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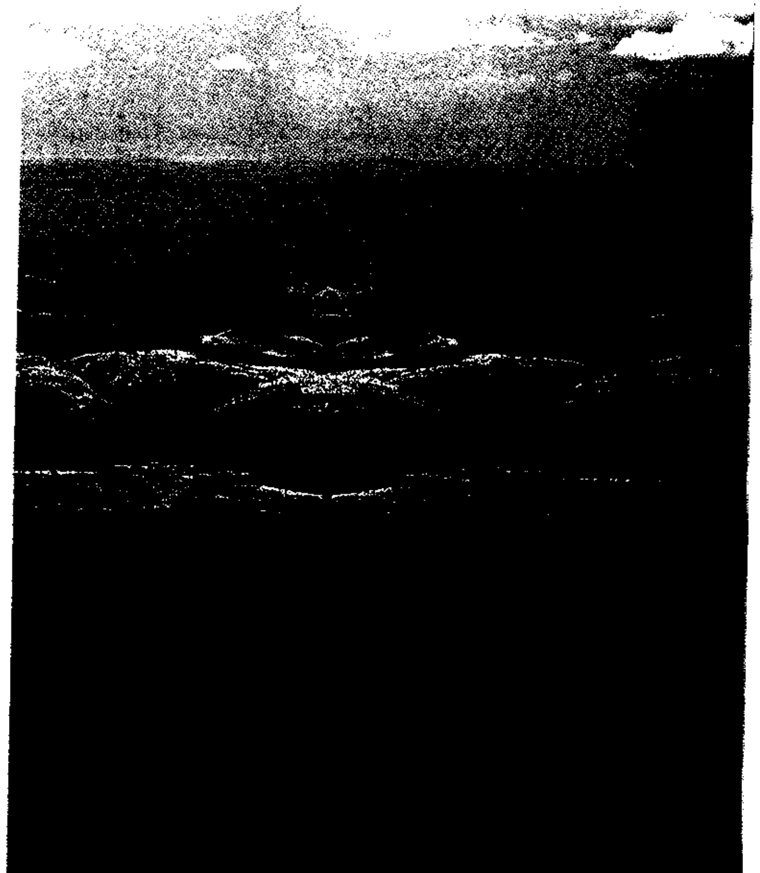


Corporate information

BOARD OF DIRECTORS
Naushad Noorali Merali C.B.S.
Chairman

Hiroshi Yamazaki
Managing Director

Yoshinobu Murakami
Technical Director

Mirabeau Humberto Da Gama-Rose
Non-Executive Director

Iqbal Ismail Mandviwalla
Non- Executive Director

SECRETARY
Issa Abdalla Timamy
Certified Public Secretary
P. O. Box 30429 - 00100, Nairobi

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants
The Rahimtulla Tower, Upper Hill Road
P.O. Box 43963, Nairobi

PRINCIPAL BANKERS
First American Bank of Kenya Limited
First American Bank Centre, Nyerere Road
P.O. Box 30691, Nairobi

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

SHARE REGISTRARS
Barclays Advisory and Registrar Services Limited
Bank House, Moi Avenue
P.O. Box 30120, Nairobi

REGISTERED OFFICE
L.R. NO: 12081
Mombasa Road
P.O. Box 30429 - 00100
Nairobi

ISO 9001:2000 SGS SYSTEM CERTIFICATION

Firestone

Notice of Meeting

Notice is hereby given that the 35th Annual General Meeting of the Members will be held at the Company's Sameer Industrial Park premises off Mombasa Road, Nairobi on Friday 26 March 2004 at 11.00 a.m. for the following purposes:

1. To confirm the minutes of the 34th Annual General Meeting held on 28 March 2003.

2. To receive, consider and if deemed fit, adopt the financial statements for the year ended 31 December, 2003 together with the reports thereon of the Directors and the Auditors.

3. To confirm the interim dividend of Shs. 0.25 per share paid in August 2003 and the final dividend of Shs. 0.25 per share.

4. To elect Directors:
   I. I. Mandviwalla, a director retiring by rotation who being eligible, offers himself for re-election.

5. To confirm the Directors' emoluments.

Ilani ya Mkutano

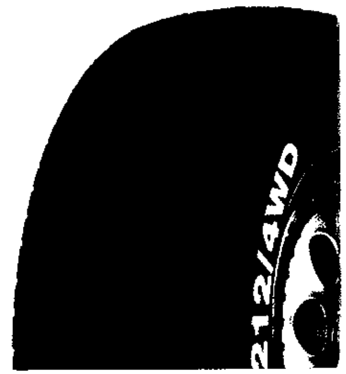
Ilani inatolewa hapa kuwa mkutano wa thelathini na tano (35) wa kila mwaka wa wanachama utafanyika katika majengo ya Sameer Industrial Park kando ya barabara ya Mombasa, Nairobi, siku ya Ijumaa, tarehe 26 Machi 2004, saa tano asubuhi kwa madhumuni yafuatayo:

1. *Kuidhinisha yaliosemwa kwenye mkutano mkuu wa 34 wa kila mwaka uliofanyika tarehe 2B machi 2003.*

2. *Kupokea, kuchunguza na ikifikiriwa sawa kuidhinisha taarifa za fedha za mwaka uliomalizikia 31 Desemba 2003, pamoja na taarifa za wakurugenzi na za wakaguzi wa hesabu.*

3. *Kuidhinisha malipo ya mgawo wa muda wa faida ya Shs. 0.25 kwa kila hisa yaliolipwa Agosti 2003, na mgawo wa faida ya mwisho ya Shs. 0.25 kwa kila hisa.*

4. *Kuchagua wakurugenzi:*
   Bw. I.I. Mandviwalla, mkurugenzi anayestaafu kwa zamu ambaye kwa kuwa anastahili, anajitolea kuchaguliwa tena.



Notice of Meeting *(continued)*

6. To appoint PricewaterhouseCoopers as auditors for the ensuing year and authorise the Directors to fix the auditors remuneration.

7. To transact any other business which may be transacted at an Annual General Meeting.

By order of the Board

Issa Timamy
Company Secretary
Nairobi

12 February 2004

Note:

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 39.

The final dividend, will be paid on or about 31 March, 2004 to members on the register at close of business on 17 March, 2004.

Ilani ya Mkutano (kuendelea)

5. Kuidhinisha malipo ya wakurugenzi.

6. Kuwateuwa PricewaterhouseCoopers kama wakaguzi wa vitabu vya hesabu kwa mwaka unaofuata na kuidhinisha wakurugenzi kuamua malipo ya wakaguzi wa vitabu vya hesabu.

7. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.

Kwa amri ya Halmashauri

Issa Timamy
Katibu wa Kampuni
Nairobi

12 Februari, 2004.

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 39.

Malipo ya gawio la faida ya mwisho yatalipwa tarehe 31 Machi, 2004 au wakati karibu na hapo kwa wanachama walio katika kitabu cha orodha ya majina kufikia wakati wa kufunga biashara tarehe 17 Machi, 2004.

Firestone

Chairman's Statement

The year 2003 started with a lot of optimism and hope for revival of the Kenyan economy and a promising vision of the future. Donor support was back on track, free primary education and reforms in the public sector and government policy commenced; poverty alleviation and job creation were the key objectives of the new government.

