Contents

Administration ■

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. O. BOX 30429,

2007/1013

NAIROBI.

Notice Of Meeting
Ilani ya Mkutano

Notice is hereby given that the 28th Annual General Meeting of the members will be held at the Company's Sameer Industrial Park premises off Mombasa Road, Nairobi, on Thursday, 27th March, 1997 at 11.00am for the following purposes:-

1. To confirm the minutes of the 27th Annual General Meeting held on 29th March, 1996.
2. To receive, consider and if deemed fit, adopt the financial statements for the year ended 31st December, 1996 together with the reports thereon of the Directors and of the Auditors.
3. To confirm the interim dividend of Shs1.70 per share paid in June, 1996 and to declare a final dividend of Shs0.80 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.

By Order of the Board.

Issa Timamy,

Company Secretary,

Nairobi,

4th March, 1997.

NOTE: A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company. A form of proxy is appended.

The final dividend, if approved, will be paid on or about 8th April, 1997 to members on the register at the close of business on 18th March, 1997.

Ilani inatolewa hapa kuwa mkutano wa kawaida wa ishirini na nane (28) wa wanachama utakuwapo katika majengo ya kampuni (Sameer Industrial Park), kando ya Mombasa Road, Nairobi, siku ya Alhamisi, tarehe 27 Machi, 1997 saa tano asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha muhtasari wa mkutano wa kawaida wa ishirini na saba (27) uliofanywa tarehe 29 Machi, 1996.
2. Kupokea, kufikiria ikifaa kukubali taarifa za kifedha za mwaka uliokwisha tarehe thelathini na moja mwezi Disemba, 1996 (31st December 1996) pamoja na ripoti za wakurugenzi na za wakaguzi.
3. Kuthibitisha malipo ya muda ya shilingi moja na senti sabiini (Shs1.70) kwa hisa moja yaliyolipwa mwezi Juni 1996 na kutangaza malipo ya mwisho ya senti themanini (shs0.80) kwa hisa moja.
4. Kuchagua wakurugenzi
5. Kuthibitisha mapato ya wakurugenzi.
6. Kuwapa wakurugenzi idhini ya kuwalipa wakaguzi.
7. Kutekeleza shughuli zingine zozote ambazo zinaweza kutekelezwa katika mkutano wa kawaida wa mwaka.

Kwa amri ya Halmashauri

Issa Timamy

Katibu wa Kampuni

Tarehe nne mwezi wa Machi 1997

FAHAMU: Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu anaweza kuchagua wakala(Proxy) kuhudhuria na kupiga kura kwa niaba yake na wakala huyo si lazima awe mawanachama wa kampuni. Fomu ya wakala imewekwa ndani. Ikiidhinishwa, malipo ya mwisho yatalipwa tarehe nane mwezi wa Aprili, Mwaka 1997 (8th April 1997) au wakati karibu na hapo kwa wanachama walio katika rejista kufikia wakati wa kufunga biashara tarehe kumi na nane mwezi wa Machi 1997.

Chairman's Statement

RESULTS

It gives me great pleasure to report that 1996 has been another successful year for our Company. Production records were again exceeded and demand for our products was strong. Tyre sales increased by 52,000 units to 571,000 and turnover increased from Kshs.3 billion in 1995 to Kshs.3.6 billion this year. This growth has been achieved despite fierce competition from imported tyres. Group profit before tax passed the Kshs.1 billion mark up from kshs.979 million in 1995. Profit after tax increased to Kshs.690 million from Kshs.670 million last year.

Official launch of the Firehawk Tyre.

Your Board of Directors recommends a final dividend of Kshs.0.80 per share. As you will recall, an interim dividend of Kshs.1.70 per share was declared and paid in June 1996. This final dividend therefore brings the total dividend for the year to Kshs.2.50 per share or a total of Kshs.464 million to be paid out for the year.

The Company continues as a major player in the economy and contributed to the Treasury by way of taxes, fees and levies a total of Kshs. 1.192 billion during 1996.

STRATEGY

The growth in sales and profit is the result of our sustained long term strategy of ensuring a steady supply of quality products backed by an impeccable after-sales-service.

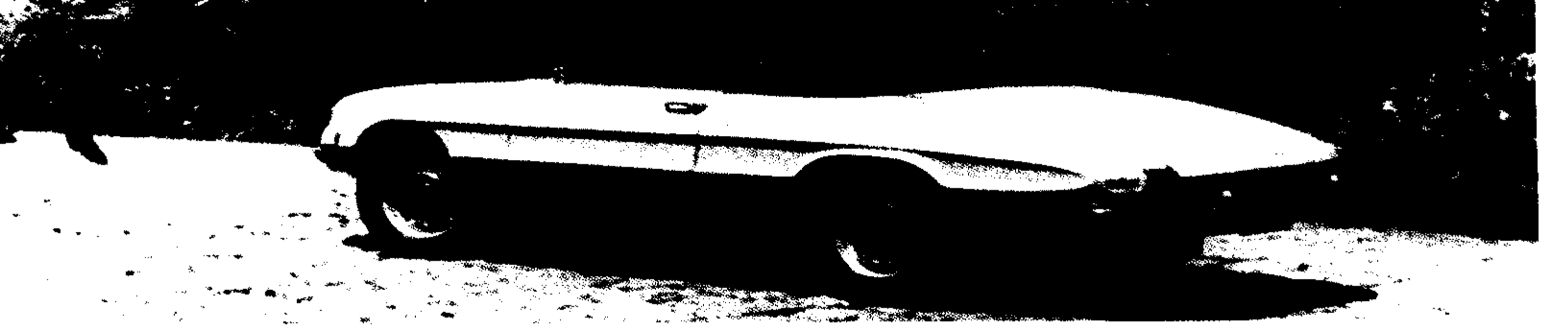
N.N. Merali - Chairman.

