b>21,530</b>

### BY ORDER OF THE BOARD



**Mr. Edgar Jumba Imbamba**  
**COMPANY SECRETARY**

**Date: 20 April 2020**

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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The Directors are responsible for the preparation and fair presentation of the consolidated and Separate financial statements of Sameer Africa Plc set out on pages 25 to 105 which comprise the consolidated and Company statements of financial position at 31 December 2019, 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.

OUR BUSINESS

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 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.

Under the Kenyan Companies Act, 2015 the Directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of the profit or loss of the Group and Company for that year. It also requires the Directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company.

OUR PERFORMANCE

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and the Company and of the Group's profit or loss.

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.

GOVERNANCE

The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not be a going concern for at least the next twelve months from the date of this statement.

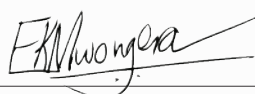
### Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the board of directors on **20 April 2020**.

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Eng. Erastus Kabutu Mwangera  
FIEK, RCE, CBS  
**Chairman**



Peter Gitonga  
**Acting Managing Director**

**Date: 20 April 2020**



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



RSM Eastern Africa LLP  
Certified Public Accountants

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### Report on the audit of the consolidated and company financial statements

#### Opinion

We have audited the accompanying financial statements of Sameer Africa PLC ("the Company") and its subsidiaries (together, "the Group"), set out on pages 25 to 105, which comprise, for both the Group and the Company, the balance sheet as at 31st December 2019, the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

#### Basis for opinion

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

#### Emphasis of matter

We draw attention to:

Note 33 of the financial statements which explains that the company's financial statements have been prepared on a going concern basis on the assumption that the shareholders and lenders will continue their support by providing adequate funding and that the business strategy will be achieved. As stated in Note 33, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

#### Key Audit Matters

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

The Key audit matter	How the matter was addressed
Valuation and existence of trade and other receivables.	<p>Trade and other receivables constitute a significant portion of the total assets of the Group and Company. The profile of the customers who constitute the trade receivables balance varies in character and risk. Amounts due from customers may be outstanding for long periods of time before being received by the Group and Company thus potentially exposing the Group and Company to impairment losses.</p> <p>The Group and Company has also to comply with IFRS 9 which involves significant judgement and estimates from management.</p> <p>Our procedures performed included the following:</p> <ul style="list-style-type: none"> <li>– Reviewed the expected credit loss (ECL) model for compliance with the principles of IFRS 9;</li> <li>– Tested the ageing of trade receivables, reviewing the data and assumptions made by management in arriving at the provisions;</li> <li>– Examined the historical recovery records and current credit status of customers; and</li> <li>– Performed alternative procedures where confirmations were not received by checking subsequent receipts from customers after the year end.</li> </ul>

## REPORT OF THE INDEPENDENT AUDITOR

### TO THE MEMBERS OF SAMEER AFRICA PLC (Continued)

The Key audit matter	How the matter was addressed
Existence and valuation of inventory.	<p>The group had inventory with a total value of KSh 419,779,000 at year end representing 48% of the total current assets.</p> <p>Inventory may be held for long periods of time before utilisation making it vulnerable to obsolescence.</p> <p>Valuation of inventory is considered a key audit matter because the assessment and application of inventory provisions and the determination of realisable value are subject to significant judgment, made by the directors.</p> <p>The procedures we performed included:</p> <ul style="list-style-type: none"> <li>– Attended the inventory count to confirm controls in place. We also performed a physical count to obtain evidence supporting existence of inventories;</li> <li>– Ensured correct and consistent application of the group's policy-weighted average;</li> <li>– Confirmed that slow moving or obsolete stock items are identified and adequate provision for inventory write-down is in place; and</li> <li>– Ensured that inventory is stated at the lower of cost and net realisable value and corroborated any estimates made by management.</li> </ul>
Going concern	<p>In the current financial year, the group incurred a loss of KSh 1,061,947,000 (2018: KSh 529,320,000) and has reported a net current liabilities of KSh 134,157,000 (2018: KSh 138,425,000). The financial statements have been prepared on a going concern basis based on the implementation of the strategic plan.</p> <p>If the strategic plan is not fully implemented, there would be a material uncertainty as to the company's ability to continue as a going concern and it may, therefore, be unable to realise its assets and discharge its liabilities in the normal course of business.</p> <p>The procedures we performed included:</p> <ul style="list-style-type: none"> <li>– evaluated the reliability of the data used to generate the forecast;</li> <li>– considered the forecasted cash generated/used in operations, debt repayments and other known cash requirements;</li> <li>– determined whether the nature/implications of the material uncertainty have been adequately disclosed in the financial statements and appropriately accounted for in accordance with the IFRS; and</li> <li>– reviewed current year facility letter from lenders and shareholder.</li> </ul>
Recognition of deferred tax asset	<p>In line with IAS 12 (Income Taxes), deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.</p> <p>The directors have therefore re-assessed whether it is appropriate to recognise deferred tax assets relating to tax losses in the view of the continued loss position of the group. As a result, deferred tax asset of KSh 369,499,000 has been derecognised in the financial statements.</p>

## REPORT OF THE INDEPENDENT AUDITOR

### TO THE MEMBERS OF SAMEER AFRICA PLC (Continued)

#### Auditor's responsibilities for the audit of the financial statements (Continued)

##### Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

##### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- 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 internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's 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 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 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 the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Group's 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 those charged with governance 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.

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SAMEER AFRICA PLC (Continued)

### Auditor's responsibilities for the audit of the financial statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 matters prescribed by the Kenyan Companies Act, 2015 (the Act)

In our opinion,

- i. the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements; and
- ii. the auditable part of the directors' remuneration report has been properly prepared in accordance with the Act.

*RSM Easton Africa LLP*

**Certified Public Accountants  
Nairobi**

*20th April 2020.*

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The signing partner responsible for the independent audit was FCPA Ashif Kassam, Practising Certificate No. 1126.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 KShs'000	2018 KShs'000
Revenue	8	1,757,353	2,067,928
Cost of sales	9 (b) (i)	(1,487,004)	(1,725,872)
<b>Gross profit</b>		<b>270,349</b>	<b>342,056</b>
Other operating income	9 (a)	15,691	30,846
Selling and distribution costs	9 (b) (ii)	( 198,149)	( 174,865)
Administrative expenses	9 (b) (ii)	( 403,921)	( 441,352)
Other operating expenses	9 (b) (ii)	( 274,067)	( 169,702)
<b>Operating loss</b>		<b>( 590,097)</b>	<b>( 413,017)</b>
Finance income	10	9,668	33,712
Finance costs	10	( 95,229)	( 102,836)
Share of profit of equity accounted investees (net of income tax)	18 (a)	15,135	4,027
<b>Loss before income tax</b>		<b>( 660,523)</b>	<b>( 478,114)</b>
Income tax expense	11 (a)	( 401,424)	( 51,206)
<b>Loss for the year</b>		<b>(1,061,947)</b>	<b>( 529,320)</b>
<b>Other comprehensive income (net of tax)</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations		1,480	( 10,802)
<b>Total other comprehensive income/(loss) for the year</b>		<b>1,480</b>	<b>( 10,802)</b>
<b>Total comprehensive loss for the year</b>		<b>(1,060,467)</b>	<b>( 540,122)</b>
<b>Earnings per share:</b>			
<b>Basic and diluted (KShs)</b>	12 (a)	<b>( 3.82)</b>	<b>( 1.90)</b>

The notes set out on pages 33 to 105 form an integral part of these financial statements.

**COMPANY STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 KShs'000	2018 KShs'000
Revenue	8	1,268,403	1,417,273
Cost of sales	9 (b) (i)	(1,069,243)	(1,224,284)
<b>Gross profit</b>		<b>199,160</b>	<b>192,989</b>
Other operating income	9 (a)	10,857	31,632
Selling and distribution costs	9 (b) (ii)	( 96,136)	( 63,959)
Administrative expenses	9 (b) (ii)	( 273,124)	( 289,629)
Impairment of investment in subsidiaries	9 (b) (ii)	-	( 403,624)
Other operating expenses	9 (b) (ii)	( 122,515)	( 90,125)
<b>Operating loss</b>		<b>( 281,758)</b>	<b>( 622,716)</b>
Finance income	10	7,318	31,193
Finance costs	10	( 82,130)	( 94,910)
<b>Loss before income tax</b>		<b>( 356,570)</b>	<b>( 686,433)</b>
Income tax expense	11 (a)	( 340,505)	( 5,384)
<b>Loss for the year</b>		<b>( 697,075)</b>	<b>( 691,817)</b>
<b>Other comprehensive income (net of tax)</b>			
<b>Total other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>( 697,075)</b>	<b>( 691,817)</b>

The notes set out on pages 33 to 105 form an integral part of these financial statements.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 KShs '000	2018 KShs '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13 (a)	60,508	356,388
Intangible assets	14 (a)	-	1,052
Investment properties	15 (a)	450,289	422,836
Prepaid operating lease rentals	16 (a)	342	345
Investment in associate	18	152,610	137,475
Deferred income tax	24 (b)	-	369,556
<b>Total non-current assets</b>		<b>663,749</b>	<b>1,287,652</b>
<b>Current assets</b>			
Inventories	19	419,779	617,406
Trade and other receivables	20	374,359	590,750
Current income tax	11 (c)	33,557	44,727
Cash and cash equivalents	21	39,403	47,289
<b>Total current assets</b>		<b>867,098</b>	<b>1,300,172</b>
<b>TOTAL ASSETS</b>		<b>1,530,847</b>	<b>2,587,824</b>
<b>EQUITY</b>			
Share capital	22 (a)	1,391,712	1,391,712
Retained earnings	22 (b)	(1,148,370)	( 86,423)
Translation reserve	22 (b)	( 174,231)	( 175,711)
<b>Total equity</b>		<b>69,111</b>	<b>1,129,578</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23 (a)	455,218	14,585
Deferred income tax	24 (a)	5,263	5,064
<b>Total non-current liabilities</b>		<b>460,481</b>	<b>19,649</b>
<b>Current liabilities</b>			
Trade and other payables	25	586,576	477,946
Borrowings	23 (a)	414,679	960,651
<b>Total current liabilities</b>		<b>1,001,255</b>	<b>1,438,597</b>
<b>Total liabilities</b>		<b>1,461,736</b>	<b>1,458,246</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,530,847</b>	<b>2,587,824</b>

The financial statements on pages 25 to 105 were approved and authorised for issue by the Board of Directors on 20 April 2020



**Eng. E.K. Mwangera**  
Chairman



**Peter Gitonga**  
Acting Managing Director

The notes set out on pages 33 to 105 form an integral part of these financial statements.

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 KShs '000	2018 KShs '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13 (a)	39,871	168,657
Intangible assets	14 (a)	-	1,052
Investment properties	15 (a)	372,678	342,337
Prepaid operating lease rentals	16 (a)	342	345
Investment in subsidiaries	17	130,000	130,000
Investment in associate	18	137,026	137,026
Deferred income tax	24 (b)	-	319,394
<b>Total non-current assets</b>		<b>679,917</b>	<b>1,098,811</b>
<b>Current assets</b>			
Inventories	19	319,624	313,617
Trade and other receivables	20	534,275	842,318
Current income tax	11 (c)	6,920	20,040
Cash and cash equivalents	21	29,152	2,612
<b>Total current assets</b>		<b>889,971</b>	<b>1,178,587</b>
<b>TOTAL ASSETS</b>		<b>1,569,888</b>	<b>2,277,398</b>
<b>EQUITY</b>			
Share capital	22 (a)	1,391,712	1,391,712
Retained earnings	22 (b)	( 1,271,090)	( 574,015)
<b>Total equity</b>		<b>120,622</b>	<b>817,697</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23 (a)	455,218	14,585
<b>Total non-current liabilities</b>		<b>455,218</b>	<b>14,585</b>
<b>Current liabilities</b>			
Trade and other payables	25	579,369	484,465
Borrowings	23 (a)	414,679	960,651
<b>Total current liabilities</b>		<b>994,048</b>	<b>1,445,116</b>
<b>Total liabilities</b>		<b>1,449,266</b>	<b>1,459,701</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,569,888</b>	<b>2,277,398</b>

The financial statements on pages 25 to 105 were approved and authorised for issue by the Board of Directors on **20 April 2020**



**Eng. E.K. Mwongera**  
Chairman



**Peter Gitonga**  
Acting Managing Director

The notes set out on pages 33 to 105 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital KShs'000	Retained earnings KShs'000	Translation reserve KShs'000	Total KShs'000
<b>2019</b>				
<b>At start of year</b>	1,391,712	( 86,423)	( 175,711)	1,129,578
<b>Comprehensive income</b>				
<b>For the year</b>				
Loss for the year	-	(1,061,947)	-	(1,061,947)
Other comprehensive income	-	-	1,480	1,480
<b>Total comprehensive income</b>	-	(1,061,947)	1,480	(1,060,467)
<b>At end of year</b>	<u>1,391,712</u>	<u>(1,148,370)</u>	<u>( 174,231)</u>	<u>69,111</u>
<b>2018</b>				
<b>At start of year</b>	1,391,712	611,051	( 164,909)	1,837,854
Adjustment on initial application of IFRS 9, net of tax	-	( 168,154)	-	( 168,154)
<b>Restated balance at 1 January 2018</b>	<u>1,391,712</u>	<u>442,897</u>	<u>(164,909)</u>	<u>1,669,700</u>
<b>Comprehensive income</b>				
<b>For the year</b>				
Loss for the year	-	( 529,320)	-	( 529,320)
Other comprehensive income	-	-	( 10,802)	( 10,802)
<b>Total comprehensive income</b>	-	(529,320)	( 10,802)	( 540,122)
<b>At end of year</b>	<u>1,391,712</u>	<u>( 86,423)</u>	<u>( 175,711)</u>	<u>1,129,578</u>

The notes set out on pages 33 to 105 form an integral part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2019**
**At start of year**

Share capital KShs'000	Retained earnings KShs'000	Total KShs'000
1,391,712	(574,015)	817,697

**Comprehensive income  
For the year**
**Loss for the year**

-	( 697,075)	( 697,075)
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**Total comprehensive income**

-	(697,075)	(697,075)
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**At end of year**

<b>1,391,712</b>	<b>( 1,271,090)</b>	<b>120,622</b>
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**2018**
**At start of year**

1,391,712	213,415	1,605,127
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**Adjustment on initial application of  
IFRS 9,net of tax**

-	( 95,613)	( 95,613)
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**Restated balance at 1 January 2018**

<b>1,391,712</b>	<b>117,802</b>	<b>1,509,514</b>
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**Comprehensive income  
For the year**
**Loss for the year**

-	( 691,817)	( 691,817)
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**Total comprehensive income**

-	(691,817)	(691,817)
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**At end of year**

<b>1,391,712</b>	<b>( 574,015)</b>	<b>817,697</b>
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The notes set out on pages 33 to 105 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 KShs'000	2018 KShs'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	26	1,973,413	2,292,998
Cash payments for purchases	26	(1,002,085)	(1,837,204)
Cash payments for expenses	26	( 748,799)	( 699,472)
Cash generated from /(used in) operating activities		222,529	( 243,678)
Interest paid	10	( 73,358)	( 69,413)
Income tax paid	11(c)	( 20,499)	( 11,967)
<b>Net cash generated from /(used in) operating activities</b>		<b>128,672</b>	<b>( 325,058)</b>
<b>Cash flows from investing activities</b>			
Interest received	10	-	2,530
Purchase of property, plant and equipment	13 (a)	( 7,745)	( 20,420)
Additions to investment property	15 (a)	( 34,818)	( 114,814)
Proceeds from disposal of property, plant and equipment		5,297	2,458
<b>Net cash used in investing activities</b>		<b>( 37,266)</b>	<b>( 130,246)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	23 (a)	455,218	14,585
Repayment of borrowings	23 (a)	( 14,585)	( 31,026)
<b>Net cash generated/(used in) by financing activities</b>		<b>440,633</b>	<b>( 16,441)</b>
<b>Increase /(decrease) in cash and cash equivalents</b>		<b>532,039</b>	<b>( 471,745)</b>
<b>Movement in cash and cash equivalents:</b>			
At start of year		( 913,362)	( 442,735)
Increase/(decrease) in cash and cash equivalents		532,039	( 471,745)
Effects of exchange movements on cash held		6,047	1,118
<b>At end of year</b>	21	<b>( 375,276)</b>	<b>( 913,362)</b>

The notes set out on pages 33 to 105 form an integral part of these financial statements.