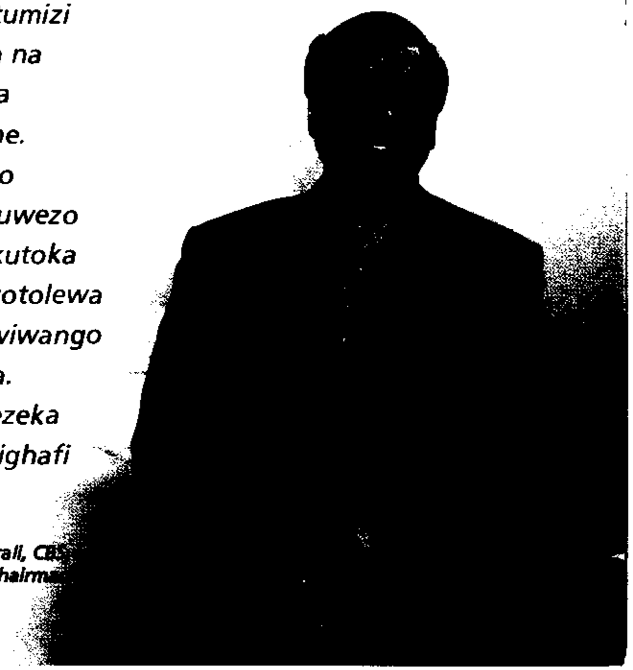
However, the overall economic performance was below expectation and a low economic growth rate was recorded. Consumer purchasing power continued to be eroded. With these prevailing conditions corporate earnings continued to decline and particularly so in the fast moving consumer goods, manufacturing and retail sectors of the economy. Our Company's turnover was down by 7% and profit before tax was 18% lower than the previous year. Reduced sales volumes, pressure on prices due to the erosion of consumer purchasing power and competition from the influx of subsidised and often sub-standard imports all affected revenue and margins. Production costs continued rising due to the escalating prices of raw materials and crude oil.

It is, however, encouraging that overall we were able to manage our business and working capital in a prudent manner and contain our conversion

Taarifa ya Mwenyekiti

Mwaka wa 2003 ulianza na matumaini mengi mazuri na matarajio ya ufufuaji wa uchumi wa Kenya na mtazamo wa matumaini ya siku za usoni. Msaada kutoka kwa wafadhili ulirejeshwa, elimu ya bure ya shule za msingi na mageuzi katika sekta ya umma na sera ya serikali kuanza; kumaliza umaskini na kutoa nafasi za kazi ndio yalikuwa malengo muhimu ya serikali mpya.

Ingawa, utendaji wa kiuchumi wa jumla ulikuwa chini ya kiwango cha matarajio na kiwango kidogo cha ukuaji wa kiuchumi kilirekodiwa. Uwezo wa manunuzi ya wateja uliendelea kupunguzwa. Hali hizi zikiwepo, mapato ya shirika yaliendelea kupungua na hasa katika sekta za uchumi za bidhaa zinazouzika upesi, utengenezaji na uchuuzi. Mapato na matumizi ya kampuni yalipungua kwa asilimia saba na faida kabla ya kodi ilikuwa chini kuliko ya mwaka uliopita kwa asilimia kumi na nane. Kupungua kwa wingi wa mauzo, shinikizo kwenye bei kutokana na kupungua kwa uwezo wa manunuzi ya wateja na mashindano kutoka kwa kuingia kwa wingi kwa bidhaa zinazotolewa ruzuku na mara nyingi ambazo huwa za viwango vya chini, yote yaliathiri mapato na ziada. Gharama za uzalishaji ziliendelea kuongezeka kutokana na kuongezeka kwa bei za malighafi na mafuta yasiosafishwa.



N.N. Merali, CB
Chairm

Chairman's Statement *(continued)*

costs and overheads at rates that were below inflation levels. Financial income was realised from foreign currency forward cover contracts and the strength of the Kenya Shilling against the U.S. Dollar.

The Board declared a final dividend of Shs. 0.25 (5%) per share which together with the interim dividend of Shs. 0.25 (5%) per share paid in August, 2003 brings the total dividend for the year to Shs. 0.50 (10%) per share.

A review of performance and activity within the different areas of operations follows:

MANUFACTURING.
Production costs increased by 2% over the previous year. This was mainly caused by the escalating raw material and crude oil prices. Cost controls and efficiency improvement initiatives led to reduced conversion costs and minimised the negative impact of the price increases.
Factory throughput was up 3% on weight due to improved product mix.

Finished Tyre being removed from manufacturing line

Taarifa ya Mwenyekiti (kuendelea)

Inatia matumaini ijapokuwa, kwa ujumla tumeweza kusimamia biashara yetu na mtaji wa kufanyia kazi kwa njia ya busara na kudhibiti gharama zetu za ubadilishaji na uendeshaji kwa viasi ambavyo viko chini ya viwango vya mfumko. Mapato ya kifedha yalipatikana kutoka kwa mikataba ya kinga za kimbele za fedha za kigeni na nguvu ya shilingi ya Kenya dhidi ya dola ya Kimarekani.

Halmashauri ilitangaza mgawo wa mwisho wa faida ya Shs. 0.25 (5%) kwa kila hisa ambayo pamoja na mgawo wa muda wa Shs. 0.25 (5%) kwa kila hisa uliolipwa Agosti, 2003 inaifanya jumla ya faida ya mwaka kuwa Shs. 0.50 (10%) kwa kila hisa.

Matokeo ya utendaji na shughuli katika maeneo tofauti ya uendeshaji yanafuata:

UTENGENEZAJI
Gharama za utengenezaji ziliongezeka kwa asilimia 2 kupita za mwaka uliotangulia. Hili hasa lilisababishwa na bei zilizoongezeka za malighafi na mafuta yasiosafishwa. Udhibiti wa bei na mikakati ya kuimarisha utendaji bora ilisababisha kupungua kwa bei za ubadilishaji na kupunguza athari hasi ya kuongezeka kwa bei.
Matokeo ya kiwanda yalikuwa juu kwa asilimia 3 kwenye uzito kutokana na kuongezeka kwa kuchanganywa bidhaa.

Firestone

Chairman's Statement *(continued)*

Capital investments of Shs. 80 Million and commitments for a further Shs. 88 Million were mainly for quality improvement and new product development machines and moulds.

During the current year we shall commission a new, state of the art, Truck and Bus tyre assembly machine at a cost of approximately Shs.114 Million. This will enable us to significantly enhance our product range including tubeless tyres. This is in line with our continued focus on quality and implementation of International Standards. All our products are Certified ISO 9001:2000.

SALES AND MARKETING.

Domestic sales volumes were 2% higher than the previous year. However, overall turnover declined by 7% due to the pressure on prices and the devaluation of the regional currencies against the Kenya Shilling.

We continued to improve and increase our product line-up and during the year successfully launched the Lug Tractor Champion (LTC-3) and Translug Extra Tyres. A number of new products are planned for release in the next two years.

Taarifa ya Mwenyekiti (kuendelea)

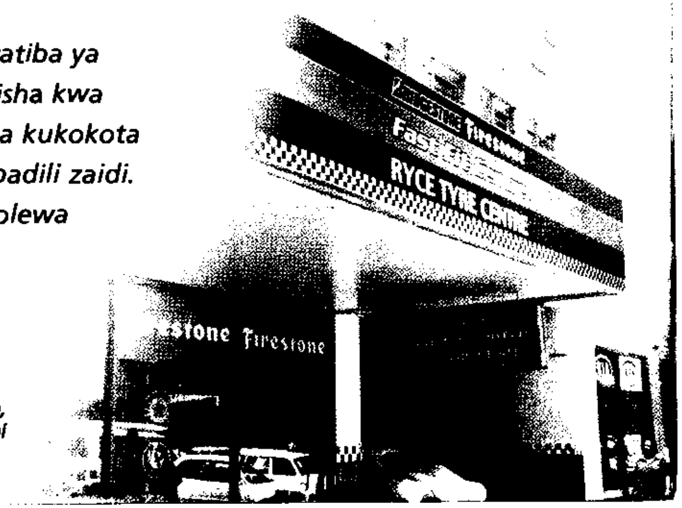
Mtaji wa kutega uchumi wa Shs. Milioni 80 na ahadi za Shs. Milioni 88 za ziada ulikuwa hasa wa kuimarisha ubora na maendelezo ya mashine za bidhaa mpya na vielezo.

