EVEREADY® EAST AFRICA LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

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Corporate Information

Directors	Hon. A. Moody Awori - **Chairman** Mr. J. K. Mutua - **Managing Director** Mr. A. H. Butt **Industrial & Commercial Development Corporation (ICDC)** *(Alternate Mr. Peter Kimurwa)* Mr. P. Scott Ms. S. Mudhune Ms. F. B. Shah Ms. C. Ngahu, EBS
Audit Committee	Ms. S. Mudhune - **Chairperson** Ms. F. B. Shah ICDC (Alternate Mr. Peter Kimurwa) Mr. P. Scott
Remuneration and Nomination Committee	Ms. S. Mudhune - **Chairperson** Mr. A. H. Butt Ms. F. B. Shah
Finance and Risk Committee	Ms. C. Ngahu, EBS **- Chairperson** Mr. P. Scott Mr. A. H. Butt
Auditors & Tax Advisors	BDO East Africa Certified Public Accountants of Kenya 12th Floor, Pension Tower P O Box 10032 GPO Nairobi 00100
Share Registrars	Image Registrars Limited Transnational House, Mama Ngina Street P O Box 9287 Nairobi 00100
Advocates	Kaplan & Stratton Advocates P O Box 40111 Nairobi 00100 Mukite Musangi & Company Advocates P O Box 149 Nakuru 20100 Kemboy & Ogola Advocates P O Box 19500 Nairobi 00100
Secretary & Company Registered Office	Mr. I A Timamy 5th Floor, Standard building, Wabera Street P O Box 44765 Nairobi 00100
Bankers	Commercial Bank of Africa Limited Barclays Bank of Kenya Limited Citibank N.A

Board of Directors

(as at 13 March, 2013)

Seated Left to Right

Mr. Jackson Mutua Managing Director

Hon. A. Moody Awori Board Chairman

Ms. Fauzia Shah

Standing Left to Right

Ms. Susan Mudhune

Mr. Akif H. Butt

Ms. Catherine Ngahu

Mr. Isaac Olentiki

Paul Scott Not in the Picture

Board of Directors *The biographies of the Directors holding office as of the date of publication of this report are as follows:*

Hon. Moody A. Awori - Chairman

Hon. Awori has had a distinguished career in both government and the private sector. He was the immediate former Vice President of Kenya and a Minister for Home Affairs in President Kibaki's government and also served as a member of parliament for Funyula Constituency in Western Kenya. Hon. Awori is renowned for his passionate involvement in social and security work in Kenya for over 40 years. He is the current Chairman of the Association for the physically Disabled of Kenya, a position he has held for the last 41 years. He is the Chairman of various well known companies including Macmillan Publishers, Securicor, Marena Tiles, Mocian, The Da Gama Rose Group and Others. 85

Mr. Jackson Mutua - Managing Director

Mr Mutua holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi and a Masters of Business Administration from the same University. He is a qualified Accountant and Company Secretary and is a member of both ICPA(K) and ICPS(K). He has over 12 years experience having previously worked with BestFoods Kenya Ltd and Karirana Estates Ltd (Member of First Chartered Group of Companies). He joined EVEREADY East Africa Ltd in July 2007. 42

Ms. Fauzia B. Shah

Ms. Shah holds a Bachelor of Laws Degree and an advocate of the High Court of Kenya with over 20 years experience 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. 49

Mr. 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. Akif 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 the interests of the Sameer Group on the board of various companies. 55

Mr. Isaac Olentiki

He holds Master of Business Administration (MBA) in Executive/Strategic Management from African Nazarene University. He is currently the Head of Business & Commercial Investments at Industrial & Commercial Development Corporation. He has previously worked as the Head of Sales & Marketing at First Community Bank Ltd and as a Senior Officer Retail & SME Banking at CFC/Stanbic Bank Limited. 38

Ms. 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 immediate former 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 (KIB) in December 2003. 63

Ms. Catherine Ngahu, EBS

Ms. Ngahu holds a Bachelor of Education and MBA from the University of Nairobi. She studied entrepreneurship as a Business Research Fellow at Wharton Business School, University of Pennsylvania and Value-based leadership under the African Leadership Initiative program of the Aspen Leadership Institute. She has also studied Corporate Governance with the Institute of Directors Kenya and IOD UK, and holds the International Certificate in Company Directorship from IOD, UK. Currently, she is the Chairman of Kenya ICT Board (a state corporation) and member of the Boards of KCA University and Moran Publishers. She previously served in the Boards of Kenya Women Finance Trust, InvesteQ Capital, Suntra Investment Bank and KASNEB Syllabus Committee. She was a member of the governing council of Marketing Society of Kenya and Marketing and Social Research Association (MSRA). Catherine was awarded the Elder of the Order of the Burning Spear (EBS) by His Excellency the President of the Republic of Kenya for devoted service in 2011. 51

Mr. Paul Scott

Mr Scott received an SNC in Business Studies from Paisley College in 1984. He has worked closely with several local Universities on their MBA & graduate programs and holds several advanced training awards from U.K. Business Colleges. Paul is currently the Area Business Director of Energizer Middle East & Africa Ltd based in Dubai & has worked for Energizer for over 13 years. Prior to joining Energizer Mr. Scott worked with Rothmans International in various sales, marketing & training roles throughout Europe & the Middle East markets. He is a member of the American Business Institute & the British Businessman's Group in Dubai. He is also a founding member of the Council Against Counterfeits, a group set up to work with local Customs & Ports Authorities preventing the importation of & helping in the identification of counterfeit goods across the Middle East. 49

Management Team

Jackson Mutua	*Front*	Managing Director
Bernard Onyango	*Center (R - L)*	Ag. Plant Manager
Margaret Odhiambo		Head of Corporate, Legal, HR and Admin
Alfred Okenye		Export Sales Manager
Timothy Muriithi		Ag. National Sales Manager
Samuel Aggrey	*Back*	Finance Manager

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the forty sixth (46th) Annual General Meeting of Eveready East Africa Limited (the "Company") will be held at Kunste Hotel, Nakuru on Thursday 18 April, 2013 at 11 a.m. for the following business:

AGENDA

1. To determine if a quorum is present, and to read the notice convening the meeting.

2. To confirm the minutes of the forty fifth (45th) Annual General Meeting held on Thursday 9 August, 2012.

3. To receive, consider and approve, adopt the Financial Statements for the year ended September 30, 2012 together with the Directors' and Auditors' Reports thereon.