**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 KShs'000	2018 KShs'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	26	1,584,181	1,400,115
Cash payments for purchases	26	( 945,321)	( 937,165)
Cash payments for expenses	26	( 386,329)	( 734,393)
Cash generated from /(used in) operating activities		252,531	( 271,443)
Interest paid	10	( 73,358)	( 69,413)
Income tax paid	11(c)	( 7,992)	( 8,013)
<b>Net cash generated /(used in) operating activities</b>		<b>171,181</b>	<b>( 348,869)</b>
<b>Cash flows from investing activities</b>			
Interest received	10	-	2,215
Purchase of property, plant and equipment	13(a)	( 6,503)	( 1,398)
Additions to investment property	15(a)	( 34,467)	( 109,953)
Proceeds from disposal of property, plant and equipment		1,668	2,458
<b>Net cash used in investing activities</b>		<b>( 39,302)</b>	<b>( 106,678)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings	23 (a)	455,218	14,585
Repayment of borrowings	23 (a)	( 14,585)	( 31,026)
<b>Net cash generated/(used in) by financing activities</b>		<b>440,633</b>	<b>( 16,441)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>572,512</b>	<b>( 471,988)</b>
<b>Movement in cash and cash equivalents:</b>			
At start of year		( 958,039)	( 486,051)
Increase/(decrease) in cash and cash equivalents		572,512	( 471,988)
<b>At end of year</b>	21	<b>( 385,527)</b>	<b>( 958,039)</b>

The notes set out on pages 33 to 105 form an integral part of these financial statements.

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## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2019**

### **1. REPORTING ENTITY**

Sameer Africa Plc is a limited liability Company incorporated in Kenya under the Kenyan Companies Act 2015, and is domiciled in Kenya. The consolidated financial statements of the company for the year ended 31 December 2019 comprise the company, its subsidiaries and an associate (together referred to as the “Group”). The Group primarily is involved in the sourcing, 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 72.48% 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 separate financial statements (the financial statements) are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs) and the Kenya Companies Act, 2015. Details of the Group’s and Company’s significant accounting policies are included in Note 3.

#### **(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 financial statements are presented in Kenya shillings (KShs), which is the Group’s and Company’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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**2. BASIS OF PREPARATION (Continued)**

**(d) Use of estimates and judgement (continued)**

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.

Intra-group 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, and adjustments made where necessary.

**(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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(a) Basis of consolidation (continued)**

**(iii) Loss of control**

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

**(iv) Interests in equity accounted investees**

The Group's interest in equity accounted investees, comprises 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.

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 measured 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Foreign currencies (continued)**

**(ii) Foreign operations**

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date.
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**(c) Segment reporting**

Operating segments are 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 is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities. Net revenue is stated net of value-added tax (VAT), excise duty, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is measured based on the consideration to which the Group and Company expects to be entitled in a contract with a customer. The Group and Company recognises revenue when it transfers control of a product or fulfil performance obligation for services to a customer.

The Group and Company recognises revenue in accordance with that core principle by applying the following five steps:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract;
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Finance income and finance costs**

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- 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 employees also contribute to a retirement benefit 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 retirement benefit schemes are charged to the profit or loss in the year to which they relate. The Group has no further obligation in respect of the retirement benefit scheme once the contributions have been paid.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Employee benefits (continued)**

**(iii) 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Property, plant and equipment**

**(i) Recognition and measurement**

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Items of property, plant and equipment are initially recorded at cost and subsequently depreciated. After initial recognition, property, plant and equipment is carried at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset.

Where an item of property, plant and equipment is developed or constructed over a period of time, the costs attributable to the item are accumulated in a “capital work in progress” account until the item is commissioned and the cost transferred to the relevant class of property, plant and equipment. Assets under capital work in progress are not depreciated until they are commissioned or are available for 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, plant 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	5-25 years
Plant and machinery	3 - 8 years
Computer equipment	3 years

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Property, plant and equipment (Continued)**

**(iv) Depreciation (Continued)**

Motor 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.

**(v) 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**

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, which can include right-of-use assets, is initially recognised at cost including the transaction costs. It is subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to write down the cost of the property to its residual value over its estimated useful life. Gains or losses on disposal are recognised in profit or loss.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

**(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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(I) Financial instruments**

**(i) Classification**

The Group and Company classify financial instruments into the following categories:

- a. Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.
- b. Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.
- c. All other financial assets are classified and measured at fair value through profit or loss.
- d. Notwithstanding the above, the Group and Company may:
  - i. on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income;
  - ii. on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- e. Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- f. All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Trade and other receivables were classified as at amortised cost;
- Borrowings and trade and other liabilities were classified as at amortised cost.

**(ii) Recognition and initial measurement**

Financial assets and financial liabilities are recognised in the Group and Company's statement of financial position when the Group or Company becomes a party to the contractual provisions of the instrument.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Financial instruments (Continued)**

**(ii) Recognition and initial measurement (Continued)**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**(ii) *Classification and subsequent measurement***

The Group and Company classify their financial assets in the following categories; amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of financial assets and their subsequent accounting will be determined by the application of dual tests examining the contractual cash flow characteristics of the financial instruments and the Group's business model for managing the assets.

Financial assets may be held at amortised cost only where both:

- the asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that consist solely of principal and interest on the outstanding principal.

**(iii) *Offsetting financial instruments***

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 the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**(iv) *Impairment of financial assets***

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(I) Financial instruments (Continued)**

**(iv) Impairment of financial assets (Continued)**

For financial assets carried at amortised cost (including loans and other receivables such as trade debtors), impairment losses are recognised under the “expected loss model”, building up a debtors’ provision / allowance account against credit losses over the life of the financial asset (including an estimate of initial credit risk).

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

**(v) Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**(vi) Financial guarantee contracts and loan commitments**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of the debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15

Loan commitments provided by the Group are measured as the amount of the loss allowance.

The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Financial instruments (Continued)**

**(vi) Financial guarantee contracts and loan commitments**

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan to the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provision.

**(m) Leases**

**(i) Leases under which the Group is the lessee**

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) Leases**

**(i) Leases under which the Group is the lessee**

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

**(ii) Leases under which the Group is the lessor**

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit and loss account on a straight-line basis over the lease term. The Group has not entered into any finance leases.

**(n) Provisions**

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

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

**(o) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Fair value measurement (Continued)**

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.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting period during which the change occurred."

**(p) Dividends**

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are not recognised until they have been declared at an annual general meeting.

**(q) Share capital**

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

**(r) Earnings per share**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(s) Impairment of non-financial assets**

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**(t) Cash and cash equivalents**

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

**(u) Acceptances and letters of credit**

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**4. NEW STANDARDS, AMENDMENT AND INTERPRETATIONS**

**a. New standards, amendments and interpretations effective and adopted during the year**

One new Standard, one new Interpretation and a number of Amendments to standards became effective for the first time in the financial year beginning 1st January 2019 and have been adopted by the Company. Neither the Amendments nor the Interpretation has had an effect on the Company's financial statements, but the new Standard has had an impact, as follows:

**IFRS 16 Leases (issued in January 2016)**

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Adoption of IFRS 16 did not have any material impact on the financial statements of the Group and company.

**b. New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2019**

- i. Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014). The amendments, applicable from a date yet to be determined.
- ii. Amendments to IAS 1 and IAS 8 titled Definition of Material (issued in October 2018). The amendments, applicable to annual periods beginning on or after 1 January 2020.
- iii. IFRS 17 Insurance Contracts (issued in May 2017). The new standard, effective for annual periods beginning on or after 1st January 2021.
- iv. Amendments to IFRS 3 titled Definition of a Business (issued in October 2018). The amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020.
- v. Amendments to IFRS 9, IAS 39 and IFRS 7 titled Interest Rate Benchmark Reform (issued in September 2019). The amendments, applicable to annual periods beginning on or after 1 January 2020.

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity). It is unlikely that IFRS 17, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 10, IFRS 3, IAS 1 and IAS 8 will have an impact on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES**

**Overview**

The Group's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Group's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Group's performance by setting acceptable levels of risk. The Group does not hedge against any risks.

**(a) Credit risk and expected credit losses**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a group-wide basis.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

***Trade and other receivables***

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

In assessing whether the credit risk on a financial asset has increased significantly, the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purposes default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that default does not occur later than when a financial asset is 90 days past due.

If the Group does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company Groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

**(a) Credit risk (Continued)**

*Trade and other receivables (continued)*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

**(i) Group**

(i) Group	Basis for measurement of loss allowance				
	12-month expected credit losses	Lifetime expected credit losses (see note below)			Total KSh'000
		(a)	(b)	(c)	
	KSh'000	KSh'000	KSh'000	KSh'000	
At 31st December 2019					
Trade receivables	-	-	-	523,303	523,303
Other receivables	65,070	-	-	-	65,070
Cash at bank	39,403	-	-	-	39,403
Gross carrying amount	104,473	-	-	523,303	627,776
Loss allowance	-	-	-	(247,734)	(247,734)
Exposure to credit risk	104,473	-	-	275,569	380,042



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)**

**(a) Credit risk (Continued)**

*Trade and other receivables (continued)*

	Basis for measurement of loss allowance				
	12-month expected credit losses	Lifetime expected credit losses (see note below)			
	(a)	(b)	(c)	Total	
	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000
At 31st December 2018					
Trade receivables	-	-	-	456,646	456,646
Other receivables	113,986	-	-	-	113,986
Cash at bank	57,351	-	-	-	57,351
Gross carrying amount	171,337	-	-	456,646	627,983
Loss allowance	(10,062)	-	-	(204,944)	(215,006)
Exposure to credit risk	161,275	-	-	251,702	412,977

**(ii) Company**

	Basis for measurement of loss allowance				Total KSh'000
	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		(a)	(b)	(c)	
	KSh'000	KSh'000	KSh'000	KSh'000	
At 31st December 2019					
Trade receivables	-	-	-	325,135	325,135
Other receivables	298,639	-	-	-	298,639
Cash at bank	29,152	-	-	-	29,152
Gross carrying amount	327,791	-	-	325,135	652,926
Loss allowance	-	-	-	(111,209)	(111,209)
Exposure to credit risk	327,791	-	-	213,926	541,717

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)**

**(a) Credit risk (Continued)**

*Trade and other receivables (continued)*

	Basis for measurement of loss allowance				
	12-month expected credit losses	Lifetime expected credit losses (see note below)			
	(a)	(b)	(c)	Total	
	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000
At 31st December 2018					
Trade receivables	-	-	-	236,320	236,320
Other receivables	477,634	-	-	-	477,634
Cash at bank	2,612	-	-	-	2,612
Gross carrying amount	480,246	-	-	236,320	716,566
Loss allowance	-	-	-	(82,091)	(82,091)
Exposure to credit risk	480,246	-	-	154,229	634,475

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

**(a) Credit risk (Continued)**

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

- (a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
- (b) financial assets that are credit impaired at the balance sheet date;
- (c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The age analysis of the trade receivables at the end of each year was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>
<b>Not past due</b>	<b>105,823</b>	<b>91,265</b>	<b>87,053</b>	<b>70,990</b>
Past due				
:by 31 to 60 days	91,214	42,590	75,099	35,277
:by 61 to 90 days	59,535	38,515	49,145	38,870
:by 91 to 180 days	18,997	79,332	2,629	9,092
:over 181 days	-	-	-	-
<b>Total past due</b>	<b>169,746</b>	<b>160,437</b>	<b>126,873</b>	<b>83,239</b>
<b>Total</b>	<b>275,569</b>	<b>251,702</b>	<b>213,925</b>	<b>154,229</b>
<b>Loss allowance</b>	<b>247,734</b>	<b>204,944</b>	<b>111,209</b>	<b>82,091</b>
<b>Total trade receivables</b>	<b>523,303</b>	<b>456,646</b>	<b>325,135</b>	<b>236,320</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

**(a) Credit risk (Continued)**

The changes in the loss allowance during the year were as follows:

(j) Group	Basis for measurement of loss allowance				
	12-month expected credit losses	Lifetime expected credit losses (see note above)			Total
	KSh'000	(a) KSh'000	(b) KSh'000	(c) KSh'000	KSh'000
<b>Year ended 31st December 2019</b>					
At start of year	10,062	-	-	204,944	215,006
The changes in the loss allowance during the year were as follows:					
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-	-	-	42,790	42,790
Changes because of financial assets that were written off during the year	(10,062)	-	-	-	(10,062)
Other changes					
<b>At end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>247,734</b>	<b>247,734</b>
<b>Year ended 31st December 2018</b>					
At start of year	-	-	-	164,909	164,909
The changes in the loss allowance during the year were as follows:					
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	10,062	-	-	40,035	50,097
<b>At end of year</b>	<b>10,062</b>	<b>-</b>	<b>-</b>	<b>204,944</b>	<b>215,006</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

**(a) Credit risk (Continued)**

The changes in the loss allowance during the year were as follows:

(ii)	Company	Basis for measurement of loss allowance				Total KSh'000
		12-month expected credit losses	Lifetime expected credit losses (see note above)			
		(a) KSh'000	(b) KSh'000	(c) KSh'000		
<b>Year ended 31st December 2019</b>						
	At start of year		-	-	82,091	82,091
	Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-	-	-	29,118	29,118
	<b>At end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111,209</b>	<b>111,209</b>
<b>Year ended 31st December 2018</b>						
	At start of year	-	-	-	95,613	95,613
	Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-	-	-	(13,522)	(13,522)
	<b>At end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,091</b>	<b>82,091</b>

The Company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

**(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.

1.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)**

**(b) Liquidity risk (continued)**

**(i) Group**

**31 December 2019:**

**Non - derivative financial liabilities**

Short term facilities (Note 23 (a))  
Long term loan (Note 23 (a))  
Trade and other payables (Note 25 (a))

**At 31 December 2019**

Carrying amount	1 - 3 months	3 months - 1 year	1-2 years	Total
KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
414,679	216,442	198,237	-	414,679
455,218	-	-	455,218	455,218
586,576	586,576	-	-	586,576
<b>1,456,473</b>	<b>803,018</b>	<b>198,237</b>	<b>455,218</b>	<b>1,456,473</b>

**31 December 2018:**

**Non - derivative financial liabilities**

Finance lease liabilities (Note 23 (a))  
Short term facilities (Note 23 (a))  
Long term loan (Note 23 (a))  
Trade and other payables (Note 25 (a))

**At 31 December 2018**

550	-	-	550	550
960,651	753,974	206,677	-	960,651
14,035	-	-	14,035	14,035
477,946	477,946	-	-	477,946
<b>1,453,182</b>	<b>1,231,920</b>	<b>206,677</b>	<b>14,585</b>	<b>1,453,182</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

**(b) Liquidity risk (continued)**

**(ii) Company**

**31 December 2019:**

**Non - derivative financial liabilities**  
Short term facilities (Note 23 (a))  
Long term loan (Note 23 (a))  
Trade and other payables (Note 25 (a))

