CONTENTS

Firestone

ADMINISTRATION

Firestone

BOARD OF DIRECTORS

Naushad Noorali Merali E.B.S.
Chairman

Yasuhiro Itoh
Managing Director

Hiromichi Odagiri
General Manager, Middle East and Africa
Sales Department, Bridgestone Corporation

Mirabeau Humberto Da Gama-Rose
Non-Executive Director

James Kanyotu
Non-Executive Director

SECRETARY
Issa Abdalla Timamy
Certified Public Secretary

AUDITORS
Coopers & Lybrand
Certified Public Accountants
Queensway House, Kaunda Street,
P. O. Box 30158, Nairobi.

PRINCIPAL BANKERS TO THE COMPANY

First American Bank of Kenya Limited,
7th Floor, ICEA Building, Kenyatta Ave,
P. O. Box 30691, Nairobi.

Standard Chartered Bank Kenya Limited,
Stanbank House, Moi Avenue,
P. O. Box 30003, Nairobi

SHARE REGISTRARS TO THE COMPANY

Standard Chartered Kenya Nominees Ltd,
9th Floor, Stanbank House, Moi Avenue,
P. O. Box 30003, Nairobi.

REGISTERED OFFICE OF THE COMPANY
L.R. NO: 12081
MOMBASA ROAD
P. D. BOX 30429,
NAIROBI

2007|1014

Notice is hereby given that the 29th Annual General Meeting of the Members will be held at the Company's Sameer Industrial Park premises off Mombasa Road, Nairobi on Friday 27th March, 1998 at 11.00 a.m. for the following purposes:-

1. To confirm the minutes of the 28th Annual General Meeting held on 27th March, 1997.
2. To receive, consider and if deemed fit, adopt the financial statements for the year ended 31st December, 1997 together with the reports thereon of the Directors and of the Auditors.
3. To confirm the interim dividend of 20% (Shs 1/- per share) paid in August, 1997, and to declare a final dividend of 30% or Shs 1/50 per share.
4. To elect Directors
5. To confirm the Directors' emoluments.
6. To authorise the Directors to fix the Auditors' remuneration.
7. To transact any other business which may be transacted at an Annual General Meeting.
8. Special Business

To consider and if thought fit, pass the following resolutions:-

Resolution 1
That the authorised share capital of the Company be increased from Shillings one billion (Shs 1,000,000,000) to Shillings one billion five hundred million (Shs 1,500,000,000) by the creation of an additional one hundred million (100,000,000) ordinary shares of Shillings five (Shs 5) each, such shares to rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

Resolution 2
That it is desirable to capitalise the sum of Shs 463,904,000 being part of the amount standing to the credit of the Company Revenue Reserves and that accordingly, such sum be set free for distribution amongst the shareholders of the Company on the register on 27th March, 1998 on condition that the same be not paid in cash but be applied in paying up in full at par 92,780,800 new shares of Shs 5 each in the capital of the Company and that such 92,780,800 shares credited as fully paid up be accordingly allotted to such persons respectively in the proportion of one such share for every two of the 185,561,600 shares then held by such persons respectively and that the shares so distributed shall be treated for all purposes as an increase of the nominal amount of the capital of the Company held by each such shareholder and not as income and the Directors are hereby authorised and directed to give effect to this resolution.

Resolution 3
That should any of the said 92,780,800 bonus shares not be issued by reason of fractions of shares being disregarded, the Directors may allot and issue the same to such persons and upon such terms and conditions as they may think fit.

By order of the Board
Issa Timamy
Company Secretary
Nairobi

19th February, 1998

Notes: A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company.The form of proxy is attached on page 27. The final dividend, if approved, will be paid on or about 6th April, 1998 to members on the register at close of business on 17th March, 1998. The Bonus issue, if approved, will be effected on or about 27th March, 1998 to members on the register at close of business on 27th March, 1998.

Firestone

Ilani inatolewa hapa kuwa mkutano mkuu wa ishirini na tisa (29) wa kila mwaka wa wanachama utafanyika katika majengo ya kampuni ya Sameer Industrial Park, kando ya Mombasa Road, Nairobi, Ijumaa, tarehe 27 Machi, 1998 saa tano asubuhi kwa madhumuni yafuatayo:-

1. Kuidhinisha yaliyosemwa kwenye mkutano mkuu wa 28 wa kila mwaka uliofanyika tarehe 27 Mei, 1997.
2. Kupokea, kuchunguza na ikifikiriwa sawa kuidhinisha taarifa za fedha za mwaka uliomalizikia 31 Desemba 1997 pamoja na taarifa za wakurugenzi na za wakaguzi wa hesabu.
3. Kuidhinisha malipo ya mgawo wa muda wa faida ya asilimia 20 (Shs.1 kwa kila hisa) yaliyolipwa Agosti, 1997, na kutangaza mgawo wa faida ya mwisho wa asilimia 30 au Shs1/50 kwa kila hisa.
4. Kuchagua wakurugenzi.
5. Kuidhinisha mapato ya wakurugenzi.
6. Kuwapa wakurugenzi idhini ya kuwalipa wakaguzi wa hesabu.
7. Kushughulikia jambo jingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.
8. Shughuli Maalum

Kutathmini na ikionekana sawa kupitisha maazimio yafuatayo:-

Azimio Na. 1.
Kuwa rasilimali ya hisa inayoruhusiwa iongezwe kutoka shilingi bilioni moja (Shs.1,000,000,000) hadi shilingi bilioni moja na milioni mia tano (Shs.1,500,000,000) kwa kuzalishwa zaidi hisa milioni mia moja (100,000,000) za kawaida za shilingi tano (Shs.5) kwa kila moja, hisa hizo zikiwekwa katika hali zote (pari passu) na hisa za kawaida za rasilimali ya kampuni.