Katika mwaka uliopo tutaanzisha kazi ya mtambo wa kisasa wa kuundia tairi la lori na basi kwa gharama ya karibu Shs. Milioni 114. Hili litatuwezesha kuzidisha bidhaa zetu anuwai pamoja na matairi yasiokuwa na tyubu. Hii inalingana na msisitizo wetu unaoendelea wa ubora na utekelezaji wa Viwango vya Kimataifa. Bidhaa zetu zote zimethibitishwa na ISO 9001:2000

MAUZO NA UUZAJI

Viwango vya mauzo nchini vilikuwa juu kwa asilimia 2 kuliko vya mwaka uliopita. Mapato na matumizi ingawa, yalipungua kwa asilimia 7 kutokana na shinikizo kwenye bei na kushuka kwa thamani ya fedha za kieneo dhidi ya shilingi ya Kenya.

Tuliendelea kuboresha na kuongeza ratiba ya bidhaa zetu na katika mwaka tulianzisha kwa ufaulu matairi ya tingatinga bingwa la kukokota (LTC-3) na matairi ya kukokota na kubadili zaidi. Bidhaa kadha mpya zimepangwa kutolewa katika miaka miwili ijayo.



Ryce Tyre Centre, Nairobi

Chairman's Statement *(continued)*

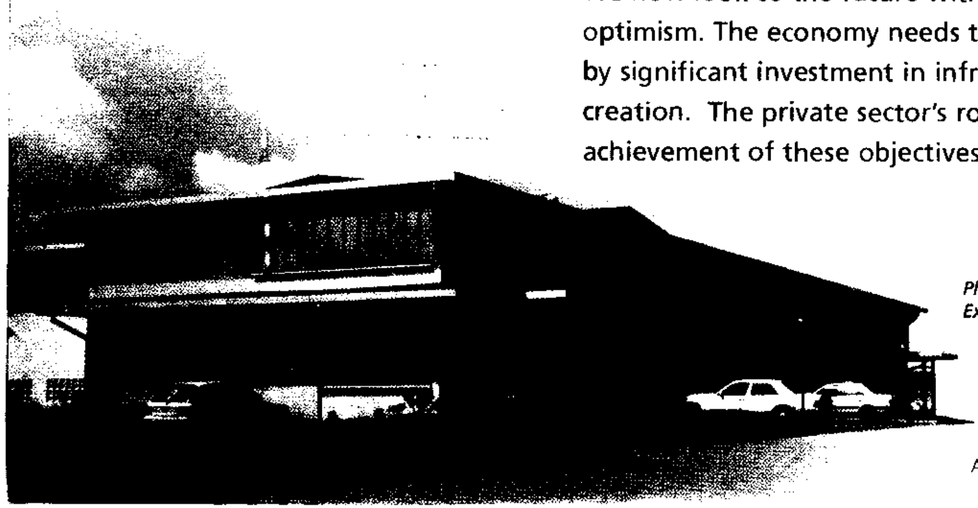
During the year we opened a sub-depot in Arusha and sales liaison office in Rwanda. Plans are at an advanced stage to open similar outlets in Mwanza and Mbeya in Tanzania, Burundi and also to relocate our Uganda warehouse from Jinja to Kampala.

We have also strengthened our sales force and will invest in 'model shops' for dealer training and support activities. We shall also commence 'Tyre Management Services' in the current year.

SAMEER INDUSTRIAL PARK.

The second Phase expansion of the Export Processing Zone comprising of 120,000sq ft of space, built to the highest standards, in an ideal location was completed at a cost of Shs. 160 million. It is available for letting to investors who wish to take advantage of the tax and other benefits of operating in the Export Processing Zone.

We now look to the future with renewed optimism. The economy needs to be 'kick-started' by significant investment in infrastructure and job creation. The private sector's role in the achievement of these objectives is vital and we



Phase II expansion of the Export Processing Zone

Taarifa ya Mwenyekiti (kuendelea)

Tulifungua ghala dogo Arusha na afisi ya ushirikiano wa mauzo Rwanda katika mwaka huu. Mipango iko katika hatua ya mbali sana kufungua vituo kama hivyo Mwanza na Mbeya katika nchi ya Tanzania, Burundi na pia kuhamisha bohari letu la Uganda kutoka Jinja hadi Kampala.

Pia tumeimarisha juhudi zetu za mauzo na tutatega uchumi katika 'maduka ya vielelezo' kuelekeza wafanyi biashara na shughuli za usaidizi. Pia tutaanzisha 'Huduma za Usimamizi wa Matairi' katika mwaka tulionao.

SAMEER INDUSTRIAL PARK

Awamu ya pili ya upanuzi wa eneo la Utengenezaji Bidhaa Nje likijumlisha futi mraba 120,000 za nafasi uliojengwa kwa viwango vya juu kabisa katika eneo lililo bora ulikamilika kwa gharama ya karibu Shs. Milioni 160. Linapatikana kukodisha kwa watega uchumi wanaotaka kufaidika kutokana na kodi na faida nyingine za utenda kazi katika eneo la Utengenezaji Bidhaa Nje.

Sasa tunatarajia siku za usoni na matarajio mema mapya. Uchumi unahitaji 'kuamshwa' kwa utegaji uchumi wa maana katika miundombinu na kutoa nafasi za kazi. Jukumu la sekta ya kibinafsi ni muhimu katika utekelezaji wa malengo haya na tutasaidia kidhati juhudi za serikali.

Chairman's Statement *(continued)*

shall actively support the Government's efforts. Your Board will continue to seek out new business opportunities and re-position the Company on a strong platform to take advantage of the expected improvement in the economy.

We shall continue to consolidate our market share in the domestic market and expand our sales in the regional and COMESA trade areas.

We shall continue developing products that are built to meet the rigorous demands of local road conditions and improve our service levels with the use of 'benchmarking' and Information Technology.

We shall continue to focus on good corporate governance and contribute towards our share of social responsibility to the Community.

Your Company is a major contributor to the exchequers of the region and employs over 650 direct and 5000 indirect workers.

I wish to express appreciation for the Kenya Government's effort towards the containment and eventual eradication of unaccustomed, subsidised and sub-standard imports being dumped within our borders.

Taarifa ya Mwenyekiti *(kuendelea)*

Halmashauri yenu itaendelea kutafuta nafasi mpya za biashara na kuiweka tena kampuni kwenye jukwaa imara kuchukua fursa ya maendeleo yanayotarajiwa katika uchumi.

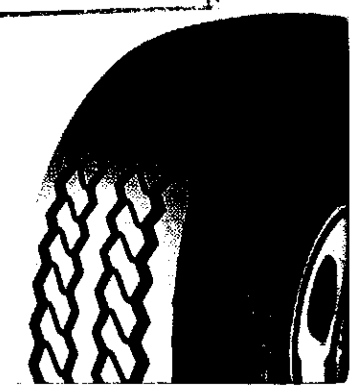
Tutaendelea kuimarisha hisa yetu ya soko katika soko la nchini na kupanua mauzo yetu katika eneo na maeneo ya COMESA ya biashara.

Tutaendelea kuendeleza bidhaa ambazo zimetengenezwa kukumbana na mahitaji magumu ya hali za barabara nchini na kuimarisha viwango vyetu vya huduma kwa utumizi wa 'alama teule' na teknolojia ya habari.

Tutaendelea kulenga kwenye uongozi mzuri wa shirika na kuchangia hisa yetu ya jukumu la ushirikiano kwa jamii.

Kampuni yenu ni mchangizi mkubwa kwa vizara za fedha za eneo hili na imeandika zaidi ya wafanyikazi 650 kwa njia ya moja kwa moja na wafanyikazi 5000 kwa njia isiyo ya moja kwa moja.

Ningependa kuonyesha shukrani kwa juhudi za Serikali za kudhibiti na hatimaye kusitisha kabisa bidhaa zisizolipiwa ushuru, zinazoruzukiwa na zilizo duni ziingizwazo na kuuzwa kwa bei nafuu katika nchi yetu.