**At 31 December 2019**

Carrying amount KShs '000	1 - 3 months KShs '000	3 months - 1 year KShs '000	1-2 years KShs '000	Total KShs '000
414,679	216,442	198,237	-	414,679
455,218	-	-	455,218	455,218
579,368	579,368	-	-	579,368
<b>1,449,265</b>	<b>795,810</b>	<b>198,237</b>	<b>455,218</b>	<b>1,449,265</b>

**31 December 2018:**

**Non - derivative financial liabilities**  
Short term facilities (Note 23 (a))  
Finance lease liabilities (Note 23 (a))  
Long term loan (Note 23 (a))  
Trade and other payables (Note 25 (a))

**At 31 December 2018**

960,651	753,974	206,677	-	960,651
550	-	-	550	550
14,035	-	-	14,035	14,035
484,465	484,465	-	-	484,465
<b>1,459,701</b>	<b>1,238,439</b>	<b>206,677</b>	<b>14,585</b>	<b>1,459,701</b>



## 5.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**  
**FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (Continued)**

**(c) Market risk**

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

**(i) Foreign exchange risk - Group exchange risk from recognised financial assets and liabilities**

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

**Exposure to currency risk**

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

**Financial instruments**

	31 DECEMBER 2019				31 DECEMBER 2018			
	USD	TZS	UGX	BIF	USD	TZS	UGX	BIF
	'000	'000	'000	'000	'000	'000	'000	'000
<b>Financial assets</b>								
Cash and cash equivalents	2,128	11	2,098	5,885	2,988	12,061	1,146	38,764
Trade receivables	18,078	76,287	41,740	39,938	611	115,942	48,631	37,772
	<b>20,206</b>	<b>76,298</b>	<b>43,839</b>	<b>45,823</b>	<b>3,599</b>	<b>128,003</b>	<b>49,777</b>	<b>76,536</b>
<b>Financial liabilities</b>								
Long term facilities	( 455,218)	-	-	-	-	-	-	-
Short term facilities	( 333,831)	-	-	-	(959,248)	-	-	-
Trade and other payables	( 38,989)	(13,383)	(773)	( 603)	( 56,504)	(16,642)	(2,398)	(49)
	<b>( 828,038)</b>	<b>(13,383)</b>	<b>(773)</b>	<b>( 603)</b>	<b>(1,015,752)</b>	<b>(16,642)</b>	<b>(2,398)</b>	<b>(49)</b>
<b>Net financial exposure</b>	<b>( 807,832)</b>	<b>62,915</b>	<b>43,066</b>	<b>45,220</b>	<b>(1,012,153)</b>	<b>111,361</b>	<b>47,379</b>	<b>76,487</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

**(c) Market risk (continued)**

**(i) Foreign exchange risk (continued)**

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

	Average rate		Year-end spot rate	
	2019	2018	2019	2018
USD	102.1550	101.3565	101.3365	101.8461
TZS	0.0441	0.0443	0.0443	0.0445
UGX	0.0276	0.0274	0.0276	0.0272
BIF	0.0539	0.0568	0.0556	0.0573

**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.

Effect in KShs '000		Profit or loss/equity	
		Strengthening	Weakening
<b>31 December 2019</b>			
	%		
Currency	movement		
USD	3%	(24,235)	24,235
TSH	10%	6,292	(6,292)
UGX	5%	2,153	(2,153)
BIF	3%	1,357	(1,357)
<b>31 December 2018</b>			
USD	3%	(30,364)	30,364
TSH	10%	11,136	(11,136)
UGX	5%	2,369	(2,369)
BIF	3%	2,295	(2,295)

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.

**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)****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 2019 would have had on the translation reserve are shown below:

**Uganda**

At 31 December 2019, if the Ugandan Shilling had weakened/strengthened by 5% (2018 – 5%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to the other comprehensive income would have been KShs 2,338,329 (2018 – KShs 4,457,350) higher/lower.

**Burundi**

At 31 December 2019, if the Burundi Franc had weakened/strengthened by 3% (2018 – 3%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been KShs 873,502 (2018 – KShs 74,122) higher/lower.

**Tanzania**

At 31 December 2019, if the Tanzanian Shilling had weakened/strengthened by 10% (2018 – 10%) against the Kenyan Shilling with all other variables held constant, the net (charge)/credit to other comprehensive income would have been KShs 1,477,749 (2018 – KShs 4,016,001) higher/lower.

***Company exchange risk from recognised financial assets and liabilities***

At 31 December 2019, 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 24,234,933 (2018 – KShs 30,364,590) 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 also has borrowings at fixed rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**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;

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>
<b><i>Fixed rate instruments</i></b>				
Financial liabilities (Note 23 (a))	(869,897)	(975,236)	(869,897)	(975,236)
<b>Exposure</b>	<b>(869,897)</b>	<b>(975,236)</b>	<b>(869,897)</b>	<b>(975,236)</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES**  
**(Continued)**

**(d) Capital management (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>
Total borrowings (Note 23)	869,897	975,236	869,897	975,236
Less: Cash and cash equivalents (Note 21)	( 39,403)	( 47,289)	( 29,152)	( 2,612)
Net debt	830,354	927,947	840,746	972,624
Total equity	69,111	1,129,578	120,622	817,697
<b>Total capital</b>	<b>899,605</b>	<b>2,057,525</b>	<b>961,368</b>	<b>1,790,321</b>
<b>Gearing ratio</b>	<b>92.32%</b>	<b>45.10%</b>	<b>87.45%</b>	<b>54.33%</b>

**(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.

**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.

<b>Reportable segment</b>	<b>Operations</b>
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 distribution, 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**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	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
External revenues	833,074	897,792	281,528	416,938	378,596	513,138	264,155	240,060	1,757,353	2,067,928
Inter-segment revenues	217,851	324,704	-	-	-	-	-	-	217,851	324,704
<b>Segment revenue</b>	<b>1,050,925</b>	<b>1,222,496</b>	<b>281,528</b>	<b>416,938</b>	<b>378,596</b>	<b>513,139</b>	<b>264,155</b>	<b>240,060</b>	<b>1,975,204</b>	<b>2,392,632</b>
Segment (loss)/profit before tax	( 419,527)	( 700,923)	(155,859)	(165,880)	( 200,516)	( 74,335)	97,686	45,079	( 678,217)	( 896,060)
Income tax	( 327,203)	( 4,214)	( 2,140)	( 60,679)	( 43,261)	24,230	( 28,820)	( 10,543)	( 401,424)	( 51,206)
<b>Segment (loss)/profit after tax</b>	<b>( 746,730)</b>	<b>( 705,137)</b>	<b>(158,000)</b>	<b>(226,559)</b>	<b>( 243,777)</b>	<b>( 50,105)</b>	<b>68,866</b>	<b>34,536</b>	<b>(1,079,641)</b>	<b>( 947,266)</b>
Interest income	-	2,215	-	172	-	144	-	-	-	2,530
Interest expense	( 73,358)	( 69,413)	-	-	-	-	-	-	( 73,358)	( 69,413)
Depreciation and amortisation	( 50,811)	( 41,342)	( 7,059)	( 21,990)	( 27,203)	( 16,043)	( 14,112)	( 12,617)	( 99,186)	( 87,164)
Share of profit from equity accounted investees	15,135	4,027	-	-	-	-	-	-	15,135	4,027
<b>Segment assets</b>	<b>1,219,298</b>	<b>1,625,143</b>	<b>150,207</b>	<b>413,908</b>	<b>109,782</b>	<b>308,797</b>	<b>773,491</b>	<b>719,265</b>	<b>2,252,777</b>	<b>3,067,114</b>
Equity accounted investees	152,610	137,475	-	-	-	-	-	-	152,610	137,475
Capital expenditure	( 6,053)	3,889	( 235)	( 4,592)	( 83)	( 12,601)	( 35,742)	(252,577)	( 42,563)	( 265,880)
<b>Segment liabilities</b>	<b>(1,460,680)</b>	<b>(1,470,916)</b>	<b>(174,468)</b>	<b>(282,445)</b>	<b>(334,102)</b>	<b>(332,602)</b>	<b>( 98,161)</b>	<b>( 98,550)</b>	<b>(2,067,411)</b>	<b>(2,184,513)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**6. OPERATING SEGMENTS (Continued)**

**(d) Geographic information (Continued)**

	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>
<b>(i) Revenues</b>		
<i>Country of domicile</i>		
Kenya	1,050,552	1,092,568
<i>All foreign countries</i>		
Uganda	103,383	120,373
Tanzania	144,364	230,464
Burundi	31,103	66,101
Others	427,951	558,422
<b>Consolidated revenue</b>	<b>1,757,353</b>	<b>2,067,928</b>
<b>(ii) Non-current assets</b>		
<i>Country of domicile</i>		
Kenya	633,749	890,395
<i>All foreign countries</i>		
Uganda	-	11,079
Tanzania	-	7,170
Burundi	-	9,452
<b>Consolidated total non-current assets</b>	<b>663,749</b>	<b>918,096</b>

**(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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**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 27; leases – establishing whether an arrangement contains a right of use asset as well as the lease classification.
- (iii) Note 24: Deferred tax – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used.

**8. REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Sales of manufactured goods	116,893	320,821	36,624	177,158
Sales of imported goods	1,357,252	1,465,679	1,019,298	1,056,904
Rendering of services	25,801	34,029	4,706	6,092
Discounts, claims and warranties	( 9,426)	7,339	( 7,024)	( 9,172)
Investment property rentals (Note 15(b))	266,833	240,060	214,799	186,291
	<b>1,757,353</b>	<b>2,067,928</b>	<b>1,268,403</b>	<b>1,417,273</b>

**9. OTHER OPERATING INCOME AND EXPENSES**

**(a) Other operating income**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Gain on sale of property plant and equipment	5,297	2,458	1,668	2,458
Other income	10,394	28,388	9,189	29,174
	<b>15,691</b>	<b>30,846</b>	<b>10,857</b>	<b>31,632</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**9. OTHER OPERATING INCOME AND EXPENSES (Continued)**

**(b) Expenses by function**

**(i) Cost of sales**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>Prime costs</b>				
Changes in inventories of finished goods	16,209	145,004	16,209	145,004
	<b>16,209</b>	<b>145,004</b>	<b>16,209</b>	<b>145,004</b>
<b>Sourcing and distribution overheads</b>				
Indirect labour	14,190	45,505	14,021	45,402
Depreciation	70,524	51,478	52,993	33,115
Consumables	1,206	5,209	1,206	5,209
Changes in valuation of inventory	-	141,710	-	98,295
Transport and insurance	864	1,043	864	1,043
Others	( 533)	1,078	( 533)	1,078
	<b>86,231</b>	<b>246,023</b>	<b>68,531</b>	<b>184,142</b>
<b>Cost of imported trading goods sold</b>	<b>1,384,564</b>	<b>1,334,845</b>	<b>984,503</b>	<b>895,138</b>
<b>Total cost of sales</b>	<b>1,487,004</b>	<b>1,725,872</b>	<b>1,069,243</b>	<b>1,224,284</b>

**(ii) Operating expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>Selling and distribution costs</b>				
Distribution costs	26,400	27,794	21,444	21,481
Selling expenses	110,723	152,457	32,607	56,203
Trade receivables loss allowance	42,790	(39,298)	29,119	(39,075)
Marketing and sales promotions	18,236	33,912	12,966	25,350
	<b>198,149</b>	<b>174,865</b>	<b>96,136</b>	<b>63,959</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**9. OTHER OPERATING INCOME AND EXPENSES (Continued)**

**(b) Expenses by function (continued)**

*(ii) Operating expenses - continued*

*Administrative expenses*

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Indirect staff costs	337,033	311,949	232,737	205,367
Other administrative expenses	66,888	129,403	40,387	84,262
Impairment of investment in subsidiaries	-	-	-	403,624
	<b>403,921</b>	<b>441,352</b>	<b>273,124</b>	<b>693,253</b>
Legal & professional fees	67,650	77,288	56,577	45,946
Travel and vehicle maintenance	18,915	21,021	14,455	15,140
Establishment expenses	173,017	42,584	39,543	13,411
Impairment allowance on cash and cash equivalents	(10,062)	10,062	-	-
Bank charges and fees	24,547	18,747	11,940	15,628
	<b>274,067</b>	<b>169,702</b>	<b>122,515</b>	<b>90,125</b>
<b>Total operating expenses</b>	<b>876,137</b>	<b>785,919</b>	<b>491,775</b>	<b>847,337</b>

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**9. OTHER OPERATING INCOME AND EXPENSES (Continued)**

**(c) Expenses by nature**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Changes in inventories of finished goods	16,209	145,004	16,209	145,004
Cost of imported trading goods sold	1,384,564	1,476,555	984,503	993,433
Employee benefits expense (Note 9 (d))	350,811	358,086	246,421	251,701
Audit fees	3,646	6,984	1,450	4,384
Bank charges	14,345	28,809	11,940	15,628
Consumables	1,206	3,063	1,206	3,063
Depreciation and amortisation	99,186	87,164	61,166	45,345
General expenses	22,109	38,023	6,835	24,365
Impairment of investment in subsidiaries	-	-	-	403,624
Legal and professional fees	51,802	56,930	46,904	32,740
Advertising and promotions	18,422	36,140	12,990	27,505
Electricity, water and fuel	19,169	26,367	11,232	17,950
Repairs and Maintenance	177,561	72,403	61,491	58,223
Trade receivables loss allowance	42,790	(39,298)	29,119	(39,075)
Sales commissions and bonuses	6,127	14,922	3,833	14,922
Rent and rates	76,963	104,442	8,233	8,335
Telephone and postage	8,998	18,809	5,891	10,915
Transport, travelling and insurance	69,233	77,388	51,596	53,559
<b>Total cost of sales, selling and distribution, administrative and other operating expenses</b>	<b>2,363,142</b>	<b>2,511,791</b>	<b>1,561,019</b>	<b>2,071,621</b>

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**9. OTHER OPERATING INCOME AND EXPENSES (Continued)**

**(d) Employee benefits expense**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Salaries and wages	263,654	216,703	190,237	155,995
Allowances and other benefits	79,250	118,263	50,797	76,512
Defined contribution scheme	6,388	20,480	5,214	18,933
National Social Security Fund	1,519	2,640	173	261
	<b>350,811</b>	<b>358,086</b>	<b>246,421</b>	<b>251,701</b>

**(e) Employee particulars for the year**

<b>(i) Average number of employees</b>	141	168	72	72
<b>(ii) Average number of employees per employee category</b>				
Management and administration	109	122	71	71
Unionisable	32	46	1	1
<b>Total</b>	<b>141</b>	<b>168</b>	<b>72</b>	<b>72</b>

**10. NET FINANCE COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>Finance income</b>				
Interest income	-	2,530	-	2,215
Foreign exchange gains	9,668	31,182	7,318	28,978
	<b>9,668</b>	<b>33,712</b>	<b>7,318</b>	<b>31,193</b>
<b>Finance costs</b>				
Foreign exchange losses	21,871	33,423	8,772	25,497
Interest expense on bank borrowings	73,358	69,413	73,358	69,413
	<b>95,229</b>	<b>102,836</b>	<b>82,130</b>	<b>94,910</b>
<b>Net finance costs</b>	<b>(85,561)</b>	<b>(69,124)</b>	<b>(74,812)</b>	<b>(63,717)</b>

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**11. INCOME TAXES**

**(a) Amounts recognised in profit or loss**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>Current tax expense:</b>				
Current income tax	31,669	15,570	21,111	5,384
	<b>31,669</b>	<b>15,570</b>	<b>21,111</b>	<b>5,384</b>
<b>Deferred tax expense (Note 24(b)):</b>				
Deferred income tax	369,755	35,636	319,394	-
	<b>369,755</b>	<b>35,636</b>	<b>319,394</b>	<b>5,384</b>
<b>Income tax expense</b>	<b>401,424</b>	<b>51,206</b>	<b>340,505</b>	<b>5,384</b>