Azimio Na. 2
Kuwa ni bora kuongeza rasilimali jumla ya Shs.463,904,000 kuwa ni sehemu ya jumla ya idadi iliyobaki katika akiba ya mapato na kwa hivyo hesabu hiyo iachwe huru kugawanywa miongoni mwa wanahisa wa kampuni katika kitabu cha orodha ya majina kufikia 27 Machi, 1998 kwa sharti kuwa kiwango hicho hakitolipwa kwa pesa taslimu lakini kitatumika kulipa kikamilifu hisa mpya 92,780,800 za Shs.5 kila moja katika rasilimali ya kampuni na kuwa hisa 92,780,800 kuandikwa kama zimelipwa kikamilifu na hivyo kugawanywa kisawa kwa kila mtu kwa kiwango cha hisa moja kwa kila mbili za hisa 185,561,600 zinazomilikiwa na wanahisa hao na kuwa hisa hizo zitakazogawanywa zitachukuliwa kwa nia zote kama ongezeko la idadi ya rasilimali ya kampuni inayomilikiwa na kila mwana hisa huyo na sio kama pato na wakurugenzi wanaidhinishwa hapa na kuamrishwa kutekeleza azimio hili.

Azimio Na. 3
Kuwa ikiwa hizo hisa 92,780,800 za bakshishi hazitatolewa kwa sababu ya vijisehemu vya hisa kutotiliwa maanani, wakurugenzi wanaweza kugawa na kutoa hizo sehemu kwa watu hao kwa mujibu wa sheria na masharti kama watakavyofikiria sawa.

Kwa Amri ya Halmashauri

Issa Timamy

Katibu wa Kampuni

Nairobi

19 Februari, 1998

Maelezo zaidi:- Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu anaweza kuchagua wakala kuhudhuria na kupiga kura kwa niaba yake na wakala huyo si lazima awe mwanachama wa kampuni. Fomu ya wakala imewekwa ukurasa 27. Ikiidhinishwa, malipo ya gawio la faida ya mwisho yatalipwa tarehe 6 Aprili, 1998 au wakati karibu na hapo kwa wanachama walio katika kitabu cha orodha ya majina kufikia wakati wa kufunga biashara tarehe 17 Machi, 1998. Ikiidhinishwa, toleo la bakshishi litatolewa tarehe 27 Machi, 1998 au wakati karibu na hapo kwa wanachama walio katika kitabu cha orodha ya majina kufikia wakati wa kufunga biashara tarehe 27 Machi, 1998.

OPERATING ENVIRONMENT

1997 was a very challenging year for business and manufacturing industry in Kenya. Few, if any, companies were untouched by the problems which affected the country during those twelve months.


Mr N.N. Merali - E.B.S Chairman

Uncertainity in the run up to the General Election in December 1997, drought followed by El Nino rains, and the temporary suspension of aid by the IMF undermined business confidence and investment and made trading conditions very difficult.

Moreover, in the liberalised market, we faced increasing competition from imported tyres.

Undeterred by these adversities we remained focused on our key objectives. Our investment programme proceeded as planned. We also maintained our cost cutting initiatives whilst simultaneously improving production and product quality. These actions were successful and helped to alleviate the effects of the testing conditions.

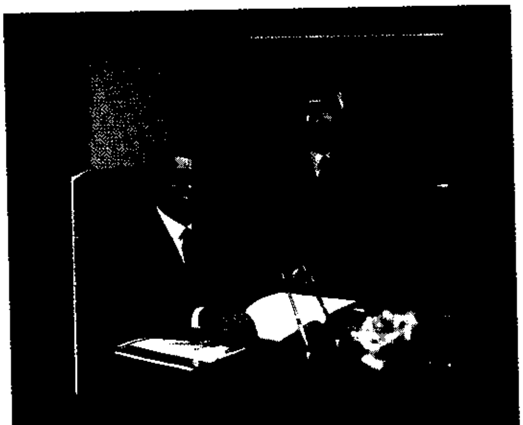
It also enabled us to continue to make a major contribution to the Kenyan economy by paying Shs.1 billion to the Treasury by way of taxes, duties, fees and levies.

Providing more conducive and stable investment conditions prevail, I expect to see improvements in both production and profitability during 1998.

COMPANY RESULTS

I am therefore pleased to report that, despite the difficulties, your Company fared remarkably well in 1997. When this year's results are compared with those of the less volatile 1996, the Company achieved 95% of the prior year's tyre sales and turnover and attained 97% of the prior year's profit after tax.

During 1997 tyre sales fell slightly to 545,000 units generating a turnover of Shs.3.4 billion


Mr N.N. Merali - E.B.S Chairman, with the Managing Director Mr. Y. Itoh

and after tax profits of Shs.671 million.

Your Board of Directors recommends a final dividend of Shs.1.50 per share. Added to the interim dividend of Shs.1.00 per share paid in August 1997, this brings the final dividend for the year to Shs.2.50 per share and represents a total dividend of Shs.464 million - equal to the previous year's.

Subject to the relevant approvals, your Board also recommends a Bonus Share Issue of one share for every two shares held by shareholders on the Company's Register on the 27th March 1998. This will increase the number of shares in issue to 278,342,400 and the paid up capital of the Company to Shs.1,391,712,000.

MANUFACTURING

Last year I advised you that we had earmarked Shs.500 million for capital expenditure in 1997. Our development projects were completed under-budget at a cost of Shs.454 million and were all financed internally without recourse to external funding. The new equipment included a Mixer, Dual Tuber, Bead Winder, Tyre Assembly Machine, Curing Presses, Molds and programmable logic controls for core machinery. These new equipments have been instrumental in the enhancement of productivity and quality.

We have also concentrated on improving production rates to allow more spare time for major equipments' servicing and maintenance and provide time for staff training.

Firestone E.A senior marketing team preparing future strategies.

The Firestone E.A senior management at a strategic planning workshop.


N.2 automated tyre building machine.

Our programme to reduce costs also bore fruit. Assisted by reduced raw material costs which fell by 14% we have managed to hold our unit production costs below 1996 levels. We will continue to pursue this cost cutting policy during the coming year.

