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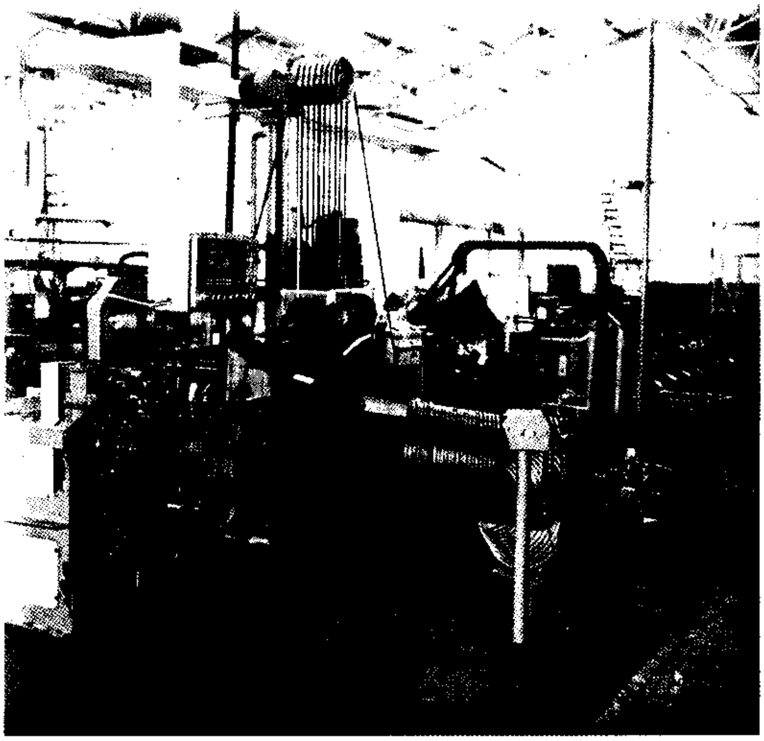
Firestone



New High Output Bead Winding Machine.

2007/1017

COMPANY INFORMATION

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
Cerified Public Secretary

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Queensway House, Kaunda Street,
P.O. Box 43963, Nairobi.

PRINCIPAL BANKERS TO THE COMPANY

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

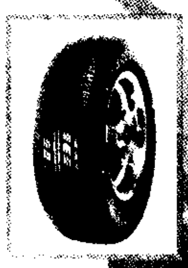
Standard Chartered Bank Kenya Limited
Stanbank House, Moi Avenue,
P.O. Box 30003, Nairobi.

SHARE REGISTRARS TO THE COMPANY

Barclays Advisory and Registrar Services Limited.
Barlcays Plaza, Loita Street.
P.O. BOX 30120
Nairobi.

REGISTERED OFFICE OF THE COMPANY

L.R. NO: 12081,
MOMBASA ROAD
P.O. Box 30429,
Nairobi.



Firestone

NOTICE OF MEETING

Notice is hereby given that the 30th Annual General Meeting of the Members will be held at the Company's Sameer Industrial Park premises off Mombasa Road, Nairobi on Friday 26th March, 1999 at 11.00 a.m. for the following purposes:-

1. To confirm the minutes of the 29th Annual General Meeting held on 27th March 1998.

2. To receive, consider and if deemed fit, adopt the financial statements for the year ended 31st December, 1998 together with the reports thereon of the Directors and of the Auditors.

3. To confirm the interim dividend of Shs. 0.80 per share paid in August, 1998, and to declare a final dividend of Shs. 0.70 per share.

4. To elect Directors.

5. To confirm the Directors' emoluments.

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

19th, February 1999

***Notes:** A member entitled to ottend and vote ot this meeting moy appoint o proxy to attend and vote on his/her behalf and such a proxy need not be o member of the Company. The form of proxy is attached on poge 27. The final dividend, if opproved will be poid on or about 7th April, 1999 to members on the register at close of business on 16th March, 1999.*

ILANI YA MKUTANO

Ilani inatolewa hapa kuwa mkutano mkuu wa thelathini (30) wa kila mwaka wa wanachama utafanyika katika majengo ya kampuni ya Sameer Industial Park, kando ya Mombasa Road, Nairobi, Ijumaa, tarehe 26 Machi, 1999 saa tano asubuhi kwa madhumuni yafuatayo:-

1. Kuidhinisha yaliyosemwa kwenye mkutano mkuu wa 29 wa kila mwaka uliofanyika tarehe 27 machi, 1998.

2. Kupokea, kuchunguza na ikifikiriwa sawa kuidhinisha taarifa za fedha za mwaka uliomalizikia 31 Decemba 1998 pamoja na taarifa za wakurugenzi na za wakaguzi wa hesabu.

3. Kuidhinisha malipo ya mgawo wa muda wa faida ya Shs 0.80 kwa kila hisa yaliyolipwa Agosti, 1998, na kutangaza mgawo wa faida ya mwisho wa Shs 0.70 kwa kila hisa.

4. Kuchagua wakurugenzi.

5. Kuidhinisha malipo ya wakurugenzi.

6. Kuteuwa PricewaterhouseCoopers kama wakaguzi wa vitabu vya fedha kwa mwaka unaofuata na kuidhinisha kibali cha wakurugenzi malipo kwa wakaguzi wa vitabu vya fedha.