The Group income tax (credit)/expense excludes the Group's share of income tax expense/ (credit) of its equity accounted investee of KShs'000 -5,480, 2018: KShs'000- 73, 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:

<b>Group</b>	<b>2019</b>		<b>2018</b>	
	<b>Rate %</b>	<b>KShs'000</b>	<b>Rate %</b>	<b>KShs'000</b>
<b>Loss before income tax</b>		<b>(660,523)</b>		<b>(478,114)</b>
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2018 - 30%)	30%	(198,157)	30%	(143,534)
Tax effect of:				
Share of (profit)/loss of equity accounted investee	0.69%	(4,541)	0.25%	( 1,208)
Expenses not deductible for income tax purposes	(0.43)%	2,852	( 6.16)%	29,373
Effects of unrecognised deferred tax	(34.93)%	230,751	(34.63)%	165,652
Derecognition of deferred tax	(55.95)%	369,556	-	-
Effect of lower tax rates in Sameer EPZ Ltd	(0.15)%	963	( 0.17)%	823
<b>Income tax expense</b>	<b>(60.77)%</b>	<b>401,424</b>	<b>(10.71)%</b>	<b>51,206</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**11. INCOME TAXES (Continued)**

**(b) Reconciliation of effective tax rate (continued)**

Company	2019		2018	
	Rate %	KShs'000	Rate %	KShs'000
<b>Loss before income tax</b>		<b>(356,570)</b>		<b>(686,433)</b>
Tax calculated at domestic rates applicable to profits in the respective countries – 30% (2012 - 30%)	30%	(106,971)	30%	(205,930)
Tax effect of:				
Expenses not deductible for income tax purposes	(0.79)%	2,803	( 4.66)%	32,022
Derecognition of deferred tax	(53.37)%	352,553	-	-
Effects of unrecognised deferred tax	(13.95)%	92,120	(37.50)%	179,292
<b>Income tax expense/(credit)</b>	<b>(95.49)%</b>	<b>340,505</b>	<b>( 0.78)%</b>	<b>5,384</b>

**(c) Reconciliation of carrying amounts**

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Net liability / (asset) at start of year	(44,727)	(48,330)	(20,040)	(17,411)
Charge for the year - profit or loss (note 11(a))	31,669	15,570	21,111	5,384
Income tax paid	( 20,499)	( 11,967)	( 7,991)	( 8,013)
<b>Net liability/(asset) at end of year</b>	<b>(33,557)</b>	<b>(44,727)</b>	<b>(6,920)</b>	<b>(20,040)</b>
<b>Represented by:</b>				
Income tax assets	(33,557)	(44,727)	(6,920)	(20,040)
	<b>(33,557)</b>	<b>(44,727)</b>	<b>(6,920)</b>	<b>(20,040)</b>

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.



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**12. EARNINGS PER SHARE**

**(a) Basic earnings per share**

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

	<b>2019</b>	<b>2018</b>
Loss attributable to equity holders of the Company (KShs '000)	<u>(1,061,947)</u>	<u>(529,320)</u>
Weighted average number of ordinary shares in issue ('000)	<u>278,342</u>	<u>278,342</u>
Basic earnings per share (KShs)	<u>(3.82)</u>	<u>(1.90)</u>

**(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 2019 or 2018. Diluted earnings per share are therefore the same as basic earnings per share.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. PROPERTY, PLANT AND EQUIPMENT**

Group	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings & equipment KShs'000	Capital Work in Progress KShs'000	Total KShs'000
<b>2019:</b>						
<b>Cost</b>						
At 1 January 2019	208,429	364,276	64,533	337,595	7,953	982,786
Additions	3,229	1,546	-	2,767	203	7,745
Disposal	-	( 3,682)	(13,508)	(21,059)	-	( 38,249)
Transfers	2	4,078	-	2,522	( 6,602)	-
Currency translation	-	( 99)	( 359)	( 1,177)	-	( 1,635)
Impairment	(26,949)	(366,119)	(50,666)	(314,825)	(1,554)	(760,113)
<b>At 31 December 2019</b>	<b>184,711</b>	<b>-</b>	<b>-</b>	<b>5,823</b>	<b>-</b>	<b>190,534</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2019	124,394	193,138	57,966	250,900	-	626,398
Charge for the year	5,526	61,993	2,957	20,290	-	90,766
Transfers	-	( 884)	-	884	-	-
Disposal	-	( 1,621)	(12,966)	(17,671)	-	( 32,258)
Currency translation	-	( 370)	( 359)	( 854)	-	( 1,583)
Impairment	( 3,291)	(252,256)	(47,598)	(250,152)	-	(553,297)
<b>At 31 December 2019</b>	<b>126,629</b>	<b>-</b>	<b>-</b>	<b>3,397</b>	<b>-</b>	<b>130,026</b>
<b>Carrying amounts - At 31 December 2019</b>	<b>58,082</b>	<b>-</b>	<b>-</b>	<b>2,426</b>	<b>-</b>	<b>60,508</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**PROPERTY PLANT AND EQUIPMENT (Continued)**

Group	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings & equipment KShs'000	Capital Work in Progress KShs'000	Total KShs'000
<b>2018:</b>						
<b>Cost</b>						
At 1 January 2018	221,235	246,195	69,196	327,163	243,544	1,107,333
Additions	-	6,887	-	10,388	3,145	20,420
Disposal	-	-	(3,110)	-	-	(3,110)
Transfers	-	111,888	-	2,323	(114,211)	-
Transfer to investment property	(12,806)	-	-	-	(124,525)	(137,331)
Currency translation	-	(694)	(1,553)	(2,279)	-	(4,526)
<b>At 31 December 2018</b>	<b>208,429</b>	<b>364,276</b>	<b>64,533</b>	<b>337,595</b>	<b>7,953</b>	<b>982,786</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2018	124,417	142,931	57,732	230,114	-	555,194
Charge for the year	6,263	44,357	4,860	22,246	-	77,726
Transfers	(6,286)	6,286	-	-	-	-
Disposal	-	-	(3,110)	-	-	(3,110)
Currency translation	-	(436)	(1,516)	(1,460)	-	(3,412)
<b>At 31 December 2018</b>	<b>124,394</b>	<b>193,138</b>	<b>57,966</b>	<b>250,900</b>	<b>-</b>	<b>626,398</b>
<b>Carrying amounts - At 31 December 2018</b>	<b>84,035</b>	<b>171,138</b>	<b>6,567</b>	<b>86,695</b>	<b>7,953</b>	<b>356,388</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**13. PROPERTY PLANT AND EQUIPMENT (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
<b>2019</b>						
<b>Cost</b>						
At 1 January 2019	160,109	181,206	13,742	190,356	4,017	549,430
Additions	3,229	1,546	-	1,525	203	6,503
Transfers of capital work in progress	-	3,216	-	-	(3,216)	-
Disposals	-	-	(3,562)	-	-	( 3,562)
Impairment	( 1,659)	(185,968)	(10,180)	(191,881)	(1,004)	(390,692)
<b>At 31 December 2019</b>	<b>161,679</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161,679</b>
<b>Depreciation and impairment</b>						
At 1 January 2019	118,403	72,861	12,346	177,163	-	380,773
Charge for the year	3,593	46,342	820	5,229	-	55,984
Transfers	-	171	-	( 171)	-	-
Impairment	( 188)	(119,374)	( 9,604)	(182,221)	-	(311,387)
Disposals	-	-	( 3,562)	-	-	( 3,562)
<b>At 31 December 2019</b>	<b>121,808</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,808</b>
<b>Carrying amounts</b>						
At 31 December 2019	<b>39,871</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,871</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**PROPERTY PLANT AND EQUIPMENT (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
<b>2018</b>						
<b>Cost</b>						
At 1 January 2018	172,915	69,318	16,852	188,381	241,007	688,473
Additions	-	1,398	-	-	-	1,398
Transfers of capital work in progress	-	110,490	-	1,975	(112,465)	-
Transfer to investment property (Note 15(a))	( 12,806)	-	-	-	(124,525)	(137,331)
Disposals	-	-	(3,110)	-	-	( 3,110)
<b>At 31 December 2018</b>	<b>160,109</b>	<b>181,206</b>	<b>13,742</b>	<b>190,356</b>	<b>4,017</b>	<b>549,430</b>
<b>Depreciation and impairment</b>						
At 1 January 2018	120,359	38,034	14,618	171,773	-	344,784
Charge for the year	4,330	28,541	838	5,390	-	39,099
Transfers	( 6,286)	6,286	-	-	-	-
Disposals	-	-	(3,110)	-	-	( 3,110)
<b>At 31 December 2018</b>	<b>118,403</b>	<b>72,861</b>	<b>12,346</b>	<b>177,163</b>	<b>-</b>	<b>380,773</b>
<b>Carrying amounts</b>						
<b>At 31 December 2018</b>	<b>41,706</b>	<b>108,345</b>	<b>1,396</b>	<b>13,193</b>	<b>4,017</b>	<b>168,657</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. 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 2019 confirmed that no additional information was gained during the year to warrant any revisions.

**(b) Transfer to investment property**

During 2019, some items previously classified under property, plant and equipment were transferred to investment property (Note 15 (a)). These items form an integral part of the building that they are part of.

**(c) Impairment loss**

Following a change in the Group business strategy, the Group's plan to close several retail outlets. The Group tested the plant and equipment for impairment and recognised an impairment loss of KShs 206,816,000 (2018: KShs – Nil).

**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. INTANGIBLE ASSETS**

***Computer software***

**(a) Reconciliation of carrying amounts**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>Cost</b>				
At 1 January	138,348	138,348	138,030	138,030
Additions	-	-	-	-
<b>At 31 December</b>	<b>138,348</b>	<b>138,348</b>	<b>138,030</b>	<b>138,030</b>
<b>Amortisation and impairment</b>				
At 1 January	137,296	132,530	136,978	132,212
Charge for the year	1,052	4,766	1,052	4,766
<b>At 31 December</b>	<b>138,348</b>	<b>137,296</b>	<b>138,030</b>	<b>136,978</b>
<b>Carrying amount at 31 December</b>	<b>-</b>	<b>1,052</b>	<b>-</b>	<b>1,052</b>

**(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.

**(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.

**15. INVESTMENT PROPERTIES**

**(a) Reconciliation of carrying amounts**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
At start of year	422,836	175,360	342,337	96,529
Transfers from buildings (Note 13)	-	137,331	-	137,331
Additions	34,817	114,814	34,467	109,953
Depreciation	( 7,364)	( 4,669)	( 4,126)	( 1,476)
<b>At end of year</b>	<b>450,289</b>	<b>422,836</b>	<b>372,678</b>	<b>342,337</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. INVESTMENT PROPERTIES (Continued)**

**(a) Reconciliation of carrying amounts (Continued)**

	Group		Company	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
<b>Comprising</b>				
Cost	558,034	528,784	428,236	399,338
Accumulated depreciation	(107,745)	(105,948)	(55,558)	(57,001)
<b>At end of year</b>	<b>450,289</b>	<b>422,836</b>	<b>372,678</b>	<b>342,337</b>

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 27.

**(b) Rental income and operating expenses**

	Group		Company	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
<b>Rental income</b>	<b>266,833</b>	<b>240,060</b>	<b>214,799</b>	<b>186,291</b>
<b>Operating expenses</b>				
Staff costs	47,111	78,909	44,124	78,207
Administrative expenses	76,572	78,764	71,784	75,363
Security expenses	15,571	14,243	13,172	11,788
Legal and professional fees	11,404	7,555	7,852	4,321
Repairs and maintenance	4,377	2,893	3,940	1,639
Depreciation	14,112	12,617	10,355	8,970
	<b>169,147</b>	<b>194,981</b>	<b>151,227</b>	<b>180,288</b>
<b>Net rental income</b>	<b>97,686</b>	<b>45,079</b>	<b>63,572</b>	<b>6,003</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**15. 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 2019, was 5.1% (2018: 5.1%)

The fair value measurement of – Group KShs’000 – 8,198,626 (2018: KShs’000 – 7,800,786); Company KShs’000 – 6,648,440 (2018: KShs’000 – 6,325,824) has been categorized as level 2 fair value based on the inputs to the valuation techniques used.

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:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs’000</b>	<b>KShs’000</b>	<b>KShs’000</b>	<b>KShs’000</b>
<b>Fair values</b>				
Commercial properties	4,157,986	3,956,219	3,356,437	3,193,566
Leasehold land	<u>4,040,640</u>	<u>3,844,567</u>	<u>3,292,003</u>	<u>3,132,258</u>
	<b><u>8,198,626</u></b>	<b><u>7,800,786</u></b>	<b><u>6,648,440</u></b>	<b><u>6,325,824</u></b>
<b>Carrying amounts</b>				
Commercial properties	449,947	422,489	372,336	341,992
Leasehold land	<u>342</u>	<u>345</u>	<u>342</u>	<u>345</u>
	<b><u>450,289</u></b>	<b><u>422,834</u></b>	<b><u>372,678</u></b>	<b><u>342,337</u></b>
<b>Fair value gains not recognised in profit or loss</b>				
	<b><u>7,748,337</u></b>	<b><u>7,377,952</u></b>	<b><u>6,275,762</u></b>	<b><u>5,983,487</u></b>

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**15. INVESTMENT PROPERTY (continued)**

**(c) Measurement of fair value (continued)**

**(ii) 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
<b>(a) Investment property</b>  <b>Discounted cash flows:</b> 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 (2019 and 2018: 3.75-5.8%) 2. Occupancy rates (2019 and 2018: 90% - 95%) 3. Risk-adjusted discount rate (2019 and 2018:9%)	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>(b)Leasehold land held for value appreciation and development.</b> <b>Market approach:</b> 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 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 the date of issue of these financial statements, the Group had drawn down on the loan.

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**16. PREPAID OPERATING LEASE RENTALS**

**(a) Reconciliation of carrying amount**

	<b>Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>
At start of year	345	349
Amortisation charge for the year	( 3 )	( 4 )
<b>At end of year</b>	<b>342</b>	<b>345</b>

**(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.

**17. INVESTMENT IN SUBSIDIARIES - Company**

**(a) Investment and structure**

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

	<b>Country of incorporation</b>	<b>% interest held</b>	<b>2019</b>	<b>2018</b>
			<b>KShs'000</b>	<b>KShs'000</b>
Sameer Africa (Uganda) Limited	Uganda	100%	26,612	26,612
Sameer Africa (Tanzania) Limited	Tanzania	100%	155,100	155,100
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	221,913
Taqwa Trading Limited	Kenya	100%	35,000	35,000
			568,625	568,625
Less: Provision for impairment			(438,625)	(438,625)
<b>Carrying amount</b>			<b>130,000</b>	<b>130,000</b>

The provision for impairment relates to Taqwa Trading Limited which ceased trading in 2017 and has since been dormant. Other impairments of the investments in subsidiary companies done in 2018 were: Sameer Africa (Tanzania) Limited - KShs 155,100,000, Sameer Africa (Burundi) Limited - KShs 221,913,000 and Sameer Africa (Uganda) Limited - KShs 26,612,000.

**(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.

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**18. INVESTMENT IN ASSOCIATE**

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

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Carrying amount				
Interest in associates (Note 18(a))	152,610	137,475	137,026	137,026
<b>At end of year</b>	<b>152,610</b>	<b>137,475</b>	<b>137,026</b>	<b>137,026</b>

**(a) Reconciliation of carrying amount - Group**

	2019 KShs'000	2018 KShs'000
At 1 January 2019	137,475	133,448
Prior year under provision	-	( 3,717)
Share of profit	15,135	7,744
<b>At end of year</b>	<b>152,610</b>	<b>137,475</b>

**(a) Associate**

The Group's has an interest of 25% (2018: 25%) in the equity and voting rights of in 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 2018, the associate reviewed its 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 18 (a)(i)).

