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**EVEREADY EAST AFRICA LIMITED**

**NOTICE OF THE 41ST ANNUAL GENERAL MEETING**
**FOR THE YEAR ENDED 30 SEPTEMBER, 2007**

**NOTICE IS HEREBY** given that the 41st Annual General Meeting of members of Eveready East Africa Limited will be held at the Company's Factory Premises located at George Morara Avenue, Nakuru on Friday, 14th March, 2008 at 11.am for the following purposes:-

1. To read the Notice convening the Meeting.

2. To table the proxies and note the presence of a quorum.

3. To confirm the minutes of the 40th Annual General Meeting held on 22nd March, 2007.

4. To receive, consider and if deemed fit, adopt the financial statements for the year ended 30th September, 2007 together with the reports thereon of the Directors and of the Auditors.

5. To declare a final dividend of KShs. 0.45 per share.

6. To elect Directors:

    i) Mr. N.M. Merali, a Director retiring by rotation, who being eligible, offers himself for re-election.

    ii) ICDC Investment Company Limited, a Director retiring by rotation, which being eligible, offers itself for re-election:

7. To confirm the Directors' emoluments.

8. To confirm the appointment of DCDM Associates as auditors for the ensuing year and to authorize the Directors to fix the auditors remuneration.

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

**By Order of the Board**

**Issa Timamy**
**Company Secretary**
**Nairobi**

**January 21, 2008**

**Notes:**

A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company. The form of proxy is attached on page 40

The final dividend, if approved, will be paid on or about 30th May, 2008 to members on the register at close of business on 10th March, 2008

**EVEREADY EAST AFRICA LIMITED**

**CHAIRMAN'S REPORT**
**FOR THE YEAR ENDED 30 SEPTEMBER, 2007**

Against a challenging background, Eveready has delivered a creditable performance and made good progress in developing its operations for the future. Our business faced a significant increase in operating costs from the unprecedented rise in raw material costs, the increased costs of shareholder services and the costs associated with new government requirements during 2007. This added an additional KShs.234 million to our operating cost.

Thanks to our leading position in the Kenyan market and the hard work of our Eveready team who took steps to mitigate these external forces, we were able to produce a good performance in difficult circumstances. Eveready recorded a profit before tax of KShs.179 million.

We have begun the process of implementing the necessary strategic programs to sustain and enhance Everady's profitability. We initiated several actions that are expected to improve the company's cost structure in the coming years. The continued investment in our Nakuru Plant, the redesign of our retirement plans and the hedging of our future financial commitments to zinc were the most significant actions implemented. These actions were consistent with our long standing philosophy of continuous improvement and total quality management. The impact of the cost actions will result in improved company-wide operating margins in the coming years. We will continue to streamline our manufacturing operations and further our operational efficiencies in FY 2008. Additionally, we will concentrate our efforts in strengthening our brand portfolio through consumer promotion activities.

We recognize that our markets are changing and becoming more competitive as customers go for low priced products. We do not shy away from fair competition; in fact we welcome it because we are confident in the quality and cost benefit of the products that we offer to our consumers. We are however concerned that increasingly we are competing against products that are in this market because of non payment of tax. We hope that the government will act on our concerns and ensure a level playing ground for all players in the market. We wish to commend the government on the efforts against counterfeits and hope that the appropriate legislation will finally be put in place in 2008 to deal with counterfeits issues.

In FY 2007, Eveready celebrated 40 years of operations in Kenya. That was indeed a fantastic achievement. During its 40 years in Kenya, Eveready has established itself as a renowned brand and is today established as a successful portable power business and is expanding its line of products for the future. The Eveready brand continues to be a recognised name with our consumers. We thank you, our shareholders for investing your confidence in us and we will continue to meet your expectations by improving on our performance through value addition and continued product improvements.

Through our winning partnership with Eveready Battery Corporation Inc. (EBC), we will continue to avail to our consumers winning brands that give them value and meet their complete battery, portable power needs and personal care product needs.

**Board Changes**

Mr. Mirabeau Da Gama Rose retired at the end of the FY 2007 having served the company for 20 years. We thank him for his immense contribution to the running of the company and we wish him well for the future.

We have welcomed to the board 2 new non-executive independent Directors who strengthen our team with their considerable ability and experience. Ms. Susan Mudhune, a fellow of the Kenya Institute of Bankers and the chair of the Kenya Commercial Bank Group and, Mr. Henry Kiplagat, the Chairman of Moi High School, Kabarak and a recipient of the Order of the Grand Warrior of Kenya Medal. We also welcome Ms. Fauzia Shah, the In-house Legal Counsel and Company Secretary of Sameer Investments Limited. Ms. Shah replaces Mr. Da Gama Rose on the Board.

**Dividend**

The Board recommends that shareholders support the resolutions that will be placed at the AGM and to endorse the policies that have brought the Company continuing success. The Board will propose a dividend payout of KShs.0.45 per share. The proposed dividend will be paid on or before 30th May, 2008 to shareholders on the register at the close of business on 10th March, 2008 .

**Outlook**

In 2008 we will deliver a larger portfolio of products to the market. The year 2008 will see capital investment by Eveready for the medium and long term in facilities and processes to underpin the platform for our next chapter of profitable growth. Eveready will continue to further strengthen its distribution network and actively promote its brands. Creation of shareholder value is, as always, at the top of our agenda and we will continue to manage our balance sheet to ensure the cash generated by our business is used wisely to maximize value creation.

I would wish to extend my sincere thanks to the members of the Board, our trading partners, consumers and our shareholders for their support. I would also thank the management and employees of Eveready for their hard work in the year.

**Naushad N. Merali, CBS**
**Chairman**
**January 21, 2008**

**TAARIFA YA MWENYEKITI**
**KWA MWAKA ULIOMALIZIKIA TAREHE 30, SEPTEMBA, 2007**

Huku ikikabiliwa na majukumu mbali mbali, kampuni ya Eveready imewasilisha matokeo bora ya kuridhisha na kupata ufanisi wa kimaendeleo katika shughuli zake kwa siku zijazo. Biashara yetu ilikumbwa na ongezeko la gharama za uendeshaji shughuli zake kutokana na ongezeko lisilotarajiwa la gharama za mali ghafi, gharama za huduma kwa wenye hisa na gharama zinazohusiana na mahitaji mapya ya serikali katika mwaka wa 2007. Mahitaji haya yaliongezea gharama za uendeshaji shughuli za kampuni kufikia shilingi milioni 234.

Twashukuru kwa nafasi yetu kuu katika soko la hapa Kenya na bidii ya kundi la wafanyakazi wa kampuni ya Eveready waliochukua hatua kukabiliana na shinikizo hizi za nje na tuliweza kuwa na matokeo bora katika hali ngumu za mazingira ya kazi. Kampuni ya Eveready ilipata faida kabla kutozwa kodi ya jumla ya shilingi milioni 179.

Tumeanza mpango wa utekelezaji miradi muhimu ya kudumisha na kuimarisha shughuli za kuleta faida kwa kampuni ya Eveready. Tulianzisha hatua kadhaa zinazotarajiwa kuimarisha utaratibu wa gharama wa kampuni katika miaka ijayo. Kuendelea kwa uwekezaji katika kiwanda chetu cha Nakuru, kupangwa upya kwa mipango ya kustaafu na mikakati ya majukumu yetu ya kifedha siku zijazo katika ununuzi wa zinki ndiyo mambo muhimu yaliyotekelezwa. Mipango hii ilikuwa sambamba na filosofia yetu ya muda mrefu ya kuendelea kuimarisha na kuzingatia usimamizi bora. Athari za gharama zilisababisha kuboreshwa kwa shughuli za kampuni katika miaka ijayo. Tutaendelea kuratibu shughuli zetu za utengenezaji bidhaa na kuimarisha utendaji kazi katika mwaka wa 2008. Vile vile, tutaelekeza juhudi zetu katika kuboresha bidhaa zetu kupitia kutangaza bidhaa zetu kwa wateja.

Tunatambua kwamba masoko yetu yanabadilika na kuwa na ushindani mkali huku wateja wakichagua bidhaa za bei nafuu. Hatukosi kushiriki kwenye maonyesho ya mashindano ya kibiashara na tunayafurahia kwa sababu tunaamini katika ubora na kuwa na bidhaa zenye manufaa tunazotoa kwa wateja wetu. Hata hivyo tuna wasi wasi kuwa tunaendelea kushindana na watengenezaji bidhaa ambazo ziko kwenye soko kwa sababu ya kutolipa kodi. Tunatumai kwamba serikali itachunguza haya na kuhakikisha usawa kwa washiriki wote katika soko hili. Tunaipongeza serikali kwa juhudi zake katika kukabiliana na bidhaa bandia na tunatumai kwamba hatua ifaayo ya kisheria itawekwa mwaka 2008 kukabiliana na maswala ya bidhaa bandia.

Mnamo mwaka 2007, kampuni ya Eveready ilisherehekea miaka 40 tangu ilipoanza shughuli zake hapa nchini Kenya. Hayo ni mafanikio makubwa. Katika muda wake wa miaka 40 hapa nchini Kenya, kampuni ya Eveready imejiimarisha na kuwa na jina kuu na hivi leo inajulikana kama kampuni iliyofaulu kwa utengenezaji wa bidhaa ndogo za kawi yenye nguvu na inaendelea kupanua bidhaa zake kwa siku zijazo. Jina la Eveready linaendelea kutambuliwa na wateja wake. Tunawashukuru nyinyi wenye hisa wetu kwa kuwekeza imani yenu kwetu na tutaendelea kutimiza matarajio yenu kwa kuimarisha utendaji kazi wetu kupitia kuongeza thamani na kuboresha bidhaa.

Kupitia ushirika wetu na kampuni ya kimataifa ya Eveready Battery Corporation Inc. (EBC), tutaendelea kuwapa wateja wetu bidhaa zitakazowapa thamani ya pesa zao na kutimiza mahitaji yao ya kuwa na betri ndogo zenye nguvu na za mahitaji ya kibinafsi.

**Mabadiliko ya Halmashauri:**

Bwana Mirabeau Da Gama Rose alijiuzulu mwisho wa mwaka 2007 baada ya kuihudumia kampuni kwa miaka 20. Tuna mshukuru kwa mchango wake muhimu katika kuendesha kampuni hii na tunamtakia maisha mema.

Tumewakaribisha wakurugenzi wawili wa wapya wasiokuwa wafanyakazi wa kampuni kwenye Halmashauri wanaoungana na kundi la wakurugenzi wanaosimamia kampuni hii, tunao amini kuwa wana uwezo na ujuzi wa kutosha. Bi. Susan Mudhune mwenye taaluma ya shughuli za benki kutoka Taasisi ya shughuli za Benki nchini aliye pia mwenyekiti wa benki ya Kenya Commercial na Bwana Henry Kiplagat aliye mwenyekiti wa Shule ya Upili ya Moi Kabarak aliyetunukiwa pia heshima ya tuzo ya 'Order of the Grand Warrior of Kenya. Pia tunamkaribisha Bi. Fauzia Shah ambaye ni mshauri wa maswala ya kisheria na katibu wa kampuni ya Sameer Investments Limited. Bi. Shah anachukua mahala pa Bwana Da Gama Rose kwenye Halmashauri.

**Mgao wa Faida:**

Halmashauri ilipendekeza kwamba wenye hisa waunge mkono maazimio yatakayowekwa kwenye mkutano mkuu wa kila mwaka na kuidhinisha maongozi yaliyoiwezesha kampuni kufaulu. Halmashauri itapendekeza mgao wa faida wa shilingi 0.45 kwa kila hisa. Mgao wa faida uliopendelezwa utalipwa tarehe 30, Mei 2008 au kabla kwa wenye hisa waliosajiliwa kufikia mwisho wa kufunga biashara tarehe 10, Machi, 2008.