Chairman's Statement *(continued)*

I also thank you, the shareholders, all our customers and business partners, all Board members and each and every member of staff for their dedication and contribution to the Company's performance.

N. N. Merali, CBS
Chairman

Taarifa ya Mwenyekiti (kuendelea)

Pia ninawashukuru, wanahisa, wateja wetu wote, washirika wa kibiashara, wanachama wote wa Halmashauri na kila mfanyikazi kwa kujitolea na mchango wao katika utendaji wa kampuni.

N. N. Merali, CBS
Mwenyekiti

Chairman N.N. Merali with Managing Director H. Yamazaki

Firestone

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2003, which disclose the state of affairs of the group and company.

COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The principal activities of the group remain the manufacture, importation and sale of tyres and tubes and letting of premises in an export processing zone.

RESULTS AND DIVIDEND

The net profit for the year of Shs. 157,194,000 (2002: Shs. 231,407,000) has been added to retained earnings.

During the year an interim dividend of Shs. 69,585,600 (2002: Shs. 139,171,200) was paid. The directors recommend the approval of a final dividend of Shs. 69,585,600 (2002: Shs. 139,171,200).

Ripoti ya Wakurugenzi

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka ulioishia tarehe 31 Desemba 2003, ambayo inaarifu hali ya shughuli za kundi na kampuni.

NCHI ILIKOANDIKISHWA

Kampuni imeandikishwa nchini Kenya chini ya Sheria ya Makampuni na ina maskani Kenya.

SHUGHULI KUU ZA KAMPUNI

Shughuli kuu za kundi zinabakia utengenezaji, uingizaji wa bidhaa kutoka nje na uuzaji wa matairi, tyubu, ukodishaji wa majengo katika eneo la Utengenezaji Bidhaa Nje.

MATOKEO NA FAIDA

Faida ya jumla ya mwaka ya Shs. 157,194,000 (2002: Shs. 231,407,000) imeongezwa kwenye mapato yaliobakishwa.

Katika mwaka mgawo wa faida ya muda ya Shs. 69,585,600 (2002: Shs.139,171,200) ililipwa . Wakurugenzi wapendekeza idhini ya mgawo wa faida ya mwisho ya Shs.69,585,600 (2002: Shs. 139,171,200).

Firestone participation in National celebrations

Report of the Directors *(continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt market prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The group has policies in place to ensure that sales are made to customers with an appropriate credit history.

DIRECTORS

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

Mr. N.N. Merali (Chairman)
Mr. H. Yamazaki (Managing Director)
Mr. M. H. Da Gama-Rose
Mr. J. Kanyotu (resigned on 25 July 2003)
Mr. I. I. Mandviwalla
Mr. Y. Murakami

Ripoti ya Wakurugenzi (kuendelea)

MALENGO NA SERA ZA USIMAMIZI WA HATARI YA KIFEDHA

Shughuli za kundi zinaiacha kampuni wazi kwa hatari tofauti za kifedha, pamoja na hatari za mkopo na athari za mabadiliko katika deni la bei za soko, viwango vya ubadilishaji wa fedha za kigeni na viwango vya riba . Mpango wa jumla wa kundi wa usimamizi wa hatari unalenga kwenye kutotabirika kwa masoko ya kifedha na unajitahidi kupunguza athari mbaya zinazoweza kutokea kwenye utendaji wake wa kifedha.

Kundi limeunda sera za kuhakikisha kuwa mauzo yanauzwa kwa wateja wenye historia ya mkopo ifaayo.

WAKURUGENZI

Wakurugenzi walioshikilia afisi katika mwaka na mpaka tarehe ya ripoti hii walikuwa:

Bw. N. N. Merali (Mwenyekiti)
Bw. H. Yamazaki (Mkurugenzi Msimamizi)
Bw. M. H. Da Gama Rose
Bw. J. Kanyotu (Alijiuzulu tarehe 25 Julai 2003)
Bw. I. I. Mandviwalla
Bw. Y. Murakami

Tyre Dynamic Balancing

Report of the Directors *(continued)*

In accordance with Article 94 of the Articles of Association, Mr. I. I. Mandviwalla retires by rotation and, being eligible, offers himself for re-election.

Mr J. Kanyotu resigned as a director of the company due to personal reasons.

SUBSTANTIAL SHAREHOLDINGS

The directors are aware of the following companies who held 3% or more of the issued share capital of the company.

Names and Address	% shareholding
Sameer Investments Limited P.O Box 55358 00100 GPO, Nairobi	64.9
Bridgestone Corporation 10-11 Kyobashi 1 Chome, Chuo-Ku, Tokyo	14.90

Ripoti ya Wakurugenzi (kuendelea)

Kulingana na kifungu cha 94 cha Masharti na Kanuni za Kampuni, Bw. I. I. Mandviwalla anastaafu kwa zamu, na kwa kuwa anastahili, anajitolea kuchaguliwa tena.

Bw. J. Kanyotu alijiuzulu kama mkurugenzi wa kampuni kwa sababu za kibinafsi.

UMILIKAJI WA HISA NYINGI

Wakurugenzi wanafahamu kuhusu mashirika yanayofuata yanayomiliki asilimia 3 au zaidi ya rasilimali ya hisa zilizotolewa na kampuni.

Majina na Anwani	*% umiliki*
Sameer Investments Limited *P.O Box 55358* *00100 GPO, Nairobi*	*64.9*
Bridgestone Corporation *10-11 Kyobashi 1 Chome,* *Chuo-Ku, Tokyo*	*14.90*

Report of the Directors *(continued)*

AUDITORS
The company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

Issa A. Timamy
Secretary

12 February 2004

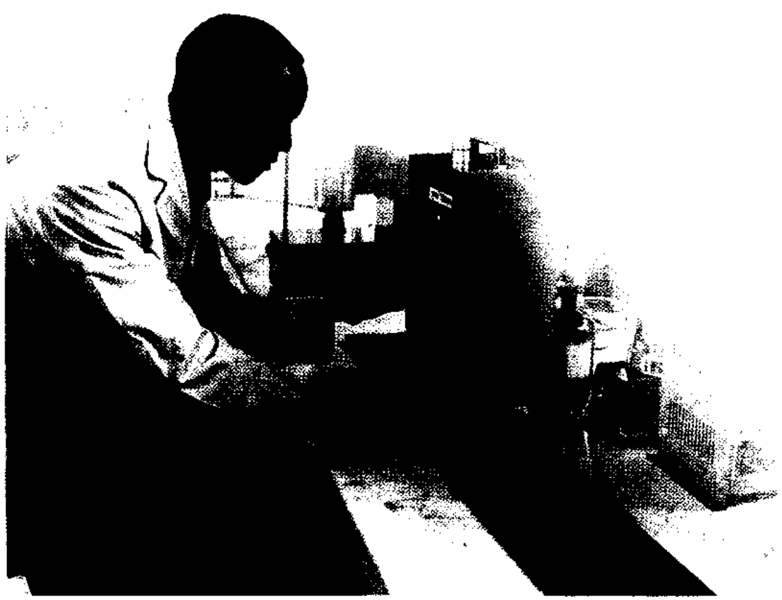
Ripoti ya Wakurugenzi *(kuendelea)*

WAKAGUZI WA FEDHA
Wakaguzi wa hesabu wa kampuni, PricewaterhouseCoopers, wanaendelea kuwa wakaguzi kuambatana na sehemu 159 (2) ya Sheria za Makampuni.

Kwa amri ya Halmashauri

Issa A.Timamy
Katibu wa Kampuni

12 Februari 2004



Quality Control at the laboratory

Firestone

Corporate Governance

Firestone East Africa (1969) limited is committed to the new standards of Corporate Governance introduced by the Capital Market Authority. The Board of Directors is responsible for the long-term growth and profitability of the company, whilst being accountable to the shareholders for compliance with the law and maintaining the highest standards of corporate governance and business ethics.