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**18. EQUITY ACCOUNTED INVESTEE (Continued)**

**(a) Associate (continued)**

**(i) Summarised financial information**

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

	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>
<b><i>Financial position</i></b>		
Non-current assets	2,070,075	2,123,539
Current assets	172,625	178,794
Current liabilities	( 39,629)	( 41,590)
Non-current liabilities	(1,592,631)	(1,710,844)
<b>Net assets</b>	<b>610,440</b>	<b>549,899</b>
<b><i>Profit or loss and other comprehensive income</i></b>		
Revenue	397,184	369,821
Expenses	( 336,644)	( 338,844)
Profit after tax	60,540	30,977
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>60,540</b>	<b>30,977</b>

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**19. INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Stores and supplies	4,431	6,533	3,483	3,844
Finished goods	415,348	610,873	316,141	309,773
	<b>419,779</b>	<b>617,406</b>	<b>319,624</b>	<b>313,617</b>

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

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Changes in inventories of work in progress and finished goods	16,209	145,004	16,209	145,004
Cost of trading goods sold	1,384,564	1,476,555	984,503	993,433
	<b>1,400,773</b>	<b>1,621,559</b>	<b>1,000,712</b>	<b>1,138,437</b>

**(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 (2018: KShs'000 1,261,600) shared pari –passu between the company's principal bankers (Note 23).

**(b) Amounts recognised in profit or loss**

In 2019, inventories of KShs'000 1,400,773 (2018 – KShs'000 1,621,559) for the Group and KShs '000 1,001,712 (2018 – KShs '000 1,138,437) were recognised as an expense during the year and included in 'cost of sales.



**NOTES TO THE FINANCIAL STATEMENTS**  
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**20. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>Current</b>				
Trade receivables	523,303	456,646	325,135	236,320
Less: Provision for impairment	(247,734)	(204,944)	( 111,209)	( 82,091)
	<b>275,569</b>	<b>251,702</b>	<b>213,926</b>	<b>154,229</b>
Amounts due from related companies (Note 30(d)(i))	9,173	7,250	8,998	6,890
Other receivables	55,897	106,736	( 437)	( 2,909)
Receivables from subsidiaries (Note 30(d)(i))	-	-	290,078	473,653
Trade and other receivables	340,639	365,688	512,565	631,863
Prepayments	33,720	225,062	21,710	210,455
	<b>374,359</b>	<b>590,750</b>	<b>534,275</b>	<b>842,318</b>

**(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 (2018: KShs'000 1,261,600) shared *pari-passu* between the company's principal bankers (Note 23).

**(b) Credit and market risks, and impairment losses**

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 5 (a).

**21. CASH AND CASH EQUIVALENTS**

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

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Cash at bank and in hand	39,403	57,351	29,152	2,612
IFRS 9 adjustment	-	(10,062)	-	-
<b>Cash and bank balances in statement of financial position</b>	<b>39,403</b>	<b>47,289</b>	<b>29,152</b>	<b>2,612</b>
Short term facilities used for cash management (Note 23)	(414,679)	(960,651)	(414,679)	(960,651)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>(375,276)</b>	<b>(913,362)</b>	<b>(385,527)</b>	<b>(958,039)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**22. CAPITAL AND RESERVES**

**(a) Ordinary share capital**

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

	<b>2019</b>	<b>2018</b>
Authorised ordinary shares	300,000,000	300,000,000
Authorised par value (KShs each)	5	5
<b>Authorised share capital (KShs'000)</b>	<b><u>1,500,000</u></b>	<b><u>1,500,000</u></b>
<i><b>Issued and fully paid up capital</b></i>		
Issued ordinary shares	278,342,393	278,342,393
Issued par value (KShs each)	5	5
<b>Issued and fully paid up capital (KShs'000)</b>	<b><u>1,391,712</u></b>	<b><u>1,391,712</u></b>

**(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. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**(ii) Retained earnings**

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

**(iii) Proposed dividends**

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

**(c) Dividends**

The directors do not recommend the declaration of a dividend for the year (2018:Nil).

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. BORROWINGS**

	Group		Company	
	2019	2018	2019	2018
(a) Carrying amounts	KShs'000	KShs'000	KShs'000	KShs'000
<b>Non-current</b>				
At start of year	14,585	31,026	14,585	31,026
Long term loans	455,218	14,035	455,218	14,035
Finance lease liabilities	-	550	-	550
Repayment	( 14,585)	( 31,026)	( 14,585)	( 31,026)
	455,218	14,585	455,218	14,585
<b>Current</b>				
Short term facilities – Import loans	322,515	913,011	322,215	913,011
Insurance premium finance	8,076	-	8,076	-
Long term loans	83,604	44,267	83,604	44,267
Finance lease liabilities	484	3,373	484	3,373
	414,679	960,651	414,679	960,651
<b>Total borrowings</b>	<b>869,897</b>	<b>975,236</b>	<b>869,897</b>	<b>975,236</b>

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**23. BORROWINGS (Continued)**

**(b) Terms and repayment schedule**

Group and Company	Currency	Nominal interest	Maturity	31 December 2019		31 December 2018	
				Face value KShs'000	Carrying amount KShs'000	Face value KShs'000	Carrying amount KShs'000
Import Financing loan – NCBA Bank	USD	8.00%	2020	304,010	136,448	305,538	186,373
Import Financing loan – Standard Chartered Bank	USD	6.50%	2020	304,010	66,003	305,538	176,424
Import Financing loan – Stanbic Bank	USD	6.00%	2019	-	-	320,815	254,237
Term loan – Standard Chartered Bank	USD	6.50%	2020	121,603	11,316	122,215	58,302
Term loan – Stanbic Bank	KSH	14.00%	2020	143,350	72,289	-	-
Bank overdraft – NCBA Bank	USD	8.00%	2020	120,000	120,064	120,000	90,888
Finance lease liabilities	KSH	14.00%	2020	10,152	484	10,152	3,923
Insurance premium finance-NCBA	KSH	5.20%	2020	9,738	8,076	-	-
Term loan –SIL	USD	7.00%	2021	355,218	355,218	205,089	205,089
Term loan –SIL	KSH	11.00%	2021	100,000	100,000	-	-
				<b>1,468,082</b>	<b>869,897</b>	<b>1,306,473</b>	<b>975,236</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**BORROWINGS (Continued)**

**(c) Finance lease liabilities**

	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Less than 1 year	484	3,373	13	818	484	3,373
Between 1 and 2 years	-	550	-	250	-	550

The Group leases motor vehicles with a carrying amount of KShs '000 3,923 (2018 – KShs '000 7,325) 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 1,261,600 (2018 – KShs'000 1,261,000) shared pari –passu between the company's principal bankers.

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

	2019 %	2018 %
Bank overdrafts – USD	8.00	8.00
Bank borrowings – KShs	<u>13.50</u>	<u>14.00</u>

In the opinion of the directors, the carrying amounts of borrowings approximate to their fair values. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the statement of financial position date.

**(e) Compliance with loan covenants**

The Group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting period.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**24. DEFERRED INCOME TAX**

**(a) Carrying amounts**

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

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
At start of year	(364,492)	(400,130)	(319,394)	(319,394)
Charge to statement of profit or loss (Note 11 (a))	369,756	35,743	319,394	-
Currency translation differences	( 1)	( 105)	-	-
Provisions				
<b>At end of year</b>	<b>5,263</b>	<b>(364,492)</b>	<b>-</b>	<b>(319,394)</b>
<b>As disclosed on the balance sheet:</b>				
Deferred income tax assets	-	(369,556)	-	(319,394)
Deferred income tax liabilities	5,263	5,064	-	-
	<b>5,263</b>	<b>(364,492)</b>	<b>-</b>	<b>(319,394)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**(b) Movement in deferred tax balances**

**Group 2019**

***Deferred income tax asset***

Property, plant and equipment and intangibles	( 102,324)	45,342	(56,982)
Investment property	82,618	(25,121)	57,497
Provisions	( 102,086)	47,621	(54,465)
Tax losses	(416,658)	(156,471)	(573,129)
Effects of movements in exchange rates	2,098	3,517	5,615
Prior year under provision	1,144	(12,373)	(11,229)

Total deferred tax asset

**(535,208)**

**(97,485)**

**(632,693)**

Unrecognized deferred tax asset

**165,652**

**467,041**

**632,693**

**(369,556)**

**369,556**

**-**

***Deferred income tax liability***

Investment property	5,028	1,201	6,229
Provisions	(10)	( 945)	( 899)
Effects of movements in exchange rates	46	( 57)	(67)

**5,064**

**199**

**5,263**

**Net deferred income tax asset**

**(364,492)**

**369,755**

**5,263**

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**24. DEFERRED INCOME TAX (Continued)**

**(b) Movement in deferred tax balances (continued)**

**Group 2018**

	Net balance at 1 January KShs'000	Recognised in profit or loss KShs'000	Net balance at 31 December KShs'000
<i><b>Deferred income tax asset</b></i>			
Property, plant and equipment and intangibles	(73,462)	(28,862)	(102,324)
Investment property	81,544	1,074	82,618
Provisions	( 24,174)	(77,912)	( 102,086)
Tax Losses	(393,879)	(22,779)	(416,658)
Unrecognized deferred tax	-	165,652	165,652
Effects of movements in exchange rates	4,564	( 2,466)	2,098
Prior year under provision	1,144	-	1,144
	<u>(404,263)</u>	<u>34,707</u>	<u>(369,556)</u>
<i><b>Deferred income tax liability</b></i>			
Investment property	3,992	1,036	5,028
Provisions	( 10)	-	( 10)
Effects of movements in exchange rates	153	( 107)	46
	<u>4,135</u>	<u>929</u>	<u>5,064</u>
<b>Net deferred income tax asset</b>	<u><u>(400,128)</u></u>	<u><u>35,636</u></u>	<u><u>(364,492)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**24. DEFERRED INCOME TAX (Continued)**

**(b) Movement in deferred tax balances (continued)**

**Company 2019**

***Deferred income tax asset***

Property, plant and equipment and intangibles	( 98,398)	30,102	(68,296)
Investment property	19,703	( 25,121)	(5,418)
Provisions for expenses	( 99,142)	35,581	(63,561)
Tax losses	(318,917)	(88,587)	(407,504)
Under provision on prior year		(12,373)	(12,373)
Exchange differences	( 1,932)	3,517	1,585

Total deferred tax asset

Unrecognized deferred tax asset

Net balance at 1 January KShs'000	Recognised in profit or loss KShs'000	Net balance at 31 December KShs'000
( 98,398)	30,102	(68,296)
19,703	( 25,121)	(5,418)
( 99,142)	35,581	(63,561)
(318,917)	(88,587)	(407,504)
	(12,373)	(12,373)
( 1,932)	3,517	1,585
(498,686)	56,881	(555,567)
179,292	(376,275)	555,567
<b>(319,394)</b>	<b>319,394</b>	<b>-</b>

**2018**

***Deferred income tax asset***

Property, plant and equipment and intangibles	( 98,398)	-	( 98,398)
Investment property	19,703	-	19,703
Provisions for expenses	( 99,142)	-	( 99,142)
Tax losses	(318,917)	-	(318,917)
Exchange differences	( 1,932)	-	( 1,932)

Unrecognized deferred tax asset

-	-	-
19,703	-	19,703
( 99,142)	-	( 99,142)
(318,917)	-	(318,917)
( 1,932)	-	( 1,932)
179,292	-	179,292
<b>(319,394)</b>	<b>-</b>	<b>(319,394)</b>

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**24. 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**

The deferred tax asset has not been recognised on deductible temporary differences and tax losses carried forward amounting to KShs 1,910,432,000 (2018: KShs 1,669,254,000) for the Group and KShs 1,358,347,000 (2018: KShs 1,193,100,000) for the company due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised. Under the Kenyan Income Tax Act, tax losses are allowable as a deduction only in the nine years succeeding the year in which they occurred.

**(e) Tax losses carried forward**

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

**Group**

**Summary of deferred tax assets-Tax loss**

<b>Year of origin</b>	<b>Tax loss KShs'000</b>	<b>Deferred Tax KShs '000</b>
2014	(347,753)	(104,326)
2015	(35,490)	(10,647)
2016	(859,126)	(257,738)
2018	(426,885)	(128,065)
2019	(241,178)	(72,353)
<b>Total</b>	<b>(1,910,432)</b>	<b>(573,129)</b>

**Company**

**Summary of deferred tax assets-Tax loss**

<b>Year of origin</b>	<b>Tax loss KShs '000</b>	<b>Year of expiry</b>
2016	836,774	2025
2018	356,325	2026
2019	165,247	2027
<b>Total</b>	<b><u>1,358,347</u></b>	

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**24. DEFERRED INCOME TAX (Continued)**

**(e) Tax losses carried forward (continued)**

In 2019, the Company incurred a tax loss of KShs 165,247,182 increasing cumulative tax losses to KShs 1,358,347,409 management found it prudent not to recognize any further deferred tax asset until the strategic plan in action turns the company to profitability in 2019.

In 2019, the Group's Burundi subsidiary incurred a tax loss of KShs 37,420,524 increasing cumulative tax losses to KShs 187,821,204. Management has determined that the recoverability of cumulative tax losses is uncertain due to the political uncertainty and shortage of hard currency, management has therefore opted not to recognize further deferred tax until the subsidiary is profitable.

In 2019, the Group's Tanzania subsidiary incurred a tax loss of KShs 63,558,338 increasing cumulative tax losses to KShs 310,360,456. The long term business prospects for this subsidiary and the three-year Group strategic plan indicate that this subsidiary will be profit making by 2021, 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.

In 2019, the Group's Uganda subsidiary incurred a tax loss of KShs 20,484,330 increasing cumulative tax losses to KShs 69,026,697. The long term business prospects for this subsidiary and the three-year Group strategic plan indicate that this subsidiary will be profit making by 2021, 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.