**Mtazamo:**

Katika mwaka wa 2008 tutatoa bidhaa nyingi mbali mbali katika soko. Mwaka wa 2008 utashuhudia uwekezaji wa mali ya kampuni ya Eveready kwa vifaa vya muda wa wastani na muda mrefu na kufanya mipango ya kuimarisha shughuli za ukuaji wa kampuni ili kupata faida zaidi. Kampuni ya Eveready itaendelea kuimarisha mtandao wake wa ugawaji bidhaa na kuimarisha bidhaa zake. Kubuni thamani ya wenye hisa kila mara kumekuwa mada yetu kuu na tutaendelea kusimamia daftari yetu ya pesa kuhakikisha pesa zinazopatikana kutokana na biashara yetu zinatumiwa kwa njia ya busara kutimiza thamani ya utengenezaji bidhaa.

Ningependa kuwashukuru wanachama wa Halmashauri, washirika wetu wa kibiashara, wateja na wenye hisa wetu kwa msaada wao. Pia nawashukuru wasimamizi wa kampuni na wafanyakazi kwa bidii yao katika mwaka huo.

**Naushad N. Merali, CBS**

**Mwenyekiti**
**Tarehe 21, Januari, 2008**

## MANAGING DIRECTOR'S REPORT
## FOR THE YEAR ENDED 30 SEPTEMBER, 2007

During the past year our company's performance held up well when you consider the external forces we dealt with during the year when we compare to FY 2006. We saw volume growth for "D" battery sales at 2% and Energizer alkaline battery volume grew at 35%. We had projected having 50,000 shareholders and ended with over 205,000 shareholders, this added an additional cost of KShs 30.6 million in handling shareholder services when we compare to our plans for FY 2007. We also saw zinc price increase to a high of US$ 4,550 which added about KShs 200 million to our manufacturing operating cost. Zinc price has now declined which will have a positive impact on FY 2008 manufacturing cost. The government also added additional levies in FY 2007 for Kenya Bureau of Standards and training which added an additional KShs 2.4 million to our operating cost.

We were not able to fully recover these cost increases of KShs.233 million in FY 2007. Our FY 2007 income before taxes was KShs.179 million compared to FY 2006 before tax income of KShs.234 million.

We have continued to invest in our factory and spent KShs.42 million on capital improvements. We also hedged on raw materials during the year to take advantage of lower prices; however, we did see an increase in interest expense by taking advantage of forward buying these materials. In the pages that follow we review the performance of our company functions and demonstrate how we are positioning for growth and protecting our market position in a competitive low priced market.

### 2007 REVIEW OF OPERATIONS

#### Manufacturing Review

High product quality, manufacturing efficiency, and speed to market are essential to our business. With improved machinery and improved workflow we will be able to achieve higher productivity with less waste. Consequently, our drive for further efficiencies in our manufacturing operations continued in FY 2007. We spent a total of KShs.42 million on equipment improvement at the factory in FY 2007. This has lead to increased equipment performance with a corresponding decrease in maintenance costs. For FY 2008 we plan to spend KShs.90 million on capital programs at our factory.

Our Factory Improvement Program is comprised of three areas: People, System and Equipment. During FY 2007 we continued to spend a great deal of time on people and system issues. By far, the most important activity in FY 2007 was to again address training needs for our factory employees. We recognize the need to match our people's skills with productivity measures from other EBC factories and work toward creating global bench marks. The lean manufacturing effort started in FY 2005 using EBC's technical experts will continue into 2009.

We will be introducing product upgrades with respect to our D line in 2008. This is in line with our efforts to continuously improve our products and meet our consumer's expectations.

In FY 2007, we took a step towards restructuring our operations, we will be outsourcing our top and bottom cover operations and we expect to realize a saving of KShs.10 million when this project is complete in FY 2009.

#### Financial Review

The FY 2007 experienced a number of challenges that had a significant impact on our trading results. There was a 45% increase in the price of zinc over 2007, leading to an additional KShs.200 million in the cost of production. Shareholder services and compliance costs led to an additional KShs.30 million to the operating expenses compared to the previous year. The congestion at the port of Mombasa and the escalating fuel costs added more pressure to our production and distribution costs. The increase in cost was further compounded by the pressure from low cost competition in the 'D' size battery category.

Management responded to these challenges by instituting several measures, among them cost control measures, efficiency improvement through machine refurbishment and constantly engaging the various Government organs to address the proliferation of illegal imports in the market.

Our sales for 2007 were KShs.2.3 billion and profit before tax at KShs.179 million compared to KShs.2 billion and KShs.234 million respectively in the previous year.

The price of zinc is on a downward trend, which coupled with the strengthening of the local currency is expected to reduce our cost of raw materials in 2008. The company will continue to focus on cost control and efficiency improvement, while paying close attention to the export market and to increasing the product range, in order to ensure growth and proper returns to our shareholders.

#### Sales & Marketing Review

During FY2007 we saw growth in our Energizer and flashlight product lines in both the domestic and export markets. Overall sales volumes in the Kenyan market grew by 28% over the previous year while the export market registered a 508% growth for the Energizer brand. Our Flashlight product line registered a 13% increase value over FY 2006.

There was a 2% growth in sales volumes in the "D" size battery for the domestic market compared to last year's volumes. Our export "D" business registered a 5% volume growth in FY 2007. We have however noted a shift by our consumers towards the lower priced Blue "D" (950) battery which registered a 17% growth in volume compared to the FY 2006 volumes. We experienced a 10% loss in volume in respect of the relatively higher priced Red "D" (1050) and Black "D" (1250) batteries. We are aware that our consumers desire lower price products. We strongly suspect that some of our competitors have under invoiced their products and by comments from the KRA, have not paid import duty. We continue to investigate these situations and turn over information to the relevant arms of government with a hope that more aggressive action will be taken by them in the matter.

We continue to see growth in the sale of our Alkaline battery products and as devices get smaller, we will continue to avail to our consumers products capable of satisfying their need such as the AAA battery.

We have an amazing product in the Energizer Lithium battery and we will aggressively market it in FY 2008 because it truly is the "World's Longest Lasting AA Battery". Our promotional activities in our key outlets will focus on our consumers in FY 2008. We will roll out the 'Power Zones' consumer display units in the major supermarkets in 2008. This is a new and exciting concept which should improve our visibility in the market. We are putting significant capital investments behind these initiatives and we currently have 2 supermarket stores created in this format.

We are widening our portfolio of portable power products which includes rechargeable batteries for the Kenyan market and there is a promise of more dynamic range of products in the coming year.

**Quality, Safety, Health and Environment Review**

At Eveready, we believe that our colleagues are our most important asset and that their safety and health are our greatest responsibility. Eveready is committed to implementing and maintaining policies and systems that balance its business goals and the achievement of environmental protection, health and safety of its employees, customers and the society. We therefore strive to meet or exceed all Kenya standards as well as internal standards set by EBC. In that regard, training is periodically provided by EBC and audits are conducted to confirm appropriate program management and to identify opportunities to further improve our safety and health record.

Goals relating to quality and the environment have been a constant in all the Safety, Health and Environmental (SHE) strategic planning since the Company was founded. We commit to international standards of quality, the principles of sustainable use of energy, and a comprehensive system for responsible environmental practices. Consequently, we sustained our zero waste water discharge program at our factory in FY 2007. No water that is used in our manufacturing process leaves our facility. It is recycled onsite and put back into our processes. We also apply this principle to solid waste and encourage the reduction and recycling of manufacturing waste. We have an active waste and energy reduction program that enabled us achieve a waste reduction of 2.5% compared to FY 2006. Aggressive efforts in FY 2007 resulted in the recycling of 3 waste streams that were previously being delivered to the municipal dump site.

We managed to reduce off-the job injuries from a high of 28 injuries in FY2006 to only 9 injuries in FY 2007 with a corresponding reduction of lost work days of over 50%. We are proud of this achievement and we look forward to improving it in FY 2008.

During 2007, we started the Sustainable Development Program that incorporates energy reduction, water usage reduction, waste reduction, reduction in green house gas emissions and an increase in renewable energy usage. We expect this program to take off in FY 2008 with an expected overall annual reduction of 5% as our goal.

**Human Resource Review**

Employee satisfaction is very important to us. Motivation, communication and rewards on the one hand, and on the other, the guarantee of social security, suitable work conditions, a positive organizational climate that supports employee participation, and opportunities for continued education and additional training are tools that we at Eveready pay special attention to in relation to our employees. We have over 350 employees and in FY 2007 we spent over KShs. 15million in training them.

Training at Eveready in FY 2007 was organized to support our business objectives. The training covered a wide spectrum of subjects ranging from technical, management, safety, finance, sales and lean among others. Eveready provides continuous on-the-job training opportunities at various levels for the workforce both in-house and in other EBC locations worldwide. Performance Management training was held during the year and the training addressed two parts of an individual's performance, the "whats" or Key Focal Points as aligned to the Company goals; and the "hows" or behaviors and competencies through the "Stop, Start and Continue" feedback mechanisms.

We continue to offer sales training to our Sales team and to our Distributors. In FY 2007 we trained our personnel in product knowledge, selling skills, merchandising & product displays. The training was facilitated by EBC's Energizer Area Manager for Training and Development. Safety is very important to us and we continue to uphold safety standards and adhere strictly to Kenya's safety legislations. In that regard we trained the members of our Safety Committee in ergonomics, first aid, hearing conservation, blood borne pathogens and hazard communication. Other forms of training undertaken in the year included finance training for our non finance managers and technical training such as LOTO (lock-out tag-out), autonomous care, lean operations, the 5 S principles and the Continuous Improvement Program (CIP) which should improve factory operations.

We continue to partner with EBC in improving staff performance and in that regard we offer opportunities to our staff to visit other affiliate locations and attend Area Meetings which provides our employees with networking opportunities and exposure to global solutions in their respective fields. In FY 2007, there were 15 visits organized for employees to the Asia Pacific Region covering the following subjects: Lean & Continuous Improvement Program; Lean Maintenance; Quality Surveillance and Quality Systems; Material & Repairs Operations, Safety, Health & Environment (SHE); Area Plant Operations; Traditional Trade (Sales); Brand Management, Branding, Key Accounts & Promotions (Marketing); Area Human Resource Operations and Microsoft Technical Editions.

We expect to spend the sum of KShs.15 million in our training efforts next year. We also anticipate an increase in manpower related costs in FY 2008 due to the new labor laws.

**Corporate Governance Review**

The directors continue to be committed to maintaining high standards of corporate governance, which they see as fundamental to discharging their stewardship responsibilities. As a company listed on the Nairobi Stock Exchange, we are committed to ensure that we have adopted and complied with Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya (the "guidelines") developed by the Capital Markets Authority ("CMA"). We recognise that good corporate governance practices are the cornerstone of an effective organisation and have developed a Corporate Governance Statement which espounds and explains to each director their collective and individual powers, duties, obligations, responsibilities and liabilities.

The Board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value to all of the company's shareholders. All of the members of the Board are competent to handle their duties and are individually and collectively aware of their responsibilities to the company's stakeholders. The Board is assisted in its responsibilities by 3 principle Committees, namely:

- Finance & Risk Committee;
- Audit Committee;
- Remuneration and Nomination Committee.

The company places a great deal of importance on communicating with its shareholders. Eveready publishes its financial statements on an annual basis and the results are also made available on our website www.eveready.co.ke. A full report of the company's activities in the year is distributed to the members on an annual basis. All members are entitled to attend the Annual General Meetings for which a notice is given at least 21 days prior to the meeting. At the AGM, shareholders are given the opportunity to ask any questions on any matter relating to the business of the Company.

Our policy statement on Business Practices and Standards of Conduct and the Insider Trading Rules statement governs our relationship with our directors, employees, shareholders, suppliers and wider community and forms the basis of our corporate values. The documents can be found on our web site. We send out annually to all local suppliers our Business Practice Policy for Business Partners and we audit our employees annually through a questionnaire to confirm that business conduct activities have met Eveready's policies during the past year. We feel strongly that ethical business practices at all levels of our company are important. If we find an ethical problem it will be discussed with the Audit Committee and the board which includes actions we take to resolve a situation.Where appropriate, we will turn over information to legal authorities for possible criminal prosecution.

We are proud to be associated with the United Nation's Global Compact. This membership charges us with an extraordinary responsibility: to do our job well, reliably and proficiently, in relation to all segments of the public with which EEAL is in any way connected, in the best interests and to the mutual satisfaction of all concerned.