SALES & MARKETING

Although demand for the Firestone product was strong, the activity of many of our distributors and dealers was inhibited by lack of liquidity. Sales in the replacement market were down and this largely accounts for the reduced sales volume during 1997. Due to reduced vehicle production, tyre sales to local manufacturers and assemblers were also slightly down although we maintained our dominant position in this sector of the market. However, there was major growth in our export business. Revenues increased by 36% and export tyre sales accounted for 20% of our total sales for the year.

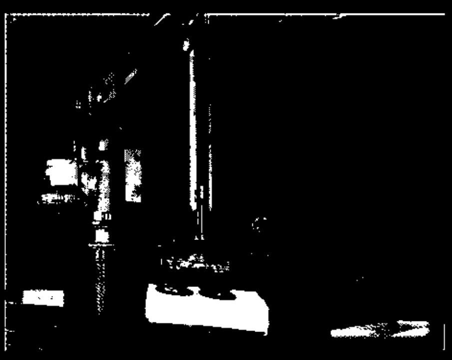
Our focus for 1998 is to strengthen our field engineering activities to ensure a superior after sales service and a lower tyre cost per kilometre for users.

SAMEER INDUSTRIAL PARK

The Sameer Industrial Park which traditionally has been biased to the textile export market was adversely affected at the beginning of the year by quotas imposed by the USA and Europe. This led to some retrenchment but new tenants were found and 100% occupancy was achieved by the second half of the year.

Sameer Industrial Park income contributed Shs.15 million to Group profits for the year. A dividend of Shs.38 million has been declared out of the subsidiary's retained earnings to be paid to the parent company, Firestone East Africa. I am pleased to report


Tyre curing press.



Material handling robot in operation.

that the initial investment in the Sameer Industrial Park of Shs.120 million has been repaid in less than six years.

THE FUTURE

In order to maintain our prominent position as market leaders in Kenya, we must continue to meet the challenges posed by liberalisation. Internally, funded investment will continue to be one of the cornerstones of our Company's policies. In this regard, a further Shs.600 million investment has been planned on additional capital projects during 1998.

At the same time we will continue to liaise closely with Bridgestone, Japan to keep abreast of technological developments and apply new technology to improve tyre quality whenever appropriate.

Tyre sales will be boosted through aggressive marketing and a new advertising and sales initiative.

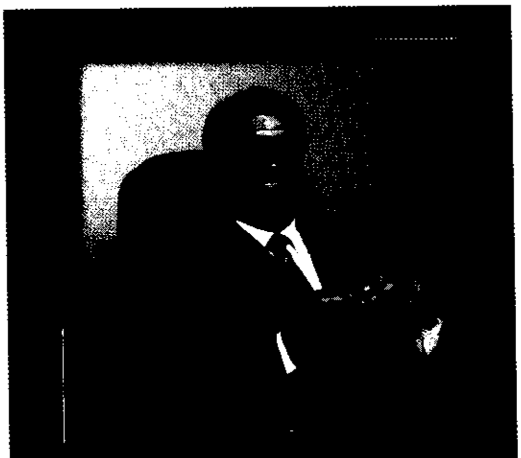
Motivation, welfare and training will continue to be a priority for our workforce.

We will strive to provide the standard of customer care expected by the modern consumer and provide customer reassurance by continuing to underwrite our products through guarantee.

I would like to thank my fellow Directors for their support during the year, the Management and Staff for their hard work and all our Customers, Dealers, Distributors for their diverse contributions to our Company's success.

N. N. Merali, EBS
Chairman

New Dual tuber under installation.



Bw N.N. Merali - E.B.S Mwenyekiti

MAZINGIRA YA UFANYAJI KAZI

Mwaka 1997 ulikuwa mwaka wa majaribio kwa biashara na utengenezaji Kenya. Ni makampuni machache, ikiwa yapo, ambayo hayakupatwa na matatizo yaliyoiathiri nchi wakati wa miezi hiyo kumi na miwili.

Hali ya wasiwasi katika kipindi cha kukaribia uchaguzi Desemba 1997, ukame uliofuatwa na mvua za El Nino na usimamizi kwa muda wa msaada na shirika la I.M.F., yote yalidhoofisha uthamini wa biashara na kufanya hali za kibiashara kuwa ngumu sana.

Zaidi, katika soko huru tulikabiliwa na mashindano yalioongezeka kutoka kwa matairi yaliyoletwa kutoka nje.

Bila ya Kupingwa na matatizo haya tulibaki tumeangaza katika malengo yetu muhimu. Mpango wetu wa biashara uliendelea kama ulivyopangwa. Pia tuliendeleza bidii yetu ya kupunguza gharama na wakati huo huo kuongeza uzalishaji na ubora wa bidhaa. Vitendo hivi vilifaulu na vilisaidia kuondoa athari za hali hizo za majaribio.

Pia ilituwezesha kuendelea kutoa mchango mkubwa kwa uchumi wa Kenya kwa kulipa shilingi bilioni moja kwa hazina ya kitaifa kupitia njia ya kodi, ushuru, ada na malipo.

Ikiwa hali nzuri zaidi na thabiti za kibiashara zitaendelea, nataraji kuona ongezeko katika yote uzalishaji mali na faida katika mwaka 1998.

MATOKEO YA KAMPUNI

Kwa hivyo nina furaha kuwajulisha kuwa, juu ya matatizo, kampuni yenu imefanya vizuri sana katika mwaka 1997. Matokeo ya mwaka huu yalipolinganishwa na yale ya mwaka wa 1996 uliokuwa na mabadiliko machache, kampuni ilifikisha asilimia 95 ya mauzo ya matairi na mauzo ya thamani ya mwaka uliopita na ilifikisha asilimia 97 ya faida ya mwaka uliopita baada ya kodi.

Wakati wa mwaka 1997, mauzo ya matairi yalipungua kidogo na kuwa matairi 545,000 yaliyoleta mauzo ya thamani ya shilingi bilioni 3.4 na faida baada ya kodi ya shilingi milioni 671.