4. To elect Directors:

i) Mr. Akif Butt will retire by rotation in accordance with Article 91 of the Company's Articles of Association and being eligible offers himself for re-election as a Directors of the Company.

ii) Ms. Fauzia Shah will retire by rotation in accordance with Article 91 of the Company's Articles of Association and being offers herself for re-election as a Director of the Company

5. To approve the Directors' remuneration for the year ended September 30, 2012.

6. To re-appoint BDO East Africa as auditors of the Company for Financial Year 2014 and to authorize the Board to fix the Auditors' remuneration.

7. To transact any other business for which appropriate notice has been issued and received.

By Order of the Board,

Issa Timamy,
Company Secretary
March 30, 2013

Note:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid must be duly completed and signed by the member and must either be lodged at the offices of the Company's shares registrars, Image Registrars Limited, Transnational Plaza, 8th Floor, Mama Ngina Street, P.O. Box 9287 – 00100 GPO, Nairobi or lodged at the Company's registered office at MCFL Logistic Centre, 1st Floor, Mombasa Road P.O. Box 44765 - 00100 Nairobi, Kenya not later than 11a.m on Tuesday April 16, 2013 failing which it will be invalid. In the case of a corporate body the Proxy Form must be under its common seal or by notification in writing under the hand of some officer of the corporation duly authorized in that behalf.

A Proxy Form may be downloaded from the Company's website at www.eveready.co.ke. Alternatively, shareholders may contact our Company registrars at the above mentioned address for the same.

2. Any member may, by notice duly signed by him or her and delivered to the Company Secretary, not less than 7 or more than 21 days before the date appointed for the Annual General Meeting, give notice of his intention to propose any person for election as director to the Board, such notice is to be accompanied by a notice signed by the person proposed indicating his or her willingness to be elected.

3. A copy of the Annual Report & Financial Statements, 2012 may be viewed on the Company's website at www.eveready.co.ke

Top 10 Individuals		
Name	**Shares**	**Percentage**
Karim Jamal	5,408,900	8.59%
Naran Khimji; Virji Khimmji Hirani	1,120,200	1.78%
Edna Karira Kihara	500,000	0.79%
Mahendra Dahy Abhai Patel & Jasumati Mahendra Patel	431,500	0.69%
Joseph Muriuki Daniel	394,700	0.63%
Pravinkant Lakhamshi Shah	366,600	0.58%
Johnson Mwangi Gitari	365,300	0.58%
Purshotam Singh Bharma Parotiben Sudhir Kumar &	314,900	0.50%
Premchand Shah	278,900	0.44%
Linus Wangombe Gitahi	268,900	0.43%

Top 10 Institutions		
Name	**Shares**	**Percentage**
East Africa Batteries Ltd	73,425,029	59.01%
Industrial & Commercial Development Corporation	36,583,575	29.40%
Co-op Custody A/C 4003	3,967,023	3.19%
CFCF Nominees Ltd A/c 210	830,300	0.67%
Chali Investments	338,500	0.27%
Denroma Investment Ltd	216,700	0.17%
Kericho Wholesalers Ltd	201,400	0.16%
Arvind Engineering Ltd	191,000	0.15%
Tausi Assurance Co. Ltd	162,600	0.13%
Continental Publishing & Comm. Network ltd	137,200	0.11%

Top 10 Foreign Investors		
Name	**Shares**	**Percentage**
Energizer International Inc.	22,061,559	97.54%
Abdulrasul Ismail Thawer	100,200	0.44%
Sadaf Seher & Fahim Ahmed	51,900	0.23%
Roger Alan Dainty	22,700	0.10%
Anthony John Duckworth	20,000	0.09%
Seven George Smith	19,000	0.08%
George Gitagia Kiarie	16,600	0.07%
Rakesh Kashyap	16,200	0.07%
Seraphim Kykkotis	14,000	0.06%
Shila Dhimantlal Samji Shah	12,500	0.06%

Top 10 Global Investors		
Name	**Shares**	**Percentage**
East Africa Batteries Ltd	73,425,029	34.96%
Industrial & Commercial Development Corporation	36,583,575	17.42%
Energizer International Inc	22,061,559	10.51%
Karim Jamal	5,408,900	2.58%
Co-op Custody A/c 4003	3,967,023	1.89%
Naran Khimji; Virji K Hirani	1,120,200	0.53%
CFCS Nominees Ltd A/c 210	830,300	0.40%
Edna Karira Kihara	500,100	0.24%
Mahendra Dahyabhai Patel Jasumati Mahendendra Patel	431,500	0.21%
Joseph Muriuki Daniel	394,700	0.19%

Directors Shareholding	
Name	**Shares**
Akif H. Butt	4,200
Susan Mudhune	7,000
Jackson Mutua	200

I am pleased to report an improved performance in a tight economic and market condition over the past year and the stage has been set for growth in oncoming years. Eveready’s key product lines have shown the benefits of our investment in our processes and efficiency improvements in recent years.

Net profit after tax increased 156% to KShs.70 million from a loss position of KShs.124 million in fiscal year 2011. The decline in revenues witnessed in the past was stemmed and sales were held steady at last year’s level notwithstanding significant competitive pricing, cost of capital and inflationary pressures experienced. A lean cost structure instituted in the year also resulted in significant margin gains in the year.

Dividends

The Board does not recommend the payment of a final dividend. We envisage spending retained earnings on investment in new business in 2013 and beyond together with improving our working capital position.

The Future

Our outlook remains positive and the Board remains committed to increasing returns to its shareholders and therefore beyond delivering improved performance, Eveready has been taking the right actions for the long term in order to build a sustainable business. We set out on a journey to adopt a new Strategic Plan 2013–2017 and the Board has expressed its support to its vision for the business in its mid-term plan, 2011 that will be incorporated in the “Plan”.

We will continue to identify unmet needs and opportunities to ensure that we can make a difference for our consumers; we look for areas where we have capabilities and advantages to shape the opportunity. In the past fiscal year, our go to market activities and lean cost culture enabled us to navigate a difficult market - we will continue to draw on these strengths to accomplish Eveready’s future goals and plans. In addition to our own capabilities, we will continue to use strategic alliances and arrangements that will give us access to our next projects.

The Board Succession

We looked carefully at our Board composition, considering the skills required to better inform our debates. We recognized the need to improve our consumer experience and were therefore delighted to welcome our new non executive independent director Catherine Ngahu, EBS who has abundant expertise in marketing. We will continue to ensure that we have the right balance of skills as we move forward.