**Corporate Social Responsibilities**

Good corporate citizenship and the respect for the communities in which we operate are central to the way we do business in Kenya. We have reviewed our approach to Corporate Social Responsibility ("CSR") programs to become more focused and as a framework we have established a CSR Committee. This Committee is centered at the heart of management and provides a forum for sharing information on CSR initiatives and to develop best practices in a consistent manner. We intend to focus our good will efforts in FY 2008 on activities that address women and children's educational and health needs. In FY 2007 donations to charitable organisations and community projects totalled KShs.6 million. We expect to further our community development efforts in FY 2008 by spending approximately KShs.6 million on community projects. This illustrates our commitment to making a positive difference to the communities in which we operate. The violence that followed the electoral process saw many Kenyans fleeing their homes. Many of the victims of the violence found refuge in Nakuru. Eveready together with its staff have responded to the humanitarian need of the displaced Kenyans by offering assistance and aid.

For us CSR extends beyond giving and embraces sound environmental practices. We have focused on increasing energy efficiency and reducing the overall environmental impact of our operations and products. We work hard to manage our waste efficiently, cost effectively, and responsibly. This means reducing the waste we create as well as increasing the proportion of the waste that we recycle.

**Legal Review**

The year 2007 was a significant year of milestones for Eveready. Eveready has a total of 22 cases pending before the courts in Kenya; 16 of which were filed against Eveready in Nakuru. Fifty nine percent of these cases are industrial claims. The High Court and the Court of Appeal in 2 separate industrial claims finalised in the year, ruled that Eveready operates a safe and healthy work environment and that adequate training has been provided to all Eveready's workers. The courts upon considering and/or re-evaluating the evidence presented before them either refused to award the substantial claims for damages requested for by the plaintiffs and/or wholly set aside the previous award given to the plaintiff. In the 2 cases, the courts refused to award approximately KShs.5.6 million in damages against Eveready and established important legal precedent for future cases of like nature. We expect that the tempo, which has been set in these cases will be maintained throughout FY 2008 and beyond. I wish to reiterate that Eveready will not compromise on the standards of safety, health and environment operating at its facility and that it will continue to uphold high ethical standards in all its dealings. We will continue to routinely audit our operations to ensure that all our legal obligations are met. We will also continue to aggressively pursue recourse in the courts where necessary and we are confident of positive outcomes.

**Board of Directors**

There have been a number of important board changes. Mirabeau Da Gama Rose retired from the Board in the FY 2007. I would like to pay tribute to the significant and lasting contribution he has made over the many years he has served on the Board. I welcome Ms. Susan Mudhune and Mr. Henry Kiplagat who joined the board as non-executive independent Directors in FY 2007. I also welcome Ms. Fauzia Shah who replaced Mr. Da Gama Rose on the Board. Their diverse backgrounds will be invaluable to the company. Ms. Mudhune and Mr. Kiplagat bring our number of Directors to 9.

**Summary**

It remains our view that the actions we have taken to manage cost, improve our manufacturing operations and efficiencies and to strengthen our business have established a sound basis for further progress. The market is becoming increasingly competitive but with our leading brands and the promise of new exciting products will improve our position in the coming years. We experienced disruptions to trade in the first quarter of FY 2008 due to the post election turmoil experienced in the country in the wake of the December, 2007 polls. The situation materially affected our business operations in certain parts of the country namely; Western, Nyanza and Rift Valley provinces and we do expect this to have a material adverse effect on our business in the year 2008. Raw material prices are likely to remain volatile and we expect to continue to feel the pressure of the low priced batteries in the market.. These are the challenges and risks ahead of us. We will however continue to streamline operations and enhance manufacturing to preserve margins. We will continue with our strategy to improve the value of our core business, avail products that add value as well as becoming more environmentally conscious. We are improving our 'D' battery and we will launch rechargeable batteries. Rechargeables should appeal strongly to consumers in both overall cost and convenience.

On behalf of the Board of Directors and management team; I want to reiterate our commitment to build a great company focused on achieving superior levels of performance and build shareholder value. I would also extend my sincere thanks to our shareholders, business partners, directors and customers for their support. I also thank all employees for their dedication and hard work during the year.

**Steven George Smith**
**Managing Director**
**January 21, 2008**

**Forward-Looking Statements**

Some of the statements contained in this statement constitute forward-looking statements. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors, including changes in general economic, political and business conditions, actions of current and potential competitors, ability to attract new and retain existing customers, and other factors could cause actual results to differ materially from the Company's expectations and these forward-looking statements.

**TAARIFA YA MKURUGENZI MKUU**
**KWA MWAKA ULIOMALIZIKIA TAREHE 30, SEPTEMBA, 2007**

Mnamo mwaka uliopita utendaji kazi wa kampuni yetu uliendelea vyema hasa ikizingatiwa shinikizo mbali mbali tulizokabiliana nazo mwaka huo, ikilinganishwa na mwaka wa 2006. Tulishuhudia ongezeko katika uuzaji wa betri aina ya 'D' kwa asilimia 2 na betri za alkaline aina ya Energizer kwa asilimia 35. Tulinuia kupata wenye hisa elfu 50 na tukapata zaidi ya wenye hisa elfu 205, kiwango hiki cha wenye hisa kiliongezea gharama ya shilingi milioni 30.6 katika huduma za kushughulikia wenye hisa, ikilinganishwa na mipango yetu kwa mwaka wa 2007. Pia tulishuhudia ongezeko la bei ya zinki ikiuzwa kwa dola 4,550 za kimarekani na kuongezea gharama ya utengenezaji bidhaa kampunini kwa karibu shilingi milioni 200. Bei ya zinki sasa imepungua na kuelta unafuu wa gharama ya utengenezaji bidhaa mwaka 2007. Serikali pia iliongeza ushuru wa viwango mbali mbali mwaka wa 2007 kwa shirika la Ukadiriaji Ubora wa Bidhaa na Mafunzo ambao uliongezea shilingi milioni 2.4 kwa gharama ya uendeshaji shughuli za kampuni yetu.

Hatukuweza kuwa na nafuu kamili katika kupunguza ongezeko la gharama ya shilingi milioni 233 mwaka wa 2007. Pato letu mwaka wa 2007 kabla ya kutozwa kodi lilikuwa shilingi milioni 179 ikilinganishwa na shilingi milioni 234 tulizopata mwaka wa 2006 kabla ya kutozwa kodi.

Tumeendelea kuwekeza katika kampuni yetu na tumetumia shilingi milioni 42 kuboresha mali za kampuni. Pia tulinunua mali ghafi nyingi mwaka huo na tukachukua fursa ya bei nafuu ya bidhaa hiyo, hata hivyo tulishuhudia ongezeko la riba kwa kuchukua fursa ya ununuzi wa bidhaa hizi. Kwenye kurasa zinazofuata tutaangazia matokeo ya utendaji kazi wa kampuni yetu na kuonyesha jinsi tulivyoweka mikakati ya ukuaji na kulinda nafasi ya soko letu kwenye soko linaloshindaniwa la bei nafuu.

## SHUGHULI ZA KAMPUNI MWAKA WA 2007:

### Utengenezaji Bidhaa:

Ubora wa hali ya juu wa bidhaa, ujuzi wa utengenezaji bidhaa, na uwasilishaji bidhaa haraka katika soko ni muhimu kwa biashara yetu. Kwa kuwa na mitambo ya utengenezaji bidhaa iliyoboreshwa na mfumo bora wa kazi, tutaweza kutengeneza bidhaa za kiwango kikubwa bila ya hasara kubwa. Vile vile, ari yetu ya kuwa na ujuzi zaidi katika shughuli zetu za utengenezaji bidhaa iliendelea mwaka wa 2007. Tulitumia jumla ya shilingi milioni 42 kuboresha mitambo katika kiwanda chetu mwaka 2007. Hii imesababisha ongezeko la utendaji kazi kwa mitambo yetu na wakati huo huo, kupunguza gharama za usimamizi wa kampuni. Mwaka 2008, tumepanga kutumia shilingi milioni 90 kwa miradi ya mali za kiwanda chetu.

Mradi wa uboreshaji kiwanda chetu unahusisha sehemu tatu:- Watu, Mfumo na Mitambo. Mnamo mwaka wa 2007 tuliendelea kutumia muda mwingi kushughulikia maswala yanayohusu watu na mfumo. Kwa mbali, shughuli muhimu katika mwaka 2007 ilikuwa kushughulikia mahitaji ya mafunzo kwa wafanyakazi wa kampuni yetu. Tunatambua mahitaji ya kuimarisha ujuzi wa watu wetu na hatua za utoaji bidhaa kutoka viwanda vingine vya kampuni ya EBC na kujitahidi kufikia viwango vya kimataifa. Juhudi za utengenezaji bidhaa ndogo ndogo zilizoanza mwaka wa 2005 kwa kutumia wataalamu wa kiufundi zitaendelea hadi mwaka 2009.

Tutaanzisha bidhaa za hali ya juu za aina ya 'D' mwaka 2008. Hii ni kuambatana na juhudi zetu za kuendelea kuboresha bidhaa zetu na kutimiza matarajio ya wateja wetu.

Mnamo mwaka wa 2007, tulichukua hatua kurekebisha shughuli zetu, tutasambaza huduma zetu kuu na shughuli nyingine za utendaji kazi kwa watu au kampuni zenye mikataba nasi, kuendesha kazi ya utoaji na ugawaji bidhaa zetu na tunatarajia kuokoa shilingi milioni 10 mradi huu utakapokamilika hapo mwaka wa 2009.

### Fedha:

Mwaka wa 2007 ulikumbwa na majukumu kadhaa yaliyokuwa na athari muhimu kwa matokeo ya biashara yetu. Kulikuwa na ongezeko la asilimia 45 katika bei ya zinki mwaka huo wa 2007, na kusababisha ongezeko la gharama ya utoaji bidhaa kwa shilingi milioni 200. Gharama za huduma kwa wenye hisa na huduma nyingine ziliongezeka kwa shilingi milioni 30, hasa kwa shughuli za utendaji kazi ikilinganishwa na mwaka uliotangulia. Msongamano wa shehena za mizigo katika bandari ya Mombasa na kupanda kwa bei za mafuta ya petroli na dizel, uliongezea gharama za utoaji na ugawaji wa bidhaa zetu. Ongezeko la gharama lilishinikizwa zaidi na mashindano makali ya utengenezaji betri aina ya 'D' za gharama nafuu.

Wasimamizi wa kampuni waliitikia majukumu haya kwa kuanzisha hatua kadha, miongoni mwao ikiwa ni kuchukua hatua za kuthibiti gharama, na kuimarisha ujuzi kwa kuweka mitambo mipya ya kazi na kila mara kuhusisha mashirika mbali mbali ya serikali kukabiliana na kuingizwa kimagendo kwa bidhaa bandia katika soko.

Uuzaji wa bidhaa zetu mwaka wa 2007 ulileta pato la shilingi bilioni 2.3 na faida kabla kutozwa kodi ya shilingi milioni 179 ikilinganishwa na pato la shilingi bilioni 2 na faida ya shilingi milioni 234 mwaka uliotangulia.

Kupungua kwa bei ya zinki na kuimarika kwa sarafu ya hapa nchini kunatarajiwa kupunguza gharama yetu ya ununuzi wa mali ghafi mwaka wa 2008. Kampuni itaendelea kuzingatia uthibiti wa gharama na kuimarisha ujuzi wa utendaji kazi, na vile vile kushughulikia kwa maakini uuzaji bidhaa zetu katika soko la nje na kuongeza aina mbali mbali ya bidhaa ili kuhakikisha ukuaji na mapato bora kwa wenye hisa wetu.

### Uuzaji na Masoko:

Mnamo mwaka wa 2007, tulishuhudia ongezeko la bidhaa zetu aina ya Energizer na Tochi katika masoko ya hapa nyumbani na nje. Viwango vya uuzaji katika soko la hapa Kenya viliongezeka kwa asilimia 28 mwaka uliotangulia, ilhali katika soko la nje viliongezeka kwa asilimia 508 kwa bidhaa aina ya Energizer. Uuzaji wa bidhaa za Tochi uliongezeka kwa asilimia 13 mwaka wa 2006.