Halmashauri yenu ya wakurugenzi inapendekeza gawio la mwisho la faida la shilingi 1.50 kwa kila hisa. Ikiongezwa kwa gawio la muda la shilingi 1.00 kwa kila hisa la Agosti 1997, hii inaleta gawio la mwisho la faida kwa mwaka kuwa shilingi 2.50 kwa kila hisa na inawakilisha jumla ya gawio la faida la shilingi milioni 464 - sawa na mwaka uliotangulia.

Ikitegemea idhini kutoka kwa wanaohusika, halmashauri yenu pia inapendekeza toleo la hisa moja ya bakshishi kwa kila hisa mbili zinazomilikiwa na wanahisa katika kitabu cha orodha ya majina cha kampuni kufikia tarehe 27 machi, 1998. hili litaongeza idadi ya hisa zilizotolewa kuwa 278,342,400 na rasilimali iliyolipwa ya kampuni kuwa shilingi 1,391,712,000.

UTENGENEZAJI

Mwaka jana niliwajuza kuwa tumelenga shilingi milioni 500 kwa matumizi ya rasilimali katika mwaka 1997. Miradi yetu ya maendeleo ilikamilishwa kwa kiwango kidogo ya kile kilichotengwa kwa gharama ya shilingi milioni 454 na yote iligharamiwa na kampuni yenyewe bila ya kutaka usaidizi, kutoka nje. Vifaa vipya ni pamoja na 'Mixer', 'Dual Tuber', 'Bead Winder', mtambo wa kuundia matairi, mitambo ya matayarisho, vielelezo na vifaa vya uzuiaji halisi vya mitambo mahususi. Vifaa hivi vipya vimekuwa muhimu katika uendelezi wa uzalishaji mali na ubora wa bidhaa.

Pia tulikazania kuendeleza viwango vya uzalishaji kuruhusu wakati mwingi zaidi wa mapumziko ili mitambo ifanyiwe marekebisho muhimu na kutoa wakati wa mafunzo kwa wafanyikazi.

Bw N.N. Merali - E.B.S Mwenyekiti. na Msimamizi Bw. Y. Itoh

Mpango wetu wa kupunguza gharama pia ulileta manufaa. Tukisaidiwa na kupungua kwa bei za malighafi zilizopungua kwa asilimia 14 tuliweza kuzuia gharama zetu za uzalishaji matairi chini ya viwango vya mwaka 1996. Tutaendelea kufuata msimamo huu wa kupunguza gharama katika mwaka unaokuja.

MAUZO NA UUZAJI

Ijapokuwa mahitaji ya bidhaa za Firestone yalikuwa juu, shughuli za wengi wa waenezi na wauzaji wetu zilipingwa na ukosefu wa fedha. Mauzo katika soko la ubadilishaji yalikuwa chini na hili linaelezea kwa kiasi kikubwa upungufu wa kiwango cha mauzo katika mwaka 1997. Kwa sababu ya upungufu wa utengenezaji wa magari, mauzo ya matairi kwa watengenezaji wa magari nchini na waundaji pia yalikuwa chini kidogo ijapokuwa tulihifadhi nafasi yetu kuu katika sehemu hii ya soko. Walakini kulikuwa na ongezeko kubwa katika biashara yetu ya usafirishaji. Mapato yaliongezeka kwa asilimia 36 na mauzo ya matairi yaliyosafirishwa yalichangia asilimia 20 ya jumla ya mauzo yetu ya mwaka.

Lengo letu la 1998 ni kuimarisha shughuli zetu za uhandisi, kuhakikisha huduma za hali ya juu za baada ya mauzo na gharama ndogo za tairi kwa kilomita kwa watumiaji.

SAMEER INDUSTRIAL PARK

Sameer Industrial Park ambayo hapo mbeleni ilijifunga na soko la usafirishaji wa bidhaa za vitambaa iliathiriwa sana mwanzo wa mwaka na kuwekewa kwa viwango maalum na Amerika na Uropa. Hili lilileta kupunguzwa kwa wapangaji wengine lakini wapangaji wapya walipatikana na karibu asilimia 100 ya upangaji uliwezekana kufikia nusu ya pili ya mwaka.

Pato la Sameer Industrial Park lilichangia shilingi milioni 15 kwa faida ya kundi kwa mwaka. Gawio la faida la shilingi milioni 38 limetangazwa kando ya mapato yaliyobakishwa ya kampuni hii yalipwe kampuni mzazi Firestone East Africa. Nina furaha kueleza kuwa gharama za ujenzi wa katika Sameer Industrial Park za shilingi milioni 120 zimelipwa chini ya miaka sita.

SIKU ZA MBELENI

Ili kuhifadhi nafasi yetu maarufu kama viongozi wa soko nchini Kenya, lazima tuendelee kukutana na mashindano yanayoletwa na mageuzi ya kiuchumi. Rasilimali itakayogharamiwa kibinafsi na kampuni itaendelea kuwa mojawapo wa misimamo imara ya kampuni yetu. Kwa mintarafu wa haya, shilingi milioni 600 nyingine zimepangwa kutumiwa katika miradi ziada ya rasilimali katika mwaka 1998.

Na wakati huo huo tutaendelea kuhusiana kwa karibu na Bridgestone, Japan ili kuwa katika mstari wa mbele katika maendeleo ya kiteknolojia na kutumia teknolojia mpya kuendeleza viwango vya ubora wa matairi kila itakapofaa.

Mauzo ya matairi yataimarishwa kupitia uuzaji kwa bidii, utangazaji mpya na bidii katika mauzo.

Kutia moyo, kuzingatia hali njema na mafunzo yataendelea kuwa ya umuhimu kwa wafanyikazi wetu.

Tutajaribu kutoa kiwango cha utunzaji wa wateja kinachotarajiwa na watumiaji wa kisasa na kutoa hakikisho kwa wateja kwa kuendelea kukubali jukumu la bidhaa zetu kwa kutoa dhamana.

Ningependa kuwashukuru wakurugenzi wenzangu kwa usaidizi wao katika mwaka usimamizi na wafanyikazi kwa kazi yao ngumu na wateja, wauzaji na waenezi wetu wote kwa michango yao mbali mbali katika kuifanikisha kampuni.