People

It remains for me to thank our employees across all operations for their hard work in delivering good results in such a challenging year. Their commitment, enthusiasm and hard work are a basis for success of Eveready over the years.

Hon. A. Moody Awori
Chairman

Taarifa ya Mwenyekiti

Nina furaha kuwatangazia ongezeko katika utendaji wa shirika letu katika kipindi kigumu cha kiuchumi na hali ngumu ya soko mwaka uliopita. Bila shaka tumejiandaa kwa ukuaji katika miaka ijayo. Mazao makuu ya Eveready yamedhihirisha faida za kuwekeza katika michakato na uboreshaji wa utendaji katika miaka iliyopita.

Faida baada ya kutozwa ushuru imeongezeka kwa asilimia 156% na kuwa shilingi milioni sabini na tanu nukta tatu (70M) kutoka hasara ya shilingi milioni mia moja na sabini na tatu (124M) iliyoshuhudiwa mwaka wa matumizi ya fedha wa 2011. Kupungua kwa mapato kulikoshuhudiwa siku za hapo nyuma kulipunguzwa na mauzo kuimarishwa. Haya yalitokea japokuwa kulikuwa na ushindani mkali wa kibei, gharama ya mtaji na shinikizo la mfumko wa bei za bidhaa. Ufinyu wa gharama za kimfumo ulioasisiwa mwaka huu umezalisha ongezeko la faida.

Mgawo wa hisa

Halmashauri haipendekezi utolewaji wa mgawo wa faida. Tunatazamia kutumia mapato yetu kuwekeza katika biashara mpya katika mwaka wa 2013 na zaidi pamoja na kuboresha mtaji wetu wa kimatumizi.

Mustakabali

Mtazamo wetu ungali imara na kwamba halmashauri iko ngangari kuimarisha mapato kwa wanahisa wake. Hivyo basi licha ya uboreshaji wa utendaji Eveready imekuwa ikichukua hatua za muda mrefu na zifaazo ili kujenga biashara dhabiti. Tumeanza safari ya kutwaa Kielelezo cha Kimkakati cha 2013-2017 na kwamba halmashauri imedhihirisha kuunga mkono ruwaza yake ya kibiashara katika mpango kati wa mwaka wa 2011 ambao utajumuishwa kwenye Kielelezo hicho.

Tutazidi kutambua mahitaji ambayo hayajatimizwa pamoja na nafasi husika kuhakikisha kuwa tunaweza kubadili maisha ya wateja wetu. Aidha, tunaangazia pale tulipo na uwezo na nafuu kubadili nafasi hizo. Katika mwaka uliopita wa matumizi ya fedha mikakati yetu ya kimauzo pamoja na kaida ya gharama finyu ilituwezesha kumudu soko hilo gumu.Tutazidi kutumia nguvu hizi kutimiza malengo na mipango ya Eveready katika siku zijazo. Zaidi ya uwezo wetu binafsi tutazidi kutumia mikakati ya kimuungano ambayo itatufikisha kwenye miradi yetu ijayo.

Uridhi wa Halmashauri

Tulichunguza kwa uangalifu sura yetu ya Halmashauri hasa kwa kuzingatia stadi zinazohitajika ili kuboresha mijadala yetu. Tulitambua uhitaji wa kuboresha tajriba yetu ya wateja na hivyo basi tulimkaribisha Catherine Ngahu, EBS mkurugenzi wetu mpya ambaye ana tajriba katika elimu ya masoko. Tutazidi kuhakikisha kuwa tuna usawa wa kistadi kadri tunavyoendelea.

Wafanyakazi

Ningetaka kuwashukuru wafanyakazi wetu katika idara zote kwa uchapasi wao katika mwaka huu wenye changamoto nyingi. Kujitolea kwao, shauku na uchapasi ndio msingi wa unawiri wa miaka mingi wa Eveready.

Mheshimiwa. A. Moody Awori
Mwenyekiti

Managing Director's Statement

"In a challenging market, Eveready has performed well, as we continue to make progress against our plans"

It is pleasing to report a tremendous year of performance and growth for Eveready. Profit before tax increased 139% to KShs.68million from a loss of KShs.173million a year earlier.

Fiscal year 2012 was also a year of progress in delivering a sustainable model envisioned within the Board approved blue print outlined in our year 2011 mid-term plan. This plan is being delivered at pace and includes a new Strategic Plan for the Company for the period 2013–2017.

The year 2012 was a turbulent year for the East Africa economy, reflected in erratic weather conditions, escalating oil prices, weakening of the Kenya shilling and a high cost of borrowing. The above factors gave rise to strong inflationary pressures and sharp increase in commodity costs, stifling growth and having a significant impact on costs. Despite these conditions, 2012 was a better year for Eveready.

Our performance was made possible by these factors:
- Stabilization of revenues through the stemming of the decline witnessed in prior years,

- Cost cutting actions resulting to improved gross margin performance by 4%, and

- Unrealized exchange gain of KShs.51m which offset an almost equivalent value in financing cost.

2013 Outlook

We will continue to focus on growth by; leveraging on our scale and mode of operations in other markets, reducing costs by targeting every aspect of our operations to eliminate needless expenses wherever possible; and making operational improvements to our route to market programs in order to remain effective and efficient.

The main opportunity to add shareholder value presently lies in additional investment and resources will be commitment to this end in 2013. Investment actions will go towards the actions to create more business for Eveready which will be achieved by formulating new partnerships and alliances and investment in promising markets to drive growth.

We are also changing the organization. We envision the emergence of a culture rooted in strong values but with a sharper performance edge – vital if we are to succeed in today's markets. To support the transformation, we continue to invest in our people. We have identified performance management, people development and training as key to supporting our plans.

Conclusion

So we look back on a year of progress, measured both by strong results and changes to the business.

Our objectives for the future are clear and through the framework of the Strategic Plan 2013–2017 our stakeholders have specific identifiable commitments which focus every area of the business.

2013 will continue to be challenging to our business, but we are well prepared, and thanks to the dedication of our employees we are confident that we can continue to deliver sustainable growth and long term value to all stakeholders.

Jackson Mutua
Managing Director

Taarifa ya Mkurugenzi Mkuu

"Katika soko hili lenye changamoto, Eveready imetenda ipasavyo, huku tukizidi kukua dhidi ya mipango yetua"

Inapendeza kutangaza mwaka wenye mafanikio na ukuaji kwa Eveready. Faida kabla ya kutozwa ushuru iliongezeka kwa asilimia 139% hadi shilingi milioni sabini na tatu (68M) kutoka kwenye hasara ya shilingi milioni mia moja sabini na tatu (173M) mwaka mmoja uliopita.