Kulikuwa na ongezeko la asilimia 2 kwa viwango vya uuzaji betri aina ya 'D' katika soko la hapa nyumbani, ikilinganishwa na viwango vya mwaka uliopita. Uuzaji betri aina ya 'D' katika soko la nje uliongezeka kwa asilimia 5 mwaka wa 2007. Hata hivyo tumeshuhudia hali ya wateja kubadili chaguo la bidhaa wapendazo na kununua bidhaa za bei nafuu hasa betri za rangi ya samawati yaani (Blue) aina ya 'D'(950) zilizo na bei nafuu ambazo mauzo yake uliongezeka kwa asilimia 17 ikilinganishwa na viwango vya uuzaji vya mwaka 2006. Tulipata hasara ya kiwango cha asilimia 10 kwa betri za rangi nyekundu aina ya 'D' (1050), na za rangi nyeusi aina ya 'D' (1250). Tunashuku kwamba baadhi ya washindani wetu wamepunguza bei za bidhaa zao, na kufuatia matamshi ya Halmashauri ya Ukusanyaji Ushuru nchini KRA, hawajalipa ushuru wa kuleta bidhaa kutoka nje. Tunaendelea kuchunguza hali hizi na kutoa habari muhimu kwa idara za serikali zinazohusika, tukitumai kwamba hatua kali zitachukuliwa kuhusu swala hili.

Tunaendelea kushuhudia ongezeko kubwa katika uuzaji wa bidhaa zetu za alkaline na kadiri bidhaa zetu zinavyoendelea kuwa za kiasi kidogo, tutaendelea kuwapa wateja wetu bidhaa zitakazotosheleza mahitaji yao, kama vile betri za kiwango cha AAA.

Tuna bidhaa ya kufurahisha ya betri aina ya 'Energizer Lithium' na tutaifanyia kampeini kubwa ya uuzaji mwaka wa 2008 kwa sababu, kweli ni betri inayodumu kwa muda mrefu sana Duniani ya kiwango cha AA. Shughuli za kutangaza bidhaa zetu katika vituo vyetu muhimu zitazingatia wateja wetu mwaka wa 2008. Hili ni wazo jipya na la kufurahisha linalopaswa kuimarisha maudhui yetu katika soko. Tunawekeza mali muhimu nyuma ya juhudi hizi na kwa wakati huu tuna maduka mawili ya Supermarket yaliyoanzishwa katika mtindo huu.

Tunapanua uwezo wetu wa utoaji bidhaa ndogo zenye nguvu ambazo ni pamoja na betri za kuweka chaji kwa soko la Kenya na kuna ahadi ya bidhaa zaidi za aina mbali mbali mwaka ujao.

**Ubora, Usalama, Afya na Mazingira:**

Katika kampuni ya Eveready, tunaamini kwamba wenzetu ni kiungo muhimu sana kwetu, na kwamba usalama na afya yao ni jukumu letu kubwa. Eveready imejitolea kutekeleza na kudumisha maongozi na mifumo inayowianisha malengo ya shughuli zake na mafanikio ya ulinzi wa kimazingira, afya na usalama wa wafanyakazi wake, wateja na jamii. Hivyo basi tunajitahidi kutimiza au kupita viwango vyote vya Kenya na vile vile, viwango vilivyowekwa na EBC. Kuhusiana na hayo, mafunzo hutolewa mara kwa mara na EBC na ukaguzi hufanywa ili kuthibitisha usimamizi wa miradi na kutambua nafasi zilizoko ili kuimarisha zaidi usalama na afya yetu.

Malengo yanayohusu ubora na mazingira yamekuwa yakizingatiwa katika mipango yote naalum ya usalama, afya na mazingira tangu kampuni ilipobuniwa. Tunazingatia viwango vya kudumisha matumizi ya kawi na mfumo mahsusi wa kuzingatia masharti ya kimazingira. Vile vile, tulidumisha mpango wetu wa uondoaji maji taka katika kiwanda chetu mwaka wa 2007. Hakuna maji yanayotumiwa katika mpango wetu wa utengenezaji bidhaa yanayoondolewa kiwandani. Maji hayo husafishwa na kutumiwa tena katika kiwanda hicho. Pia tunatumia mtindo huu kwa taka ngumu na kuhimiza kupunguza na kuzitumia tena taka zilizohuishwa. Tuna mpango imara wa kupunguza taka na kawi, unaotuwezesha kufikia kiwango cha upunguzaji taka cha asilimia 2.5 ikilinganishwa na mwaka 2006. Juhudi kabambe za mwaka 2007 zilisababisha kuhuishwa kwa maji taka ambayo hapo awali yalisafirishwa hadi katika eneo la taka la manispaa,

Tuliweza kupunguza majeruhi ya nje ya kazi kutoka majeruhi 28 mwaka 2006, hadi majeruhi 9 mwaka 2007 na kupunguza upotezaji siku za kazi kwa zaidi ya asilimia 50. Tunajivunia mafanikio haya na tunatazamia kuimarisha hali hii mwaka wa 2008.

Mnamo mwaka 2007. tulianza mpango wa kudumisha maendeleo unaohusisha upunguzaji kawi, matumizi ya maji, kupunguza taka, utoaji gesi ya viwandani na kuongeza matumizi ya kawi iliyotengenezwa upya. Tunatarajia kuwa mpango huu utaanza kutekelezwa mwaka wa 2008 kwa kupunguza athari hizi kwa asilimia 5 kila mwaka kama lengo letu.

**Wafanyakazi:**

Kuridhika kwa wafanyakazi ni muhimu kwetu. Kuwapa motisha, kuwasiliana nao na kuwatuza kwa upande mwingine, na vile vile kuhakikisha malipo yao ya baada ya kustaafu, masharti bora ya kazi, hali nzuri ya kufanyakazi kampunini inayounga mkono ushiriki wa wafanyakazi na kutoa nafasi za kujiendeleza kielimu na kuongeza mafunzo ni mambo ambayo sisi katika Eveready huyapa umuhimu maalum kuhusiana na wafanyakazi wetu. Tuna zaidi ya wafanyakazi 350 na mnamo mwaka wa 2007 tulitumia zaidi ya shilingi milioni 15 kuwapa mafunzo.

Mafunzo katika Eveready mwaka wa 2007 yaliandaliwa ili kuunga mkono malengo ya biashara yetu. Mafunzo haya yalihusisha masomo mbali mbali yakiwemo ya kiufundi, usimamizi, usalama, fedha, uuzaji na huduma ndogo ndogo miongoni mwa mambo mengine. Kampuni ya Eveready hutoa nafasi za mafunzo kwa wafanyakazi wakiwa kazini kwa viwango mbali mbali vya wafanyakazi wa ndani ya kampuni na wale wa maeneo ya EBC kote duniani. Mafunzo ya uzimamizi wa utendaji kazi yalifanywa mwaka huo na mafunzo haya yalishughulikia sehemu mbili za utendaji kazi wa kibinafsi, ni nini malengo ya kampuni, na ni jinsi gani ya kutimiza malengo haya kwa kuzingatia tabia na uwezo wa wafanyakazi kupitia mbinu ya kuregesha mawasiliano kwa kuzingatia mtindo wa "Simama, Anza na Endelea".

Tunaendelea kutoa mafunzo ya uuzaji kwa kundi letu la uuzaji na wagawaji wa bidhaa zetu. Mnamo mwaka 2007 tuliwapa mafunzo maafisa wetu katika ujuzi wa bidhaa, uuzaji, kutangaza na kuonyesha bidhaa. Mafunzo haya yalirahisishwa na Meneja wa Energizer wa eneo hili wa mafunzo na maendeleo wa EBC. Usalama ni muhimu sana kwetu na tunaendelea kudumisha viwango vya usalama na kuzingatia kikamilifu sheria za usalama za Kenya. Kuhusiana na haya, tuliwapa mafunzo wanachama wa kamati yetu ya usalama katika kuzingatia maswala muhimu ya wafanyakazi, huduma ya kwanza, matatizo ya kusikia, matatizo ya damu na shida za mawasiliano. Aina nyingine na mafunzo yaliyotolewa mwaka huo ni pamoja na mafunzo ya kifedha kwa mameneja wasiohusika na shughuli za kifedha na mafunzo ya kiufundi kama vile LOTO (lock-out tag-out), kujilinda, shughuli ndogo ndogo, vipengee vitano muhimu na kuendelea na mradi wa uboreshaji (CIP) unaopaswa kuboresha shughuli za kampuni.

**TAARIFA YA MKURUGENZI MKUU**
**KWA MWAKA ULIOMALIZIKIA TAREHE 30, SEPTEMBA, 2007**

Tunaendelea kushirikiana na EBC katika kuimarisha utendaji kazi wa wafanyakazi wetu na kuhusiana na hili huwa tunatoa nafasi kwa wafanyakazi wetu kuzuru maeneo tanzu ya kampuni na kuhudhuria mikutano inayowapa wafanyakazi wetu nafasi na kujifahamisha na suluhisho za kimataifa katika nyanja zao mbali mbali duniani. Mnamo mwaka wa 2007, kulikuwa na ziara 15 zilizopangiwa wafanyakazi kusafiri katika eneo la Asia na Pacific kuhusiana na maswala yafuatayo:-Shughuli ndogo ndogo na Mradi wa Uboreshaji shughuli za kampuni CIP, Shughuli ndogo za Usimamizi; Uangalizi bora na Ubora wa Mifumo; Bidhaa na Shughuli za Ukarabati, Usalama, Afya na Mazingira(SHE); Shughuli za Utendaji kazi Kiwandani, Biashara ya Jadi (Uuzaji); Usimamizi wa aina za Bidhaa, Majina ya bidhaa na Huduma, Matangazo na Uhasibu muhimu (Uuzaji); Shughuli za Wafanyakazi na Huduma za kiufundi za Microsoft.

Tunatarajia kutumia shilingi milioni 15 katika juhudi zetu za mafunzo mwaka ujao. Pia tunatarajia ongezeko la gharama ya wafanyakazi katika mwaka wa 2008, kutokana na sheria mpya za wafanyakazi.

**Usimamizi wa Kampuni:**

Wakurugenzi wanaendelea kujitolea kudumisha viwango vya juu vya usimamizi wa kampuni wanavyoona kuwa ni muhimu katika kutekeleza majukumu yao ya usimamizi. Kama kampuni iliyoorodheshwa kwenye soko la hisa la Nairobi, tumejitolea kuhakikisha kwamba tumefikia na kuzingatia maongozi kuhusu taratibu za usimamizi wa kampuni za umma hapa nchini Kenya, yaliyobuniwa na Halmashauri ya Usimamizi wa Soko la Hisa ("CMA"). Tunatambua kwamba usimamizi bora wa kampuni ni muhimu katika usimamizi ufaao na tumebuni taarifa ya usimamizi wa kampuni inayomueleza kila mkurugenzi jukumu lake na uwezo wake, kazi zake, majukumu, wajibu na hasara.

Halmashauri inajitahidi kutoa maongozi, maono muhimu na uthibiti wa mazingira ili kutoa na kudumisha thamani ya huduma za kampuni kwa wenye hisa. Wanachama wote wa Halmashauri wana uwezo wa kufanya kazi zao na wanafahamu juu ya majukumu yao kwa wenye hisa wa kampuni. Halmashauri husaidiwa katika majukumu yake na kamati tatu muhimu ambazo ni:-

- Kamati ya Fedha na Hatari
- Kamati ya Ukaguzi wa Hesabu za Pesa
- Kamati ya Marupurupu na Uteuzi

Kampuni inatilia maanani umuhimu wa mawasiliano na wenye hisa wake. Kampuni ya Eveready huchapisha taarifa zake za kifedha za kila mwaka na matokeo pia hupatikana kwenye tovuti ya mtandao wetu www.eveready.co.ke. Taarifa kamili ya shughuli za kampuni ya mwaka huo hupewa wanachama kila mwaka. Wanachama wote wana haki ya kuhudhuria mikutano mikuu ya kila mwaka ambayo ilani hutolewa siku 21 kabla ya mkutano. Kwenye mkutano mkuu wa kila mwaka, wenye hisa hupewa nafasi ya kuuliza maswali yoyote kuhusu maswala ya shughuli za kampuni.