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

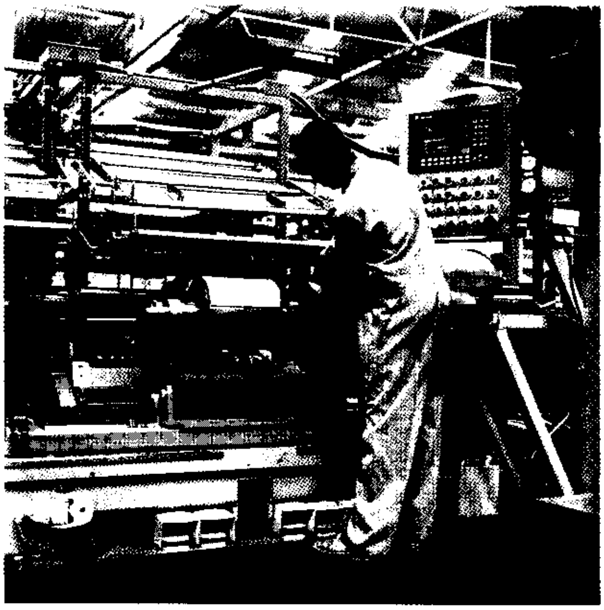
Kwa Amri ya Halmashauri

Issa Timamy
Katibu wa Kampuni
Nairobi

19 Februari, 1999

***Maelezo zaidi:** Mwonachama mwenye haki ya kuhudhuria na kupiga kura kotiko mkutano huu anoweza kuchogua wakala kuhudhurio na kupiga kura kwa niabo yake na wakala huyo si lazimo awe mwanochama wo kampuni. Fomu ya wakala imewekwo ukuraso 27. Ikiidhinishwo, molipo yo gawio la faida ya mwisho yotalipwo tarehe 7 Aprili, 1999 au wakati koribu na hapo kwo wanochama wolio katika kitabu cha orodha ya majina kufikia wakati wa kufunga bioshara tarehe 16 Mochi, 1999.*

gulia kwa sababu waunganishaJi viungo vya magari, mabazazi, wenye magari na wauzaji wa reJa reJa waliathirika wote vibaya sana na uchumi uliokuwa pole pole na upungufu mkali wa pesa masokoni. Teremko hilo katika mauzo ya nchini liliridhiwa na biashara nzuri ya nje. Mapato kutokana na mauzo



New Radial Tyre Assembly Machine

ya nje yaliongezeka kwa Asilimia 52% juu ya mwaka uliotangulia na kuwakilisha Asilimia 22% ya jumla ya mapato ya mauzo

Kampuni hii inataka kujithibitisha kama kiongozi wa mauzo katika eneo hili. Katika mwelekeo huo, matayarisho yanakaribia kukamilishwa ya kuanzisha makampuni ya ugawaji nchini Uganda na Tanzania ili kutumikia vyema wateja wetu wa sasa na wapya na pia kuwa na msingi wa upanuzi wa baadaye katika maeneo majirani.

Nchini, mkazo wetu utatiliwa katika kuimarisha mpangilio wetu wa ugawaji, kufanya kampeini zaidi za kukuza imani ya wateja na kuongeza mauzo kwa kuuza bidhaa zetu kupitia vituo vya petroli.

Juhudi za Serikali za kuanzisha mazingira uhuru lakini yenye "haki" ya biashara zinaimarika. Bado tunaona matairi mengi ya kushukiwa kutoka nje lakini katika kiwango kilichopunguka kuliko awali.

SAMEER INDUSTRIAL PARK (Kampuni Ndogo)

Kampuni hii yetu ndogo, ilipata faida kamili ya Sh19 milioni ikilinganishwa na Sh 15 milioni mwaka uliotangulia.

Industrial Engineering staff updating factory performance team

Ongezeko hilo kubwa la faida la Sh 4 milioni ama Asilimia 27% lilitokana na kiwango cha juu cha upangaji mnamo 1998. Sasa tuna makampuni thabiti na maarufu kama wapangaji.

Kiwango cha mapato ya baadaye kutoka kwa Kampuni hii ndogo kitategemea mabadiliko katika kiwango cha ubadilishaji pesa za kigeni. Kodi za upangaji zinalipwa kwa dola za Kimarekani na mapato yataongezeka kukiwa na thamani dhaifu ya shilingi ama kupunguka zaidi thamani ya shilingi ikiwa imara.

FEDHA NA USIMAMIZI

Mitambo bora ya kisasa ya kompiuta ililetwa mnamo 1998 ili kuimarisha uthabiti wa shughuli zetu.

Idara ambazo tayari zimeunganishiwa makompiuta ni pamoja na mauzo, uagizaji, usimamizi wa kumbukumbu na takwimu, ugawaji, fedha na uhasibu. Katika awamu ijayo, shughuli zote kiwandani zitatekelezwa kwa kutumia makompiuta.

Tunakaribia kukamilisha ukarabati na uthibiti wa kiwanda chetu chote, mashini, mitambo ya afisini, mitambo ya kompiyuta na kumbukumbu na takwimu ili kuambatana na mahitaji ya Mwaka wa 2000. Hatutarajii matatizo yoyote makubwa ama ubadilishaji wa mtambo wo wote mkuu.

Kuhusu Wafanya Kazi, Kampuni hii ilikamilisha shughuli kamili za ufafanuzi mpya na ukadiriaji ili kutilia mkazo mazingira yanayobadilika haraka ya ushindani. Tuna hakika kwamba tuna muundo unaohitajika na uwezo wa kutimiza wajibu wetu katika karne ijayo.