Mwaka wa matumizi ya fedha wa 2012 vilevile ulikuwa mwaka wa maendeleo katika kuzalisha ruwaza iliyolenga kwenye kielelezo kilichoidhinishwa na Halmashauri mwaka wa 2011. Mpango huu unatimizwa kwa utaratibu na unajumuisha Kielelezo cha Kimkakati cha 2012 Kampuni cha kipindi cha mwaka wa 2013-2017.

Mwaka wa 2012 ulikuwa mwaka wenye pandashuka nyingi katika eneo la Afrika ya Mashariki. Hali hii ilijidhihirisha kupitia hali mbaya za hewa, bei za juu za mafuta, kudorora kwa shilingi ya Kenya na gharama ya juu ya kupata mikopo ya benki. Hali zilizotajwa hapo juu zilisababisha shinikizo kubwa la mfumko wa bei za bidhaa ikiwa ni pamoja na ongezeko la bei za bidhaa. Aidha kulishuhudiwa kudorora kwa kiwango cha ukuaji ambako kuliadhiri gharama kwa jumla. Ingawa hali hizi zilishuhudiwa, mwaka wa 2012 ulikuwa bora kwa Kampuni ya Eveready.

Kunawiri kwetu kulitokana na hali zifuatazo:
- Uimarikaji wa mapato kupitia kupunguza udororaji ulioshuhudiwa miaka iliyotangulia,
- Mbinu za kupunguza gharama ambazo ziliimarisha kiwango cha faida ya jumla kwa asilimia 4%, na
- Ongezeko la mapato ya ubadilishanaji bidhaa kwa shilingi milioni hamsini na moja (51M) ambalo lilifadhili gharama.

Sura ya mwaka wa 2013

Tutazidi kulenga ukuaji kwa kuimarisha mauzo yetu na mifumo ya utendaji katika masoko mengine, kupunguza gharama kwa kulenga kila hali ya utendaji wetu ili kuondoa matumizi ya fedha yasiyo ya lazima pale panapowezekana na pia kuboresha utendaji katika masoko yetu ili kutangaza miradi husika. Hii itahakikisha kuwa tumebakia kwenye nafasi murua na utendaji. Nafasi ya pekee ambayo inaweza kuongezea thamani ya wanahisa ipo kwenye uwekezaji mbadala na mali ambayo tutaunga mkono mwaka wa 2013.

Matendo ya uwekezaji yatalenga kutoa nafasi zaidi za kibiashara kwa Eveready ambako kutawezekana kupitia ujengaji ushirika mpya na miungano pamoja na uwekezaji katika masoko yenye uwezo wa kukua ili kujiimarisha.

Aidha, tunabadili shirika hili. Tunatazamia kuwepo kwa kaida inayojiegemeza kwenye maadili imara lakini yenye utendaji murua ambao ni muhimu katika kunawiri katika soko la kisasa. Ili kuungamkono mabadiliko haya tunazidi kuwekeza kwenye wafanyakazi wetu. Tumetambua utendaji kazi, ukuzaji wafanyakazi pamoja na ufundishaji kama kigezo kikuu cha kuimarisha mipango yetu.

Hitimisho

Hivyo basi mwaka huu ulikuwa wenye ukuaji ambao unadhihirishwa na matokeo mema pamoja na mabadiliko kwenye biashara.

Malengo yetu ya siku za usoni ni dhahiri na kupitia Kielelezo cha Kimkakati cha mwaka wa 2013-2017, wanahisa wetu wana majukumu imara yanayolenga kwenye kila aina ya biashara.

Mwaka wa 2013 utazidi kuwa wenye changamoto lakini tuko tayari. Tungependa kuwashukuru wafanyakazi wetu kwa kujitolea. Tuko na imani kuwa tunazidi kukua kwa muda mrefu ili kuongeza thamani ya wanahisa wetu.

Jackson Mutua
Managing Director

Director’s Report

The Directors submit their report together with the audited financial statements for the year ended 30 September 2012.

1. Principal Activity

Main business and operations

The 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 and Energizer flashlights and batteries and Schick razors and accessories.

2. Results for the year

The results for the year ended 30 September 2012 are set out on page 20.
The net profit for the year of K sh 70,084,000 (2011: Loss of K sh 123,994,000 has been added to the retained earnings.

3. Dividends

No dividend has been paid or proposed for the year ended 30 September 2012 (2011:Nil).

4. Director

The present composition of the Board is set out on page 3-4.

5. Auditors

BDO East Africa have expressed their willingness to continue in office in accordance with section 159(2) of the Kenyan Companies Act (CAP 486).

By Order of the Board

Issa Timamy
Company Secretary
5 December, 2012

At Eveready, we acknowledge that in order to create and build sustainable value to our shareholders we must be committed to achieving the highest standards of corporate governance. Eveready continues to support the Corporate Governance Guidelines issued by the Capital Markets Authority. Eveready complied with the guidelines except as may be indicated in this statement.

The Board of Directors is the highest governance body responsible for Eveready's strategic direction and activities. The Board is governed by a Code of Business Conduct and written Corporate Governance guidelines that comply with the Nairobi Stock Exchange (NSE) & the Capital Markets Authority (CMA) listing standards and guidelines. The guidelines set out the requirements relating to director responsibilities, qualification, compensation, orientation and continuing education and assessment of board performance among other things.

The Board has the following standing committees Audit Committee, Finance & Risk Committee, and the Remuneration & Nominations Committee. The descriptions of the mandates as well as the requirements of committee members are spelt out in the respective committee charters which are routinely updated. The role and function of the Committees are spelt out below:

a) Audit Committee

The Audit Committee of the Board of Directors assists the Board in fulfilling its responsibilities with respect to accounting and management controls, and financial reporting. Specifically, the Audit Committee is responsible for overseeing:

- the internal audit function and the work of the external auditor;
- that that the system of management controls in place in the Company is robust and effective, and protects the assets of the Company on a reasonable and economic basis
- provides for proper authorization and recording of transactions
- ensures financial information is reliable and accurate
- monitors compliance with laws and regulations;
- the issuance of financial statements and ensuring that these reflect fairly the financial situation and results of the company, in accordance with generally accepted accounting principles.

b) Finance & Risk Committee

The Finance and Risk Committee assists the Board in reviewing the financial plans, budgets and strategies of the Company, and ensures that all major risks facing the business are identified and addressed in a systematic fashion. The Committee works with management officers to examine and strengthen the quality of financial planning, and to maintain a comprehensive risk management framework.

c) Remuneration & Nominations Committee

The Remuneration and Nominations Committee assists the Board in addressing issues pertaining to remuneration levels and employee development and motivation. It ensures that the correct incentives and reward mechanisms are in place at the highest levels of the Company, whilst maintaining the principles of equity and appropriateness of compensation. The Committee is also the custodian of a systematic and transparent process for bringing new Directors on to the Board, and for proposing appointments to Board committees. It is comprised mainly of independent shareholders.