In 2019, the Group's Local subsidiary Yana Tyre Centre Ltd incurred a tax loss of KShs 52,816,740 increasing cumulative tax losses to KShs 175,738,139. The long term business prospects for this subsidiary and the three-year Group strategic plan indicate that this subsidiary will be profit making by 2021, 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**25. TRADE AND OTHER PAYABLES**

**Carrying amounts**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Trade payables	229,924	248,632	158,604	169,146
Amounts due to related companies (Note 30(d)(ii))	14,288	10,253	11,427	9,224
Amounts due to subsidiaries (Note 30(d)(ii))	-	-	177,702	141,808
Accrued expenses and other payables	342,364	219,061	231,636	164,287
	<b>586,576</b>	<b>477,946</b>	<b>579,369</b>	<b>484,465</b>

Information on the Group's exposure to currency and liquidity risk is included in Note 5(b).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**26. STATEMENT OF CASH FLOWS – RECONCILIATION OF RECEIPTS AND PAYMENTS**

	Note	Group		Company	
		2019	2018	2019	2018
		KShs'000	KShs'000	KShs'000	KShs'000
<b>Cash receipts from customers</b>					
Revenue	8	1,757,353	2,067,928	1,268,403	1,417,273
Other income	9 (a)	10,394	28,388	9,189	29,174
Net foreign exchange (losses)/gain	10	( 12,203)	(2,241)	( 1,454)	3,481
Translation differences		1,480	(10,802)	-	-
Movement in trade and other receivables	20	216,391	209,725	308,043	( 49,813)
<b>Cash collections from customers</b>		<b>1,973,415</b>	<b>2,292,998</b>	<b>1,584,181</b>	<b>1,400,115</b>
<b>Cash payments for purchases</b>					
Opening inventory stock	19	(617,406)	(730,580)	( 313,617)	( 409,331)
Cost of sales	9 (b)(i)	1,487,004	1,725,872	1,069,243	1,224,284
Closing inventory stock	19	419,779	617,406	319,624	313,617
Movement in trade payables	25	18,708	143,516	10,542	161,953
		<b>1,308,085</b>	<b>1,756,214</b>	<b>1,085,792</b>	<b>1,290,523</b>
<b>Adjustments for non-cash expenses</b>					
Depreciation and amortisation	9 (c)	99,186	87,164	61,166	45,345
Application of IFRS 9		-	(168,154)	-	( 95,613)
Impairment loss of subsidiaries	9	-	-	-	403,625
Impairment loss of plant and equipment		206,816	-	79,305	-
		<b>306,002</b>	<b>(80,990)</b>	<b>140,471</b>	<b>353,357</b>
<b>Cash payment for purchases</b>		<b>1,002,083</b>	<b>1,837,204</b>	<b>945,321</b>	<b>937,165</b>
<b>Cash payments for expenses</b>					
Operating expenses	9(b)(ii)	876,137	785,919	491,775	847,337
Movement in accruals and other payables	25(a)	( 127,338)	(86,447)	( 105,446)	(112,944)
<b>Cash payments for expenses</b>		<b>748,799</b>	<b>699,472</b>	<b>386,329</b>	<b>734,393</b>

**(b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

**Group**

	Net balance at 1 January KShs'000	Cashflows KShs'000	New leases KShs'000	Net balance at 31 December KShs'000
<b>Non-current</b>				
Long term loans	14,035	(14,035)	455,218	455,218
Finance lease liabilities	550	(550)	-	-
<b>Total borrowings</b>	<b>14,585</b>	<b>(14,585)</b>	<b>455,218</b>	<b>455,218</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**27. EFFECT OF CHANGE OF ACCOUNTING POLICY - LEASES**

As explained in Note 2(b)(i), the Group changed its accounting policy for leases where the Group is lessee. The new policy is described in Note 2(k). As permitted by the transition provisions in the new Standard, comparative amounts have not been restated. The Group's accounting policy for leases under which the Group was lessee was, up to 31st December 2018, as follows:

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

**28. COMMITMENTS**

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

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Property, plant and equipment	<u>21,800</u>	<u>28,000</u>	<u>3,000</u>	<u>24,000</u>

**29. 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.

**30. 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 72.48% (2018: 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 TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**30. RELATED PARTY TRANSACTIONS (Continued)**

**(b) Transactions with key management personnel**

**(i) Key management compensation**

Key management compensation comprised the following;

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Basic pay and other allowances	56,441	57,121	50,020	57,121
Pension/gratuity	3,799	4,529	3,799	4,529
<b>Total</b>	<b>60,240</b>	<b>61,650</b>	<b>53,819</b>	<b>61,650</b>

**(ii) Directors' shareholding**

At 31 December 2019 directors' shareholding in the company was as follows:

	<b>2019</b>	<b>2018</b>
	<b>Shares</b>	<b>Shares</b>
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**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>Directors' remuneration</b>				
Fees as directors	5,580	5,608	5,580	5,608
Other emoluments (included under key management compensation above)	2,505	3,065	2,505	3,065
Managing director	22,979	21,530	22,979	21,530
<b>Total remuneration of directors of the company</b>	<b>31,064</b>	<b>30,203</b>	<b>31,064</b>	<b>30,203</b>

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**30. 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**

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>
<b><i>Subsidiaries</i></b>		
Sameer Africa (Tanzania) Limited	1,523	4,868
Sameer Africa (Uganda) Limited	602	1,720
Yana Tyre Centre Limited	215,726	318,116
	<b>217,851</b>	<b>324,704</b>

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b><i>Other related parties</i></b>				
Ryce East Africa Limited	7,929	8,314	7,929	8,314
Eveready E.A PLC	8,070	8,765	7,918	8,765
Sasini PLC	592	755	-	-
	<b>16,591</b>	<b>17,834</b>	<b>15,847</b>	<b>17,079</b>

**(ii) Purchase of goods and services**

	<b>Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>
<b><i>Other related parties</i></b>		
Ryce East Africa Limited	21,182	26,336
First Assurance Company Limited*	-	2,020
Sameer Management Limited	5,000	5,800
Sameer Investments	5	-
Sameer Agriculture	19	29
	<b>66,059</b>	<b>34,185</b>

\*First Assurance Company Limited was not a related party in 2019.

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**30. RELATED PARTY TRANSACTIONS (Continued)**

**(c) Transactions with other related parties (continued)**

**(ii) Purchase of goods and services - continued**

***Other related party transactions***

***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 was banking services.

The outstanding balances included in cash and cash equivalents as at 31 December 2019 as are follows:

	<b>Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Bank balances	<u><b>11</b></u>	<u><b>4,029</b></u>

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**30. RELATED PARTY TRANSACTIONS (Continued)**

**(d) Outstanding balances**

At 31 December 2019, outstanding balances with related parties comprised the following;

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>(i) Amounts due from:</b>				
<b><i>Subsidiaries</i></b>				
Yana Tyre Centre Limited	-	-	225,327	236,548
Sameer Africa(Tanzania) Limited	-	-	13,242	119,652
Sameer Africa (Uganda)	-	-	24,430	50,974
Sameer Africa(Burundi) Limited	-	-	27,078	66,479
	<b>-</b>	<b>-</b>	<b>290,077</b>	<b>473,653</b>
<b><i>Associate</i></b>				
Sameer Business Park Limited	<b>1,731</b>	<b>691</b>	<b>1,731</b>	<b>691</b>
<b><i>Other related parties</i></b>				
Ryce East Africa Limited	4,825	4,206	4,825	4,206
Sameer Agriculture	179	-	179	-
Eveready E.A. PLC	2,302	2,293	2,128	1,993
Sasini PLC	-	60	-	-
	<b>7,306</b>	<b>6,559</b>	<b>7,132</b>	<b>6,199</b>
<b>Total due from other related parties</b>	<b>9,173</b>	<b>7,250</b>	<b>8,999</b>	<b>6,890</b>
<b>(ii) Amounts due to:</b>				
<b><i>Subsidiaries</i></b>				
Sameer Industrial Park Limited	-	-	29,473	12,594
Sameer EPZ Limited	-	-	148,229	129,214
	<b>-</b>	<b>-</b>	<b>177,702</b>	<b>141,808</b>
<b><i>Other related parties</i></b>				
Ryce East Africa Limited	10,793	6,737	7,932	5,708
First Assurance Company Limited	-	-	595	616
Sameer Management	2,900	2,900	2,900	2,900
	<b>13,693</b>	<b>9,637</b>	<b>11,427</b>	<b>9,224</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**30. RELATED PARTY TRANSACTIONS (Continued)**

**(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.

**31. EVENTS AFTER THE REPORTING PERIOD**

There were no adjusting or non-adjusting events after the balance sheet date.

**32. PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION**

**Principal shareholders**

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2019 are as follows:

Name	Number of shares	%
1. Sameer Investments Limited	201,743,205	72.48%
2. Patrick Njogu Kariuki	5,624,800	2.02%
3. Yana Trading Limited	4,406,600	1.58%
4. Andrew Mukite Musangi	3,320,000	1.19%
5. Best Investment Decisions Ltd	2,245,800	0.81%
6. Kenyalogy.Com Limited	2,189,200	0.79%
7. Bid Management Consultancy Limited	2,167,800	0.78%
8. Kenya Commercial Bank Nominees Limited A/C 915B	1,892,517	0.68%
9. Freight Forwarders Kenya Limited	1,875,000	0.67%
10. Shah Ekta Bimal & Kunal Kamlesh	1,200,000	0.43%

**Distribution of shareholders**

Share range	Number of shareholders	Number of shares	%
0 - 500	8,016	2,147,949	0.77%
501 – 5,000	4,895	7,694,077	2.76%
5,001 – 10,000	431	3,290,558	1.18%
10,001 – 100,000	446	13,611,193	4.89%
100,001 – 1,000,000	74	22,708,294	8.16%
Over 1,000,000	12	228,890,322	82.23%
<b>Total</b>	<b>13,874</b>	<b>278,342,393</b>	<b>100%</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**33. GOING CONCERN**

The Group's current liabilities exceeded its current assets by KShs 134,157,000 at 31st December 2019 (2018: KShs 138,425,000). During the year ended 31st December 2019, the Group incurred a loss of KShs 1,061,947,000 (2018: KShs 529,320,000).

The board plans to return the Group back to profitability through various strategies, key of which are:

- i. Focus customers - The Group has adopted a new business model for its wholesale customers whereby it will only sell to customers who have: a) a history of prompt payment or cash sales; b) buy at good gross profit margins; and c) sales outside Kenya will be to customers who provide either advance payments or other acceptable security.
- ii. Right sizing - The right sizing that begun in September 2019 has resulted in closure of non-profit branches in Yana Tyres Centre Limited, Sameer Tanzania Limited and Sameer Burundi Limited. This in effect has resulted in cost saving thus reduction in overheads.
- iii. Sourcing of goods - The Group has two key suppliers based in India and China that will ensure smooth supply of goods in the current uncertainty.

## NOTICE AND AGENDA OF THE 51ST ANNUAL GENERAL MEETING

"Due to the current covid-19 pandemic, and in compliance to the Government's directives restricting public gathering, shareholders will not be able to attend the Annual General Meeting (AGM) in person. Instead, shareholders will, through this invitation, be able to attend a virtual AGM during which they will be able to register for, access information pertaining to the Audited Financial Statements of Sameer Africa PLC (the Company) for the year ended 31st December, 2019, vote electronically in person (or by proxy) and follow the proceedings in the manner detailed below. Shareholders are requested to ask questions in advance of the meeting as detailed in the instructions below".

Notice is hereby given that the 51st Annual General Meeting of the Company will be held via virtual conference on Monday, 29th June, 2020 commencing at 9.00 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 50th Annual General Meeting held on Monday, 10th June 2019.

#### 3. Financial Statements and Reports

To receive, consider and if deemed fit, adopt the Financial Statements for the year ended 31st December 2019, together with the reports thereon of the Directors and the Auditors.

#### 4. Election of Directors

##### 4.1 On account of rotation:

- i. In accordance with Article 1.123 of the Company's Articles of Association, Director Winnie Iminza Nyamute retires by rotation and being eligible, does not offer herself for re-election as a Director.
- ii. In accordance with Article 1.123 of the Company's Articles of Association, Director Mary Wacuka Ngatia retires by rotation and being eligible, offers herself for re-election.

##### 4.2 Continuation in office after having attained 70 years

In accordance with the recommendations of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, Eng. Erastus Kabutu Mwongera having attained the age of 70 years retires 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. Lydia Muthoni Mbuthia
- ii. Ms. Mary Wacuka Ngatia
- iii. Mr. Sameer Naushad Merali

#### 6. Directors Remuneration Report

To approve the Directors' remuneration policy for the year ended 31st December 2019.

- i. To approve the Directors' remuneration report for the year ended 31st December 2019, and to authorize the Board to fix the Directors remuneration.
- ii. To approve the Directors' remuneration policy for the year ended 31st December 2019.
- iii.

#### 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. 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**

30th May 2020, Nairobi

**Notes:**

1. Sameer Africa PLC will be holding a virtual AGM as permitted by Article 1.76 of its Articles of Association referenced below:

**“In the case of any general meeting the Board may make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend speak and vote at the meeting.”**

2. The Board of Directors at its meeting held on 12th May 2020 resolved to conduct the 51st AGM of the Company via electronic means.

3. Sameer Africa Plc has convened and is conducting this virtual AGM following receipt of a ‘No Objection’ from the Capital Markets Authority (CMA).

4. Shareholders wishing to participate in the meeting should register for the AGM online at <https://digital.candrgroup.co.ke> or via USSD using short code number \*384\*045# and following the various prompts regarding the registration process. In order to complete the registration process, shareholders will need to have their Share Account Number or CDSC Account Number and the ID/Passport Number which were used to purchase their shares.

5. Registration for the AGM opens on Monday, 8th June 2020 at 8:00 a.m. and will close on Friday, 26th June 2020 at 12:00 noon. Shareholders will not be able to register after Friday, 26th June, 2020 at 12:00 noon.

6. For assistance, shareholders should dial the following helpline number: + 254 20 760 8216 from 8:00 a.m. to 3:00 p.m during the registration open period. Any shareholder outside Kenya should dial the helpline number to be assisted to register or email [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke).

7. Shareholders can access the Virtual AGM using their log in credentials via <https://digital.candrgroup.co.ke> to view the livestream and vote and submit questions. Shareholders without internet access can access the Virtual AGM and vote and submit questions using their log in credentials via USSD \*384\*045#

8. Shareholders wishing to raise any questions for the AGM may do so by:

**(a.) During the AGM**

- i. Shareholders accessing Virtual AGM via <https://digital.candrgroup.co.ke> platform; Select Attend Event; Select Sameer Africa AGM; Select Q&A option tab and submit questions in text box provided; or
- ii. Shareholders accessing Virtual AGM via USSD platform; Use the menu prompts to Select Sameer Africa AGM; Select the menu option for Q&A and submit their questions (within 160 character limit for sms text)

**(b.) Prior to AGM**

- i. Accessing <https://digital.candrgroup.co.ke>; Select Attend Event; Select Sameer Africa AGM; Select Q&A option tab and submit their questions in the text box provided; or
- ii. Sending their written questions by email to [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke); or
- iii. To the extent possible, physically delivering their written questions with a return physical address or email address to the offices of Custody and Registrars Services Ltd, Company's Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.
  - Shareholders must provide their full details (full names, Shares Account Number//CDSC Account Number) when submitting their questions and clarifications. Also attach a copy of your ID/Passport if sending by email or delivering to C&R Group
  - All questions and clarification must reach the Company on or before Friday, 26th June 2020 at 12:00 Noon.

9. Shareholders wishing to vote during the AGM may do so when prompted by:

- i. Shareholders accessing Virtual AGM via <https://digital.candrgroup.co.ke> platform; Select Attend Event; Select Sameer Africa AGM; Select Voting option tab and vote;
- ii. Shareholder accessing Virtual AGM via USSD platform; Use the menu prompts to Select Sameer Africa AGM; Select menu option for Voting and follow the various prompts regarding the voting process

10. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to attend and vote on their behalf. A proxy form must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to [proxy@candrgroup.co.ke](mailto:proxy@candrgroup.co.ke) or delivered to Custody and Registrars Services Ltd, the Company's Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, so as to be received not later than Wednesday, 24th June 2020 at 12.00 noon. When nominating a proxy the ID/Passport No, email and mobile number of the proxy must be submitted to facilitate registration. Any proxy registration that is rejected will be communicated to the Shareholder concerned no later than Friday, 26th June 2020 to allow time to address any issues.

11. The Virtual AGM will be accessible to Shareholders and Proxies who have duly registered and received the log-in credentials. Duly registered Shareholders and Proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent two hours ahead of the AGM, reminding duly registered Shareholders and proxies that the AGM will begin in two hours' time.

**12. Items to be voted on at the meeting shall be the following:**

- a. To adopt the Financial Statements for the year ended 31st December 2019 together with the reports thereon of the Directors and the Auditors.
- b. To approve the re-election of Director Mary Wacuka Ngatia who retires by rotation and being eligible, offers herself for re-election.
- c. To approve the re-election of Eng. Erastus Kabutu Mwongera to continue in office after the attainment of 70 years.
- d. To approve the appointment of the persons referenced below to continue to serve as members of the Audit, Risk and Corporate Governance Committee of the Board.
  - i. Dr. Lydia Muthoni Mbuthia
  - ii. Ms. Mary Wacuka Ngatia
  - iii. Mr. Sameer Naushad Merali
- e. To approve the Directors remuneration report for the year ended 31st December 2019 and to authorize the Board to fix the Directors remuneration for the ensuing year.
- f. To approve the Directors' remuneration policy for the year ended 31st December 2019.
- g. To appoint RSM East Africa LLP as the Company's Auditors and to authorize the Board to fix their remuneration.