SIKU ZA USONI

Tunaona uchumi ukiendelea pole pole na kubana ila tu kama teremko la viwango vya riba majuzi litatoa motisha mpya ya kuvutia rasilmali inayohitajika "kufyatua" uchumi.

Kampuni hii imejiandaa vilivyo kwa wakati ujao. Tumefanya matayarisho ya kuhakikisha uwezo wa kutosha na urekebisho wa kutosheleza kwa urahisi mahitaji ya tairi katika eneo hili. Hali ya bidhaa zetu inaendelea kuimarika kupitia teknolojia iliyopatikana kutoka kwa shirika maarufu ulimwenguni la matairi Bridgestone Corporation.

Hakika, kutakuwa wakati wote na sababu za kuwa na kujikalifu na mabadiliko katika shughuli yenye ushindani kama yetu. Hata hivyo, nafasi pia hutokea na tupo tayari kuchunguza hatua mpya zaidi za kuchukuliwa na mipaka.

Napenda kuwashukuru Wakurugenzi wenzangu kutokana na mawaidha yao ya busara, kila mmoja na wateja wetu wote, mabazazi na wagawaji kwa kutusaidia kibiashara katika mwaka huo na mameneja wa usimamizi kwa uthabiti wao na bidii katika mwaka mgumu.

N.N. MERALI, E.B.S.

MWENYEKITI

REPORT OF THE DIRECTORS

DIRECTORS

Mr N. N. Merali	(Chairman)
Mr Y. Itoh	(Managing)
Mr J. Kanyotu	
Mr M. H. Da Gama-Rose	
Mr H. Odagiri	(Alternate Mr H.Tsubakihara)

SECRETARY

Mr Issa Timamy

The directors present their report with the audited accounts for the year ended 31 December1998.

PRINCIPAL ACTIVITIES

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

RESULTS

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

DIVIDENDS

During the year an interim dividend of Shs.222,673,920 was declared in July 1998 and paid. The directors propose a final dividend of Shs.194,839,680.

DIRECTORS

The names of the directors at 31 December 1998 are set out above.

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

AUDITORS

PricewaterhouseCoopers were appointed as auditors during the year following the merger of the former auditors, Coopers & Lybrand, with Price Waterhouse and will continue in office in accordance with section 159(2) of the Companies Act (Cap.486).

By order Of the board

Mr. Issa Timamy
Secretary

19th February, 1999

RIPOTI YA WAKURUGENZI

WAKURUGENZI

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

KATIBU

Bw Issa Timamy

Wakurugenzi wanawasilisha ripoti yao pamoja na hesabu zilizokaguliwa za pesa za mwaka uliomalizika Desemba 31, 1998.

SHUGHULI KUU ZA KAMPUNI

Kampuni kuu, Firestone East Africa (1969) Limited, hutengeneza na kuuza matairi na bidhaa zinazohusiana ilhali kampuni yake ndogo, Sameer Industrial Park Limited, inahusika na maendeleo na ukodishaji wa majengo katika Soko la Mauzo ya Nje (EPZ).

MATOKEO

Faida ya mwaka huo na matumizi yanafafanuliwa hapa katika maelezo ya faida na hasara katika ukurasa wa 15.

MIGAWO YA FAIDA

Katika mwaka huo, mgawo wa faida wa muda wa Sh. 222,673,920 ulitangazwa mnamo Julai 1998 na kulipwa. Wakurugenzi wanapendekeza mgawo wamwisho wa faida wa Sh. 194,839,680.

WAKURUGENZI

Majina ya Wakurugenzi kufikia Desemba 31, 1998 ni kama yalivyochapishwa hapo juu.

Kuambatana na Kanuni Rasmi za Kampuni, Bw N.N. Merali anastaafu kwa zamu na kwa vile anafaa, anajitolea kuchaguliwa tena.

WAKAGUZI WA HESABU

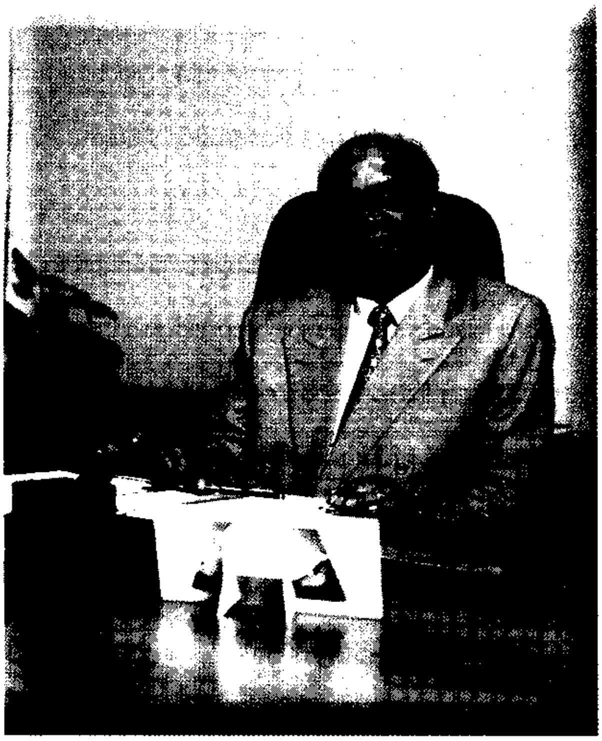
PricewaterhouseCoopers waliteuliwa kama wakaguzi katika mwaka huo baada ya wakaguzi wa zamani, Coopers & Lybrand kuungana na Price Waterhouse na, itaendelea afisini kuambatana na Fungu 159(2) la Sheria ya Makampuni (Cap. 486).