THE BOARD OF DIRECTORS

The Board is made up of a substantial majority of independent, non-executive Directors, including the Chairman. The Directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial, operational and compliance issues.

Whilst the day to day running of the business of the Company is delegated to the managing director and Chief executive Officer, the Board is responsible for establishing and maintaining the Company's system of internal controls so that its objectives for increased growth in the profitability and shareholder value are realised.

BOARD MEETINGS

The Board of Directors meet every quarter in order to monitor the Company's planned strategy and review it in conjunction with its financial performance. Specific reviews are also undertaken of management performance, operational issues and future planning.

BOARD COMMITTEES

There are two principle committees that meet regularly under the terms of reference set by the Board.

a) Audit Committee

In accordance with the requirements for companies listed on the Nairobi Stock Exchange, the company has an Audit Committee comprising non-executive members of the Board and other professionals, who are independent of the day to day management of the company's operations.
The Audit Committee deals with all matters relating to the financial statements and internal control systems of the company including dealing with the independent auditors.

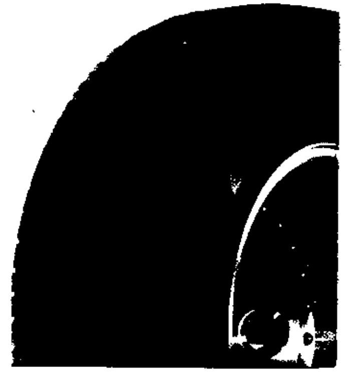
b) Finance Committee

The finance committee of the Company meets four times a year and it is responsible for ensuring that the systems of financial control are effectively administered, and that key financial reports are properly reviewed prior to circulation to the Board.

The Board appoints other committees as and when required.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is usually done through the distribution of the Company's Annual Report and the release of notices in the national press of its half-yearly and annual results.



In this regard, the Company complies with its obligations contained in the Nairobi Stock Exchange's Listing Rules and the Capital Markets Authority Act applicable in Kenya.

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2003 is disclosed in Note 26 to the financial statements.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares.

There were no Directors loans at any time during the year.

Directors' interests in the shares of the Company, the distribution of the Company's shareholding and analysis of the ten largest shareholders as at 31st December, 2003 were as follows:

DIRECTOR INTERESTS

There were no director's interests in the shares of the company.

DISTRIBUTION OF SHAREHOLDING

Shares Range	No. of Shareholders	No. of Shareholders	Percentage Shareholding
0-500	3,758	1,569,899	0.56
501-5,000	3,112	4,322,243	1.55
5,001-10,000	229	1,744,948	0.63
10,001-100,000	261	8,573,023	3.08
100,001-1,000,000	52	17,131,265	6.16
Over 1,000,000	13	245,001,022	88.02
Total	**7,425**	**278,342,400**	**100.00**

LIST OF 10 LARGEST SHAREHOLDERS

No.	Name(s)	No. of Shares	% Shareholding
1	Sameer Investments Limited	180,654,919	64.90
2	Bridgestone Corporation	41,485,056	14.90
3	National Social Security Fund Trustees	8,176,800	2.93
4	Barclays (Kenya) Nominees Limited A/C 1256	2,249,950	0.80
5	Swani Coffee Estate Limited	1,830,450	0.65
6	Barclays (Kenya) Nominees Limited A/C 9203 (Non-Resident)	1,500,000	0.53
7	Banque Paribas (Suisse) S.A A/C no.3	1,500,000	0.53
8	Banque Paribas (Suisse) S.A A/C no.2	1,500,000	0.53
9	Banque Paribas (Suisse) S.A A/C no.1	1,500,000	0.53
10	Old Mutual Life Assurance Company Limited	1,350,850	0.48

SOCIAL AND ENVIRONMENTAL ISSUES

Firestone East Africa (1969) Limited is committed to our environment in line with our policies and social responsibility to our community.

To this end, we have committed to achieve certification for ISO14001: Environmental Management System in the current year.

Statement of Directors' Responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of the group's profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the twelve months from the date of this statement.

Hiroshi Yamazaki, Managing Director

I. I. Mandviwalla, Director

12 February 2004

Report of the Auditors

To the members of Firestone East Africa (1969) Limited

We have audited the financial statements of Firestone East Africa Limited (1969) for the year ended 31 December, 2003 set out on pages 19 to 36.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as set out on page 17. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. 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 financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the group and of the company as at 31 December 2003 and of the profit and cash flows of the group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act. The balance sheet of the company is in agreement with the books of account.

PricewaterhouseCoopers
Certified Public Accountants
Nairobi

12 February 2004

Consolidated Profit and Loss Account

For the year ended 31 December 2003

	Notes	2003 Shs'000	2002 Shs'000
Sales	1	2,538,316	2,736,539
Cost of sales		(1,840,305)	(1,962,333)
Gross profit		698,011	774,206
Other operating income	2	46,419	46,411
Distribution costs		(31,813)	(30,754)
Administrative expenses		(118,905)	(119,790)
Other operating expenses		(344,965)	(344,987)
Operating profit	3	248,747	325,086
Finance income/(costs)	5	6,962	(14,252)
Profit before tax		255,709	310,834
Tax	6	(98,515)	(79,427)
Net profit attributable to the shareholders	7	157,194	231,407
Earnings per share		shs	shs
- basic		0.56	0.83
- diluted		0.56	0.83
Dividends:-			
Interim dividends - paid in the year	9	69,586	139,171
Proposed final dividend for the year	9	69,586	139,171
		139,172	278,342

Company Balance Sheet

As at 31 December 2003

	Notes	2003 Shs'000	2002 Shs'000
CAPITAL EMPLOYED			
Share capital	10	1,391,712	1,391,712
Retained earnings		354,894	370,240
Proposed dividends	9	69,586	139,171
Shareholders' funds		1,816,192	1,901,123
Non-current liabilities			
Deferred tax	13	32,236	65,661
Provisions for liabilities and charges	14	80,775	66,347
		113,011	132,008
		1,929,203	2,033,131
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15(b)	728,161	839,490
Prepaid operating lease rentals	19	900	910
Other investments	17	152,227	152,227
		881,288	992,627
Current assets			
Inventories	18	705,337	842,712
Receivables and prepayments	20	614,605	485,294
Cash and cash equivalents	21	127,887	60,643
		1,447,829	1,388,649
Current liabilities			
Payables and accrued expenses	22	369,396	346,746
Current tax		23,742	1,399
Unclaimed dividends		6,776	-
		399,914	348,145
Net current assets		1,047,915	1,040,504
		1,929,203	2,033,131

The financial statements on pages 19 to 36 were approved by the board of directors on 12th February, 2004 and signed on its behalf by:

Naushad Noorali Merali, CBS, Chairman **Hiroshi Yamazaki,** Managing Director

Report of the Auditors on Page 18. Statement of Principle Accounting Policies on Pages 25 - 27. The notes on pages 28 - 36 form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	Notes	Share capital Shs'000	Retained earnings Shs'000	Translation reserve Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2002						
At start of year		1,391,712	547,611	(23,984)	139,171	2,054,510
Currency translation differences	11	-	-	(18,144)	-	(18,144)
Net profit		-	231,407	-	-	231,407
Dividends:						
- 2001 final (paid)		-	-	-	(139,171)	(139,171)
- Interim for 2002 (paid)	9	-	(139,171)	-	-	(139,171)
- Proposed final for 2002	9	-	(139,171)	-	139,171	-
At end of year		1,391,712	500,676	(42,128)	139,171	1,989,431
Year ended 31 December 2003						
At start of year		1,391,712	500,676	(42,128)	139,171	1,989,431
Currency translation differences	11	-	-	(28,287)	-	(28,287)
Net profit		-	157,194	-	-	157,194
Dividends:						
- 2002 final (paid)		-	-	-	(139,171)	(139,171)
- Interim for 2003 (paid)	9	-	(69,586)	-	-	(69,586)
- Proposed final for 2003	9	-	(69,586)	-	69,586	-
At end of year		1,391,712	518,698	(70,415)	69,586	1,909,581