Taarifa ya maongozi yetu kuhusu biashara na viwango vya tabia na sheria za ndani za biashara inasimamia uhusiano wetu na wakurugenzi wetu, wafanyakazi, wenye hisa, wagawaji bidhaa na jamii na ndio msingi wa thamani za kampuni yetu. Stakabadhi zaweza kupatikana kwenye tovuti ya mtandao wetu. Tunatuma kila mwaka kwa wagawaji wetu wote hapa nchini maongozi ya biashara yetu kwa washirika wa kibiashara na huwakagua wafanyakazi wetu kila mwaka kupitia fomu za maswali na majibu ili kuthibitisha kwamba tabia ya shughuli za biashara yetu ilitimiza maongozi ya kampuni ya Eveready katika mwaka uliopita. Tunaonelea kwamba maadili ya biashara katika viwango vyote vya kampuni yetu ni muhimu. Ikiwa tutapata tatizo la kimaadili litajadiliwa na kamati ya ukaguzi wa hesabu za pesa na halmashauri ikiwa ni pamoja na hatua tunazochukua kutatua hali yoyote ile. Panapostahili, tutatoa habari kwa idara za sheria ili mashtaka ya uhalifu yawasilishwe.

Tunajivunia kuwa mwanachama wa shirika la Umoja wa Mataifa la 'Global Compact.' Uanachama huu unatuhitaji kuwa na jukumu lisilo la kawaida: kufanya kazi yetu vyema, kwa kutegemewa na kiutaalamu katika vitengo vyote vya umma ambapo EEAL ina uhusiano mwema kwa wote wanaohusika.

**Jukumu la Kampuni kwa Jamii:**

Uraia bora wa kampuni na kuheshimu jamii tunayoihudumia ni muhimu katika kufanya biashara yetu hapa Kenya. Tumechunguza mwelekeo wetu wa jukumu la miradi ya kampuni kwa jamii ("CSR") kuwa na mtazamo bora na kama utaratibu ufaao tumebuni kamati ya CSR. Kamati hii iko katika usimamizi mkuu wa kampuni na hutoa mhadhara wa kushirikisha habari kuhusu juhudi za CSR na kustawisha shughuli bora kwa njia ya kuaminika. Tunanuia kuzingatia juhudi zetu za nia njema mwaka wa 2008 kuhusu miradi ambayo itashughulikia mahitaji ya kinamama na elimu na afya ya watoto. Mnamo mwaka 2007 michango kwa mashirika ya kujitolea na miradi ya jamii ilifikia jumla ya shilingi milioni 6. Hii inadhihirisha kujitolea kwetu katika kuibadili jamii tunayoihudumia. Ghasia ambazo zilifuatia mpango wa uchaguzi zilisababisha Wakenya wengi kuhama makazi yao. Waathiriwa wengi wa ghasia hizi walipata hifadhi huko Nakuru. Kampuni ya Eveready na wafanyakazi wake iliitikia mahitaji ya kibinadamu ya wakenya walioachwa bila makao kwa kuwapa msaada.

Kwetu sisi jukumu la kampuni kwa jamii CSR linapita kutoa na kuzingatia shughuli bora za kimazingira. Tumezingatia ongezeko la kawi na kupunguza athari za kimazingira kwa shughuli zetu na bidhaa. Tunajitahidi kusimamia taka zetu ipasavyo, kuthibiti gharama na kuwajibika. Hii inamaanisha kupunguza taka tunazoleta na vile vile kuongeza kiwango cha taka tunazohuisha.

**Sheria:**

Mwaka wa 2007 ulikuwa muhimu kwa kampuni ya Eveready. Eveready ina jumla ya kesi 22 zinazosubiri katika mahakama za hapa Kenya; kati yazo, 16 ziliwasilishwa dhidi ya kampuni ya Eveready huko Nakuru. Asilimia 59 ya kesi hizi ni madai ya malipo ya viwandani. Mahakama kuu na mahakama ya rufani katika kesi mbili za madai ya malipo ziliwasilishwa mwaka huo na kuamuliwa kwamba kampuni ya Eveready inaendesha mazingira salama na ya kiafya ya kazi na kwamba mafunzo ya kutosha yametolewa kwa wafanyakazi wote wa Eveready. Mahakama hizo zilipochunguza na kukadiria ushahidi uliowasilishwa zilikataa kuwapa malipo hayo walalamishi. Kwenye kesi hizo mbili, mahakama zilikataa kutoa shilingi milioni 5.6 kama hasara dhidi ya Eveaready na zikaweka hatua muhimu ya kisheria kwa kesi zijazo za aina hiyo. Tunatarajia kwamba uamuzi uliochukuliwa katika kesi hizi utadumishwa katika mwaka wa 2008 na kuendelea. Ningependa kukariri kwamba Eveready haitakubali ukiukaji wa viwango vya usalama, afya na mazingira ya utendaji kazi katika kiwanda chake na kwamba itaendelea kudumisha viwango vya juu vya maadili katika shughuli zake zote. Tutaendelea kukagua shughuli zetu ili kuhakikisha kwamba majukumu yetu yote kisheria yanatimizwa. Pia tutaendelea kufuatilia kesi hizi mahakamani panapokuwa na umuhimu na tumaamini kupata matokeo mema.

**Halmashauri ya Wakurugenzi:**

Kumekuwa na mabadiliko kadhaa muhimu katika Halmashauri. Mirabeau Da Gama Rose alijiuzulu katika Halmashauri mwaka wa 2007. Ningependa kumshukuru kwa mchango wake muhimu na wa kudumu aliotoa katika miaka aliyohudumu kwenye Halmashauri hii. Namkaribisha Bi. Susan Mudhune na Bwana Henry Kiplagat waliojiungana Halmashauri kama wakurugenzi wa kibinafsi wasiokuwa wafanyakazi mwaka wa 2007. Pia namkaribisha Bi. Fauzia Shah aliyechukua mahala pa Bwana Da Gama Rose kwenye Halmashauri. Ujuzi wao utakuwa wenye umuhimu mkubwa kwa kampuni. Bi. Mudhune na Bwana Kiplagat wamefikisha idadi ya wakurugenzi wetu kuwa 9.

**Mwisho:**

Ni maoni yetu kuwa hatua tulizochukua kusimamia gharama, kuboresha shughuli zetu za utengenezaji bidhaa na utendaji kazi ufaao na kuweka nguvu biashara yetu, zimebuni msingi thabiti kwa maendeleo zaidi. Soko letu linaendelea kuwa na ushindani mkali lakini kwa kuwa na aina mbali mbali ya bidhaa kuu na ahadi ya bidhaa mpya za kufurahisha, tutaimarisha nafasi yetu katika miaka ijayo. Tulishuhudia vurugu la kibiashara katika robo ya kwanza ya mwaka 2008 kutokana na ghasia za baada ya uchaguzi zilizoikumba nchi hii kufuatia uchaguzi mkuu wa Desemba 2007. Hali hii iliathiri shughuli za biashara yetu katika baadhi ya sehemu za nchi hii hasa mikoa ya Magharibi, Nyanza na Rift Valley na tunatarajia kwamba hii itakuwa na madhara kwa biashara yetu katika mwaka wa 2008. Bei za mali ghafi huenda zikapanda na tunatarajia kuendelea kukumbwa na shinikizo la kupungua kwa bei za betri zetu katika soko. Haya ni majukumu na hatari zilizoko mbele yetu. Hata hivyo tutaendelea kuratibu shughuli zetu na kuimarisha utengenezaji bidhaa ili kulinda viwango vilivyoko vya utoaji bidhaa zetu. Tutaendelea na mikakati yetu ili kuimarisha thamani ya biashara yetu kuu, kuwasilisha bidhaa zinazoongeza thamani na vile vile kuzingatia athari za kimazingira. Tunaboresha betri zetu aina ya 'D' na tutazindua betri za kuweka chaji. Betri za kuweka chaji zinapaswa kupendwa na wateja kwa kuwa na gharama nafuu na rahisi kutumia.

Kwa niaba ya Halmashauri ya wakurugenzi na wasimamizi wa kampuni, nataka kukariri kujitolea kwetu kujenga kampuni kubwa inayozingatia kufikia viwango vikuu vya utendaji kazi na kujenga thamani ya wenye hisa. Pia ningependa kuwashukuru wenye hisa wetu, washirika wa kibiashara, wakurugenzi na wateja kwa msaada wao. Nawashukuru pia wafanyakazi kwa kujitolea kwao na bidii yao mwaka huo.

**Steven George Smith**
**Mkurugenzi Mkuu**
**Tarehe 21, Januari, 2008:**

**Taarifa za Matarajio ya Siku za Usoni**

Baadhi ya taarifa kwenye taarifa hii zaeleza matarajio ya siku za usoni. Taarifa hizi zinahusu hatari na mambo yasiyoweza kubashirika ambayo huenda yakasababisha matokeo halisi kuwa tofauti na yale yaliyotajwa kwenye taarifa kama hizo. Ingawa kampuni inaamini kwamba matarajio yaliyoelezwa katika taarifa kama hizo ni ya maana, haiwezi kutoa hakikisho kwamba matarajio kama hayo yatathibitishwa kuwa sahihi. Maswala muhimu pamoja na mabadiliko katika hali ya kiuchumi kwa ujumla, kisiasa na kibiashara, vitendo vya washindani wa sasa na wanaoweza kuwa washindani, uwezo wa kuvutia wateja wapya na kudumisha wateja walioko na maswala mengine yanaweza kusababisha matokeo halisi kubadilika kutokana na matarajio ya kampuni na taarifa hizi za matarajio mema siku za usoni.

**BOARD OF DIRECTORS**
**FOR THE YEAR ENDED 30 SEPTEMBER, 2007**

The biographies of the Directors holding office as at the date of this report are as follows:

**Naushad Merali - Board Chairman**

Mr. Merali is a businessman and the Chairman and Chief Executive Officer of the Sameer Group of Group of Companies. Sameer Group is a conglomerate of companies involved in telecommunications, energy, manufacturing, agriculture and finance sectors. Some of the companies in the group include Sameer Africa Limited (Formerly Firestone East Africa (1969) Limited), Sasini Tea & Coffee Limited, H Young & Company Limited, Equatorial Commercial Bank, Ryce Motors Limited, Kenya Data Networks and Swift Global Limited. Mr Merali has also served on various Presidential Committees relating to trade and social services. ***55***

**Steven George Smith - Managing Director**

Mr. Smith holds a Bachelor of Science degree in Industrial Technology from East Carolina University, Greenvile, North Carolina, USA. He has over 33 years experience in the EBC group starting as a production supervisor and rising through the ranks to a managerial position. He has worked with Eveready since 1998 as the Managing Director. ***57***

**Natarajan Radhakrishnan**

Mr Radhakrishnan represents Energizer in the Board of Eveready. He is currently the Finance director of Energizer Middle East and Africa Operations. He is a fellow Member of the Institute of Cost and Works Accountants of India and a member of the Institute of Company Secretaries of India. He has over 28 years senior managerial experience in various industries including financial institutions, manufacturing and service industries. He has been involved in Corporate re-structuring and several business development initiatives. With his extensive work experience in and exposure to the economies of the Middle East and various countries in the far East, Mr. Radhakrishnan is able to provide guidance and direction to Eveready's financial management. ***52***

**Akif H. Butt**

Mr Butt is a fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Public Accountant (CPA) and has over 25 years experience in financial management, corporate planning and strategic management. He initially trained and worked with PricewaterhouseCoopers in Kenya and the East African Region, Liberia and England. He joined the Sameer Group in 1989 and currently holds the position of Finance Director. He represents interests of the Sameer Group on the board of various companies. ***50***

**BOARD OF DIRECTORS**
**FOR THE YEAR ENDED 30 SEPTEMBER, 2007**

**Peter Mwangi**

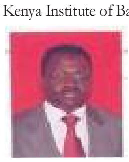
Mr Mwangi represents ICDCI as an alternate director on the boards of Kisii Bottlers Limited, Mount Kenya Bottlers Limited, Rift Valley Bottlers Limited, Eveready Batteries Limited, KWAL Holdings Limited and UAP Provincial Insurance Company Limited. Mr. Mwangi served as ICDCI's Company Secretary from 2000 to 2004 and was appointed Managing Director in December 2004 after serving in an acting capacity from August 2004. Mr. Mwangi is a member of ICPAK and the Institute of Certified Public Secretaries of Kenya (ICPSK). ***.38***