Kwa amri ya Halmashauri

Mr. Issa Timamy
Katibu

19th February, 1999

CHAIRMAN'S STATEMENT



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

I am pleased to report that in 1998, the Firestone group achieved commendable results considering the severe economic constraints during the year.

Turnover was Shs 3.3 billion, just slightly lower than the previous year's Shs 3.4 billion. Group net profit after taxation was Shs 612 million compared to Shs 671 million achieved in 1997.

The Board of Directors recommend a final dividend of Shs 0.70 per share which, together with the interim dividend of Shs 0.80 per share paid in August 1998, brings the total dividend for the year to Shs 1.50 per share. The total dividend sum paid out will amount to Shs 417,513,600 compared to Shs 463,904,000 for the previous year.

In addition to providing the shareholders a reasonable return on their investment, Firestone continues to be a significant contributor to Government revenues. In 1998, the Group paid Shs 988 million to the Treasury in various taxes and levies.

THE ECONOMY

At the start of 1998, there were widespread expectations of an upturn in the economy after the distractions of the 1997 General Elections. Unfortunately, the eventual reality was an economy progressively declining.

The 'EL -Nino' rains had a devastating effect on the country's infrastructure. Tangible investment was minimal. The Banking sector went through a crisis with the closure of a number of Banks. The August bomb blast regrettably caused death and destruction.

In the face of such overwhelming adversities in 1998, the Group's results reflect exceptional resilience. Our Group's strength derives from its household name status in this region, quality assurance backed by product warranty, unmatched after sales service and availability of a complete range of products at prices which guarantee value for money.

MANUFACTURING

The Company is committed to produce quality products at the most efficient cost. In this regard, it has been successful. During the last three years, raw material cost has been contained. Daily production has been increased through plant additions and all round efficiency in the factory.

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

The automation of the banbury mixer is now nearly complete with the commissioning of a closed carbon black system using one metric tonne superbags in place of the traditional 25-kg paper bags previously used. This will result in much higher productivity, efficiency and improved quality.

The factory also introduced nitrogen shaping in the tyre curing process. Nitrogen is superior to steam as it provides constant pressure and this will improve quality and consistency in the curing process.

Among other capital projects completed during the year were the installation and commissioning of an additional first stage radial tyres assembly machine, a modern and high output Bead Winding Machine and the latest skiver for the treads extrusion system.

The cost of all these capital projects amounting to Shs 286 million was internally funded as in previous years. The capital projects completed over the last three years have progressively increased the efficiency and productivity of the factory to a level where we can now meet the entire tyre demand of our region upto and beyond the Year 2000.

SALES & MARKETING

Domestic sales were lower than those of the previous year because vehicle assemblers, tyre dealers, fleet owners and retailers were all badly affected by the slow economy and tight liquidity in the market.

The shortfall in the domestic market was compensated by a strong exports drive. Export sales revenue increased by 52% from the previous year and constituted 22% of the total sales revenue.

The company intends to assert itself as the market leader in the region. In this regard, plans are at an advanced stage to set up distribution companies in both Uganda and Tanzania to serve our existing and potential export customers better and to also have a base for future expansion into the

Key Marketing staff discussing their sales plan

neighbouring countries. In the local scene, our focus will be to continue strengthening our distribution network, promoting end user brand loyalty and increasing sales by readily availing our products through petrol stations.

Efforts by the Government to establish a liberalised but fair market are improving. We still see significant quantities of suspiciously imported tyres but at a reduced level.

SAMEER INDUSTRIAL PARK (The Subsidiary)

The subsidiary earned a net profit of Shs 19 million compared to Shs 15 million the year before.

The significant increase of Shs 4 million or 27% was a result of a higher rate of occupancy in 1998. We now have stable and well established enterprises as tenants.

The level of future earnings from the subsidiary will be dependent upon the movement of the exchange rate. Rentals are earned in US dollars and income will increase with a weaker shilling or conversely decrease with a strong shilling.

FINANCE AND ADMINISTRATION.

A new higher end computer system was installed in 1998 to improve our business efficiencies.

The modules already implemented include sales, purchasing, inventory control, distribution, finance and costing. In the next phase, the whole factory operation will be computerised. We are at an advanced stage of testing and certifying all our plant machinery, office equipment, computer hardware and software for Year 2000 compliance. We do not expect any significant problems or replacement of any major equipment.

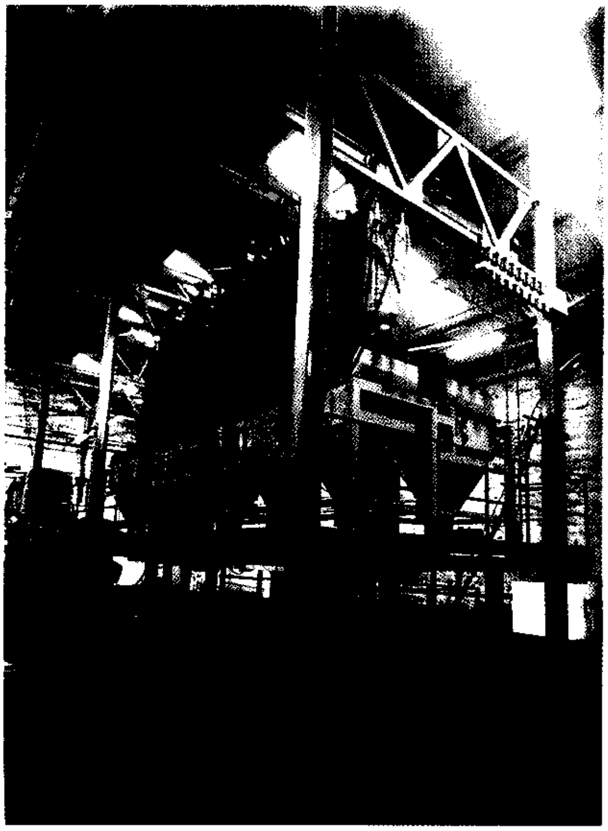
In the area of Human Resources, the Company completed a comprehensive job re-definition and evaluation exercise to focus on the rapidly changing competitive environment. We are confident we have the right structure and size to meet the challenges of the next millennium.