13. A copy of this notice, the proxy form, the Integrated Annual Report may be viewed from the company's website at [www.sameerafrica.com](http://www.sameerafrica.com).



## ILANI NA AJENDA YA MKUTANO MKUU WA KILA MWAKA WA 51

Kufuatia janga liliko sasa la Covid-19, na kwa utifu kwa maelekezo ya serikali yanayozuia mikutano ya umma, wanahisa hawataweza kuhudhuria kibinafsi mkutano mkuu wa kila mwaka. Badala yake wanahisa, kupitia mualiko huu, wataweza kujiunga na mkutano mkuu wa kila mwaka mtandaoni ambapo wataweza kujisajili kwa, kupata habari kuhusu taarifa za kifedha zilizokaguliwa za Sameer Africa PLC (Kampuni) za mwaka ulioishia 31 Desemba, 2019, kupiga kura kieletroniki binafsi (au kupitia wakala) na kuufatilia mkutano kwa namna iliyoelezwa kwa kina hapa chini. Wanahisa wanaombwa kuuliza maswali mapema kabla ya mkutano kama ilivyoelezwa kwa kina katika maelekezo hapa chini.

### ILANI NA AJENDA YA MKUTANO MKUU WA 51 WA KILA MWAKA

Ilani inatolewa kuwa mkutano wa kampuni wa kila mwaka wa 51 utafanywa kwa njia ya mkutano wa kimtandao Jumatatu tarehe 29th June 2020 kuanzia saa tatu asubuhi 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 pamoja wa kila mwaka wa hamsini (50) uliofanyika Ijumaa tarehe 10 Juni 2019.

##### 3. Taarifa na Ripoti za Fedha

Kupokea, kuchunguza na ikithibitishwa sawa, kukubali taarifa za matumizi ya fedha mwaka ulioishia 31 Desemba 2019, pamoja na taarifa za wakurugenzi na wakaguzi.

##### 4. Uchaguzi wa wakurugenzi

###### 4.1 Ikiwa ni kwa zamu

- Kwa mujibu wa ibara 1.123 ya makala ya chama ya kampuni Mkurugenzi Winnie Iminza Nyamute anastaafu kwa zamu na hali anastahili, hajitolei kuchaguliwa tena kama mkurugenzi.
- Kwa mujibu wa ibara 1.123 ya makala ya chama ya kampuni Mkurugenzi Mary Wacuka Ngatia anastaafu kwa zamu na kwa kuwa anastahili anajitolea kuchaguliwa tena kama mkurugenzi.

###### 4.2 Kuendelea katika ofisi baada ya kufika miaka 70

Kulingana na mapendekezo ya kanuni za utaratibu wa utawala bora kwa wanaotoa hisa kwa umma, 2015, Mhandisi Erastus Kabutu Mwongera kwa kuwa amefika miaka 70 anastaafu, na kwa kuwa anastahili anajitolea kuchaguliwa tena.

##### 5. Kuthibitisha wanachama wa kamati, ya halmashauri, ya ukaguzi, vihatarishi na utawala bora wa kampuni

###### Kuidhinisha yafuatayo:

Kwa mujibu wa kifungu 769(1) cha sheria ya Makampuni 2015, wafuatao wakiwa ni wanachama wa kamati, ya halmashauri, ya ukaguzi, vihatarishi na utawala bora wa kampuni wathibitishwe kuendelea kuhudumu katika kamati iliyotajwa.

- Dkt. Lydia Muthoni Mbuthia
- Bi. Mary Wacuka Ngatia
- Bwana.. Sameer Naushad Merali

##### 6. Ripoti ya malipo ya wakurugenzi

- Kuidhinisha ripoti ya malipo ya wakurugenzi ya mwaka unaoishia 31 Desemba 2019 na kuidhinisha halmashauri kuamua malipo ya wakurugenzi.
- Kuidhinisha sera ya malipo ya wakurugenzi ya mwaka unaoishia 31 Desemba 2019.

##### 7. Kuteua Wakurugenzi

Kuteua RSM East Africa LLP na kwa kuwa wanastahiki, na wameonesha nia yao kuendelea kuhudumu kama wakaguzi wa kampuni kwa mujibu wa masharti ya kifungu 721(4) cha sheria ya Makampuni 2015 na kuidhinisha wakurugenzi kuamua malipo yao ya mwaka wa kifedha unaofuatia.

##### 8. 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

30 Mei 2020, Nairobi

**Vidokezo:**

1. Sameer Africa PLC itaendesha mkutano mkuu wa mwaka kupitia mtandao kama ilivyoidhinishwa na ibara 1.76 ya Makala ya chama ya kampuni ilioashiriwa hapa chini:

**“Kutakapo kuwa mkutano mkuu wowote halmashauri inaweza kupanga uhudhuriaji sambamba na kushiriki kwa njia za kielektroniki zitakazowezesha watu ambao hawakuhudhuria kwa pamoja mahali pamoja kushiriki, kuongea na kupiga kura mkutanoni”.**

2. Halmashauri ya wakurugenzi katika mkutano wake uliofanywa tarehe 12 Mei 2020 waliamua kuendesha mkutano wa kampuni mkuu wa 51 wa kila mwaka kwa njia ya kielektroniki.

3. Sameer Africa PLC imeitisha na kuendesha mkutano mkuu wa kila mwaka mtandaoni baada ya kutopata pingamizi kutoka kwa mamlaka ya soko za mtaji (CMA).

4. Wanahisa wenye nia ya kushiriki katika mkutano wanapaswa kujisajili kwa mkutano mkuu wa kila mwaka mtandaoni kutumia anwani <https://digital.candrgroup.co.ke> au kupitia jumbe za USSD (jumbe fupi za simu) kwa kutumia nambari fupi **\*384\*045#** na kufuata vilekezo kadhaa kuhusu taratibu za usajili. Ilikukamilisha mchakato wa kujisajili, wanahisa watahitajika kuwa na nambari za akaunti za hisa au nambari ya akaunti ya CDSC na pia wawe na nambari ya kitambulisho/pasipoti iliotumika waliponunua hisa zao.

5. Kusajili kwa ajili ya mkutano mkuu wa mwaka kunaanza Jumatatu tarehe 8 Juni 2020 saa mbili asubuhi na kutamalizika Ijumaa 26 Juni 2020 saa sita mchana.

6. Kwa usaidizi, wanahisa wanapaswa kupiga simu nambari ya usaidizi ifatayo + 254 20 760 8216 kati ya saa mbili asubuhi na saa tisa mchana kwa muda ambao kipindi cha usajili kitakuwa wazi.

7. Wanahisa wanaweza kujiunga na mkutano mtandaoni kupitia uwezo wao ulioidhinishwa wa kuingia kupitia tovuti <https://digital.candrgroup.co.ke> kushuhudia upeperushaji wa moja kwa moja na kupiga kura na kutuma maswali. Wanahisa wasio weza kupata mtandao wanaweza kujiunga na mkutano wa kimtandao na kupiga kura na kuwasilisha maswali kwa kutumia uwezo wao maalum kutumia jumbe fupi kwa nambari **\*384\*045#**

8. Wanahisa wanaotaka kuuliza maswali katika mkutano mkuu wa mwaka wanaweza kufanya hivyo kwa:

**(a.) Mkutano unapo endelea**

i. Wanahisa wanaoijiunga na mkutano mkuu wa kila mwaka mtandaoni kupitia jukwaa <https://digital.candrgroup.co.ke> ;chagua ‘Attend Event’(jiunge na mkutanoni) chagua ‘Sameer Africa AGM’ chagua ‘Q&A’ (maswali na majibu) na wasilisha maswali katika mraba wa maandishi uliowekwa ;au

ii. Kwa kutuma maswali yao kupitia barua pepe kwa [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke) ;au

**(b.) Kabla ya mkutano mkuu wa kila mwaka**

i. Kupitia <https://digital.candrgroup.co.ke>; chagua ‘Attend event’(jiunge na hadhara) chagua ‘Sameer Africa AGM’ chagua chaguo la ‘Q&A’ (maswali na majibu) na wawasilishe maswali yao kwenye mraba wa maandishi uliowekwa; Au

ii. Kwa kutuma maswali yao kupitia barua pepe kwa [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke) ;au

iii. Kwa kiasi kinachowezezekana, kuwasilisha binasfi maswali yalioandikwa na kwa kuwacha anwani ya mahali pa kurejesha majibu au barua pepe hapo katika ofisi za Custody and Registrars Services Ltd, wasajili wa kampuni ,katika jumla la IKM Place, Tower B, ghorofa ya kwanza Barabara 5th Ngong.

- Wanahisa watawajibika kutoa maelezo kamili (majina kamili, nambari ya akaunti ya hisa/nambari ya akaunti ya CDSC) wanapokuwa wanawasilisha maswali yao na wanapotaka ufafanusi. Pia fatanisha nakala ya kitambulisho/pasipoti ikiwa unatuma kutumia barua pepe au unapokabidhi Kundi la C&R

- Maswali yote na kutaka ufafanuzi lazima yafikie Kampuni kabla ya saa sita mchana. Ijumaa 26 Juni 2020 au wakati wowote kabla ya hapo

9. Wanahisa wanaotaka kupiga kura kwenye mkutano mkuu wa kila mwaka wanaweza kufanya hivyo watakapo elekezwa kama ifuatavyo:

i. Wanahisa wanajiunga na mkutano mkuu wakila mwaka mtandaoni kupitia jukwaa la <https://digital.candrgroup.co.ke> , chagua ‘Attend Event’(jiunge na hadhara) kisha chagua ‘Sameer Africa AGM’(mkutano mkuu wa kila mwaka wa Sameer Africa) kisha chagua chaguo la kupiga kura na upige kura.

ii. wanahisa wanaoijiunga na mkutano mtandaoni kwa kupitia jukwaa la jumbe fupi kwa simu tumia vilekezi katika orodha kuchagua ‘Sameer Africa AGM’ kisha chagua chaguo la kupiga kura katika orodha na ufuate maelekezo kadhaa yanayo husu mchakato wa kupiga kura.

10. Kwa mujibu wa kifungu 298(1) cha sheria ya makampuni, wanahisa wanaostahiki kuhudhuria na kupiga kura katika mkutano mkuu wa kila mwaka wana haki ya kumteua wakala kuhudhuria na kupiga kura kwa niaba yao. Fomu ya wakala lazima itiwie sahihi na mwenye kuteua au wakili wake ikiwa imeidhinishwa sawasawa kwa maandishi. Ikiwa mwenye kuteua ni shirika, waraka wa kumteua wakala utatolewa ukiwa na muhuri wake wa kawaida au kwa maandishi ya afisa au wakili alieidhinishwa wa shirika hilo. Fomu ya wakala iliojazwa lazima itumwe kwa barua pepe [proxy@candrgroup.co.ke](mailto:proxy@candrgroup.co.ke) au ipelekwe kwa Custody and Registrars Services Ltd wasajili wa kampuni, IKM place, Tower B ghorofa ya kwanza barabara 5 Ngong. Ili ipokewe kufikia, wala si kuchelewa zaidi ,ya siku ya Jumatano tarehe 24 Juni 2020 saa sita mchana. Wakati wa kuteua wakala ni wajibu kuwasilisha nambari ya kitambulisho/pasipoti ya wakala kuwezesha usajili. Mwanahisa atajulishwa kuhusu wakala wowote utakaokataliwa kabla ya Ijumaa tarehe 26 Juni 2020 ilikuruhusu muda wa kurekebisha masuala yoyote.

11. Wanahisa na wakala waliojisajili na kupewa uwezo maalum wa kuwawezesha kujiunga na mkutano ndio watakao weza kujiunga na Mkutano Mkuu wa kila mwaka utakaofanyika mtandaoni. Wanahisa na wakala waliojisajili itakikanavyo watapokea ujumbe mfupi katika simu zao walizozisajili masaa 24 kabla ya mkutano mkuu ilikuwakumbusha kuhusu mkutano mkuu wa kila mwaka. Ujumbe mfupi wa pili utatumwa masaa mawili kabla ya mkutano kuwakumbusha wanahisa na wakala waliosajiliwa itakikanavyo kuwa mkutano mkuu wa kila mwaka utaanza baada ya masaa mawili.

**12. Masuala yatakayo pigiwa kura katika mkutano ni kama ifuatavyo:**

a. Kupitisha taarifa za kifedha za mwaka ulioisha 31 Desemba 2019 pamoja na ripoti zilizomo za wakurugenzi na wakaguzi.

b. Kuidhinisha kuchaguliwa tena kwa mkurugenzi Wacuka Ngatia anaestaafu kwa zamu na kwa kuwa anastahiki, amejitolea kuchaguliwa tena.

c. Kuidhinisha kuchaguliwa tena kwa Mhandisi Erastus Kabutu Mwangera kuendelea ofisini baada ya kufika miaka 70.

d. Kuidhinisha kuteuliwa waliotajwa hapa chini kuendelea kuhudumu kama wanakamati wa kamati ya halmashauri ya Ukaguzi, vihatarishi na utawala bora.

i. Daktari Lydia Muthoni Mbuthia

ii. Bi Mary Wacuka Ngatia

iii. Bw. Sameer Naushad Merali

e. Kuidhinisha ripoti ya wakurugenzi ya mwaka ulioisha 31 Desemba 2019 na kuidhinisha halmashauri kuamua malipo ya wakurugenzi ya mwaka unaofuata.

f. Kuidhinisha sera ya malipo ya wakurugenzi ya mwaka ulioisha 31 Desemba 2019.

g. Kuwateua RSM East Africa LLP kuwa wakaguzi wa Kampuni na kuidhinisha halmashauri kuamua malipo yao.

13. Nakala ya ilani hii, fomu ya uwakala, ripoti jumuishi ya kila mwaka inaweza kuangaliwa kutoka tovuti ya Kampuni [www.sameerafrica.com](http://www.sameerafrica.com).