All matters deliberated upon by the Committees are tabled before the full Board in the form of a Committee Report as recommendations for the Board's decision.

Eveready's Board is required to be made up of up to nine (9) member three (3) of whom should be independent. We closed the year with eight (8) Directors. One third (1/3) of the Directors were independent.

The Board has delegated the management of the Company to the Managing Director who together with the management team are charged with the day to day operations of the Company. The Chairman meets separately with the Managing Director on a regular basis and other informal meetings take place between the Managing Director and the other directors as appropriate.

The Directors are usually authorized to fix their remuneration and the amounts paid are subsequently approved in gross terms by the shareholders at the Annual General Meetings. The Directors' costs which are related to their responsibilities to the Company as approved by the Chairman is met by the Company. The fees and emoluments paid out to Directors in fiscal year 2012 are set out in Note 30 (vi) in the page 48.

Remuneration of senior management is based on market rates and performance in line with the company's polices on remuneration and is outlined in page 48 of this Report under Note 30(vi).

There were no share option plans implemented in FY 2012 and no Director was advanced a loan by the Company in the same period.

Audit & Accounting Functions
The Company has engaged the Audit firm of KPMG to spearhead its internal Audit function. Audit findings and recommendations are tabled before the Audit Committee for review who approve any changes to Company operations.

The Company's external Auditors, BDO Associates, and the Company's Finance Manager are members of the Institute of Certified Public Accountants (ICPAK). The Auditors comply with the International Auditing Standards.

Board & Committees
The Board convenes at least four (4) times a year. The various board Committees also meet in the year to discuss various issues relating to the company.

The time, date, venue and agenda of the meetings are communicated in advance of the meetings. The Chairman manages the conduct of the meeting to ensure that open and constructive discussions are held between the board and management. Ad hoc committee and Board meetings are convened to consider particular matters.

Board & Committee Attendance Record FY2012

Directors	Board	R & N Committee	Audit Committee	Finance & Risk Committee
Hon. Moody Awori (Chairman)	4 (out of 4)	n/a	n/a	n/a
Jackson Mutua	4 (out of 4)	4 (out of 4)	4 (out of 4)	4 (out of 4)
Akif Butt	4 (out of 4)	4 (out of 4)	4 (out of 4)	4 (out of 4)
Paul Scott	1 (out of 4)	1 (out of 4)	1 (out of 4)	1 (out of 4)
Fauzia Shah	4 (out of 4)	4 (out of 4)	4 (out of 4)	4 (out of 4)
ICDC (Alt. Peter Kimurwa)	4 (out of 4)	4 (out of 4)	4 (out of 4)	4 (out of 4)
Catherine Ngahu, EBS[1]	2 (out of 4)	2 (out of 4)	2 (out of 4)	2 (out of 4)
Susan Mudhune	4 (out of 4)	4 (out of 4)	4 (out of 4)	4 (out of 4)

[1]Appointed on 1 July 2012

The formal sessions recorded are outside of other meetings held between the Chairmen of the various committees and the Board Chairman and those between the Managing Director and the Board Chairman.

Securities trading
As a public company Eveready operates in an increasingly regulated and scrutinized environment. Eveready's culture is rooted in strong ethical behavior and this is evidenced by the sets of guidelines adopted by the company to guide everyday behavior. We have an ongoing ethics program and also have a set of codes and standards that we expect our suppliers and business partners to adhere to.

In accordance with the CMA guidelines on price sensitive information, Eveready has adopted an Insider Trading policy. Under this policy, Directors and employees of the company are prohibited from trading or otherwise dealing in company stock if they are in possession of price sensitive information which is not generally available to the public. In addition, Directors and employees are prohibited from trading in or otherwise dealing in company stock when a major announcement is imminent such as prior to the release of interim and annual results and when major negotiations are being undertaken.

Katika Eveready, tunatambua kuwa ili kujenga thamani imara kwa wanahisa wetu ni lazima tujitolee kufikia kiwango cha juu cha vigezo vya utawala wa kimashirika. Eveready inazidi kuungamkono Miongozo ya Utawala wa Kimashirika kama ilivyotolewa na Capital Markets Authority. Eveready imezingatia miongozo hii isipokuwa pale tu panapobainishwa na taarifa hii.

Halmashauri ndicho kiungo kikuu cha utawala chenye wajibu wa kutoa mwongozo wa kimikakati kwa Eveready. Halmashauri hii inaongozwa na maadili ya kibiashara na mwongozo wa maadili ya kimashirika ambao unafungamana na Soko la Hisa la Nairobi (Nairobi Stock Exchange) pamoja na Capital Markets Authority. Mwongozo huu unatoa matarajio ya mkurugenzi, wajibu wake, sifa zake, marupupurupu yake, mafunzo pamoja na utathmini wa utendakazi wa halmashauri pamoja na matarajio mengineyo.

Halmashauri inajumuisha kamati zifuatazo; Kamati ya Uhasibu, Kamati ya Fedha na Hatari, na Kamati ya Mishahara na Uteuzi. Ufafanuzi wa majukumu pamoja na sifa za wanakamati hizo umefafanuliwa kwenye hati husika ambazo huwa zinaboreshwa mara kwa mara. Wajibu na majukumu ya Kamati hizi ni kama ufuatao:

a) Kamati ya Uhasibu

Kamati hii inasaidia Halmashauri kutimiza wajibu kuambatana na uhasibu na utawala pamoja na taarifa za kifedha. Hususan Kamati ya Uhasibu uangazia:

- Jukumu la kishirika la uhasibu pamoja na kazi za mhasibu wa nje;
- Kuwa mfumo wa kumudu utawala uko imara na unalinda mali za kampuni katika kiwango cha kifaacho cha kiuchumi;
- Kutoa idhini na kuweka kumbukumbu za hesabu;
- Kuhakikisha kuwa taarifa za kifedha zinaweza kutegemewa na vilevile zi sahihi;
- Kufuatilia utimizwaji wa sheria;
- Kutolewa kwa taarifa za kifedha pamoja na kuhakikisha kuwa taarifa hizo zinaashiria hali sahihi ya kifedha kwa mujibu wa maadili husika.