N.N. MERALI E.B.S.
Mwenyekiti

DIRECTORS

Mr N.N. Merali E.B.S - Chairman
Mr. Y. Itoh - Managing Director
Mr J. Kanyotu
Mr M.H. Da Gama-Rose
Mr H. Odagiri - Alternate Mr H. Tsubakihara

SECRETARY

Mr. Issa Timamy

The directors present their report with the audited accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The parent company, Firestone East Africa (1969) Limited manufactures and sells tyres and related products whilst the subsidiary, Sameer Industrial Park Limited is involved in the development and letting of premises in an export processing zone.

RESULTS

The profit for the year and the appropriation thereof are set out in the profit and loss account on page 15.

DIVIDENDS

During the year an interim dividend of Shs.185,561,600 was declared in July 1997 and paid. The directors propose a final dividend of Shs.278,342,400.

DIRECTORS

The names of the directors at 31 December 1997 are set out above.

Mr H. Tsubakihara was appointed an alternate director to Mr H. Odagiri on 18 February 1997 in lieu of Mr 5. Matsunaga who resigned on the same date.

In accordance with the Articles of Association, Mr J. Kanyotu retires by rotation and being eligible, offers himself for re-election.

AUDITORS

The auditors, Coopers & Lybrand, will continue in office in accordance with Section 159(2) of the Companies Act (Cap.4B6).

By Order of the Board

Mr. Issa Timamy
Secretary

19 February 199B

WAKURUGENZI

Bw. N.N. Merali E.B.S - Mwenyekiti
Bw. Y. Itoh - Msimamizi
Bw. J. Kanyotu
Bw. M.H. Da Gama - Rose
Bw. H. Odagiri (Mpokezi Bw. H. Tsubakihara)

KATIBU

Bw. Issa Timamy

Wakurugenzi wanawakilisha ripoti yao pamoja na taarifa za fedha kwa kipindi cha mwaka ulioishia tarehe 31 Desemba 1997.

SHUGHULI KUU ZA KAMPUNI

Kampuni mzazi, Firestone East Africa (1969) Limited hutengeneza na kuuza matairi pamoja na bidhaa zinazohusiana nayo, nayo Sameer Industrial Park iliyo chini ya kundi la Firestone inajihusisha na uendelezi na ukodishaji wa viwanda kwenye eneo la E.P.Z.

MATOKEO

Faida ya mwaka na jinsi ilivyotumika inonyeshwa katika hesabu ya faida na hasara kwenye ukurasa wa 15.

MGAWO WA FAIDA

Katika kipindi cha mwaka, mgawo wa faida ya muda ya Shs.185,561,600 ilitangazwa Julai 1997 na kulipwa. Wakurugenzi wanapendekeza mgawo wa faida ya mwisho ya Shs.278,342,400.

WAKURUGENZI

Majina ya wakurugenzi kufikia 31 Desemba 1997 yanaonyeshwa hapo juu.

Bw. H. Tsubakihara alichaguliwa kama mkurugenzi mpokezi wa Bw. H. Odagiri mnamo 18 Februari 1997 badala ya Bw. S. Matsunaga aliyejiuzulu tarehe hiyo hiyo.

Kufuatana na masharti na kanuni za kampuni, Bw. J. Kanyotu anastaafu kwa zamu na kwa kuwa bado anastahili anajitolea kuchaguliwa tena.

WAKAGUZI WA HESABU

Wakaguzi wa hesabu, Coopers and Lybrand, wataendelea kuwa wakaguzi wa kampuni kufuatana na kifungu 159(2) cha sheria za makampuni (Ibara 486)

Kwa Amri ya Halmashauri

Bw. Issa Timamy
Katibu
19 Februari 1998

REPORT OF THE AUDITORS
RIPOTI YA WAKAGUZI

1. We have audited the accounts set out on pages 15 to 25. The accounts of the company are in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

2. **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

   Under the provisions of the Companies Act, the directors are responsible for the preparation of accounts which give a true and fair view of the group's state of affairs and its profit or loss. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

3. **BASIS OF OPINION**

   We conducted our audit in accordance with Kenyan Auditing Standards. These standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the accounts.

4. **OPINION**

   In our opinion, proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the company and the group at 31 December 1997 and of the profit and cashflows of the group for the year then ended and comply with the Companies Act (Cap.486).

Coopers & Lybrand
Certified Public Accountants of Kenya
Nairobi
19 February 1998

1. Tumekagua hesabu za fedha katika ukurasa wa 15 hadi 25. Hesabu za kampuni zinakubaliana na vitabu vya hesabu. Tumepata habari na maelezo yote ambayo kwa kadiri tunavyojua na kuamini, yalihitajika kwa kutekeleza ukaguzi wetu.

2. **MAJUKUMU BINAFSI YA WAKURUGENZI NA WAKAGUZI WA HESABU**

   Kulingana na sheria za kampuni, wakurugenzi wana jukumu la kutayarisha taarifa za fedha zinazotoa picha ya kweli na isiyo ya kupendelea ya hali ya shughuli za kundi la makampuni pamoja na faida au hasara yake. Jukumu letu ni kutoa maoni yasiyo mapendeleo kuhusu taarifa za fedha kufuatia ukaguzi wetu na kuwaelezea maoni yetu.

3. **JINSI TULIVYOFIKIA MAONI YETU**

   Tulifanya ukaguzi wetu kwa kufuatana na viwango vya ukaguzi vya Kenya. Viwango hivi vinahitaji kupanga na kutekeleza ukaguzi ili kupata uhakika ufaao kuwa taarifa hizo za fedha hazina makosa. Ukaguzi unahusu upimaji ili kupata ushahidi unaothibitisha kiasi kinachoonyeshwa katika taarifa za fedha, pia kupima mbinu zilizotumika na makadirio muhimu yaliyofanywa na wakurugenzi na pia utathmini wa wasilisho la taarifa za fedha kwa jumla.