Accounting staff evaluating newly installed computer software.

THE FUTURE

We see the economy to be slow and flat unless the recent decline in interest rates will provide the investment impetus required to 'kick-start' the economy.

The Company is well focussed for the period ahead. We have in place adequate capacity and flexibility to easily supply the tyre demand of this



Carbon Black Superbag Automatic feed System.

region. The quality of our products continues to improve with technology obtained from the global leader in the industry, Bridgestone Corporation.

Obviously there will always be causes of concern and challenges in a competitive industry such as ours. However, opportunities do also arise and we are prepared to explore new ventures and boundaries.

I would like to thank my fellow Directors for their valued counsel, each and every one of our Customers, Dealers and Distributors for their business support during the year and the Management Staff for their resolve and commitment in a difficult year.

N. N. MERALI, E.B.S.

CHAIRMAN

TAARIFA YA MWENYEKITI

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

Nina furaha kueleza kwamba mnamo 1998, Kundi la Firestone lilipata matokeo ya kusifika licha ya kukumbuka, matatizo makali ya kiuchumi katika mwaka huo.

Mapato yalikuwa Sh3.3 bilioni, kidogo tu chini ya Sh3.4 bilioni katika mwaka uliotangulia.Faida kamili ya Kundi baada ya kodi ilikuwa Sh612 milioni ikilinganishwa na Sh671 milioni iliyopata mnamo 1997.

Halmashauri ya Wakurugenzi ilipendekeza mgawo wa mwisho wa faida wa senti -/70 kwa kila hisa, pamoja na mgawo wa muda wa faida wa senti -/80 kwa kila hisa uliolipwa mnamo Agosti 1998, na kufanya mgawo wa faida uliolipwa mwaka huo kuwa jumla ya Sh 1.50 kwa kila hisa. Mgawo wote wa faida uliolipwa kwa jumla ulikuwa Sh417,513,600 ikilinganishwa na Sh. 463,904,000 katika mwaka uliotangulia.

Pamoja na kuwapa wenyehisa faida ya kufaa katika rasilmali yao, Firestone inaendelea kuwa mchangaji wa maana wa mapato ya Serikali. Mnamo 1998, Kundi hili lililipa Hazina ya Serikali Sh988 milioni kupitia kodi mbali mbali na ada.

UCHUMI

Mwanzoni mwa 1998, kulikuwa na matumaini makubwa ya mabadiliko mazuri ya uchumi baada ya kutatanishwa na Uchaguzi Mkuu wa 1997. Lakini, inasikitisha kwamba hatimaye ukweli ulikuwa ni uchumi unaofifia taratibu.

Mvua ya El-Nino ilisababisha madhara makubwa katika huduma za msingi na mawasiliano nchini. Rasilmali mpya za maana zilikuwa haba. Sekta ya banki ilipitia masaibu huku banki kadha Mlipuko wa bomu mnamo Agosti ulisababisha maafa na uharibifu.

Kutokana na matatizo kama hayo ya kulemea mnamo 1998, matokeo ya Kundi hili yananakilisha matokeo ya kipekee ya kujizatiti. Mafanikio ya Kundi letu yanatokana na jina kake linalovuma sana katika eneo hili, hakikisho la bidhaa bora pamoja na thibiti lao, huduma zisizo na kifani za baada ya mauzo na kupatikana kwa aina mbali mbali kamili za bidhaa katika bei ambazo zinazothibitisha thamani ya pesa.

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

UTENGENEZAJI

Kampuni hii imejitolea katika kutengeneza bidhaa bora kwa gharama nafuu zaidi. Katika mwelekeo huo, imefaulu. Kwa miaka mitatu iliyopita, gharama za malighafi zimekabiliwa. Shughuli za kila siku zimeimarishwa kwa kuleta mitambo zaidi mipya na kuhakikisha imara daima kiwandani.

Mpango wa kuwa na mtambo wa kujiendesha wenyewe wa kuchanganya kemikali za kutengeneza mipira sasa unakaribia kukamilika kwa kuanzisha utumiaji wa utaratibu mpya wa utengenezaji na ukaushaji kwa kutumia mifuko mikubwa ya tani moja badala ya mifuko ya kilo 25 iliyokuwa ikitumiwa awali. Hatua hii itasaidia katika kuimarisha uzalishi zaidi, uthabiti na ubora wa bidhaa zetu.

Kiwanda pia kilianza kutumia gesi ya nitrojeni katika kulainisha tairi wakati wa ukaushaji. Gesi hiyo ni bora kuliko mvuke kwa sababu inatoa presha mfululizo na hii tena inapasa kuimarisha ubora na unyoofu wakati wa ukaushaji.