We are still the sole manufacturer of tyres in Kenya. This gives us a distinct advantage over our competitors. We are able to respond quickly and flexibly to meet changes in market demand and supply customers quickly in Kenya and in the neighbouring countries. However, these two advantages on their own are not enough. We place unqualified importance on quality and service. At the same time, we are always striving to become more cost efficient in the liberalised and competitive market.

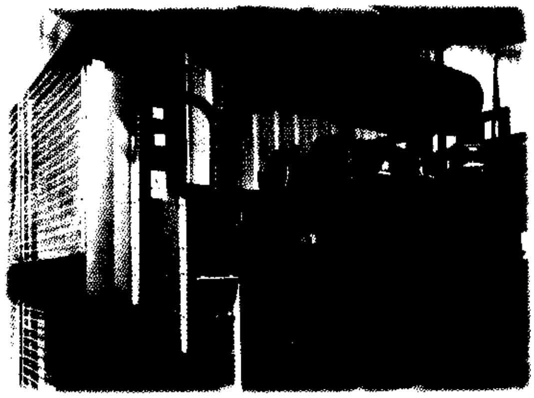
1996 HIGHLIGHTS

On 27th June, 1996, your Company celebrated its 25th Anniversary. The event was a resounding success graced by two Government Ministers, diplomats, government officials and prominent members of the business community. Among the overseas guests was K. Shibata, the Executive Vice-President of Bridgestone Corporation, Japan.

Y. Itoh - Managing Director.



Shortly before the anniversary there was a major management change in the Company. On 27th May, 1996 the overall management was assumed by Bridgestone Corporation of Japan. The significance of this change is that globally we now have greater access to tyre technology, have improved sources of raw - materials and ready access to tyres to supplement our own production. As a priority, the new management team now in place has embarked on a modernisation program with the ultimate aim of reducing manufacturing costs through improved productivity.



The New 1.6 MVA Power Generator.

MANUFACTURING

Productivity and cost efficiency are clearly the key goals for our manufacturing operation. These objectives were frustrated by power failures especially in the last quarter of 1996. Nonetheless, the key indicators reflect improved 1996 manufacturing results when compared to 1995.

Productivity as measured by warehoused weight per person directly involved in the manufacturing process, went up by 9.6%. Total warehoused weight increased by 800,000 kilograms from 9.5 million kgs in 1995 to 10.3 million kgs in 1996.

Because of increased production, the conversion cost per kilogram increased by only 2% even though total expenditures on conversion had increased by 11%.

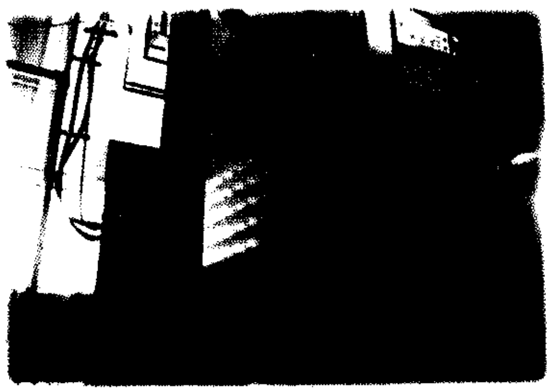
THE SUBSIDIARY - SAMEER INDUSTRIAL PARK

The results from our subsidiary company were disappointing. Due to lack of demand, not all units have been occupied. Moreover, as the Industrial Park's business is transacted in foreign currency its revenue fluctuates with exchange rates and was adversely affected by a strong Kenya shilling. The subsidiary made a net profit of Kshs.20 million compared to Kshs.43 million the previous year, which included exchange gains of Kshs.19 million.

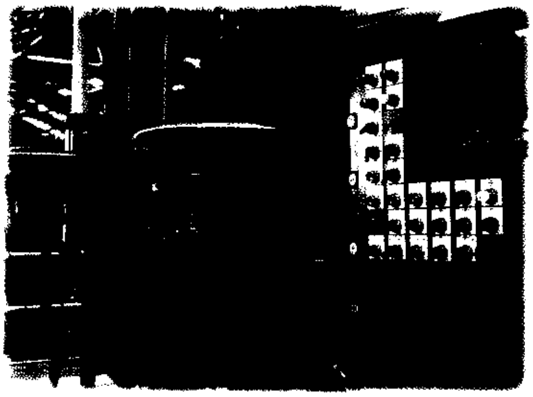
FUTURE OUTLOOK

During 1996, tyre sales for all segments reflected a growing market for our products. Shilling sales to vehicle manufacturers grew by 8%, those to the replacement markets by 17% and those to export markets by 59%. Overall, that was a creditable growth rate of 19%.