**Mr. Isaac B. Mogaka**

Mr. Mogaka represents Industrial & Commercial Development Corporation (ICDC) in the Board of Eveready East Africa Limited. He holds a Bachelor of Laws degree from the University of Nairobi. He is an Advocate of the High Court of Kenya having been admitted on 15th February 1982, a member of the Institute of Certified Public Secretaries (K) and an Associate Member of the Chartered Institute of Arbitrators. He is currently the Executive Director of ICDC. Prior to his appointment as the Executive Director on 19th June 2006, he served as the Corporation Secretary of ICDC for 12 years and as the Company Secretary of several ICDC subsidiary/Associate Companies. ***51***

**Susan Mudhune**

Ms. Mudhune holds a Bachelor of Arts Degree and an MBA from the University of Nairobi. She is a member of the Kenya Institute of Directors and the Chairman of the Kenya Commercial Bank Group (KCB). Prior to joining KCB, Susan worked in various management positions in the local banking industry for over 20 years. In addition, she serves as the national Chairman of the Kenya Girl Guides Association. In recognition of her outstanding achievements, the Kenya Institute of Bankers (KIB) awarded her Fellow of the Institute of Kenya Bankers in December 2003. ***58***



**Henry Kiptiony Kiplagat**

Mr. Kiplagat holds a Bachelor of Arts Degree and a Master of Arts in Education from the University of Lancaster, United Kingdom. Henry currently serves as the Chief Principal of the Moi High School, Kabarak and is also the Chairman of Moi Primary School Kabarak. Henry is a member of the Kabarak University Governing Council and a Trainer of trainers at the Kenya Education Staff Institute (KESI). Henry is a recipient of the Order of the Grand Warrior which was awarded to him by the Retired President Daniel Arap Moi in recognition of his service in the education sector in Kenya. ***41***

**Fauzia Shah**

Ms. Shah holds a Bachelor of Laws Degree and an advocate of the High Court of Kenya with over 20 years experiencee in corporate and commercial matters. Fauzia is also a Certified Public Secretary with over 15 years of company secretarial matters. She is currently employed by the Sameer Group as Company Secretary and In-house Counsel.

**EVEREADY EAST AFRICA LIMITED**

**SHAREHOLDING STRUCTURE**
**FOR THE YEAR ENDING 30 SEPTEMBER, 2007**

**Major Shareholders**

| Shareholder | No of Shares | % Holding |
|---|---|---|
| East Africa Batteries Limited | 73,754,377 | 35.12 |
| Industrial and Commercial Development Cooperation | 36,558,900 | 17.41 |
| Energizer International Inc. | 22,050,000 | 10.50 |
| Stanbic Nominees Kenya Ltd A/C ICDCI | 9,769,323 | 4.65 |
| CFCFS Nominees Ltd A/C 210 | 2,164,800 | 1.03 |
| Sebastian Mutimu | 610,900 | 0.29 |
| Johnson Mwangi Gitari | 325,300 | 0.15 |
| Amirali Husenalli Nathu | 275,000 | 0.13 |
| Mutimu Kang'atta and Company | 251,700 | 0.12 |
| Secumatt A/C Eveready | 250,400 | 0.12 |
| Others | 63,989,300 | 30.47 |
| **Total** | **210,000,000** | **100.00** |

**Distribution of Shareholders**

| Shareholding | No of Shareholders | Shares Held |
|---|---|---|
| No of Shares | | |
| Below 1000 | 140,167 | 32,286,869 |
| 1001-5000 | 7,128 | 14,212,286 |
| 5001-10000 | 653 | 4,645,932 |
| 10001-50000 | 379 | 7,210,298 |
| 50000-100000 | 38 | 2,619,715 |
| Above 100000 | 31 | 149,024,900 |
| **Total** | **148,396** | **210,000,000** |

***Based on the share register as at 30 November, 2007***

## CORPORATE INFORMATION
## FOR THE YEAR ENDED 30 SEPTEMBER 2007

**DIRECTORS**
Mr. N. Merali - Chairman
Mr. S.G. Smith - Managing Director
Mr. A. H. Butt - Finance Director
Mr. M. Da Gama Rose (Resigned August 9, 2007)
Mr. N. Radhakrishnan
Industrial & Commercial Development Corporation (ICDC)
ICDC Investment Company Limited (ICDCI)
Ms. S. Mudhune (Appointed on March 22, 2007)
Mr. H. K. Kiplangat (Appointed on March 22, 2007)
Ms. F. B. Shah (Appointed August 9, 2007)

**AUDIT COMMITTEE**
Mr. P. Mwangi (representing ICDCI) - Chair
Ms. S. Mudhune
Mr. A. H. Butt

**REMUNERATION AND NOMINATION COMMITTEE**
Ms. S. Mudhune - Chair
Mr. I. Mogaka - (representing ICDC)
Ms. F. B. Shah

**FINANCE AND RISK COMMITTEE**
Mr. N. Radhakrishnan - Chair
Mr. I. Mogaka - (representing ICDC)
Mr. H. Kiplangat

**AUDITORS & TAX ADVISORS**
DCDM Associates
Certified Public Accountants
P. O. Box 10032-00100
**Nairobi**

**SHARE REGISTRARS**
Image Registrars Limited
Transnational House, Mama Ngina Street
P.O. Box 9287-00100
**Nairobi**

**ADVOCATES**
Kaplan & Stratton
Williamson House, Ngong Avenue
P.O. Box 40111-00100
**Nairobi**

**ADVOCATES**
Mukite Musangi & Company
Seguton Building, Kenyatta Avenue
P.O. Box 149-20100
**Nakuru**

**SECRETARY & COMPANY REGISTERED OFFICE**
Mr. I. A. Timamy
Standard Building, Wabera Street
TEL: 020-2216139
P.O. Box 44765-00100
**Nairobi**

**BANKERS**
Commercial Bank of Africa Limited
Barclays Bank of Kenya Limited
CITIBANK N.A

**EVEREADY EAST AFRICA LTD**

**DIRECTORS' REPORT**
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

The Directors submit their report together with the audited financial statements for the year ended September 30, 2007, which disclose the state of affairs of the Company.

**PRINCIPAL ACTIVITIES**

The principal activities of the company are manufacturing and selling of Eveready dry cells "D" size batteries in East Africa and trading in an assortment of imported Eveready flashlights, batteries, razors and accessories.

**RESULTS AND DIVIDEND**

The net profit for the year of KShs. 126,408,000 (2006: Kshs.165,566,000) has been added to retained earnings. A final dividend for 2006 amounting to KShs. 126,000,000 was paid during the year (2006: Nil).

**DIRECTORS**

The present membership of the Board is set out on Page 13 and 14.

**AUDITORS**

The company's auditors, DCDM Associates were appointed during the year and express their willingness to continue in office in accordance with Section 159(2) of the Companies Act.

**By order of the Board**

**Issa Timamy**
**Company Secretary**

______________________________**2008**

**EVEREADY EAST AFRICA LTD**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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 Company as at the end of the financial year and of its 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 Company and of its profit or loss. 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 twelve months from the date of this statement.

**Director** : ______________________________

**Director** : ______________________________

**Date** : ______________________________

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 30 SEPTEMBER 2007

This report is made solely to the members of Eveready East Africa Limited (the "Company"), as a body, in accordance with Section 159 of the Companies Act (CAP 486). Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Eveready East Africa Limited set out on pages 20 to 39 which comprise the balance sheet at September 30, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**1. Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**2. Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**3. Opinion**

In our opinion, the financial statements on pages 20 to 39 give a true and fair view of the financial position of the Company at September 30, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

**4. Report on Other Legal and Regulatory Requirements**

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii) the financial statements of the Company are in agreement with the books of account.

**Certified Public Accountants**
**Nairobi, Kenya**

**………………………….. 2007**

**EVEREADY EAST AFRICA LTD**

**INCOME STATEMENT**
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

| | Notes | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|---|
| **Sales** | | **2,232,143** | 2,029,462 |
| Cost of sales | | **(1,669,303)** | (1,460,073) |
| **Gross profit** | | **562,840** | 569,389 |
| Other operating income | | **8,285** | 23,266 |
| Selling expenses | | **(94,822)** | (104,346) |
| Other expenses | | **(288,323)** | (236,452) |
| **Operating profit** | 6 | **187,980** | 251,857 |
| Finance costs | 8 | **(8,475)** | (17,821) |
| **Profit before income tax** | | **179,505** | 234,036 |
| Income tax expense | 9 | **(53,097)** | (68,470) |
| **Profit for the year** | | **126,408** | 165,566 |

**Earnings per Share attributable to the equity holders of the company (KShs. per share)**

| | | | |
|---|---|---|---|
| Basic | 10 | **0.602** | 788 |
| Diluted | 10 | **0.602** | 0.788 |

| | | | |
|---|---|---|---|
| **Dividends:** | | | |
| Interim dividend paid | 11 | - | - |
| Final dividend proposed | 11 | **94,500** | 126,000 |
| | | **94,500** | 126,000 |

**EVEREADY EAST AFRICA LTD**

**BALANCE SHEET**
**AS AT 30 SEPTEMBER 2007**

| | Notes | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|---|
| **CAPITAL EMPLOYED** | | | |
| Share capital | 12 | **210,000** | 210,000 |
| Retained earnings | | **138,585** | 106,677 |
| Proposed dividends | 11 | **94,500** | 126,000 |
| **Shareholders' funds** | | **443,085** | 442,677 |
| **Non-current liabilities** | | | |
| Provision for liabilities and charges | 22 | **92,900** | 82,900 |
| Hire purchase liabilities | 13 | **8,857** | - |
| | | **101,757** | 82,900 |
| | | **544,842** | 525,577 |
| **REPRESENTED BY** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **162,234** | 139,248 |
| Prepaid operating lease rentals | 17 | **223** | 227 |
| Deferred tax | 14 | **15,438** | 24,372 |
| Retirement benefit asset | 15 | **6,143** | 11,621 |
| | | **184,038** | 175,468 |
| **Current assets** | | | |
| Inventories | 18 | **793,647** | 500,758 |
| Receivables | 19 | **174,769** | 163,434 |
| Current income tax receivable | | **21,974** | 1,050 |
| Cash and bank balances | 20 | **14,889** | 78,296 |
| | | **1,005,279** | 743,538 |
| **Current liabilities** | | | |
| Payables and accrued expenses | 21 | **228,165** | 201,666 |
| Borrowings | 13 | **411,970** | 191,763 |
| Hire purchase liabilities | 13 | **4,340** | - |
| | | **644,475** | 393,429 |
| **Net current assets** | | **360,804** | 350,109 |
| | | **544,842** | 525,577 |

The financial statements on pages 20 to 39 were approved for issue by the board of Directors on 23/1/ 2008 and signed on its behalf by:

**Director** ________________ **Director** ________________

EVEREADY EAST AFRICA LTD

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 SEPTEMBER 2007

| | Notes | Share capital KShs'000 | Retained earnings KShs'000 | Dividends KShs'000 | Total KShs'000 |
|---|---|---|---|---|---|
| **Year ended 30 September 2006** | | | | | |
| At start of period | | 210,000 | 67,111 | - | 277,111 |
| Profit for the period | | - | 165,566 | - | 165,566 |
| Dividend proposed | 11 | - | (126,000) | 126,000 | - |
| Dividends paid in the year | 11 | - | - | - | - |
| **At end of year** | | **210,000** | **106,677** | **126,000** | **442,677** |
| **Year ended 30 September 2007** | | | | | |
| At start of period | | 210,000 | 106,677 | 126,000 | 442,677 |
| Profit for the period | | - | 126,408 | - | 126,408 |
| Dividend proposed | 11 | - | (94,500) | 94,500 | - |
| Dividends paid in the year | 11 | - | - | (126,000) | (126,000) |
| **At end of year** | | **210,000** | **138,585** | **94,500** | **443,085** |

**EVEREADY EAST AFRICA LTD**

**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

| | Notes | 2007<br>K Shs'000 | 2006<br>K Shs'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 25 | **(37,334)** | 288,311 |
| Interest received | | **138** | 72 |
| Interest paid | | **(30,020)** | (23,313) |
| Income tax paid | | **(65,086)** | (69,616) |
| Net cash generated from operating activities | | **(132,302)** | 195,454 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 16 | **(45,478)** | (71,852) |
| Proceeds from disposal of property, plant and equipment | | **6,969** | 26,630 |
| Net cash used in investing activities | | **(38,509)** | (45,222) |
| **Financing activities** | | | |
| Proceeds from borrowings | | **14,047** | - |
| Repayments of borrowings | | **(850)** | - |
| Dividends paid | | **(126,000)** | - |
| Net cash used in financing activities | | **(112,803)** | - |
| **(Decrease)/increase in cash and cash equivalents** | | **(283,614)** | 150,232 |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | **(113,467)** | (263,699) |
| (Decrease)/increase | | **(283,614)** | 150,232 |
| At end of year | 20 | **(397,081)** | (113,467) |

**1 General information**

Eveready East Africa Limited is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The financial statements were authorised for issue by the board of directors on 23rd January, 2008

**2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings (Shs), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the revaluation of certain property and equipment.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

*Adoption of new and revised Standards, amendments and interpretations effective in 2007*

The standards and interpretations below became effective in 2007 for the first time and have been adopted by the Company where relevant to its operations. The adoption of these new and revised standards had no material effect on the Company's accounting policies or disclosures, except as follows:

~ IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the company's disclosures.

~ IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Company's financial statements.

~ IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

**(b) Revenue recognition**

Sales of goods are recognised in the period in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts.

Interest income is recognised as it accrues, unless collectibility is in doubt.

**(c) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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

All categories of property, plant and equipment are recorded at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 25 - 30 years |
| Plant and machinery | 15 years |
| Motor vehicles | 3 years |
| Computers | 3 years |
| Furniture and fittings | 6 years |

Freehold land is not depreciated as it is deemed to have an indefinite life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

**(e) Accounting for leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Company bears substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method for manufactured goods and weighted average for imported finished goods. The cost of manufactured finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**(g) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

**(h) Employee benefits**

**(i) Retirement benefit obligations**

The Company operates a defined benefit scheme for the majority of its non-unionised employees and a defined contribution retirement benefit scheme for the rest of its non-unionised employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity.

The assets of both schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees. The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

For the defined benefit scheme, the pension costs are assessed using the "Projected Unit Credit" method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of the employees. This is done based on advice received from the actuaries who carry out a full valuation of the plan every three years. The company's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate. The Company has no further obligation once the contributions have been paid.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised over the remaining service lives of the employees.

**(ii) Other entitlements**

The company operates an unfunded gratuity scheme for its unionised employees, under which lump sum payments are paid on retirement due to age, medical, termination of service and redundancy. The gratuity payable is dependent on the number of completed years of service by the employee.

**(h) Employee benefits (continued)**

**(ii) Other entitlements (continued)**

The liability recognised in the balance sheet and the Company contributions are assessed using the projected unit credit method. The notional contributions are charged to the profit and loss account in the year to which they relate.

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

**(i) Income tax**

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income 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.

**(j) Dividends**

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

**(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(l) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

**3 Financial risk management objectives and policies**

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

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

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

**(i) Critical accounting estimates and assumptions**

*Retirement benefit obligations*

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations. These assumptions are set out in Note 15 and 22.

*Property, plant and equipment*

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(d) above.

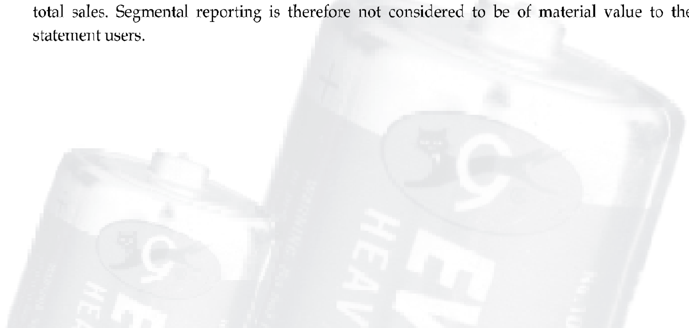
**(ii) Critical judgements in applying the entity's accounting policies**

In the process of applying the Company's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether assets are impaired.

**5 Segmental information**

The Directors regard all Company activities as relating to the manufacture and sale of dry cell "D-size" batteries and related imported products in East Africa. Sales outside of Kenya form less than 15% of the total sales. Segmental reporting is therefore not considered to be of material value to the financial statement users.



## 6 Operating profit

| | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|
| The following items have been charged/(credited) in arriving at operating profit: | | |
| Depreciation on owned property, plant and equipment (Note 16) | **21,037** | 22,162 |
| Depreciation on assets held under finance lease (Note 16) | **1,159** | - |
| Operating lease rentals expensed | **3,395** | 3,281 |
| Employee benefits expense (Note 7) | **364,314** | 322,916 |
| Profit on sale of plant and equipment | **(6,674)** | (21,504) |
| Amortisation of prepaid lease rentals | **4** | 7 |
| Auditors' remuneration: | | |
| ~ special audit | **-** | 625 |
| ~ year end audit | **650** | 790 |

## 7 Employee benefits expense

| | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|
| The following items are included within employee benefits expense: | | |
| Retirement benefits costs: | | |
| - Defined contribution scheme | **7,003** | 1,190 |
| - Defined benefit scheme (Note 15) | 429 | 6,089 |
| - National Social Security Fund | **1,194** | 1,024 |

## 8 Finance costs

| | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|
| Interest expense | **(30,020)** | (23,313) |
| Interest income | **138** | 72 |
| Net foreign exchange gains | **21,407** | 5,420 |
| | **21,545** | 5,492 |
| Net finance costs | **(8,475)** | (17,821) |

## 9 Income tax expense

| | 2007 | 2006 |
|---|---|---|
| | K Shs'000 | K Shs'000 |
| Current income tax | **44,206** | 60,261 |
| Deferred income tax (Note 14) | **8,934** | 8,484 |
| Over provision of current income tax in the prior years | **(43)** | (319) |
| Under provision of deferred income tax in the prior years | **-** | 44 |
| Income tax expense | **53,097** | 68,470 |

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

| | 2007 | 2006 |
|---|---|---|
| | K Shs'000 | K Shs'000 |
| Profit before income tax | **179,505** | 234,036 |
| Tax calculated at the statutory income tax rate of 25% (2006 - 30%) | **44,876** | 70,211 |
| Tax effect of: | | |
| Income not subject to tax | **(1,723)** | (5,761) |
| Expenses not deductible for tax purposes | **9,987** | 4,295 |
| Over provision of current tax in prior year | **(43)** | (319) |
| Under provision of deferred income tax in prior year | **-** | 44 |
| Income tax expense | **53,097** | 68,470 |

## 10 Earnings per share (basic and diluted)

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the year, in accordance with IAS 33, Earnings per share.

| | 2007 | 2006 |
|---|---|---|
| Profit attributable to equity holders of the Company (KShs '000) | **126,408** | 165,566 |
| Weighted average number of ordinary shares in issue (thousands) | **210,000** | 210 |
| Basic EPS (KShs per share) (2006 - based on 210,000 shares) | **0.602** | 788 |
| Diluted EPS (KShs per share) (2006 - based on 210 million shares) | **0.602** | 0.788 |

## 11 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting.

At the Annual General Meeting a final dividend of 45 cents per share for the year ended 30 September 2007 is to be proposed (2006:KShs.600, diluted 60 cents per share), amounting to a total of KShs. 94,500,000 (2006: KShs.126,000,000). No interim dividend was paid during the year (2006: Nil).

Payment of dividends is subject to withholding tax at a rate of 10% for non-resident shareholders. No withholding tax is charged to local shareholders that are companies that hold more than 12.5% of the total shareholding or are exempt.

| 12 Share capital | Number of shares (Thousands) | Par Value K Shs | Ordinary shares K Shs'000 | K Shs |
|---|---|---|---|---|
| Authorised, issued and fully paid up ordinary share capital | | | | |
| Balance at 1 October 2006 | 210 | 1,000 | **210,000** | |
| Balance at 30 September 2007 | 210,000 | 1 | **210,000** | |

At an Extraordinary General Meeting of the members held on the 30th October 2006; the Company was converted into a public company and the Ordinary shares were sub-divided into 1000 shares of Shs 1 per share from the existing KShs 1,000 per share.

| 13 Borrowings | 2007 K Shs'000 | 2006 K Shs'000 |
|---|---|---|
| **a) Short term bank loans and bank overdrafts** | | |
| Short-term bank loans | **139,027** | 191,763 |
| Bank overdrafts | **272,943** | - |
| | **411,970** | 191,763 |

Borrowings are secured by a floating debenture over all the assets, excluding land and buildings, of the company. The weighted average effective interest rate on the short-term loans and bank overdraft at the period end was 9.73 % (2006: 10.87%).

The borrowing facilities are renewable annually. They expire within 1 year and are subject to review at various dates during the year 2007.

| b) Hire purchase liabilities | 2007 Principal K Shs'000 | 2007 Gross (including interest) K Shs'000 | 2006 Principal KShs'000 | 2006 Gross (including interest) KShs'000 |
|---|---|---|---|---|
| **HP Liability** | | | | |
| Current : Due within one year | 4,340 | 5,790 | - | - |
| Non - Current : Due after more than one year | 8,857 | 9,864 | - | - |
| | 13,197 | 15,654 | - | - |

The hire purchase facilities were obtained for the purchase of motor vehicles. They have fixed repayment terms and are secured by a charge over the asset financed. The average interest charged on these facilities is 7% per annum.

## 14 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 25% (2006: 30%). The movement on the deferred income tax account is as follows:

| | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|
| At start of year | **24,372** | 32,900 |
| Charge to profit and loss account (Note 9) | **(8,934)** | (8,528) |
| At end of year | **15,438** | 24,372 |

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in the profit and loss account, and deferred income tax charge/(credit) in equity are attributable to the following items:

| | Oct 1, 2006 KShs'000 | Charged/ (credited) to P/L KShs'000 | Sep 30, 2007 KShs'000 |
|---|---|---|---|
| **Deferred income tax liabilities** | | | |
| Property, plant and equipment | 3,040 | 8,932 | **11,972** |
| | 3,040 | 8,932 | **11,972** |
| **Deferred income tax assets** | | | |
| Provisions | (27,451) | 48 | **(27,403)** |
| Unrealised exchange gains/(losses) | 39 | (46) | **(7)** |
| | (27,412) | 2 | **(27,410)** |
| **Net deferred income tax asset** | (24,372) | 8,934 | **(15,438)** |

## 15 Retirement benefit obligations

**(i) Defined benefit scheme**

**The amounts recognised in the balance sheet are determined as follows:**

| | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|
| Present value of funded obligations | **(91,738)** | (108,123) |
| Fair value of scheme assets | **63,897** | 88,656 |
| Net under funding | **(27,841)** | (19,467) |
| Unrecognised actuarial gains | **33,984** | 31,088 |
| Asset in the balance sheet | **6,143** | 11,621 |

**15 Retirement benefit obligations (continued)**

**(i) Defined benefit scheme (continued)**

The defined benefit scheme has been closed to future accrual of benefits with effect from 1 October 2006 for members except those within 5 years of retirement. Past service benefits remain intact with the company meeting any under funding through either cash injection and better investment returns on the scheme assets, over a period of 3 years commencing 1 October 2006. Future service benefits for all non-unionised employees will be through the defined contribution scheme.

**The amounts recognised in the income statement for the year are as follows:**

| | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|
| Current service cost | 68 | 3,207 |
| Interest cost | 9,364 | 9,568 |
| Expected return on scheme assets | (7,164) | (8,000) |
| Net actuarial losses recognised in the year | 1,411 | 1,314 |
| Gain on curtailments and settlements | (660) | - |
| Underprovision in prior year | 2,129 | - |
| Net charge for the year included in staff costs | 5,148 | 6,089 |
| Movement in the liability/asset in the balance sheet | 5,478 | 153 |

The actual return on scheme assets was KShs. 7,345,000 (2006: KShs 8,936,000).