b) Kamati ya Fedha na Hatari

Kamati hii husaidia Halmashauri kuhakiki mipango ya kifedha, bajeti na mikakati, pamoja na kuhakikisha kuwa hatari zote kuu zinazoikumba kapuni zimetambuliwa na kushughulikiwa kwa mfumo mwafaka. Aidha, kamati hii hushirikiana na maafisa wa kiutawala kutathmini ubora wa mipango ya kifedha pamoja na kuhakikisha kuwepo kwa muudo murua wa kukabiliana na hatari.

c) Kamati ya Mishahara na Uteuzi

Kamati hii husaidia Halmashauri kushughulikia masuala ya mishahara pamoja na ukuaji na utoaji motisha kwa wafanyakazi. Inahakikisha kuwa motisha zifaazo pamoja na mifumo ya mshahara iko imara katika daraja kuu la Kampuni huku ikizingatia maadili na ufaafu wa marupurupu husika. Kamati hii vilevile ndiyo ilindayo mifumo murua ya kuteua wakurugenzi wapya kwenye Halmashauri na pia kupendekeza wale watakaoteuliwa kwenye kamati mbalimbali. Kamati hii inajumuisha tu wanahisa wa kujitegemea.

Masuala yote yaliyoshughulikiwa na Kamati hizi upelekwa kwa Halmashauri kama ripoti ya kamati mbalimbali kuwa mapendekezo kwa uamuzi wa Halmashauri.

Halmashauri ya Eveready inapaswa kujumuisha watu tisa (9). Watatu wa wanachama hawa wanaa kuwa wa kujitegemea – wasiogemea upande wowote. Tulifunga mwaka tukiwa na wakurugenzi wanane (8). Thuluthi (1/3) ya wakurugenzi hawa walikuwa wa kujitegemea.

Halmashauri imekabidhi utawala wa kampuni kwa Mkurugenzi Mkuu ambaye kwa pamoja na jopo la watawala wana jukumu la kushughulikia utendakazi wa kampuni wa kila siku. Mwenyeki hukutana na Mkurugenzi Mkuu mara kwa mara huku mikutano mingineyo inayohusu taarifa mbalimbali ikifanyika baina ya Mkurugenzi Mkuu na wakurugenzi wengine husika.

Wakurugenzi wamepewa mamlaka ya kumudu mishahara na malipo yatolewayo kwa kuidhinishwa na wanahisa kwa misingi ya wanahisi waliohudhuria Mikutano Mikuu ya kila mwaka. Gharama za Mkurugenzi zinazohusiana na majukumu ya kikampuni na ambazo zimeidhinishwa na kampuni husimamiwa na Kampuni. Ujira na malipo mengineyo yanayotolewa kwa wakurugenzi katika mwaka wa matumizi ya fedha wa 2012 yamefafanuliwa kwenye Nakala 30 (vi) ukurasa wa 48.

Mishahara ya watawala wakuu imegemezwa kwenye viwango vya soko pamoja na utendakazi wao kuambatana na sera za kampuni kuhusu mishahara. Hii imeelezwa katika ukurasa wa 48 kwenye ripoti hii ndani ya Nakala 30 (vi).

Hakukuwa na mipango ya hisa mbadala zilizotekelezwa katika mwaka wa matumizi ya fedha wa 2012 na kwamba hakuna mkurugenzi aliyepewa mkopo na Kampuni katika kipindi hiki.

Shughuli za Kiuhasibu na Kifedha
Kampuni ilihusisha kampuni ya uhasibu ya KPMG ili kuongoza uhasibu wake wa ndani. Matokeo ya uhasibu huu pamoja na mapendekezo yaliyomo huwekwa mbele ya Kamati ya Uhasibu ili kutathminiwa na kisha kamati hiyo hufanya masahihisho yafaayo.

Wahasibu wa nje wa Kampuni, BDO Associates pamoja na Mkuu wa Idara ya Fedha ya Eveready ni wanachama wa Taasisi ya Wahasibu wa Umma Nchini (ICPAK). Wahasibu hawa huzingatia viwango vya kimataifa vya uhasibu.

Halmashauri na Kamati
Halmashauri hukutana takriban mara nne (4) kwa mwaka. Kamati mbalimbali za Halmashauri pia hukutana kila mwaka kujadili masuala kuhusu Kampuni.

Wakati, saa, mahali pamoja na ajenda za mikutano hii hutangazwa kabla ya mikutano kufanyika. Mwenyekiti humudu mikutano hiyo kuhakikisha kuwa mijadala wazi inafanyika kati ya halmashauri na utawala. Kamati za dharura na zile za Halmashauri hufanyika ili kuangazia masuala mahsusi.

Rekodi ya Uhudhuriaji wa Halmashauri na Kamati - mwaka wa 2012

Wakurugenzi	Halmashauri	Kamati ya Mishahara na Uteuzi	Kamati ya Uhasibu	Kamati ya Fedha na Hatari
Hon. Moody Awori (Mwenyekiti)	4 (kwa 4)	n/a	n/a	n/a
Jackson Mutua	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)
Akif Butt	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)
Paul Scott	1 (kwa 4)	1 (kwa 4)	1 (kwa 4)	1 (kwa 4)
Fauzia Shah	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)
ICDC (Alt. Peter Kimurwa)	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)
Catherine Ngahu, EBS[1]	2 (kwa 4)	2 (kwa 4)	2 (kwa 4)	2 (kwa 4)
Susan Mudhune	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)	4 (kwa 4)

[1] Aliteuliwa Julai 1 2012

Vikao hivi rasmi vimenakiliwa nje ya mikutano mingineyo iliyohudhuriwa baina ya Wenyekiti wa kamati mbalimbali pamoja na Mwenyekiti na ile kati ya Mkurugenzi Mkuu na Mwenyekiti.

Biashara ya Dhamana
Kama kampuni ya umma Eveready inatenda shughuli zake katika mazingira yenye kupigwa darubi na yenye kudhibitiwa. Kaida zake zimeegemezwa kwenye miongozo imara ya kitabia na kimaadili. Hali hii inadhihirika kupitia sheria zilizotwaaliwa ili kuongoza tabia za kila siku. Kwa sasa tunayo miradi ya kimaadili na yenye ubora ambao wagawaji wetu pamoja na washirika wetu wa kibiashara wanafaa kuwa nayo.