To meet this increasing demand, your Company spent Kshs.200 million on a number of capital projects in 1996. Among the projects was a 45" Curing Press and two 200 KVA air compressors to increase curing capacity. We also installed a 1.6 MVA generator to provide standby power so that production can continue during main supply failure.



Two new 200 KVA air compressors.



The new 45 inch fully automated curing press.

In 1997, the Company plans to spend a substantial sum of Kshs500 million in further capital projects. Some of the larger projects will be two curing presses and a modern Dual Tuber extrusion machine. The two presses are required to increase medium and heavy duty tyre production capacity. The dual tuber will upgrade our factory to the latest in extrusion operations. The new 'cap and base' extrusion process will greatly increase operating efficiency and immensely improve product quality.

One element of our key strategy is to ensure a stable supply of the latest quality products. In my speech last year, I introduced the new passenger tyre with the brand name 'Firehawk' which was then undergoing tests for launch later in 1996. You will wish to know that the tyre has been a great success. We started off with one size of the Firehawk range but have so far increased the number of molds to 3 sizes. Ultimately, all sizes now available in the Safari Sports range will be covered in the Firehawk design as part of our ongoing product modernisation programme.

Mr Merali and chief guests admire the new Firehawk tyre.

In conclusion, I would now like to thank my fellow directors for their wise counsel during the year, management and staff for their continued dedication and efforts, and finally, our esteemed customers, dealers and suppliers for their contribution to your Company's success.

N.N. Merali E.B.S.

Chairman

N.N. Merali - Chairman.(right) and Y. Itoh - Managing Director(left)

Taarifa ya Mwenyekiti ■

MATOKEO

Ni furaha kubwa kwangu kuwajulisha kwamba mwaka 1996 ulikuwa mwaka mwengine wa mafinikio kwa kampuni yetu. Uzalishaji ulizidi tena viwango vya awali na mahitaji ya bidhaa zetu yaliongezeka. Mauzo ya matairi yaliongezeka kwa matairi (52,000) elfu hamsini na mbili na kuwa laki tano na elfu sabiini na moja (571,000) na jumla ya pesa za kampuni zilizoingia ziliongezeka kutoka shilingi bilioni tatu (Shs3 bilion) hadi shilingi bilioni tatu na milioni sita (Shs3.6 billion) mwaka huu. Ongezeko hili liliwezekana ijapokuwa kulikuwa na upinzani mkali kutoka kwa matairi yaagiziwayo kutoka ng'ambo. Faida ya kundi kabla ya ushuru ilizidi na ilipita shabaha ya bilioni moja (Shs1 billion) kutoka shilingi milioni mia tisa sabiini na tisa (Shs979 million) katika mwaka elfu moja mia tisa na tisini na tano (1995). Faida baada ya ushuru iliongezeka kutoka shilingi milioni mia sita na sabiini (Shs670 million) mwaka jana hadi shilingi milioni mia sita na tisini (Shs690 million).

Halmashauri ya wakurugenzi wenu wamependekeza mgawo wa mwisho wa faida senti themanini (Shs.0.80) kwa kila hisa. Mukikumbuka, ilipendekezwa mgawo wa muda wa faida ya shilingi moja na senti sabiini (Shs1.70) kwa kila hisa na ililipwa mwezi Juni (1996) mwaka elfu moja na mia tisa na tisini na sita. Mgawo huu wa faida ya mwisho hivyo yatafanya mgawo wa faida ya mwaka huu kuwa shilingi mbili na senti hamsini (Shs2.50) kwa kila hisa au jumla ya shilingi milioni mia nne na sitini na nne zitakazolipwa kwa mwaka.

Kampuni inaendelea kuchukua sehemu kubwa katika Uchumi na imechangia Shs 1.192 bilioni kwa jumla katika hazina ya serikali kama ushuru, kodi na ada katika mwaka elfu moja mia tisa na tisini na sita. (1996).

MPANGO

Ongezeko katika mauzo na faida ni matokeo ya mipango ya muda mrefu uliyoendelezwa kwa kuhakikisha mfululizo wa utoaji wa bidhaa za hali za juu na huduma muafaka za baada ya mauzo.