The principal actuarial assumptions used were as follows:

| | 2007 | 2006 |
|---|---|---|
| - discount rate | 10% | 10% |
| - expected rate of return on scheme assets | 10% | 10% |
| - future salary increases | 7% | 7% |
| - future pension increases | 0% | 0% |

**(ii) Defined contribution scheme**

Following the closure of the defined benefit scheme (note 15 (i)) the Company commenced contributions to a defined contribution scheme for all its non-unionised employees recruited from 1 October 2005. With effect from 1 October 2006, other non-unionised employees from the defined benefit scheme except those within 5 years of retirement have migrated to the defined contribution scheme. For the year ended 30 September 2007, the Company contributed KShs 7,003,000 (2006: KShs 1,190,000), which has been charged to the profit and loss account.

The company also makes contribution to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statutes and are shared between the employer and employee. For the year ended 30 September 2007, the Company contributed KShs1,194,000 (2006: KShs 1,024,200), which has been charged to the profit and loss account

## 16 Property, plant and equipment

| | Buildings & freehold land | Plant & machinery | Vehicles & equipment | Capital work-in-progress | Total |
|---|---|---|---|---|---|
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| **At October 1, 2005** | | | | | |
| Cost | 31,685 | 189,631 | 173,094 | 9,582 | **403,992** |
| Accumulated depreciation | (21,585) | (145,508) | (142,354) | - | **(309,447)** |
| **Net book amount** | **10,100** | **44,123** | **30,740** | **9,582** | 94,545 |
| **Year ended 30 September 2006** | | | | | |
| Opening net book amount | 10,100 | 44,123 | 30,740 | 9,582 | **94,545** |
| Additions | - | 13,210 | 26,832 | 31,810 | **71,852** |
| Disposals | (747) | (642) | (20,073) | - | **(21,462)** |
| Depreciation charge | (1,026) | (6,732) | (14,404) | - | **(22,162)** |
| Depreciation on disposal | 747 | 389 | 15,339 | - | **16,475** |
| **Closing net book amount** | **9,074** | **50,348** | **38,434** | **41,392** | 139,248 |
| **At 30 September 2006** | | | | | |
| Cost | 30,938 | 202,199 | 179,853 | 41,392 | **454,382** |
| Accumulated depreciation | (21,864) | (151,851) | (141,419) | - | **(315,134)** |
| **Net book amount** | **9,074** | **50,348** | **38,434** | **41,392** | 139,248 |
| **Year ended 30 September 2007** | | | | | |
| Opening net book amount | 9,074 | 50,348 | 38,434 | 41,392 | **139,248** |
| Transfers from capital work in progress | 4,642 | 23,843 | - | (28,485) | - |
| Additions | 7,164 | 11,847 | 15,780 | 10,687 | 45,478 |
| Disposals | - | (21) | (36,004) | - | **(36,025)** |
| Depreciation charge | (895) | (9,030) | (12,271) | - | **(22,196)** |
| Depreciation on disposal | - | 21 | 35,708 | - | **35,729** |
| **Closing net book amount** | 19,985 | 77,008 | 41,647 | 23,594 | 162,234 |
| **At 30 September 2007** | | | | | |
| Cost | 42,744 | 237,868 | 159,629 | 23,594 | **463,835** |
| Accumulated depreciation | (22,759) | (160,860) | (117,982) | - | **(301,601)** |
| **Net book amount** | 19,985 | 77,008 | 41,647 | 23,594 | 162,234 |

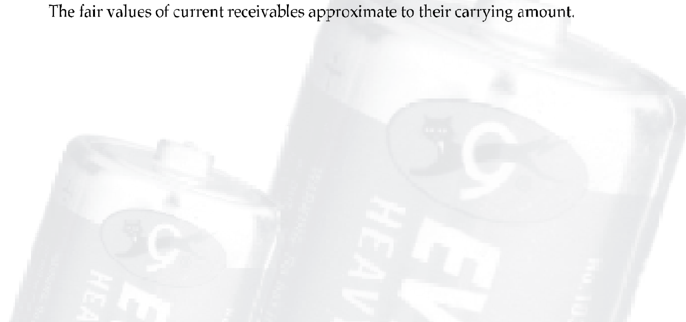
The Company's property, plant and equipment has been pledged as security under floating charge in respect of short term bank borrowings (see Note 13).
During the year, the Company acquired a number of vehicles under hire purchase agreements. The net book amount of such motor vehicles at September 30, 2007, amounting to KShs. 12,889,000, is included in vehicles and equipment.

| 17 Prepaid operating lease rentals | 2007 | 2006 |
|---|---|---|
| | K Shs'000 | K Shs'000 |
| At start of period | **227** | 373 |
| Disposals | **-** | (139) |
| Amortisation for the period | **(4)** | (7) |
| At end of period | **223** | 227 |

| 18 Inventories | 2007 | 2006 |
|---|---|---|
| | K Shs'000 | K Shs'000 |
| Raw materials | **385,456** | 274,684 |
| Work in progress | **95,196** | 53,153 |
| Finished goods | **260,349** | 114,118 |
| Maintenance stock | **52,646** | 58,803 |
| | **793,647** | 500,758 |

| 19 Receivables and prepayments | 2007 | 2006 |
|---|---|---|
| | K Shs'000 | K Shs'000 |
| Trade receivables | **166,758** | 155,761 |
| Less: Provision for impairment losses | **(5,785)** | (5,838) |
| | **160,973** | 149,923 |
| Amounts due from related parties (Note 26) | **553** | - |
| Prepayments | **5,132** | 3,811 |
| Other receivables | **8,111** | 9,700 |
| | **174,769** | 163,434 |

The fair values of current receivables approximate to their carrying amount.



## 20 Cash and cash equivalents

| | 2007 KShs'000 | 2006 KShs'000 |
|---|---|---|
| Cash at bank and in hand | **14,889** | 78,296 |
| Bank overdraft and short-term bank loans (Note 13) | **(411,970)** | (191,763) |
| | **(397,081)** | (113,467) |

## 21 Payables and accrued expenses

| | 2007 | 2006 |
|---|---|---|
| Trade payables | **117,177** | 73,981 |
| Amounts due to related companies (Note 26) | **53,952** | 39,406 |
| Accrued expenses | **45,350** | 34,569 |
| Other payables | **11,686** | 53,710 |
| | **228,165** | 201,666 |

## 22 Provisions for liabilities and charges

| | 2007 | 2006 |
|---|---|---|
| **Service gratuity** | | |
| At start of period | **82,900** | 100,018 |
| Charge/(credit) to profit and loss account | **10,000** | (17,118) |
| At end of period | **92,900** | 82,900 |

In accordance with IAS 19, an actuarial valuation was carried out to determine the present value of the defined benefit obligation for gratuity. According to the valuation report, the Company's obligation at 30 September 2007 amounted to KShs 92,900,000, resulting in a charge of Kshs. 10,000,000 to the income statement during the year.

The principal actuarial assumptions used were as follows:

| | |
|---|---|
| - Discount rate | 10% p.a. |
| - Future salary increase | 9% p.a. for the next 1 year and 7% p.a. thereafter |
| - Retirement age | 60 years |

## 23 Contingent liabilities

~ The Company has contingent liabilities arising from various legal claims. The Directors, having taken appropriate legal advice, do not anticipate that material liabilities will arise from the pending litigations against the Company.

~ Outflows of resources are also expected to arise from the disposal of waste matter that results from the battery production process. A quantification of such costs at this stage is difficult as the Company has not received approval from the relevant authorities as regards the most suitable methods for the disposal of such waste.

## 24 Commitments

**Capital commitments**

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

| | 2007 K Shs'000 | 2006 K Shs'000 |
|---|---|---|
| Property, plant and equipment | **2,143** | 20,786 |

| Operating lease commitments | 2007 Shs'000 | 2006 Shs'000 |
|---|---|---|
| Not later than 1 year | **3,423** | 3,395 |
| Later than 1 year and not later than 5 years | **4,877** | 8,580 |
| | **8,300** | 11,975 |

## 25 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

| | 2007 K Shs'000 | 2006 K Shs'000 |
|---|---|---|
| Profit before income tax | **179,505** | 234,036 |
| Adjustments for: | | |
| Interest income (Note 8) | **(138)** | (72) |
| Interest expense (Note 8) | **30,020** | 23,313 |
| Depreciation (Note 16) | **22,196** | 22,162 |
| Amortisation of prepaid operating lease rentals (Note 17) | **4** | 7 |
| Profit on sale of property, plant and equipment | **(6,674)** | (21,504) |
| Changes in working capital | | |
| - receivables and prepayments | **(11,335)** | (2,944) |
| - inventories | **(292,889)** | 14,872 |
| - payables and accrued expenses | **26,499** | 35,406 |
| - Provision for liabilities and charges | **10,000** | (17,118) |
| - retirement benefit obligations | **5,478** | 153 |
| Cash (utilised)/generated from operations | **(37,334)** | 288,311 |

**26 Related party transactions**

The immediate parent Company is East Africa Batteries Limited incorporated in Kenya. The Company has other related parties by virtue of common directorships or common shareholdings.

The following transactions were carried out with related parties:

**i) Banking arrangements**

The company shares common Directors with one of its main bankers, Commercial Bank of Africa Limited, and with Equatorial Bank Ltd,with whom the Company has a finance lease facility.

| | 2007<br>KShs'000 | 2006<br>KShs'000 |
|---|---|---|
| **ii) Purchase of goods and services** | **362,705** | 277,153 |

Purchases from related parties were made at commercial terms and conditions.

| | | |
|---|---|---|
| **iii) Sale of goods** | **2,311** | - |

Sales to related parties were made on commercial terms and conditions.

**iv) Technical services and trade mark fees**

The Company has a technical service and trademark agreement with Eveready Battery Company Inc, USA. Technical service and trademark fees are based on sales of Eveready branded products during the year.

| The charges for the year were as follows: | 2007<br>KShs'000 | 2006<br>KShs'000 |
|---|---|---|
| Technical fees | **92,397** | 85,097 |
| Trademark fees | **18,480** | 17,020 |
| | **110,877** | 102,117 |

**v) Management fees**

Management fee amounting to KShs 4,350,000 was charged in 2006 by Sameer Management Limited, a company related by common directorships for financial, legal and marketing services provided to Eveready East Africa Limited. No management fees was charged in 2007.

| 26 **Related party transactions (continued)** | **2007** | **2006** |
|---|---|---|
| | **K Shs'000** | **K Shs'000** |
| **vi) Outstanding balances arising from purchase of goods and services, and commissions** | | |
| Payables to related parties | **53,952** | 39,406 |
| Finance lease from related party | **9,209** | - |
| | **63,161** | 39,406 |
| **vii) Outstanding balances arising sale of goods** | | |
| Receivables from related parties | **553** | - |
| **(viii) Key management compensation** | | |
| - Salaries and other short term employment benefits | **61,951** | 63,701 |
| - Post employment benefits | **1,249** | 1,043 |
| | **63,200** | 64,744 |
| **(ix) Directors' remuneration** | | |
| - fees for services as a Director | **5,956** | 4,896 |
| - other emoluments (included in key management compensation above) | **25,553** | 26,289 |

**EVEREADY EAST AFRICA LIMITED**

**FORM OF PROXY**
**FOR THE YEAR ENDED 30 SEPTEMBER, 2007**

The Company Secretary
Eveready East Africa Limited
Standdard Building
Wabera Street
P. O. Box 44765 – 00100, Nairobi, Kenya

I, We ________________________________________ of ____________________ being (a) member/s of Eveready East Africa 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 Factory Premises, George Morara Road, Nakuru, on Friday 14th March, 2008 and at any adjournment thereof.

As witness my/our hand(s) this _______________ day of ____________________ 2008

Signature ____________________________________________________________________________________________________

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

*Note:* 1. To be valid this proxy must be deposited at the Registered Office of the Company not less than 48 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.

AFFIX
STAMP
HERE

THE COMPANY SECRETARY
EVEREADY EAST AFRICA LIMITED
STANDARD BUILDING
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