Miongoni mwa mipango mingine kabambe iliyokamilishwa katika mwaka huo ni pamoja na uwekaji na uanzishaji utumizi wa sehemu ya kwanza ya ziada ya mashini ya kuunganisha matairi ya kushika imara kabisa barabara,mashini ya kisasa ya kufanya kazi haraka ya kupinda waya za matairi na mtambo wa kisasa wa uchongaji wa mipira inayotolewa.

Gharama za mipango hii yote kabambe kufikia Sh286 milioni zililipwa binafsi na Kundi hili kama vile katika miaka mingine iliyotangulia.

Mipango kabambe iliyokamilishwa katika muda wa miaka mitatu iliyopita imeimarisha taratibu uthabiti na uzalishi wa kiwanda hadi kiwango ambapo tunaweza sasa kutosheleza mahitaji ya matairi katika eneo letu hadi baada ya mwaka wa 2000.

MAUZO NA UUZAJI

Mauzo nchini yalikuwa chini kuliko mwaka uliotan-

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998	1997
		Shs'000	Shs'000
TURNOVER		3,308,824	3,449,463
GROUP OPERATING PROFIT BEFORE TAXATION	2	901,241	937,557
TAXATION	4	(288,889)	(267,036)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	5	612,352	670,521
DIVIDENDS	12(a)	(417,514)	(463,904)
RETAINED PROFIT FOR THE YEAR	14	194,838	206,617

	Note	1998	1997
RETAINED PROFIT/(TRANSFER FROM RESERVES)			
Firestone East Africa (1969) Limited		176,090	229,957
Subsidiary company:			
Sameer Industrial Park Limited		18,748	(23,340)
	14	194,838	206,617
		Shs.	Shs.
EARNINGS PER SHARE	6	2.20	2.40

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

Firestone

CONSOLIDATED BALANCE SHEET
31 DECEMBER 1998

	Note	1998 Shs'000	1997 Shs'000
FIXED ASSETS	7(a)	1,054,135	932,145
INVESTMENTS	8	95,440	95,440
CURRENT ASSETS			
Stocks and work in progress	10	989,566	990,253
Debtors		470,288	365,373
Taxation recoverable		-	13,388
Bank balances and cash		48,498	113,521
		1,508,352	1,482,535
CURRENT LIABILITIES			
Bank overdraft	11	53,869	60,726
Creditors		526,905	486,179
Taxation		2,602	-
Dividends	12(b)	194,840	278,342
		778,216	825,247
NET CURRENT ASSETS		730,136	657,288
NET ASSETS		1,879,711	1,684,873
Financed by:-			
SHARE CAPITAL	13	1,391,712	927,808
RETAINED PROFITS	14	487,999	757,065
SHAREHOLDERS' FUNDS		1,879,711	1,684,873

The accounts on pages 15 to 25 were approved by the Board of Directors on 19th February 1999 and signed on its behalf by:-

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

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

COMPANY BALANCE SHEET

31 DECEMBER 1998

	Note	1998 Shs'000	1997 Shs'000
FIXED ASSETS	7(b)	1,052,690	931,742
INTEREST IN SUBSIDIARY COMPANY	9	120,000	120,000
CURRENT ASSETS			
Stocks and work in progress	10	989,566	990,253
Debtors		457,939	356,927
Taxation recoverable		-	13,388
Dividend receivable from group company		-	38,207
Bank balances and cash		46,590	88,182
		1,494,095	1,486,957
CURRENT LIABILITIES			
Bank overdraft	11	53,869	60,726
Creditors		521,531	479,229
Due to group company		32,980	35,529
Taxation		2,602	-
Dividends	12(b)	194,840	278,342
		805,822	853,826
NET CURRENT ASSETS		688,273	633,131
NET ASSETS		1,860,963	1,684,873
Financed by:-			
SHARE CAPITAL	13	1,391,712	927,808
RETAINED PROFITS	14	469,251	757,065
SHAREHOLDERS' FUNDS		1,860,963	1,684,873

The accounts on pages 15 to 25 were approved by the Board of Directors on 19th February 1999 and signed on its behalf by:-

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

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 Shs' 000	1997 Shs' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before taxation		901,241	937,557
Adjustments for:			
Depreciation		165,623	112,842
Investment income		(33,530)	(42,280)
Interest expense		23,049	6,877
Profit on sale of fixed assets		(2,680)	(4,218)
Operating profit before working capital changes		1,053,703	1,010,778
Increase in debtors		(101,012)	(37,143)
Decrease in stock		687	19,702
Increase in creditors		40,726	118,773
Cash generated from operations		994,104	1,112,110
Income taxes paid		(272,899)	(304,669)
Net cash inflow from operating activities		721,205	807,441
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Rent received		26,078	35,432
Interest received		3,549	13,367
Interest paid		(23,049)	(6,877)
Dividends paid		(501,016)	(334,010)
Net cash outflow from investments and servicing of finance		(494,438)	(292,088)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(287,972)	(453,783)
Proceeds from sale of fixed assets		3,039	6,033
Net cash outflow from investing activities		(284,933)	(447,750)
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS		(58,166)	67,603
Cash and cash equivalents at beginning of period		52,795	(14,808)
Cash and cash equivalents at end of period	18	(5,371)	52,795

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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 1998.

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%
Computers and software development cost	33.3%

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

Stocks and work in progress

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

Bad and doubtful debts

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

Turnover

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

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Kenya shillings at the rate of exchange ruling at year end.Transactions in foreign currencies during the year are accounted for at the rates prevailing at the transaction dates. Differences on exchange are included in the profit and loss account.