Company Statement of Changes in Equity

For the year ended 31 December 2003

	Notes	Share capital Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2002					
At start of year		1,391,712	512,833	139,171	2,043,716
Net profit		-	135,749	-	135,749
Dividends:					
- 2001 final (paid)		-	-	(139,171)	(139,171)
- Interim for 2002 (paid)	9	-	(139,171)	-	(139,171)
- Proposed final for 2002	9	-	(139,171)	139,171	-
At end of year		1,391,712	370,240	139,171	1,901,123
Year ended 31 December 2003					
At start of year		1,391,712	370,240	139,171	1,901,123
Net profit		-	123,826	-	123,826
Dividends:					
- 2002 final (paid)		-	-	(139,171)	(139,171)
- Interim for 2003 (paid)		-	(69,586)	-	(69,586)
- Proposed final for 2003		-	(69,586)	69,586	-
At end of year		1,391,712	354,894	69,586	1,816,192

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Notes	2003 Shs'000	2002 Shs'000
Operating activities			
Cash generated from operations	25	556,955	531,095
Interest received		1,148	2,337
Interest paid		(5,667)	(3,301)
Tax paid		(102,106)	(88,730)
Net cash from operating activities		450,330	441,401
Investing activities			
Purchase of property, plant and equipment	15(a)	(115,810)	(253,954)
Proceeds from disposals of plant and equipment		3,575	7,186
Rental income received		48,094	49,868
Net cash used in investing activities		(64,141)	(196,900)
Financing activities			
Dividends paid		(201,981)	(278,342)
Repayment of bank borrowings		(58,750)	-
Proceeds from long term borrowings		21,500	45,000
Net cash used in financing activities		(239,231)	(233,342)
Increase in cash and cash equivalents		146,958	11,159
Movement in cash and cash equivalents			
At start of year		97,960	118,233
Increase		146,958	11,159
Exchange differences:			
Translation of net investment in foreign subsidiaries		(28,287)	(18,144)
Other movements – effects of exchange rates		(11,481)	(13,288)
At end of year	21	205,150	97,960

Accounting Policies

For the year ended 31 December 2003

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Shs) and prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(b) Consolidation

The consolidated financial statements include the financial statements of Firestone East Africa (1969) Limited and its subsidiaries up to 31 December. All intra-group transactions are eliminated in full on consolidation and the unrealised profit on stocks held by the subsidiaries at the accounting date is also eliminated.

Income statements of foreign subsidiaries are translated into Kenya shillings at average exchange rates for the year and the balance sheets are translated at year end exchange rates. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to the translation reserve in shareholders' equity.

(c) Revenue recognition

Sales are recognised upon delivery of products and performance of services or on invoicing for "bill and hold" sales, and are stated net of VAT and discounts.

Interest income and rental income are recognised on an accruals basis, unless collectibility is in doubt.

(d) Translation of foreign currencies

Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account. Such balances are translated at year-end exchange rates and differences arising therefrom dealt with in the profit and loss account.

(e) Investment property

Investment property is held for long term rental yields and is not occupied by the group. Investment property is treated as a long-term investment and is carried at cost. Depreciation is charged on the investment property at the rate of 2.5% per annum.

On disposal of the investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(f) Other investments

Other non-current investments are shown at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(g) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight line basis to write down the cost of each asset to their residual values over their estimated useful life as follows:

Factory and office buildings	-	25 years
Machinery and equipment	-	8 years
Moulds, computers and software developments costs	-	3 years
Motor vehicles	-	4 years
Office furniture and fixtures	-	8 years

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

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

(h) Operating Leases

Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the average cost of purchases and production for the last six months and includes transport and handling costs. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on the normal level of activity, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(j) Trade receivables

Trade receivables are carried at original invoiced amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified.

(k) Employee entitlements

Employee entitlements to gratuity awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(l) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowing.

(m) Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(n) Retirement benefit obligations

The company operates a defined contribution retirement benefit scheme for all the group employees. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions from both the group companies and employees.

The group's contributions to the defined contribution retirement benefit scheme are charged to the profit and loss account in the year to which they relate.

(o) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(p) Comparatives

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

Notes forming part of the Financial Statements

For the year ended 31 December 2003

1 Segment information

The directors consider the group to comprise of one business segment, which is the manufacture and sale of tyres and tubes by the parent company, Firestone East Africa (1969) Limited, with distribution extensions through wholly owned subsidiaries in Uganda and Tanzania.

Analysis of turnover is as follows:

	2003 Shs'000	2002 Shs'000
(a) By products		
Tyres	2,310,663	2,500,891
Tubes	227,653	235,648
	2,538,316	2,736,539
(b) By markets		
Domestic	1,982,576	2,023,026
Export	555,740	713,513
	2,538,316	2,736,539

2 Other operating income

	2003 Shs'000	2002 Shs'000
Income from investment property	30,553	34,804
Profit on sale of plant and equipment	2,796	6,571
Miscellaneous income	13,070	5,036
	46,419	46,411

3 Operating profit

The following items have been charged in arriving at operating profit:

	2003 Shs'000	2002 Shs'000
Depreciation on property, plant and equipment (Note 15(a))	194,306	213,626
Depreciation on investment property (Note 16)	2,386	4,772
Repairs and maintenance expenditure on property, plant and equipment	62,128	50,017
Profit on disposal of property, plant and equipment	2,796	6,571
Operating lease rentals- land	22	59
Investment property operating expenses	13,294	12,053
Staff costs (Note 4)	365,381	313,085
Auditors' remuneration (Parent company: Shs 1,708,875 2002: Shs 1,627,500)	2,338	2,152

4 Staff costs

The following items are included within staff costs:

	2003 Shs'000	2002 Shs'000
Salaries and wages	356,347	306,162
Social security benefits	2,133	1,534
Retirement benefit costs:		
- defined contribution plan	6,901	5,389
	365,381	313,085

The number of persons employed by the group at the year end was:

	2003 Number	2002 Number
Full time	620	630
Part time	50	18

5 Finance income/ (costs)

	2003 Shs'000	2002 Shs'000
Interest income	1,148	2,337
Net foreign exchange gain/ (loss)	11,481	(13,288)
Interest expense	(5,667)	(3,301)
Net finance income/(costs)	6,962	(14,252)

6 Tax

	2003 Shs'000	2002 Shs'000
Current tax	116,381	107,670
Deferred tax (credit) (Note 13)	(17,866)	(28,243)
	98,515	79,427

The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2003 Shs'000	2002 Shs'000
Profit before tax	255,709	310,834
Tax calculated at a tax rate of 30% (2002: 30%)	76,712	93,250
Effect of tax at a lower rate of 25% for a subsidiary	(1,577)	(849)
Tax effect of:		
Income not subject to tax	(314)	(18,336)
Expenses not deductible for tax purposes	9,099	5,395
Under/ (over) provision of deferred tax in prior years	14,595	(33)
Tax charge	98,515	79,427

7 Profit attributable to the shareholders

Included in profit attributable to shareholders is Shs. 123,826,000 (2002: Shs 135,749,000) which is dealt with in the books of the parent company.

8 Earnings per share

The basic earnings per share of Shs 0.56 (2002: Shs. 0.83) each are calculated by reference to the profit of the group after tax of Shs. 157,194,000 (2002: Shs. 231,407,000) based on 278,342,400 shares in issue. There were no potentially dilutive shares outstanding at 31 December 2003 or 2002.

9 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. At the annual general meeting to be held on 26 March 2004, a final dividend in respect of the year ended 31 December 2003 of Shs 0.25 per share amounting to a total of Shs 69,585,600 will be proposed. During the year an interim dividend of Shs 0.25 per share, amounting to a total of Shs 69,585,600 was paid. The total dividend for the year is therefore Shs 0.50 per share (2002: Shs 1.00), amounting to a total of Shs 139,171,200 (2002: Shs 278,342,400).