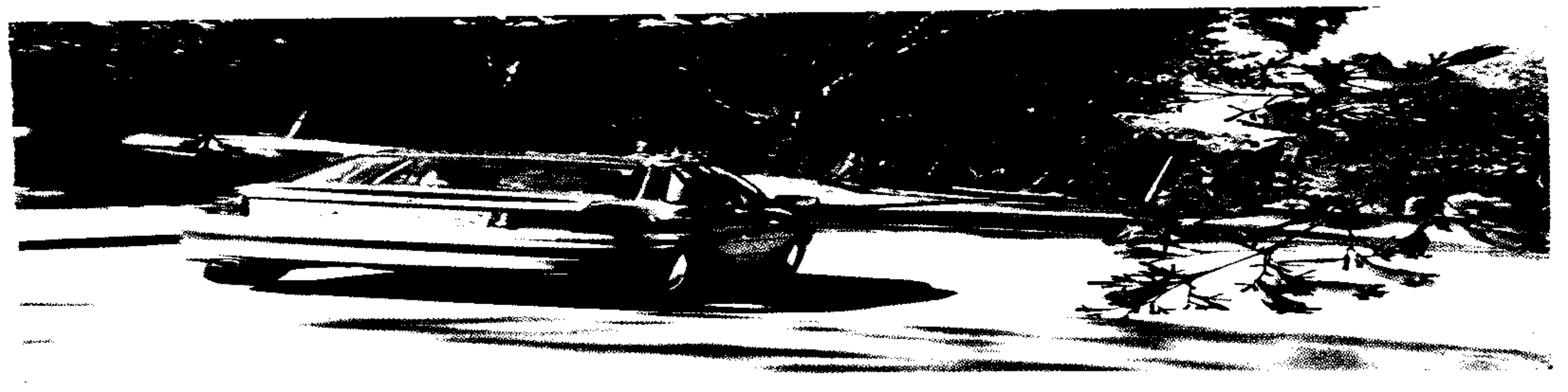
Bado tungali watengenezaji wa pekee wa matairi nchini Kenya. Hii hutupatia faida dhahiri dhidi ya wapinzani wetu. Tunaweza kukabiliana kwa haraka na kwa urahisi na mabadiliko ya mahitaji katika soko na kukidhi mahitaji ya wateja kwa haraka nchini Kenya na wa nchi za jirani. Lakini faida hizi mbili pekee hazitoshi. Tunaweka umuhimu mkubwa kwenye ubora wa bidha na huduma. Wakati huohuo tunajaribu kila uchao kuwa na gharama za chini katika soko huru na la upinzani.

KUANGAZA YA MWAKA 1996

Tarehe ishirini na saba mwezi wa Juni mwaka wa elfu moja mia tisa na tisini na sita (27th June 1996) kampuni yenu ilisherekea mwaka wa ishirini na tano tangu kuanzishwa. Sherehe hiyo ilikuwa ya mafanikio makubwa, ilihudhuriwa na mawaziri wawili, wajumbe wa nchi za nje, watumishi wa serikali na wafanyi biashara maarufu. Miongoni mwa wageni kutoka ng'ambo alikuwa Bwana K Shibata, Makamu wa Rais Mtendaji wa kampuni ya Bridgestone, Japan.

Muda mfupi kabla ya kusheherekea kuanzishwa kwa kampuni yetu, kulikuwa na mabadiliko makubwa ya usimamizi katika kampuni. Mnamo tarehe ishirini na saba mwezi wa Mei, mwaka wa elfu moja mia tisa na tisini na sita (27th May 1996) usimamizi wote wa kampuni ulichukuliwa na shirika la Bridgestone la Japan. La maana kuhusu badiliko hili ni kuwa kimataifa, sasa tunaouwezo mkubwa wakupata ustadi wa kiteknologia wa matairi, kupata mahali bora zaidi pa kupata malighafi na kupata matairi kwa urahisi kuongezea uzalishaji wetu.

Zaidi ya hayo, timu mpya iliyopo ya usimamizi imeanzisha mpango wa mabadilisho ukiwa na madhumuni hasa ya kupunguza gharama za utengenezaji mali kupitia ongezeko la uzalishaji.



UTENGENEZAJI

Uzalishaji na gharama za chini kwa hivyo ndivyo malengo muhimu ya kazi yetu ya utengenezaji. Malengo haya yalipingwa na kupotea kwa umeme hasa katika robo ya mwisho ya mwaka elfu moja mia tisa na tisini na sita (1996). Ingawa hivyo, ishara muhimu zinaonyesha ongezeko zaidi katika matokeo ya utengenezaji yanapolinganishwa na mwaka elfu moja mia tisa na tisini na tano (1995).

Uzalishaji ukipimwa na uzito wa ghala kwa mtu mmoja anayehusika moja kwa moja na utengenezaji, umeongezeka kwa asilimia tisa nukta sita (9.6%). Jumla ya uzito wa ghala umeongezeka kwa kila elfu mia nane (800,000kgs) kutoka kilo milioni tisa na laki tano (9.5 million kgs) katika mwaka elfu moja mia tisa na tisini na tano (1995) hadi kilo millioni kumi na laki tatu (10.3 million kgs) katika mwaka elfu moja mia tisa na tisini na sita (1996).

Kwa sababu ya ongezeko la uzalishaji gharama ya mageuzo kwa kilo iliongezeka kwa asili-mia mbili (2%) ijapokuwa mageuzo ya jumla ya rasilimali yameongezeka kwa asili-mia kumi na moja (11%).

KAMPUNI NDOGO - SAMEER INDUSTRIAL PARK

Matokeo kutoka kampuni yetu ndogo si ya kuridhisha. Kutokana na upungufu wa mahitaji, siyo viwanda vyote vinavyotumiwa. Zaidi ya hivyo shughuli za kampuni hii zinaendeleshwa kwa fedha za kigeni, hivyo mapato yake yanabadilika kulingana na kiwango cha ubadilishi wa fedha na iliathirika sana na shilingi iliyokuwa na nguvu. Kampuni hii ilitengeneze jumla ya faida ya shilingi milioni ishirini (Shs20 million) ikilinganishwa na shilingi milioni arobaini na tatu (Shs43 million)mwaka uliotangulia iliyojumulisha shilingi milioni kumi na tisa za pato la ubadilishi.