Deferred taxation

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

2. GROUP OPERATING PROFIT

		1998 Shs'000	1997 Shs'000
(a)	Depreciation	165,623	112,842
	Auditors' remuneration		
	(Company Shs.1,386,000 - 1997: Shs.1,290,000)	1,530	1,425
	Interest payable	23,049	6,877
	Exchange losses	10,352	-
(b)	and after crediting:		
	Interest receivable	3,549	13,367
	Exchange gains	-	11,295

3. DIRECTORS' EMOLUMENTS

	Company 1998 Shs'000	Company 1997 Shs'000	Group 1998 Shs'000	Group 1997 Shs'000
As directors	1,920	1,600	2,496	2,080
For management	21,831	19,711	21,877	19,711
	23,751	21,311	24,373	21,791

4. TAXATION

	1998 Shs'000	1997 Shs'000
At 32.5% (1997: 35%) on the profit for the year as adjusted for tax purposes	288,889	267,036

The higher effective rate of tax during the year arises from the effect of significant investment deductions allowed in 1997 in respect of capital additions and dividend income from the subsidiary company in that year of Shs.38,207,000 exempt from corporation tax.

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in profit attributable to shareholders is Shs.593,604,000 (1997: Shs.693,861,000) which is dealt with in the accounts of the parent company. The difference between Shs.593,604,000 and the profit attributable to shareholders of Shs.612,352,000 as reflected on the group profit and loss account relates to the retained results of the subsidiary company.

6. EARNINGS PER SHARE

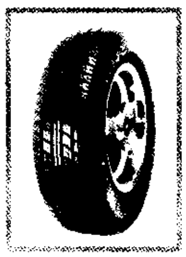
Earnings per share of Shs.2.20 (1997 : Shs.2.40) each are calculated by reference to the profit of the group after taxation of Shs.612,352,000 (1997: Shs.670,521,000) based on 278,342,400 shares in issue.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (Continued)

7. FIXED ASSETS

(a) The Group

	Leasehold Land	Buildings	Plant and Machinery	Molds	Motor Vehicles	Office Furniture & Fixtures	Capital Work in Progress	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
COST:								
1 January 1998	1,000	169,991	909,009	166,329	153,994	63,021	45,931	1,509,275
Additions	-	-	-	-	31,902	40,799	215,271	287,972
Disposals	-	-	-	-	(9,508)	-	-	(9,508)
Transfers	-	2,609	128,551	24,006	-	-	(155,166)	-
31 December 1998	1,000	172,600	1,037,560	190,335	176,388	103,820	106,036	1,787,739
DEPRECIATION:								
1 January1998	40	50,820	295,646	110,780	98,744	21,100	-	577,130
Charge for the year	10	5,878	92,656	19,464	31,781	15,834	-	165,623
Disposals	-	-	-	-	(9,149)	-	-	(9,149)
31 December 1998	50	56,698	388,302	130,244	121,376	36,934	-	733,604
NET BOOK VALUES								
31 December 1998	950	115,902	649,258	60,091	55,012	66,886	106,036	1,054,135
31 December 1997	960	119,171	613,363	55,549	55,250	41,921	45,931	932,145



Firestone

7. FIXED ASSETS

(b) The Company

	Leasehold Land	Buildings	Plant and Machinery	Molds	Motor Vehicles	Office Furniture & Fixtures	Capital Work in Progress	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
COST								
1 January 1998	1,000	169,991	908,807	166,329	153,660	62,166	45,931	1,507,884
Additions	-	-	-	-	30,403	40,799	215,271	286,473
Disposals	-	-	-	-	(9,174)	-	-	(9,174)
Transfer	-	2,609	128,551	24,006	-	-	(155,166)	-
31 December1998	1,000	172,600	1,037,358	190,335	174,889	102,965	106,036	1,785,183
DEPRECIATION								
1 January 1998	40	50,820	295,495	110,780	98,530	20,477	-	576,142
Charge for the year	10	5,878	92,630	19,464	31,486	15,726	-	165,194
Disposals	-	-	-	-	(8,843)	-	-	(8,843)
31 December 1998	50	56,698	388,125	130,244	121,173	36,203	-	732,493
NET BOOK VALUES								
31 December 1998	950	115,902	649,233	60,091	53,716	66,762	106,036	1,052,690
31 December 1997	960	119,171	613,312	55,549	55,130	41,689	45,931	931,742

(c) No depreciation has been charged in arriving at the results for the year in respect of certain fixed assets which originally cost Shs.407,850,155 (1997: Shs.370,113,000) 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.70,540,811 (1997:Shs.66,196,000)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (Continued)

8. INVESTMENTS (The Group)

	1998	1997
	Shs'000	Shs'000
Investments comprise property for rental 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 Shs.1,000 each at cost	120,000	120,000

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

10. STOCKS AND WORK IN PROGRESS

(The Group and Company)	1998	1997
	Shs'000	Shs'000
Stocks and work in progress comprise:		
Goods in transit	313,465	422,486
Raw materials	92,119	93,507
Work in progress	13,806	28,168
Finished goods	500,678	334,063
Stores and supplies	69,498	112,029
	989,566	990,253

11. BANK OVERDRAFT (The Group and Company)

The bank overdraft is not secured.

12. DIVIDENDS

(a) Interim dividends of Shs.222,673,920 (1997: Shs.185,561,600) were paid during the year.