# TYRE CARE TIPS FROM SAMEER AFRICA PLC

OVERVIEW

OUR BUSINESS

OUR PERFORMANCE

GOVERNANCE

FINANCIAL STATEMENTS

SHAREHOLDERS INFORMATION

OTHER INFORMATION

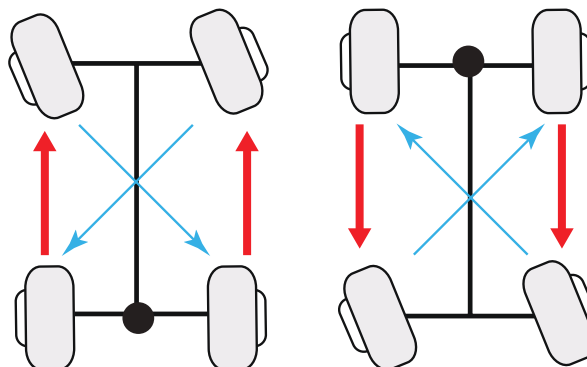
## The functions of tyres

- Supporting the weight of the vehicle
- Absorbing road shocks
- Transmitting traction and braking forces
- Changing and maintaining direction of travel

## What tires are right for your vehicle?

### Consider:

- Manufacturer's recommendation on tyre size and inflation pressure
- The load, speed and driving habits.
- The most common terrain / road conditions.
- The tyre design & construction in all aspects.
- Seek expert advice before choosing a tyre



## Dangers of low inflation pressure

- Overheating of tyres leading to bursts
- Irregular tyre wear
- Reduced tyre life - 10% pressure reduction causes 5-10% less life
- Reduced fuel economy - 10% pressure reduction can cause 1.4% extra fuel consumption
- Always use the recommended inflation pressure

## Dangers of excessive inflation pressure

- Reduced riding comfort
- Irregular wear – concentrated at the centre
- Reduced tyre life
- Tyre bursts – hence accidents
- Always use the recommended inflation pressure

## Benefits of wheel alignment

- Increased wear resistance – longer tyre life
- Better vehicle control and braking
- Softer steering
- Safer cornering

## What to check before you drive

- Correct air pressure
- Sufficient tread depth
- Any irregular wear
- Any tear or crack

## Proper tyre rotation

- Is critical since it ensures even wearing of all tyres
- Can increase tyre life by up to 20%
- Newer tyres require frequent rotation
- Rotate tires regularly : tyres should be rotated every 5000kms, to prevent irregular wear and prolonged tyre life
- Ask your Yana Tyre Centre experts for more advice on tyre rotation

## Important tyre care tips for Africa

- Ensure correct inflation pressure
- Rotate your tyres regularly
- Check your wheel alignment often
- Avoid speeding
- Seek expert advice on specific tyre care problems

## What unique tyre features are suitable for African road conditions?

- Reinforced side walls to resist damage caused by pot holes, objects, sharp road edges, curbs and rough terrain
- Reinforced bead and tread area to withstand varied load, unique usage habits and possible abuse
- Warranty/guarantee on purchase of new tyres
- Reliable, durable and relevant tyres

# 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

## STRONGER BELTS

| Enhanced  
puncture resistance

## STRONGER CASING

| Takes extra load  
| Tyre-burst safe

**Yana Pamoja**

*For Medium Trucks/Buses*



Custody and Registrars Services Limited  
IKM House, Tower B, 1st Floor, 5th Ngong Avenue  
P. O Box 8484-00100, Nairobi

\*I/We \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being \*a

member/members of Sameer Africa PLC, hereby appoint:

\_\_\_\_\_ of (address, email and telephone number)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or failing \*him/her \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ of (address, email and telephone number)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

and failing \*him/her the Chairman of the meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Fifty First Annual General Meeting of the Company to be held on 29th June 2020 and at any adjournment thereof.

As witness \*I/we affix \*my/our \*hand/hands this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Signature(s) \_\_\_\_\_

Unless otherwise instructed, the proxy will vote as \*he/she thinks fit.

\*Delete whichever is not applicable.

1. Shareholders wishing to participate in the meeting should register for the AGM by visiting the online portal [https:// digital.candrgroup.co.ke](https://digital.candrgroup.co.ke) or dialling \*384\*045# and following the various prompts regarding the registration process. Shareholders will not incur any cost for such registration. In order to complete the registration process, shareholders will need to have their ID/ Passport numbers which were used to purchase their shares and their Shares Account or CDSC Account Number at hand. For assistance shareholders should dial the following helpline numbers (020) 760 8216 from 8:00am to 3:00pm from Monday to Friday. Any shareholder outside Kenya should dial the helpline numbers or email [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke) to be assisted to register.

2. Registration for the AGM opens on Monday June 8, 2020 at 8:00am and will close on Friday June 26, 2020 at 12:00am. Shareholders will not be able to register after Friday June 26 2020.



3. In accordance with Section 283 (3) of the Companies Act, 2015, the following documents may be viewed on the Company's website [www.sameerafrica.com](http://www.sameerafrica.com) i) a copy of this Notice and the proxy form; ii) the Company's Integrated Report together with the audited financial statements for the year 2019, iii) the draft minutes in respect of the Annual General Meeting held on 10th June 2020.

4. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

- (i) Accessing <https://digital.candrgroup.co.ke>; selecting "Attend Event", "SAMEER AFRICA AGM", "Q&A" tab and submitting their questions.
- (ii) Sending their written questions by email to [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke); or
- (iii) To the extent possible, physically delivering their written questions with a return postal address or email address to the registered office of the Company at , Nairobi or to Custody and Registrars Services offices at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue; or
- (iv) Sending their written questions with a return postal address or email address by registered post to the Company's address at P.O. Box 30429-00100 Nairobi

Shareholders must provide their full details (full names, ID/Passport Number, Shares CDSC Account Number) when submitting their questions and clarifications by email, post or delivery. All questions and clarifications must reach the Company on or before Friday June 26, 2020 at 12:00 noon.

5. Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return postal address or email address provided by the shareholder, no later than 6 hours before the start of the general meeting. A full list of questions received and the answers thereto will be published on the Company's website no later than 6 hours before the start of the general meeting.

6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is attached to this

Notice and is available on the Company's website [www.sameerafrica.com](http://www.sameerafrica.com) Physical copies of the proxy form are also available at the following address: Custody and Registrars Services offices, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue. To be valid, the proxy form must be duly completed by the shareholder or his attorney duly authorized in writing. If the shareholder is a body corporate, the instrument appointing the proxy shall be given under its common seal (if any) or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to [proxy@candrgroup.co.ke](mailto:proxy@candrgroup.co.ke) in pdf format or delivered to Custody and Registrars Services, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi or be posted to Custody and Registrars Services, P. O. Box 8484-00100 Nairobi, so as to reach the Registrar not later than 12.00 noon on Wednesday June 24, 2020. Duly completed form must be supported by a copy of ID/ valid Passport of the member and include the ID/Passport, email or telephone number of the proxy to facilitate registration. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Friday June 26, 2020 to allow time to address any issues.

7. The AGM will be accessible to shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, one (1) week prior to the AGM as a reminder of the AGM and the open voting period. A second SMS/USSD prompt shall be sent one (1) day before the AGM, reminding duly registered shareholders and proxies that the AGM will be the following day.

8. Duly registered shareholders and proxies can access the Virtual AGM using their log in credentials via <https://digital.candrgroup.co.ke>. Shareholders without internet access can access the Virtual AGM using their log in credentials via USSD \*384\*045#.

9. Results of the AGM shall be announced in the meeting and published within 24 hours following conclusion of the AGM on the Company's website: [www.sameerafrica.com](http://www.sameerafrica.com)

Custody and Registrars Services Limited  
IKM House, Tower B, ghorofa ya kwanza, barabara 5 Ngong  
Anwani S.L.P. 8484-00100, Nairobi

\*Mimi/Sisi \_\_\_\_\_  
\_\_\_\_\_ wa \_\_\_\_\_  
\_\_\_\_\_ \*nikiwa /tukiwa

\*mwanachama/wanachama wa Sameer Africa PLC, namteua/tunamteua:

wa (anwani, barua pepe na nambari ya simu)

au akikosa yeye \_\_\_\_\_

wa (anwani, barua pepe na nambari ya simu)

au akikosa yeye, mwenyekiti wa mkutano kuwa mwakilishi \*wangu/wetu kupiga kura kwa niaba \*yangu/yetu katika mkutano mkuu wa kila mwaka wa 51 wa Kampuni utakaofanyika tarehe 29 Juni 2020 na kwenye uahirishwaji wake wowote.

Kama ushahidi \* wangu/wetu \*ninatia/tunatia sahihi Mwezi \_\_\_\_\_ siku ya \_\_\_\_\_ 2020.

Sahihi \_\_\_\_\_

Isipokuwa ikishauriwa vingine mwakilishi atapiga kura anvyofikiria ni sawa.

\* Futa lisilohusika

1. Wanahisa wenye nia ya kushiriki katika mkutano wanapaswa kujisajili kwa mkutano mkuu wa kila mwaka mtandaoni kutumia anwani <https://digital.candrgroup.co.ke> au kupiga nambari \*384\*045# na kufuata vielekezo kadhaa kuhusu taratibu za usajili. Wanahisa hawatagharimika chochote kwa usajili huo. Ilikukamilisha mchakato wa kujisajili, wanahisa watahitajika kuwa nazo mkononi nambari za vitambulisho/pasipoti zao zilizotumika waliponunua hisa zao na nambari za akaunti zao za hisa au nambari za akaunti za CDSC. Kwa usaidizi, wanahisa wanapaswa kupiga simu nambari ya usaidizi ifuatayo (020) 760 8216 kati ya saa mbili asubuhi na saa tisa mchana kuanzia Jumatatu hadi Ijumaa. Mwanahisa yoyote alie nje ya Kenya anapaswa kupiga nambari za simu za usaidizi au kutumia barua pepe [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke) ili wasaidiwe kujisajili

2. Kusajili kwa ajili ya mkutano mkuu wa mwaka kunaanza Jumatatu tarehe 8 Juni 2020 saa mbili asubuhi na kutamalizika Ijumaa 26 Juni 2020 saa sita mchana.

3. Kwa mujibu wa kifungu 283 (3) cha sheria ya Makampuni 2015, nyaraka zifuatazo zinaweza kuangaliwa katika tovuti ya kampuni [www.sameerafrica.com](http://www.sameerafrica.com) i) Nakala ya ilani hii na fomu za uwakilishi, ii) ripoti jumuishi ya kampuni pamoja na taarifa zilizokaguliwa za fedha za mwaka 2019, iii) kumbukumbu rasimu ya mkutano mkuu wa kila mwaka uliofanyika 10 Juni 2019.

4. Wanahisa wenye nia ya kuuliza maswali yoyote au ufafanuzi kuhusu mkutano mkuu wa kila mwaka wanaweza kufanya hivyo kwa:
- (i) Kujiunga na <https://digital.candrgroup.co.ke>; kuchagua "Attend Event"(jiunge na hadhara), "SAMEER AFRICA AGM", "Q&A"(maswali na ,ajibu) na kuwasilisha maswali.
  - (ii) Kutuma maswali yao yalioandikwa kwa barua pepe [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke); au
  - (iii) Kwa kiasi kinachowezekana, kuwasilisha binafsi maswali yalioandikwa na kuwacha anwani ya mahali pa kurejesha majibu au barua pepe hapo katika ofisi za Kampuni Nairobi au ofisi za Custody and Registrars Services Ltd, IKM Place, Tower B, ghorofa ya kwanza Barabara 5 Ngong; au
  - (iv) Kutuma maswali yao yalioandikwa, na kuwacha anwani ya mahali pa kurejesha majibu au barua pepe, kwa kutumia barua iliosajiliwa na posta itumwe kwa anwani ya Kampuni S.L.P 30429-00100 Nairobi.

Wanahisa wanawajibika kupeana maelezo yao kamili ( Majina kamili , nambari ya Kitambulisho/Pasipoti, nambari ya akaunti ya CDSC) wanapo wasilisha maswali yao na kutaka ufafanuzi wanapotumia barua pepe, posta au kufikisha waraka. Maswali yote na ufafanuzi lazima yafikie Kampuni siku ya, au kabla ya, Ijumaa 26 Juni 2020 saa sita mchana.

5. Baada ya kupokea maswali na ufafanuzi wakurugenzi wa kampuni watatoa majibu yalioandikwa kujibu maswali yaliopokewa na kuyatuma kwa anwani za posta za kurejesha majibu au kwa barua pepe zilizopeanwa na wanahisa, katika muda usio punguwa masaa 6 kabla ya kuanza mkutano mkuu. Orodha kamili ya maswali na majibu yake itachapishwa katika tovuti ya Kampuni katika muda usio punguwa masaa 6 kabla ya kuanza mkutano mkuu.

6. Kwa mujibu wa kifungu 298(1) cha Sheria Ya Makampuni ,wanahisa wanahaki ya kuhudhuria na kupiga kura katika Mkutano Mkuu wa Kila mwaka, wanahaki ya kumteua wakala ilikupiga kura kwa niaba yao. Wakala si lazima awe mwanachama wa kampuni akikosekana wakala basi ni Mwenyekiti wa mkutano mkuu wa mwaka, wakala alieteuliwa atahitaji kutumia simu ya rununu. Fomu ya uwakilishi imeambatishwa na ilani hii na inapatikana katika tovuti ya kampuni [www.sameerafrica.com](http://www.sameerafrica.com) Nakala halisi pia zinapatikana katika anwani ifuatayo ofisi ya Custody and Registrars Services IKM Place, Tower B, ghorofa ya kwanza, barabara 5 Ngong. Ili kuwa halali, fomu ya uwakilishi lazima ijazwe itakikanavyo na mwanahisa au wakili wake alieidhinishwa itakikanavyo kwa maandishi. Ikiwa mwanahisa ni shirika, waraka wakumteua wakala upeanwe ukiwa umepigwa muhuri wa kawaida(ukiwepo) au kwa kutiwa sahihi na afisa au wakili wa shirika alieidhinishwa itakikanavyo na shirika hilo.Fomu ya uwakilishi iliyojazwa inapaswa itumwe kwa barua pepe kwa anwani [proxy@candrgroup.co.ke](mailto:proxy@candrgroup.co.ke) kwa mfumo wa PDF au iwasilishwe kwa Custody and Registrars Services, IKM Place, Tower B, ghorofa ya kwanza, barabara 5 Ngong, Nairobi au itumwe kwa njia ya posta kupitia anwani Custody and Registrars Services, S.L.P. 8484-00100 Nairobi ilikumfikia msajili kabla ya saa sita mchana Jumatano 24 Juni 2020. Fomu zilizojazwa itakikanavyo lazima ziandamane na nakala ya kitambulisho/pasipoti inayotumika ya mwanachama na ijumuishe kitambulisho/pasipoti, barua pepe au nambari ya simu ya wakala kusahilisha usajili. Usajili wowote wa wakala utakaokataliwa mwanahisa muhusika ataarifiwa kabla ya Ijumaa Juni 26,2020 ilikuruhusu wakati wa kushughulikia masuala yoyote.

7. Mkutano Mkuu wa Mwaka utaweza kupatikana mtandaoni na wanahisa wale watakao kuwa walijisajili kushiriki katika mkutano mkuu. Wanahisa waliojisajili itakikanavyo na mawakala watapokea agizo kupitia huduma ya ujumbe mfupi (SMS/USSD) katika nambari za simu zao zilizosajiliwa wiki moja kabla ya mkutano mkuu wa mwaka kama tanabahisho la mkutano mkuu wa mwaka na kipindi wazi cha upigaji kura. Agizo la pili la ujumbe mfupi litatumwa siku moja kabla ya mkutano mkuu wa kila mwaka, kuwakumbusha wanahisa waliosajiliwa na mawakala kuwa mkutano mkuu wa kila mwaka utakuwa siku ifuatayo.

8. Wanahisa waliosajiliwa itakikanavyo na mawakala wanaweza kujiunga na mkutano mkuu wa kila mwaka mtandaoni kupitia uwezo maalum wa kuingia mtandaoni kupitia <https://digital.candrgroup.co.ke>. wanahisa wasiokuwa na mtandao wanaweza kujiunga na mkutano mkuu wa kila mwaka mtandaoni kupitia uwezo wao maalum wa kuingia kupitia jumbe fupi \*384\*045#.

9. Matokeo ya Mkutano mkuu wa kila mwaka yatatangazwa katika mkutano na kuchapishwa katika tovuti ya kampuni [www.sameerafrica.com](http://www.sameerafrica.com) ndani ya masaa 24 kufuatia kumalizika mkutano mkuu wa kila mwaka.





# **SUMMIT TYRE**

*Taya poa, thamani poa.*

## **SUMMIT TYRE RANGE**



**HAWK**



**TOSHA**



**KIFARU**



**KIFARU-D**



**KIFARU-ST**



## Sameer Africa Sales Depot Addresses

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 0722 204674/5  
 0730 156222  
 Fax: 020 - 3962 888  
 Email: info@sameerafrica.com

### Tanzania

#### Dar es Salaam

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 P.O Box14849, Dar es Salaam, Tanzania  
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 Fax: 007-222-862585  
 Email: info@sameerafrica.co.tz

### Uganda

#### Kampala

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 Fax: 041-347670  
 Email: info@sameerafrica.co.ug

## Yana Tyre Centres Addresses

### Kenya

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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

#### 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

#### Yana Tyre Centre – SBP

Sameer Business Park  
 Mombasa road  
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