MATARAJIO YA SIKU YA MBELE

Katika mwaka elfu moja mia tisa na tisini na sita, mauzo ya matairi ya aina zote yanaonyesha kwa soko kwa bidhaa zetu. Mauzo kwa watengenezaji wa magari yaliongezeka kwa asili mia nane (8%) na mauzo kwa masoko ya wauzaji matairi yaliongezeka kwa asili mia na kumi na saba (17%) na kwa masoko ya nje yaliongezeka kwa asili mia hamsini na tisa (59%). Kwa jumla hilo lilikuwa ongezeko la maana la asilimia kumi na tisa (19%). Kukabiliana na ongezeko la mahitaji haya, kampuni yenu ilitumia shilingi milion mia mbili kwa miradi mikubwa kadhaa katika mwaka wa elfu moja mia tisa na tisini na sita (1996). Miongoni mwa miradi ni mitambo wa matayarisho 45", na mashine mbili za 200 KVA compresa kuongezea uwezo wa matayarisho. Pia tumeweka jenereta la 1.6 MVA kutoa umeme wa akiba ili uzalishaji kuendelea wakati umeme unapopotea.

Katika mwaka elfu moja mia tisa na tisini na sita (1996) kampuni inapanga kutumia kiasi kikubwa cha pesa cha millioni mia tano (Shs500 million) kwa miradi mingine mikubwa. Baadhi ya miradi hiyo mikubwa itakuwa mitambo miwili ya matayarisho na mashine ya kisasa ya kutengenezea chupu ya aina ya 'Dual Tuber'. Mitambo hiyo miwili inahitajika kuongeza uwezo wa uzalishaji wa matairi ya kazi za kati na ngumu. Mashine ya kutengeneza chupu ya 'Dual tuber' itakiinua juu kiwanda chetu katika mbinu za kisasa za utengenezaji wa chupu. Njia mpya ya biashara ya 'cap' na 'base' ya kutengeneza chupu itaongeza nguvu za utengenezaji na pia ubora wa bidhaa.

Mbinu mojawapo ya mpango wetu ni kuhakikisha kutoa mfululizo wa bidhaa za kisasa na utakaosaidiwa na huduma za hali ya juu za baada ya mauzo. Katika taarifa yangu mwaka jana, nilianzisha tairi jipya la magari madogo lenya jina la 'Firehawk' ambalo kwa wakati huo lilikuwa linafanyiwa majaribio lianzishwe baadaye mwaka 1996. Mutahitaji kujua kuwa tairi hilo limekuwa la mafanikio makubwa. Tulianza na saizi moja ya aina ya tairi la 'Firehawk' lakini sasa tumeongeza idadi na kuwa na saizi tatu. Hatimaye saizi zote zinazopatikana katika aina za mashindano ya 'safari sport' zitakuweko katika kielelezo cha 'Firehawk' kama sehemu ya mpango wetu wa bidhaa za kisasa.

Kwa kuhitimisha, ningependa sasa kuwa shukuru wakurugenzi wenzangu kwa ushauri wao wa busara walionipa katika mwaka, wasimamizi na wafanyi kazi kwa juhudi na kuendelea kujitolea kwao na mwisho, wateja wetu waheshimiwa, wauzaji na wanaotuhudumia kwa mchango wao katika kuifanikisha kampuni yetu.

N.N. Merali E.B.S.
Mwenyekiti

Report Of The Directors
Ripoti ya Wakurugenzi

DIRECTORS

Mr. N.N. Merali E.B.S - Chairman
Mr. Y. Itoh
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 31st December 1996.

PRINCIPAL ACTIVITIES

The parent company, Firestone East Africa (1969) Limited manufactures and sells tyres and related products. The subsidiary, Sameer Industrial Park Limited leases out 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 12.

DIVIDENDS

During the year an interim dividend ofKShs.315,454,720 was declared in June 1996 and paid. The Directors propose a final dividend of Shs.148,449,280.

DIRECTORS

Mr. G.B. Crigger and Mr. A.J. DiBaggio, resigned as directors on 29th March and 27th May 1996 respectively and Mr. H. Odagiri and Mr. Y. Itoh were appointed to the Board of Directors effective 29th March and 27th May 1996 respectively. In accordance with the Articles of Association Mr. H. Odagiri and Mr. Y. Itoh hold office until the next Annual General Meeting of the company and being eligible offer themselves for re-election.

In accordance with the Articles of Association, Mr. N.N. Merali 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.486).

By Order of the Board

Issa Timamy

Secretary

Nairobi

18 February 1997

WAKURUGENZI

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

KATIBU

Bwana Issa Timamy

Wakurugenzi wanatoa ripoti yao pamoja na taarifa za fedha katika kipindi cha mwaka uliokwisha tarehe thelathini na moja Disemba 1996.

SHUGHULI KUU ZA KAMPUNI

Firestone East Africa (1969) Limited ni watengenezaji na wauzaji wa matairi pamoja na bidhaa zinazohusika. Sameer Industrial Park iliyo chini ya kundi la Firestone hukodisha viwanda kwenye eneo la EPZ.

MATOKEO

Ripoti ya faida iliyopatikana mwaka huu pamoja na jinsi ilivyotumiwa imo katika ukurasa wa 12 katika sehemu ya mapato na matumizi.

MGAWO WA FAIDA

Katika kipindi cha mwaka, mgawo wa faida ya muda ya Shs315,454,720 ilitangazwa na kulipwa mwaka 1996. Wakurugenzi wanapendekeza mgawo wa faida ya mwisho ya Shs148,449,280.