4. **MAONI**

   Kwa maoni yetu, vitabu vya hesabu vimewekwa kwa njia sahihi na hesabu za fedha zinaeleza kwa ukweli na bila ya kupendelea hali ya shughuli za kampuni na kundi lake hadi 31 Desemba 1997 na za faida na mienendo ya fedha za kundi kwa kipindi cha mwaka ulioishia tarehe hiyo zinakubaliana na sheria za makampuni (Ibara 486).

Coopers & Lybrand
Kampuni ya wahasibu ya Kenya
Nairobi
19 Februari 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Firestone

for the year ended 31 December 1997

	Note	1997 Shs'000	1996 Shs'000
TURNOVER		3,449,463	3,617,715
GROUP OPERATING PROFIT BEFORE TAXATION	2	937,557	1,022,619
TAXATION	4	(267,036)	(332,981)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	5	670,521	689,638
DIVIDENDS	12(a)	(463,904)	(463,904)
RETAINED PROFIT FOR THE YEAR	14	206,617	225,734
RETAINED PROFIT/(TRANSFER FROM RESERVES)			
Firestone East Africa (1969) Limited		229,957	205,501
Subsidiary company:			
Sameer Industrial Park Limited		(23,340)	20,233
	14	206,617	225,734
		Shs.	Shs.
EARNINGS PER SHARE	6	3.61	3.72

Report of the auditors - page 14
Statement of principal accounting policies - page 19
The notes on pages 20 to 25 form part of these accounts.

CONSOLIDATED BALANCE SHEET

Firestone

as at 31 December 1997

	Note	1997 Shs'000	1996 Shs'000
FIXED ASSETS	7(a)	932,145	593,018
INVESTMENTS	8	95,440	95,440
CURRENT ASSETS			
Stocks and work in progress	10	990,253	1,009,955
Debtors		365,373	334,751
Taxation recoverable		13,388	-
Bank balances and cash		113,521	119,178
		1,482,535	1,463,884
CURRENT LIABILITIES			
Bank overdraft	11	60,726	133,986
Creditors		486,179	367,406
Taxation		-	24,245
Dividends	12(b)	278,342	148,449
		825,247	674,086
NET CURRENT ASSETS		657,288	789,798
NET ASSETS		1,684,873	1,478,256
Financed by:-			
SHARE CAPITAL	13	927,808	927,808
RETAINED PROFITS	14	757,065	550,448
5HAREHOLDERS' FUNDS		1,684,873	1,478,256

The accounts were approved by the Board of Directors on 19 February 1998 and signed on its behalf by:-

Mr N.N. Merali E.B.S - Chairman
Mr. Y. Itoh - Managing Director

Report of the auditors - page 14
Statement of principal accounting policies - page 19
The notes on pages 20 to 25 form part of these accounts.

Firestone

7. FIXED ASSETS

(a)The Group

	Leasehold Land	Buildings	Plant and Machinery	Molds	Motor Vehicles	Office Furniture & Fixtures	Capital Work in Progress	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
COST:								
1 January 1997	1,000	167,569	559,381	138,825	137,003	53,470	11,377	1,068,625
Additions	-	-	-	-	30,124	9,551	414,108	453,783
Disposals	-	-	-	-	(13,133)	-	-	(13,133)
Transfers	-	2,422	349,628	27,504	-	-	(379,554)	-
31 December 1997	1,000	169,991	909,009	166,329	153,994	63,021	45,931	1,509,275
DEPRECIATION:								
1 January 1997	30	44,899	241,489	89,931	83,411	15,847	-	475,607
Charge for the period	10	5,921	54,157	20,849	26,652	5,253	-	112,842
Disposals	-	-	-	-	(11,319)	-	-	(11,319)
31 December 1997	40	50,820	295,646	110,780	98,744	21,100	-	577,130
NET BOOK VALUES								
31 December 1997	960	119,171	613,363	55,549	55,250	41,921	45,931	932,145
31 December 1996	970	122,670	317,892	48,894	53,592	37,623	11,377	593,018

Firestone

7. **FIXED ASSETS (continued)**

(b)The Company

	Leasehold Land	Buildings	Machinery and Equipment	Molds	Motor Vehicles	Office Furniture & Fixtures	Capital Work in Progress	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
COST:								
1 January 1997	1,000	167,569	559,179	138,825	136,669	52,615	11,377	1,067,234
Additions	-	-	-	-	30,124	9,551	414,108	453,783
Disposals	-	-	-	-	(13,133)	-	-	(13,133)
Transfer	-	2,422	349,628	27,504	-	-	(379,554)	-
31 December 1997	1,000	169,991	908,807	166,329	153,660	62,166	45,931	1,507,884
DEPRECIATION:								
1 January 1997	30	44,899	241,364	89,931	83,281	15,372	-	474,877
Charge for the period	10	5,921	54,131	20,849	26,568	5,105	-	112,584
Disposals	-	-	-	-	(11,319)	-	-	(11,319)
31 December 1997	40	50,820	295,495	110,780	98,530	20,477	-	576,142
NET BOOK VALUES								
31 December 1997	960	119,171	613,312	55,549	55,130	41,689	45,931	931,742
31 December 1996	970	122,670	317,815	48,894	53,388	37,243	11,377	592,357

(c)No depreciation has been charged in arriving at the results for the year in respect of certain fixed assets which originally cost Shs. 370,113,000 (1996: Shs.308,172,000) and are still in service but fully depreciated. If depreciation had been charged during the year on the cost of these assets at the normal rates, it would have amounted to approximately Shs.66,196,000 (1996:Shs.55,521,000).

8. INVESTMENTS (The Group)

	1997 Shs'000	1996 Shs'000
Investments comprise rental property at the Sameer Export Processing Zone and are stated at cost	95,440	95,440

9. INTEREST IN SUBSIDIARY COMPANY (The Company)

	1997	1996
Interest in subsidiary comprises of:-		
120,000 shares of Shs.1,000 each at cost	120,000	120,000

Sameer Industrial Park Limited is a 100% subsidiary of Firestone East Africa (1969) Limited, the results of which have been consolidated in these accounts. Sameer Industrial Park leases out premises in an export processing zone.