Kuambata na sheria za CMA za taarifa siri za bei, Eveready imetwaa Sera ya Kibiashara. Kulingana na sera hii, wakurugenzi na wafanyakazi wa kampuni hii hawafai kufanya biashara ya kuuza hisa ikiwa wanamiliki taarifa za siri za bei ambazo hazipatikani na umma. Aidha, wakurugenzi na wafanyakazi hawafai kufanya biashara za hisa ikiwa kunatarajiwa kuwepo kwa tangazo muhimu kama vile la matokeo ya muda au ikiwa mijadala inaendelea kuhusu hisa hizo.

Statement of Directors' Responsibilities

The Directors are required in terms of the Kenyan Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and places considerable importance on maintaining a strong control environment. To enable the Director to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Company's cash flow forecast for the year ended 30 September 2012 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on page 19.

Jackson Mutua
Managing Director
5 December 2012

Akif Butt
Director
5 December 2012

BDO

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To the member of Eveready East Africa Limited

Report on the Financial Statements

We have audited the financial statements of Eveready East Africa Limited, which comprise the statement of financial position as at 30 September 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the director's report, as set out on pages 20 to 48.

Director's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and requirements of the Kenyan Companies Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eveready East Africa Limited as at 30 September 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Kenyan Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:
- 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;
- In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- The Company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.

BDO East Africa
Certified Public Accountants of Kenya
5 December 2012

BDO East Africa is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms

Statement of Comprehensive Income *for the Year Ended 30 September 2012*

	Notes	2012 K Sh '000	2011 K Sh '000
Revenue	5	1,374,789	1,374,847
Cost of sales	6	(1,060,221)	(1,106,411)
Gross profit		**314,568**	**268,436**
Other income	7	111,918	4,927
Operating expenses		(358,389)	(317,070)
Operating profit (loss)	8	**68,097**	**(43,707)**
Finance costs	9	817	(129,501)
Profit (loss) before taxation		**68,914**	**(173,208)**
Taxation	10	1,170	49,214
Profit (loss) for the year		**70,084**	**(123,994)**
Other comprehensive income		-	-
Total comprehensive income (loss)		**70,084**	**(123,994)**
Earnings per share			
Per share information			
Basic earnings / (loss) per share	11	0.33	(0.59)

Statement of Financial Position *as at 30 September 2012*

	Notes	2012 K Sh '000	2011 K Sh '000
Assets			
Non Current Assets	12	182,428	201,286
Property, plant and equipment	13	205	209
Prepaid operating lease rentals	14	88,982	76,112
Deferred tax	15	3,071	5,593
Retirement benefit asset			
		274,686	**283,200**
Current Assets			
Inventories	16	592,597	509,131
Trade and other receivables	17	176,710	188,339
Current tax receivable	18	6,944	6,944
Cash and cash equivalents	19	99,792	29,294
		876,043	**733,708**
Total Assets		**1,150,729**	**1,016,908**
Equity and Liabilities			
Equity			
Share capital	20	210,000	210,000
Retained income		139,489	69,405
		349,489	**279,405**
Liabilities			
Non Current Liabilities			
Deferred tax	14	37,476	25,776
Provisions for liabilities and charges	21	68,000	53,300
		105,476	**79,076**
Current Liabilities			
Other financial liabilities	22	185,628	133,484
Trade and other payables	23	234,738	216,532
Bank overdraft	19	275,398	308,411
		695,764	**658,427**
Total Liabilities		**801,240**	**737,503**
Total Equity and Liabilities		**1,150,729**	**1,016,908**

The financial statements and the notes on pages 20 to 48, were approved for issue by the Board on the 5 December 2012 and were signed on its behalf by:

Jackson Mutua
Managing Director
5 December 2012

Akif Butt
Director
5 December 2012

Statement of Changes in Equity *for the Year Ended 30 September 2012*

	Share capital K Sh '000	Retained income K Sh '000	Total equity K Sh '000
Balance at 01 October 2010	**210,000**	**193,399**	**403,399**
Changes in equity			
Total comprehensive loss for the year	-	(123,994	(123,994)
Total changes	-	(123,994)	(123,994)
Balance at 01 October 2011	**210,000**	**69,405**	**279,405**
Changes in equity			
Total comprehensive income for the year	-	70,084	70,084
Total changes	-	70,084	70,084
Balance at 30 September 2012	**210,000**	**139,489**	**349,489**

Statement of Cash Flows *for the Year Ended 30 September 2012*

	Notes	2012 K Sh '000	2011 K Sh '000
Cash flows from operating activities			
Cash used in operations	25	(54,881)	161,281
Finance costs		817	(129,501)
Net cash from operating activities		**(54,064)**	**31,780**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(6,558)	(11,359)
Sale of property and equipment	12	111,989	**63**
Net cash from investing activities		**105,431**	**(11,296)**
Cash flows from financing activities			
Changes in other financial liabilities		52,144	(49,710)
Net cash from financing activities		**52,144**	**(49,710)**
Total cash movement for the year		**103,511**	**(29,226)**
Cash at the beginning of the year		(279,117)	(249,891
Total cash at end of the year	19	**(175,606)**	**(279,117)**

The accounting policies on pages 23 to 29 and the notes on pages 30 to 48 form an integral part of the financial statements.

Cash at the beginning of the year		(279,117)	(249,891)

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Kenyan Companies Act. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Kenya Shillings.

These accounting policies are consistent with the previous period.

1.1 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Kenyan Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Kenyan Shillings by applying to the foreign currency amount the exchange rate between the Kenyan Shilling and the foreign currency at the date of the cash flow.

1.2 Segment reporting

IFRS 8, Operating Segments requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the board of directors. The Company defines operating segments mainly on the basis of geographical areas.

1.3 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.4 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.5 Employee benefits

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.

Defined contribution plans

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.

The Company's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate. The Company has no further obligation once the contributions have been paid.

Defined benefit plans

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.

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 statement of comprehensive income 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 liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position 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.

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.

The liability recognised in the statement of financial position and the Company contributions are assessed using the projected unit credit method. The notional contributions are charged to the statement of comprehensive income in the year to which they relate.