WAKURUGENZI

Bwana G.B. Crigger na Bwana A. J. DiBaggio walistaafu kama wakurugenzi tarehe 29 Machi na 27 Mei 1996 na Bwana H. Odagiri na Bwana Y. Itoh kuteuliwa kama wakurugenzi tarehe 29 Machi na 27 Mei 1996. Kufuatana na masharti na kanuni za kampuni, Bwana H. Odagiri na Bwana Y. Itoh wataendelea kushikilia vyeo hivi hadi mkutano mkuu wa mwaka ambapo kwa kustahili wajitokeze tena kuchaguliwa.

Kufuatana na masharti na kanuni za kampuni Bwana N.N. Merali anastaafu kwa zamu na kwa kustahili ajitokeza tena kuchaguliwa kama mkurugenzi.

WAKAGUZI

Wakaguzi wa hesabu, Coopers & Lybrand, wataendelea kuwa wakaguzi wa kampuni kulingana na kifungu 159 (2) katika sheria za makampuni (Cap. 486)

Kwa Amri ya Halmashauri

Issa Timamy

Katibu

Nairobi

Tarehe kumi na nane mwezi wa Februari 1997.

Report Of The Auditors
Ripoti ya Wakaguzi

1. We have audited the accounts set out on pages 11 to 21. 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 31st December 1996 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

21st February 1997.

1. Tumekagua taarifa za fedha katika ukurasa wa 11 hadi 21. Hesabu za kampuni zinakubaliana na vitabu vya hesabu. Tumepata habari na maelezo yote kadiri tunavyojua na kuamini yanayohitajika kwa kutekeleza ukaguzi.

2. **JUKUMU LA WAKURUGENZI NA WAKAGUZI**

   Kulingana na sheria za kampuni, wakurugenzi wanajukumu la kutayarisha taarifa ya fedha inayotoa picha ya kweli ya hali ya kampuni ikiwa ni pamoja na kutangaza faida au hasara kama ilivyotokea. Jukumu letu ni kutoa taarifa ya fedha kufuatia ukaguzi wetu na kukuelezea maoni yetu.

3. **JINSI TULIVYOFIKIA MAONI YETU**

   Tulifanya ukaguzi wetu kwa kufuata viwango vya ukaguzi vya Kenya (Kenya Auditing Standards). Viwango hivi vinahitaji kupanga na kutekeleza ukaguzi ili kupata uhakika iwapo taarifa hizo za fedha hazina kasoro. Ukaguzi unahusu upimaji ili kupata ushahidi unaothibitisha kiasi kinachoonyeshwa katika taarifa za fedha, pia kupima mbinu zilizotumika na makadirio muhimu yaliyofanywa kwa jumla taarifa za fedha iliyotolewa.

4. **MAONI YETU**

   Kwa maoni yetu, vitabu vya hesabu vimewekwa kwa njia sahihi na ripoti za fedha zinaeleza ukweli wa hali ya shughuli za kampuni na kundi lake hadi 31 Disemba 1996 na kuhusu faida na mienendo ya fedha za kundi mwaka ulioishia tarehe hiyo na zinaambatana na sheria za makampuni (cap 486).

Coopers & Lybrand

Kampuni ya Mahasibu

Nairobi

Tarehe ishirini na moja mwezi wa Februari 1997.

Consolidated Profit and Loss Account

for the year ended 31st December 1996

	Note	1996 Shs'000	1995 Shs'000
TURNOVER		3,617,715	3,027,445
GROUP OPERATING PROFIT BEFORE EXCHANGE GAIN	2	1,006,706	948,445
EXCHANGE GAIN		15,913	30,532
GROUP OPERATING PROFIT BEFORE TAXATION		1,022,619	978,977
TAXATION	4	(332,981)	(308,887)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	5	689,638	670,090
DIVIDENDS	12(b)	(463,904)	(510,294)
RETAINED PROFIT FOR THE YEAR		225,734	159,796
RETAINED PROFITS/ (TRANSFER FROM RESERVES)			
Firestone East Africa (1969)Limited		205,501	201,660
Subsidiary company:			
Sameer Industrial Park Limited		20,233	(41,864)
RETAINED PROFIT FOR THE YEAR	14	225,734	159,796
		Kshs.	Kshs.
EARNINGS PER SHARE	6	3.7	3.6

Report of the auditors - Page 10
Statement of principal accounting policies - page 15
The notes on pages 15 to 21 form part of these accounts.

Consolidated Balance Sheet

31st December 1996

	Note	1996 Shs'000	1995 Shs'000
FIXED ASSETS	7(a)	593,018	491,793
INVESTMENTS	8	95,440	95,440
CURRENT ASSETS			
Stocks and work in progress	10	1,009,955	1,015,871
Debtors		334,751	294,729
Bank balances and cash		119,178	175,024
		1,463,884	1,485,624
CURRENT LIABILITIES			
Bank overdraft	11	133,986	176,734
Creditors		367,406	377,272
Taxation		24,245	34,377
Dividends	12(a)	148,449	231,952
		674,086	820,335
NET CURRENT ASSETS		789,798	665,289
NET ASSETS		1,478,256	1,252,522
Financed by:-			
SHARE CAPITAL	13	927,808	927,808
RETAINED PROFITS	14	550,448	324,714
SHAREHOLDERS' FUNDS		1,478,256	1,252,522

The accounts were approved by the Board of Directors on 18th February 1997 and signed on its behalf by:-

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

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Statement of principal accounting policies - page 15
The notes on page 15 to 21 form part of these accounts.