Payment of dividends is subject to withholding tax at a rate of either 5% or 10%, depending on the residence of the respective shareholders.

10 Share capital

	Number of shares	Ordinary Shares Shs'000
Balance at 1 January 2003 and at 31 December 2003	278,342,400	1,391,712

The total authorised number of ordinary shares is 300,000,000 with a par value of Shs 5.00 per share. All issued shares are fully paid.

11 Translation reserve (Group)

	2003 Shs'000	2002 Shs'000
At start of year	(42,128)	(23,984)
Currency translation differences	(28,287)	(18,144)
At end of year	(70,415)	(42,128)

12 Borrowings (Group)

	2003 Shs'000	2002 Shs'000
Non-current:		
Bank borrowings	-	45,000
Current:		
Bank borrowings	7,750	-
Total borrowings	7,750	45,000

A subsidiary of the company has a loan from a bank of Shs 7.75 million. The facility will be fully repaid in the year ending 31 December 2004. The facility is secured on a property of the subsidiary.

Maturity of non-current borrowings

	2003 Shs'000	2002 Shs'000
Between 1 and 2 years	-	6,136
Between 2 and 5 years	-	24,545
Over 5 years	-	14,319
	-	45,000

Weighted average effective interest rates at the year end were:

	2003	2002
Bank borrowing	8.48%	10.4%

In the opinion of the directors, the carrying amounts of bank borrowings approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the company at the balance sheet date.

13 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% and 25% for a subsidiary company, (2002: 30% and 25% for a subsidiary company). The movement on the deferred tax account is as follows:

	Group		Company	
	2003 Shs'000	2002 Shs'000	2003 Shs'000	2002 Shs'000
At start of year	51,066	79,309	65,661	83,136
Income statement credit (Note 6)	(17,866)	(28,243)	(33,425)	(17,475)
At end of year	33,200	51,066	32,236	65,661

Deferred tax assets and liabilities and deferred tax credit in the profit and loss account are attributable to the following items:

13 Deferred tax (*continued*)

(a) Group:

	1.1.03	Charged/ (credited) to P/L	31.12.03
	Shs'000	Shs'000	Shs'000
Deferred tax liabilities			
Property, plant and equipment - on historical cost basis	76,708	(11,569)	65,139
Other deductible temporary differences	1,931	(1,626)	305
	78,639	(13,195)	65,444
Deferred tax assets			
Provisions	(23,540)	(5,372)	(28,912)
Other deductible temporary differences	(4,033)	701	(3,332)
	(27,573)	(4,671)	(32,244)
Net deferred tax liability	51,066	(17,866)	33,200

(b) Company:

	1.1.03	Charged/ (credited) to P/L	31.12.03
	Shs'000	Shs'000	Shs'000
Deferred tax liabilities			
Property, plant and equipment - on historical cost basis	87,295	(26,476)	60,819
Other deductible temporary differences	1,906	(1,621)	285
	89,201	(28,097)	61,104
Deferred tax assets			
Provisions	(23,540)	(5,328)	(28,868)
Net deferred tax liability	65,661	(33,425)	32,236

14 Provisions for liabilities and charges (Group and company)

	2003 Shs'000	2002 Shs'000
At start of year	66,347	63,485
Additional provisions	18,415	11,580
Unused amounts reversed	(2,830)	(7,328)
Charged to income statement	15,585	4,252
Utilised during year	(1,157)	(1,390)
At end of year	80,775	66,347

Provision for liabilities and charges relate to gratuity awards.

15 Property, plant and equipment

(a) Group

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost:					
At start of year	315,468	1,682,831	295,696	153,642	2,447,637
Additions	-	-	22,237	93,573	115,810
Disposals	-	(693)	(12,105)	-	(12,798)
Transfers	336	50,453	-	(50,789)	-
Transfers-Investment Property (note16)	-	-	-	(155,104)	(155,104)
At end of year	315,804	1,732,591	305,828	41,322	2,395,545
Depreciation:					
At start of year	96,191	1,120,235	240,026	-	1,456,452
Charge for the year	11,561	159,055	23,690	-	194,306
On disposals	-	(507)	(11,512)	-	(12,019)
	107,752	1,278,783	252,204	-	1,638,739
Net book amount:					
At 31 December 2003	**208,052**	**453,808**	**53,624**	**41,322**	**756,806**
At 31 December 2002	219,277	562,596	55,670	153,642	991,185

15 Property, plant and equipment (*continued*)

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
(b) Company					
Cost:					
At start of year	285,580	1,682,628	279,548	31,156	2,278,912
Additions	-	-	19,128	60,955	80,083
Disposals	-	(693)	(12,106)	-	(12,799)
Transfers	336	50,453	-	(50,789)	-
	285,916	1,732,388	286,570	41,322	2,346,196
Depreciation					
At start of year	92,547	1,119,247	227,628	-	1,439,422
Charge for the year	10,637	156,332	23,663	-	190,632
On disposals	-	(507)	(11,512)	-	(12,019)
	103,184	1,275,072	239,779	-	1,618,035
Net book amount:					
As at 31 December 2003	**182,732**	**457,316**	**46,791**	**41,322**	**728,161**
At 31 December 2002	193,033	563,381	51,920	31,156	839,490

16 Investment property (Group)

	2003 Shs'000	2002 Shs'000
Rental property at the Sameer Export Processing Zone at cost:		
At start of year	90,668	95,440
Additions (note 15 (a))	155,104	-
Depreciation	(2,386)	(4,772)
At end of year	243,386	90,668

The fair value of the property as at 31 December 2003, based on directors' valuation on the basis of open market value, was Shs 330 million. The investment property is held by two subsidiary companies.

17 Other investments (Company)

Other investments comprise investments in the shares of wholly owned subsidiary companies at cost as follows:

	2003 Shs'000	2002 Shs'000
Sameer Industrial Park Limited	120,000	120,000
Firestone East Africa (Uganda) Ltd.	32,133	32,133
Firestone East Africa (Tanzania) Ltd.	94	94
	152,227	152,227

The details of the subsidiary companies are as follows:

Company	Share Capital	Country of incorporation	Principal activity
Sameer Industrial Park Limited	Kshs 120,000,000	Kenya	Letting of premises in an Export Processing Zone
Firestone East Africa (Uganda) Limited	Ushs 685,000,000	Uganda	Distribution of tyres and tubes
Firestone East Africa (Tanzania) Limited	Tshs 1,000,000	Tanzania	Distribution of tyres and tubes
Sameer (EPZ) Limited (held through Sameer Industrial Park Ltd.)	Kshs 64,000,000	Kenya	Letting of premises in an Export Processing Zone

18 Inventories

	Group		Company	
	2003 Shs'000	2002 Shs'000	2003 Shs'000	2002 Shs'000
Raw materials	283,618	300,829	283,618	300,829
Stores and supplies	86,507	81,933	86,507	81,933
Work in progress	28,219	39,122	28,219	39,122
Finished goods	487,923	559,199	306,993	420,828
	886,267	981,083	705,337	842,712

19 Prepaid operating lease rentals

	Group 2003 Shs'000	Group 2002 Shs'000	Company 2003 Shs'000	Company 2002 Shs'000
At start of year	1,983	2,042	910	920
Amortisation charge for the year	(22)	(59)	(10)	(10)
At end of year	1,961	1,983	900	910

20 Receivables and prepayments

	Group 2003 Shs'000	Group 2002 Shs'000	Company 2003 Shs'000	Company 2002 Shs'000
Trade receivables	361,563	357,375	257,207	270,023
Less: Impairment charge for bad and doubtful debts	(37,665)	(31,277)	(31,303)	(30,234)
	323,898	326,098	225,904	239,789
Receivables from related companies (Note 26)	30,216	25,817	30,216	25,817
Prepayments	14,359	9,539	7,652	1,746
Receivables from subsidiaries	-	-	332,155	193,798
Other receivables	20,790	24,349	18,678	24,144
	389,263	385,803	614,605	485,294

21 Cash and cash equivalents

	Group 2003 Shs'000	Group 2002 Shs'000	Company 2003 Shs'000	Company 2002 Shs'000
Cash at bank and in hand	205,150	97,960	127,887	60,643

22 Payables and accrued expenses

	Group 2003 Shs'000	Group 2002 Shs'000	Company 2003 Shs'000	Company 2002 Shs'000
Trade payables	244,608	219,668	221,823	203,483
Payables to related companies (Note 26)	35,607	35,625	35,607	35,625
VAT payable	14,899	27,536	14,899	27,536
Accrued expenses	127,934	106,581	97,067	80,102
	423,048	389,410	369,396	346,746

23 Contingent liabilities

At 31 December 2003, the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business amounting to Shs 18,923,981 (2002:Shs 22,496,799).