Total dividends for the year comprise:

0.4 0.7 1.5

	1998	1997
	Shs'000	Shs'000
Interim paid: (1998: Shs.0.80 per ordinary share) (1997: Shs.1.00 per ordinary share)	222,674	185,562
Final proposed: (1998: Shs.0.70 per ordinary share) (1997: Shs.1.50 per ordinary share)	194,840	278,342
	417,514	463,904

Firestone

12.	**DIVIDENDS (Continued)**	1998	1997
		Shs'000	Shs'000
	(b) Unpaid dividends comprise:-		
	1998 - Final dividend proposed	194,840	-
	1997 - Final dividend declared	-	278,342
		194,840	278,342

13.	**SHARE CAPITAL**	1998	1997
		Shs'000	Shs'000
	Authorised: 300,000,000 (1997: 200,000,000) ordinary shares of Shs.5 each	1,500,000	1,000,000
	Issued and fully paid: 278,342,400 (1997: 185,561,600) ordinary shares of Shs.5 each	1,391,712	927,808

At the annual general meeting of 27 March 1998, a special resolution was passed increasing the company's authorised share capital to Shs.1,500,000,000 made up of 300,000,000 shares of Shs.5 each. At that same meeting, the shareholders approved a bonus issue of one for every two shares held, resulting in the creation of additional 92,780,800 shares of Shs.5 each deemed paid in full by the capitalisation of Shs.463,904,000, being part of the amount standing to the credit of the company's revenue reserves at that date.

14.	**RETAINED PROFITS**	1998	1997	1998	1997
		Company	Company	Group	Group
		Shs'000	Shs'000	Shs'000	Shs'000
	1 January	757,065	527,108	757,065	550,448
	Bonus share issue (note 13)	(463,904)	-	(463,904)	-
	Retained profit for the year	176,090	229,957	194,838	206,617
	31 December	469,251	757,065	487,999	757,065

15.	**CAPITAL COMMITMENTS**	1998	1997
	(The Group and Company)	Shs'000	Shs'000
	Authorised and contracted for	90,000	-
	Authorised but not contracted for	269,024	562,730
		359,024	562,730

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998 (Continued)

16. DEFERRED TAX (The Group and Company)

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

	1998	1997
	Shs'000	Shs'000
Excess of capital allowances over depreciation	170,173	111,585
Other timing differences	(4,196)	(8,807)
	165,977	102,778

17. CONTINGENT LIABILITIES

	1998	1997
(The Group and Company)	Shs'000	Shs'000
Letters of credit outstanding and other guarantees on which no losses are expected	13,247	20,103

18. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	1998	1997
	Shs'000	Shs'000
Cash and cash equivalents comprise: Bank and cash balances	48,498	113,521
Bank overdraft	(53,869)	(60,726)
	(5,371)	52,795

19. RELATED PARTY TRANSACTIONS

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

(b) During the year the company purchased raw materials and machinery and also obtained technical services amounting to Shs.258,917,280 from its affiliates Bridgestone - Firestone group. The amount due to the above affiliates at the year end is Shs.117,344,963 and is included under creditors.

(c) The company shares common directors with some of its suppliers, from whom goods and services of Shs.22,394,579 were purchased during the year. The amount due to the above suppliers at the year end is Shs.198,780 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 14

LAST FIVE YEARS' FINANCIAL SUMMARY

	1994 Shs'000	1995 Shs'000	1996 Shs'000	1997 Shs'000	1998 Shs'000
CONSOLIDATED PROFIT AND LOSS SUMMARY					
Turnover	2,818,033	3,027,445	3,617,715	3,449,463	3,308,824
Group operating profit	789,934	978,977	1,022,619	937,557	901,241
Taxation	296,160	308,887	332,981	267,036	288,889
Profit after taxation	493,774	670,090	689,638	670,521	612,352
Dividends (gross)	374,437	510,294	463,904	463,904	417,514
Retained profit transferred to revenue reserve	119,337	159,796	225,734	206,617	194,838
Earnings per share (Shs.)	1.77	2.40	2.48	2.41	2.20
Dividend per share (Shs.)	1.35	1.83	1.67	1.67	1.50
CONSOLIDATED BALANCE SHEET SUMMARY					
Fixed Assets	434,965	491,793	593,018	932,145	1,054,135
Investments	95,440	95,440	95,440	95,440	95,440
Current Assets					
Stocks and work-in-progress	766,684	1,015,871	1,009,955	990,253	989,566
Debtors	99,265	294,729	334,751	365,373	470,288
Bank balances and cash	94,933	175,024	119,178	113,521	48,498
	960,882	1,485,624	1,463,884	1,469,147	1,508,352
Current Liabilities					
Bank Overdraft	85,578	176,734	133,986	60,726	53,869
Creditors	235,086	377,272	367,406	486,179	526,905
Taxation	(14,884)	34,377	24,245	(13,388)	2,602
Dividends payable	92,781	231,952	148,449	278,342	194,840
	398,561	820,335	674,086	811,859	778,216
Net Current Assets	562,321	665,289	789,798	657,288	730,136
NET ASSETS	1,092,726	1,252,522	1,478,256	1,684,873	1,879,711
Financed by:					
Share Capital	927,808	927,808	927,808	927,808	1,391,712
Retained profits	164,918	324,714	550,448	757,065	487,999
SHAREHOLDERS' FUNDS	1,092,726	1,252,522	1,478,256	1,684,873	1,879,711

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, Nairobi, on Friday, 26th March 1999 and at any adjournment thereof.

As witness my/our hand(s) this ....day of 1999

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.

Firestone

FOLD

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

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