Balance Sheet (The Company) ■

31st December 1996

	Note	1996 Shs'000	1995 Shs'000
FIXED ASSETS	7(b)	592,357	490,912
Interest in Subsidiary	9	120,000	120,000
CURRENT ASSETS			
Stocks and work in progress	10	1,009,955	1,015,871
Debtors		319,786	281,785
Due from group company		19,231	96,163
Bank balances and cash		59,612	54,385
		1,408,584	1,448,204
CURRENT LIABILITIES			
Bank Overdraft	11	133,986	176,734
Creditors		359,345	366,638
Taxation		24,245	34,377
Dividend	12(a)	148,449	231,952
		666,025	809,701
NET CURRENT ASSETS		742,559	638,503
NET ASSETS		1,454,916	1,249,415
Financed by:-			
SHARE CAPITAL	13	927,808	927,808
RETAINED PROFITS	14	527,108	321,607
SHAREHOLDERS' FUNDS		1,454,916	1,249,415

The accounts were approved by the Board of Directors on 18th February 1997 and signed on its behalf by:-

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

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Statement of principal accounting policies - page 15
The notes on pages 15 to 21 form part of these accounts.

Statement Of Principal Accounting Policies ■

31st December 1996

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 1996.

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 to 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.

	1996	1995
	Shs'000	Shs'000
2. GROUP OPERATING PROFIT		
a) This is stated after charging:		
Depreciation	92,869	71,686
Audit fees excluding VAT		
(Company Kshs.1,150,000 - 1995: Kshs.950,000)	1,270	1,072
b) and after crediting:		
Interest receivable	737	6,896
3. DIRECTORS' EMOLUMENTS		
As directors	1,600	1,550
For management	14,981	12,403
	16,581	13,953
4. TAXATION		
At 35% on the taxable profit for the year		
as adjusted for tax purposes	332,981	308,887

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in profit attributable to shareholders is Shs.669,405,000 (1995: Shs.711,954,000) which is dealt with in the accounts of the parent company.

6. EARNINGS PER SHARE

Earnings per share of Shs.3.7 (1995 : Shs.3.6) each are calculated by reference to the profit of the group after taxation of Shs.689,638,000 (1995: Shs.670,090,000) based on 185,561,600 shares in issue.

7. FIXED ASSETS

(a) The Group	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 1996	1,000	156,053	436,077	111,892	129,568	26,694	21,456	882,740
Additions	-	-	-	-	-	-	198,221	198,221
Disposals	-	-	(175)	-	(10,907)	(209)	-	(11,291)
Transfer	-	11,516	123,479	26,933	19,211	27,061	(208,200)	-
31 December 1996	1,000	167,569	559,381	138,825	137,872	53,546	11,477	1,069,670
DEPRECIATION:								
1 January 1996	20	39,625	205,163	69,886	63,527	12,726	-	390,947
Charge for the period	10	5,274	36,464	20,045	27,867	3,209	-	92,869
Disposals	-	-	(139)	-	(7,013)	(12)	-	(7,164)
31 December 1996	30	44,899	241,488	89,931	84,381	15,923	-	476,652
NET BOOK VALUES								
31 December 1996	970	122,670	317,893	48,894	53,491	37,623	11,477	593,018
31 December 1995	980	116,428	230,914	42,006	66,041	13,968	21,456	491,793

No depreciation has been charged in arriving at the results for the year in respect of certain fixed assets which originally cost 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.55,521,000.

7. FIXED ASSETS

(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 1996	1,000	156,053	435,875	111,892	128,365	25,763	21,356	880,304
Additions	-	-	-	-	-	-	198,221	198,221
Disposals	-	-	(175)	-	(10,907)	(209)	-	(11,291)
Transfer	-	11,516	123,479	26,933	19,211	27,061	(208,200)	-
31 December 1996	1,000	167,569	559,179	138,825	136,669	52,615	11,377	1,067,234
DEPRECIATION:								
1 January 1996	20	39,625	205,064	69,886	62,510	12,287	-	389,392
Charge for the period	10	5,274	36,439	20,045	27,784	3,097	-	92,649
Disposals	-	-	(139)	-	(7,013)	(12)	-	(7,164)
31 December 1996	30	44,899	241,364	89,931	83,281	15,372	-	474,877
NET BOOK VALUES								
31 December 1996	970	122,670	317,815	48,894	53,388	37,243	11,377	592,357
31 December 1995	980	116,428	230,811	42,000	65,855	13,476	21,356	490,912

No depreciation has been charged in arriving at the results for the year in respect of certain fixed assets which originally cost 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.55,521,000.

8. INVESTMENTS (The Group)	1996 Shs'000	1995 Shs'000
Investments comprise of rental property at the Sameer Export Processing Zone and are stated at cost	95,440	95,440

9. INTEREST IN SUBSIDIARY COMPANY (The Company)		
Interest in subsidiary comprises of:- 120,000 shares of Kshs.1,000 each at cost	120,000	120,000

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

10. STOCKS AND WORK IN PROGRESS (The Group and Company)	1996 Shs'000	1995 Shs'000
Stocks and work in progress comprise:		
Good in transit	419,749	397,004
Raw materials	150,979	180,353
Work in progress	29,068	44,307
Finished goods	331,087	297,636
Stores and supplies	79,072	96,571
	1,009,955	1,015,871

11. BANK OVERDRAFT (The Group and Company)

The bank overdraft is not secured.