10. STOCKS AND WORK IN PROGRESS

(The group and company)	1997 Shs'000	1996 Shs'000
Stocks and work in progress comprise:		
Goods in transit	422,486	419,749
Raw materials	93,507	150,979
Work in progress	28,168	29,068
Finished goods	334,063	331,087
Stores and supplies	112,029	79,072
	990,253	1,009,955

11. BANK OVERDRAFT (The group and company)

The bank overdraft is not secured.

12. DIVIDENDS

(a)Interim dividends of Shs.185,561,600 (1996: Shs.315,455,000) were paid during the year.

	1997 Shs'000	1996 Shs'000
Total dividends for the year comprise:		
Interim paid (1997 Shs.1.00 per ordinary share) (1996: Shs.1.70 per ordinary share)	185,562	315,455
Final proposed (1997: Shs.1.50 per ordinary share) (1996: Shs.0.80 per ordinary share)	278,342	148,449
	463,904	463,904

12. DIVIDENDS (continued)

	1997	1996
	Shs'000	Shs'000
(b)Unpaid dividends comprise:-		
1997 - Final dividend proposed	278,342	-
1996 - Final dividend declared	-	148,449
	278,342	148,449

13. SHARE CAPITAL

Authorised:		
200,000,000 ordinary shares of Shs.5 each	1,000,000	1,000,000
Issued and fully paid:		
185,561,600 ordinary shares of Shs.5 each	927,808	927,808

14. RETAINED PROFITS

	1997	1996	1997	1996
	Company	Company	Group	Group
	Shs'000	Shs'000	Shs'000	Shs'000
1 January	527,108	321,607	550,448	324,714
Retained profit for the year	229,957	205,501	206,617	225,734
31 December	757,065	527,108	757,065	550,448

15. CAPITAL COMMITMENTS

	1997	1996
	Shs'000	Shs'000
Authorised and contracted for	-	6,631
Authorised but not contracted for	562,730	495,083
	562,730	501,714

16. DEFERRED TAX

The potential deferred tax liability, not expected to crystalise in the foreseeable future and hence not incorporated in these accounts, consists of:

	1997	1996
	Shs'000	Shs'000
Excess of capital allowances over depreciation	111,585	89,997
Other timing differences	(8,807)	(612)
	102,778	89,385

17. CONTINGENT LIABILITIES

	1997	1996
	Shs'000	Shs'000
Letters of credit outstanding and other guarantees on which no losses are expected	20,103	45,191

18. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:		
Bank and cash balances	113,521	119,178
Bank overdraft	(60,726)	(133,986)
	52,795	(14,808)

19. RELATED PARTY TRANSACTIONS

(a)The company shares common directors with one of its bankers, First American Bank of Kenya Limited.

(b)During the year the company purchased raw materials and machinery and also obtained technical services amounting to Shs.530,318,309 from its affiliate Bridgestone/Firestone group. The amount due to the above affiliates at the year end is Shs.98,235,010 and is included under creditors.

(c)The company shares common directors with some of its suppliers, from whom goods and services of Shs. 17,367,199 were purchased during the year. The amount due to the above suppliers at the year end is Shs.646,686 and is included under creditors.

All the above transactions are in the normal course of business and are at arm's length.

LAST FIVE YEARS' FINANCIAL SUMMARY

Firestone

	1993 Shs'000	1994 Shs'000	1995 Shs'000	1996 Shs'000	1997 Shs'000
CONSOLIDATED PROFIT AND LOSS SUMMARY					
Turnover	2,654,028	2,818,033	3,027,445	3,617,715	3,449,463
Group operating profit	963,875	789,934	978,977	1,022,619	937,557
Taxation	306,126	269,160	308,887	332,981	267,036
Profit after taxation	657,749	493,774	670,090	689,638	670,521
Dividends (gross)	311,478	374,437	510,294	463,904	463,904
Retained profit transferred to revenue reserve	346,271	119,337	159,796	225,734	206,617
Earnings per share(5hs.)	3.54	2.66	3.61	3.72	3.61
Dividend per share(Shs.)	1.68	2.02	2.75	2.50	2.50
CONSOLIDATED BALANCE SHEET SUMMARY					
Fixed Assets	332,304	434,965	491,793	593,018	932,145
Investments	95,440	95,440	95,440	95,440	95,440
Current Assets					
Stocks and work-in-progress	855,738	766,684	1,015,871	1,009,955	990,253
Debtors	106,011	99,265	294,729	334,751	365,373
Bank balances and cash	112,112	94,933	175,024	119,178	113,521
	1,073,861	960882	1,485,624	1,463,884	1,469,147
Current Liabilities					
Bank Overdraft	3,992	85,578	176,734	133,986	60,726
Creditors	257,991	235,086	377,272	367,406	486,179
Taxation	160,082	(14,884)	34,377	24,245	(13,388)
Dividends payable	106,151	92,781	231,952	148,449	278,342
	528,216	398,561	820,335	674,086	811,859
Net Current Assets	545,645	562,321	665,289	789,798	657,288
NET ASSETS	973,389	1,092,726	1,252,522	1,478,256	1,684,873
Financed by:					
Share Capital	331,360	927,808	927,808	927,808	927,808
Retained Profits	642,029	164,918	324,714	550,448	757,065
SHAREHOLDERS' FUNDS	973,389	1,092,726	1,252,522	1,478,256	1,684,873

BALANCE SHEET (THE COMPANY)

Firestone

as at 31 December 1997

	Note	1997 Shs'000	1996 Shs'000
FIXED ASSETS	7(b)	931,742	592,357
INTEREST IN SUBSIDIARY	9	120,000	120,000
CURRENT ASSETS			
Stocks and work in progress	10	990,253	1,009,955
Debtors		356,927	319,786
Taxation recoverable		13,388	-
Dividend receivable from group company		38,207	19,231
Bank balances and cash		88,182	59,612
		1,486,957	1,408,584
CURRENT LIABILITIES			
Bank overdraft	11	60,726	133,986
Creditors		479,229	359,345
Due to group company		35,529	-
Taxation		-	24,245
Dividends	12(b)	278,342	148,449
		853,826	666,025
NET CURRENT ASSETS		633,131	742,559
NET ASSETS		1,684,873	1,454,916
Financed by:-			
SHARE CAPITAL	13	927,808	927,808
RETAINED PROFITS	14	757,065	527,108
SHAREHOLDERS' FUNDS		1,684,873	1,454,916