24 Commitments

Capital commitments
Capital expenditure authorised but not contracted for at the balance sheet date is as follows:

	2003 Shs'000	2002 Shs'000
Property, plant and equipment	147,605	238,308

25 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2003 Shs'000	2002 Shs'000
Profit before tax	255,709	310,834
Adjustments:		
Depreciation (Note 15(a))	194,306	213,626
Depreciation on investment property (Note 16)	2,386	4,772
Profit on sale of plant and equipment (Note 2)	(2,796)	(6,571)
Amortisation of prepaid operating lease rentals (Note 19)	22	59
Interest income (Note 5)	(1,148)	(2,337)
Rental income	(48,094)	(49,868)
Interest expense (Note 5)	5,667	3,301
Changes in working capital		
- receivables and prepayments	(3,460)	2,089
- inventories	94,816	268,048
- payables and accrued expenses	33,638	(229,008)
- provision for liabilities and charges	14,428	2,862
Effects of exchange rate movement	11,481	13,288
Cash generated from operations	556,955	531,095

26 Related party transactions

The ultimate parent company is Sameer Investments Limited, a company incorporated in Kenya. There are other companies which are related to Firestone East Africa (1969) Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

i) Purchase of goods and services

	2003 Shs'000	2002 Shs'000
Bridgestone Americas Holdings, Inc.	247,262	232,587
Ryce Motors Limited	5,790	10,506
	253,052	243,093

ii) Sale of goods

	2003 Shs'000	2002 Shs'000
Ryce Motors Limited	115,718	105,420

Purchases and sales from/to related parties were made at terms and conditions similar to those offered to major customers.

iii) Technical service fees

The fees payable to Bridgestone Americas Holdings, Inc. of Nashville, USA during the year for technical services amounts to Shs 66,100,816 (2002: Shs 69,557,364).

iv) Outstanding balances arising from sale and purchase of goods/services

	2003 Shs'000	2002 Shs'000
Receivables from:		
Ryce Motors Limited	30,216	25,817
Payables to:		
Bridgestone Americas Holdings, Inc.	35,360	35,396
Ryce Motors Limited	247	229
	35,607	35,625

v) Directors' remuneration

	2003 Shs'000	2002 Shs'000
- fees	3,060	3,240
- management	33,735	31,346
	36,795	34,586

Group Five Year Financial Record

	1999 Shs'000	2000 Shs'000	2001 Shs'000	2002 Shs'000	2003 Shs'000
Consolidated profit and loss account summary					
Turnover	2,843,187	2,686,256	3,073,773	2,736,539	2,538,316
Group operating profit	576,945	396,412	448,879	310,834	255,709
Taxation	(186,656)	(103,928)	(115,279)	(79,427)	(98,515)
Profit after taxation	390,289	292,484	333,600	231,407	157,194
Dividends (gross)	(278,342)	(278,342)	(278,342)	(278,342)	(139,172)
Retained profit transferred to/(from) Revenue reserve	111,947	14,142	55,258	(46,935)	18,022
Earnings per share (Shs)	1.40	1.05	1.20	0.83	0.56
Dividend per share (Shs)	1.00	1.00	1.00	1.00	0.50
Shares in issue (000s)	278,342	278,342	278,342	278,342	278,342
Consolidated balance sheet summary					
Fixed assets	1,108,302	995,134	951,472	991,185	756,806
Prepaid operating lease rentals	-	-	2,042	1,983	1,961
Investments	95,440	95,440	95,440	90,668	243,386
	1,203,742	1,090,574	1,048,954	1,083,836	1,002,153
Current assets:					
Stocks and work-in-progress	1,157,180	1,123,516	1,249,131	981,083	886,267
Debtors	429,556	392,671	387,892	385,803	389,263
Bank balances and cash	58,444	133,547	126,863	97,960	205,150
Tax recoverable	-	-	11,512	-	-
	1,645,180	1,649,734	1,775,398	1,464,846	1,480,680
Current liabilities:					
Borrowings	248,299	20,000	8,630	-	7,750
Creditors	429,052	550,205	618,418	389,410	429,824
Taxation	12,547	19,662	-	7,428	21,703
	689,898	589,867	627,048	396,838	459,277
Net current assets	955,282	1,059,867	1,148,350	1,068,008	1,021,403
Non current liabilities:					
Deferred taxation	(113,062)	(77,108)	(79,309)	(51,066)	(33,200)
Borrowings	-	-	-	(45,000)	-
Provision for liabilities and charges	(36,421)	(52,144)	(63,485)	(66,347)	(80,775)
	(149,483)	(129,252)	(142,794)	(162,413)	(113,975)
Net assets	2,009,541	2,021,189	2,054,510	1,989,431	1,909,581
Financed by:					
Share capital	1,391,712	1,391,712	1,391,712	1,391,712	1,391,712
Retained earnings	478,211	492,353	547,611	500,676	518,698
Translation reserve	447	(2,047)	(23,984)	(42,128)	(70,415)
Proposed dividend	139,171	139,171	139,171	139,171	69,586
Shareholders' funds	2,009,541	2,021,189	2,054,510	1,989,431	1,909,581

Form of Proxy

I/We ______________________________

of ______________________________

being (a) member/s of Firestone East Africa (1969) Limited, do hereby appoint ______________________________

or failing him/her, the duly appointed Chairman of the meeting to be my/our Proxy, to vote for me/us at the Annual General Meeting of the Company to be held at the Company's Sameer Industrial Park Premises off Mombasa Road, Nairobi, on Friday 26 March 2004 and at any adjournment thereof.

As witness my/our hand(s) this __________ day of __________ 2004

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.

Fomu ya Uwakilishi

Mimi/Sisi ______________________________

wa ______________________________

nikiwa/tukiwa mwanachama/wanachama wa Firestone East Africa (1969) Limited, namchagua/twamchagua ______________________________ au akikosa yeye, Mwenyekiti wa mkutano aliyechaguliwa kuwa kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye mkutano mkuu wa mwaka wa kampuni utakaofanyika katika majengo ya Sameer Industrial Park, kando ya Mombasa Road, Nairobi, siku ya ijumaa tarehe 26 Machi 2004 na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu hii siku ya ______ mwezi __________ wa 2004.

Sahihi ______________________

Isipokuwa ikishauriwa vingine, mwakilishi atapiga kura anavyofikiria mwenyewe.

Maelezo:

1. Ili kuwa hahali, fomu hii ya uwakilishi lazima ifikishwe kwenye afisi ilioandikishwa ya kampuni kwa muda usiopungua masaa ishirini na nne kabla ya wakati uliochaguliwa kufanywa mkutano.
2. Ikiwa mwanachama ni shirika, uwakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanasheria aliyeidhinishwa kwa maandishi.

FOLD

The Secretary
Firestone East Africa (1969) Limited
P. O. Box 30429 - 00100
Nairobi, Kenya

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