12. DIVIDENDS	1996 Shs'000	1995 Shs'000
(a)Unpaid dividends comprise:-		
1996 - Final dividend proposed	148,449	-
1995 - Final dividend declared	-	231,952
	148,449	231,952

(b) Interim dividends of Shs.315,455,000 (1995: Shs.278,342,000) were paid during the year. This brings the total dividend for the year to:

	1996 Shs'000	1995 Shs'000
Interim paid (1996: Shs.1.70 per ordinary share) (1995: Shs.1.50 per ordinary share)	315,455	278,342
Final proposed (1996: Shs.0.80 per ordinary share) (1995: Shs.1.25 per ordinary share)	148,449	231,952
	463,904	510,294

13. SHARE CAPITAL

	1996 Shs'000	1995 Shs'000
Authorised:		
Ordinary shares of Shs.5 each	1,000,000	1,000,000
Issued and fully paid:	927,808	927,808

14. RETAINED PROFITS

	1996 Company Shs'000	1996 Subsidiary Shs'000	1996 Group Shs'000	1995 Group Shs'000
1st January	321,607	3,107	324,714	164,918
Retained profit for the year	205,501	20,233	225,734	201,660
Transfer to profit and loss account	-	-	-	(41,864)
31st December	527,108	23,340	550,448	324,714

15. CAPITAL COMMITMENTS

	1996 Shs'000	1995 Shs'000
Authorised and contracted for	6,631	57,936
Authorised but not contracted	495,083	285,061
	501,714	342,997

16. DEFERRED TAX

The potential deferred tax liability not incorporated in these accounts consist of:

	1996 Shs'000
Excess of capital allowances over depreciation	89,997
Other timing differences	(612)
	89,385

17. CONTINGENT LIABILITIES

	1996 Shs'000	1995 Shs'000
Letters of credit outstanding and other guarantees on which no losses expected	45,191	34,463

18. CONSOLIDATED CASH FLOW STATEMENT

	1996 Shs'000	1995 Shs'000
Cash and cash equivalents comprise:		
Bank and cash balances	119,178	175,024
Bank overdraft	(133,986)	(176,734)
	(14,808)	(1,710)

19. RELATED PARTY TRANSACTIONS

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

(b) During 1996 the company purchased raw materials and obtained technical services amounting to Shs.610,047,621 from its affiliates Bridgestone/Firestone group. The amount due to the above affiliates at the year end is Shs.69,606,157 and is included under creditors.

(c) The company shares common directors with some of its suppliers, from whom goods and services of Shs.21,126,452 were purchased during the year. The amount due to the above suppliers at the year end is Shs.492,497 and is included under creditors.

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

Report of the auditors - page 10

Last Five Year Financial Summary

	1992 Shs'000	1993 Shs'000	1994 Shs'000	1995 Shs'000	1996 Shs'000
CONSOLIDATED PROFIT AND LOSS SUMMARY					
Turnover	1,708,250	2,654,028	2,818,033	3,027,445	3,617,715
Group operating profit	502,492	963,875	789,934	978,977	1,022,619
Taxation	188,270	306,126	296,160	308,887	332,981
Profit after taxation	314,222	657,749	493,774	670,090	689,638
Dividends (gross)	217,455	311,478	374,437	510,294	463,904
Retained profit transferred to revenue reserve	96,767	346,271	119,337	159,796	225,734
Earnings per share (Shs.)	1.7	3.5	2.7	3.6	3.7
Dividend per share (Shs.)	1.2	1.7	2.0	2.75	2.5
CONSOLIDATED BALANCE SHEET SUMMARY					
Fixed Assets	375,352	332,304	434,965	491,793	593,018
Investments	0	95,440	95,440	95,440	95,440
Current Assets					
Stocks and work-in-progress	348,069	855,738	766,684	1,015,871	1,009,955
Debtors	88,496	106,011	99,265	294,729	334,751
Bank balances and cash	336,059	112,112	94,933	175,024	119,178
	772,624	1,073,861	960,882	1,485,624	1,463,884
Current Liabilities					
Bank Overdraft	55,112	3,992	85,578	176,734	133,986
Creditors	362,607	257,991	235,086	377,272	367,406
Taxation	94,254	160,082	(14,884)	34,377	24,245
Dividends payable	8,885	106,151	92,781	231,952	148,449
	520,858	528,216	398,561	820,335	674,086
Net Current Assets	251,766	545,645	562,321	665,289	789,798
NET ASSETS	627,118	973,389	1,092,726	1,252,522	1,478,256
Financed by:					
Share Capital	331,360	331,360	927,808	927,808	927,808
Retained Profits	295,758	642,029	164,918	324,714	550,448
SHAREHOLDERS' FUNDS	627,118	973,389	1,092,726	1,252,522	1,478,256

Form of Proxy
Annual General Meeting ■

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 on Thursday, 27th March 1997 and

at any adjournment thereof.

As witness my/our hand(s) this .... day of 1997

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