The accounts were approved by the Board of Directors on 19 February 1998 and signed on its behalf by:-

Mr N.N. Merali E.B.S - Chairman
Mr. Y. Itoh - Managing Director

Report of the auditors - page 14
Statement of principal accounting policies - page 19
The notes on pages 20 to 25 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

Firestone

for the year ended 31 December 1997

		1997	1996
		Shs'000	Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before taxation		937,557	1,022,619
Adjustments for:			
Depreciation		112,842	92,869
Investment income		(42,280)	(31,359)
Interest expense		6,877	43,798
Profit on sale of fixed assets		(4,218)	(1,315)
Operating profit before working capital changes		1,010,778	1,126,612
(Increase)/Decrease in debtors		(37,143)	(38,001)
Decrease/(Increase) in stock		19,702	5,916
Increase/(Decrease) in creditors		118,773	(9,866)
Cash generated from operations		1,112,110	1,084,661
Income taxes paid		(304,669)	(343,113)
Net cash inflow from operating activities		807,441	741,548
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Rent received		35,432	26,006
Interest received		13,367	3,332
Interest paid		(6,877)	(43,798)
Dividends paid		(334,010)	(547,407)
Net cash out flow from investments and servicing		(292,088)	(561,867)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(453,783)	(198,221)
Proceeds from sale of fixed assets		6,033	5,442
Net cash outflow from investing activities		(447,750)	(192,779)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		67,603	(13,098)
Cash and cash equivalents at beginning of period		(14,808)	(1,710)
Cash and cash equivalents at end of period	(Note 18)	52,795	(14,808)

Report of the auditors - page 14
Statement of principal accounting policies - page 19
The notes on pages 20 to 25 form part of these accounts.

1. The accounts are prepared in accordance with the historical cost convention. The following is a summary of the more important accounting policies used:-

Consolidated accounts

The consolidated accounts include the accounts of Firestone East Africa (1969) Limited and its subsidiary, Sameer Industrial Park Limited made up to 31 December 1997.

Depreciation

Depreciation is calculated to write off the cost of the fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used for this purpose are:-

Leasehold land	over the remaining useful life of the lease
Factory and office buildings	4.0%
Machinery and equipment	12.5%
Molds	33.3%
Motor vehicles	25.0%
Office furniture and fixtures	12.5%
Computer networking	33.3%

Depreciation is charged on additions from the month following that in which the asset concerned is brought into use.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined as the average cost of purchases and production for the last six months and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of the realisation and, where appropriate, the cost of conversion from its existing state to a finished condition. Goods in transit are stated at cost. Provision is made for obsolete, slow moving and defective stocks.

Bad and doubtful debts

Specific provision is made for known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

Turnover

Turnover which excludes Value Added Tax, is the aggregate invoice value of goods and services rendered.

Foreign currencies

Assets and liabilities expressed in foreign currencies, are translated into Kenya shillings at the rate of exchange ruling at year end. Differences on exchange are included in the profit and loss account.

Deferred taxation

Provision is made at the rate ruling at the year end for deferred taxation except in respect of taxation which can reasonably be expected to be deferred for the forseeable future.

2. GROUP OPERATING PROFIT

	1997 Shs'000	1996 Shs'000
(a)This is stated after charging:		
Depreciation	112,842	92,869
Auditors' remuneration		
(Company Shs.1,290,000 - 1996: Shs.1,150,000)	1,425	1,270
Interest payable	6,877	43,798
(b)and after crediting:		
Interest receivable	13,367	3,332
Exchange gains	11,295	15,913

3. DIRECTORS' EMOLUMENTS

	Company 1997 Shs'000	Company 1996 Shs'000	Group 1997 Shs'000	Group 1996 Shs'000
As directors	1,600	1,600	2,080	2,080
For management	19,711	14,981	19,711	14,981
	21,311	16,581	21,791	17,061

4. TAXATION

	1997 Shs'000	1996 Shs'000
At 35% on the profit for the year as adjusted for tax purposes	267,036	332,981

5. PROFIT ATTRIBUTABLE TO SHAREHOLOERS

Included in profit attributable to shareholders is Shs.693,861,000 (1996: Shs.669,405,000) which is dealt with in the accounts of the parent company. The difference between Shs.693,861,000 and the profit attributable to shareholders of Shs.670,521,000 as reflected on the group profit and loss account relates to the retained results of the subsidiary company.

6. EARNINGS PER SHARE

Earnings per share of Shs.3.60 (1996 : Shs.3.70) each are calculated by reference to the profit of the group after taxation of Shs. 670,521,000 (1996: Shs.689,638,000) based on 185,561,600 shares in issue.

FORM OF PROXY
ANNUAL GENERAL MEETING

Firestone

Form of Proxy

I/We ....

of .... being (a)

member/s of Firestone East Africa (1969) Limited, do hereby appoint ....

.... of failing him/her, the duly appointed Chairman of the meeting to be my/our Proxy, to vote for me/us at the Annual General Meeting of the Company to be held at the Company's Sameer Industrial Park Premises off Mombasa Road on Friday, 27th March 1998 and at any adjournment thereof.

As witness my/our hand(s) this .... day of 1998

SIGNATURE ....

Unless otherwise indicated, the Proxy will vote as he/she thinks fit.

Notes: (1) To be valid this proxy must be deposited at the Registered Office of the company not less than 24 hours before the time appointed for holding the meeting.

(2) If the appointer is a corporation, the proxy must be executed under its common seal or under the hands of an officer or Attorney duly authorised in writing.

FOLD 2

STAMP

The Secretary,
FIRESTONE EAST AFRICA (1969) LTD.
P.O BOX 30429
NAIROBI,
KENYA.

FOLD 3

INSERT FLAP INSIDE