The estimated monetary liability for employees' accrued annual leave entitlement at the date of the statement of financial position is recognised as an expense accrual.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset

1.6 Tax (continued)

is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses and credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Dividends

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

1.8 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset 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.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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 statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	25-30 years
Plant and machinery	15 years
Furniture and fixtures	6 years
Motor vehicles	3 years
Computers	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.9 Prepaid operating lease rentals

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

1.9 Prepaid operating lease rentals (continued)

Prepaid operating lease rentals are initially recognised at cost.
Prepaid operating lease rentals are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these prepaid operating lease rentals, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other prepaid operating lease rentals amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the prepaid operating lease rentals, on a straight line basis, to their residual values as follows:

Item	Useful life
Prepaid operating lease	100 years

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease income is recognised as an income on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.
Any contingent rents are expensed in the period they are incurred.

1.11 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist

1.11 Impairment of assets (continued)

or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.13 Inventories

Inventories are measured 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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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. The cost of imported finished goods comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.14 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- **Loans and receivables**

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

1.14 Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

Impairment losses are also not subsequently reversed for available for sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

1.15 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.16 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparatives

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

2. Risk management

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Finance Department identifies, evaluates and hedges financial risks.

A description of the significant risk factors is given below together with the risk management policies applicable:

Foreign exchange risk

The Company closely monitors foreign exchange rates. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. Foreign currency letters of credit facilities are also used to manage foreign currency fluctuations. Management also considers whether foreign exchange hedges should be undertaken when exchange rate fluctuations are more volatile than normal.

The Company's main currency risk arises from a depreciation of the Kenya Shilling against the US Dollar or the GB Pound since the Company has significant liabilities that are denominated in US Dollars or GB Pound.

For the year ended 30 September 2012, if the Kenya Shilling weakened/ (strengthened) by 1% against the US Dollar or the GB Pound, with all other variables held constant, the post tax loss for the year would have been lower/ (higher) as stated below, mainly as a result of foreign currency purchases and creditors.

US Dollar ~ K Sh 4,126,300 lower/(higher) (2011: K Sh 1,018,649 lower/(higher))
GB Pound ~ K Sh Nil lower/(higher) (2011: K Sh 32,280 lower/(higher))

Cash flow and fair value interest rate risk

As the Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short term and long term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company monitors its interest rate exposure regularly, taking into account alternative financing options to ensure that optimum interest rates are obtained and that the risk borne is reasonable.

Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents, as well as trade and other receivables, derivative financial instruments and trade debtors. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non performance by these counterparties.

Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables. The Company does not have any significant concentrations of credit risk. The Company's customers comprise mainly of contracted distributors and the main retail supermarkets. The Company's policies require that each customer's credit limit be supported by a bank guarantee; any excess above the credit limit are assessed on a case by case basis, and usually requires approval by the Managing Director. Individual risk limits are set based on a customer's financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment.

The amount that best represents the Company's exposure to credit risk as at 30 September 2012 is made up as follows:

	2012 K Sh '000	2011 K Sh '000
Trade receivables	161,550	169,534
Other receivables	15,160	18,805
Cash and cash equivalent	99,792	29,294
	276,502	**217,633**

No collateral is held for any of the above assets. All receivables that are either past due or impaired are within their approved credit limits, and no such receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

All receivables past due by more than 90 days are considered to be impaired, and are carried at their estimated recoverable value.

	2012 K Sh '000	2011 K Sh '000
Past due but not impaired		
- by up to 30 days	93,017	124,957
- by 31 to 90 days	63,716	36,846
- over 90 days	13,144	13,224
Total past due but not impaired	**169,877**	**175,027**
Impaired	8,327	5,494

2. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Management monitors rolling forecasts of the Company's liquidity position on the basis of expected cash flows.

The table below analyses the company's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position as at 30 september 2012 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 September 2012	Less than 1 year	Between 2 and 5 years
Borrowings	185,628	-
Bank overdraft	275,398	-
Trade and other payables	234,738	-
Gratuity	-	68,000

At 30 September 2011	Less than 1 year	Between 2 and 5 years
Borrowings	133,484	-
Bank overdraft	308,411	-
Trade and other payables	216,532	-
Gratuity	-	53,300

2. Risk management (continued)

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the statement of financial position as at 30 september 2012) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position as at 30 september 2012 plus net debt.

The gearing ratio at 2012 and 2011 respectively were as follows:

	Notes	2012 K Sh '000	2011 K Sh '000
Total borrowings			
Other financial liabilities	22	185,628	133,484
Less: Cash and cash equivalents	19	(175,606)	(279,117)
Net debt		361,234	412,601
Total equity		349,489	279,405
Total capital		**710,723**	**692,006**
Gearing ratio		51%	58%

3. 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.

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 1.8 above.

Income taxes
Significant judgement is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Critical accounting estimates and judgements (continued)

(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:
• classification of leases
• the useful lives of, or expected pattern of consumption of the future economic benefits embodied in depreciable assets
• whether assets are impaired
• the value of deferred tax asset recognised
• provision for bad and doubtful debts
• provision for stock obsolescence
• the fair value of financial liabilities.

4. Segmental Information

The Company defines operating segments on the basis of geographical regions. During the financial year ended 30 September 2012, Eveready expanded its distribution channels in the Tanzania markets, mainly in respect of the D size battery. Volumes in this market accounted for 20% of the total sales reported during the year. Uniform accounting policies were applicable to all operating segments.

Segmental Operating Results:

	2012 K Sh '000	2011 K Sh '000
Sales		
Export sales	228,002	271,054
Local sales	1,146,787	1,103,793
Total	**1,374,789**	**1,374,847**
Gross profit		
Export sales	8,840	52,923
Local sales	305,728	215,514
Total (2012: 23% margin, 2011:20% margin)	**314,568**	**268,437**
Total assets (Debtors)		
Export debtors	382	-
Local debtors	161,168	169,534
	161,550	**169,534**

5. Revenue

	2012 K Sh '000	2011 K Sh '000
Sales of manufactured goods	906,140	926,128
Sales of purchased goods	468,649	448,719
	1,374,789	**1,374,847**

6. Cost of sales

	2012 K Sh '000	2011 K Sh '000
Sale of goods		
Cost of goods sold	1,060,221	1,106,411

	2012 K Sh '000	2011 K Sh '000
7. Other income		
Profit and loss on disposal of assets	108,532	63
Rental income	2,163	1,420
Other miscellaneous income	1,223	3,444
	111,918	**4,927**

8. Operating profit (loss)

Operating profit (loss) for the year is stated after accounting for the following

	2012 K Sh '000	2011 K Sh '000
Profit on sale of property, plant and equipment	108,532	63
Employee costs	323,592	222,359
Depreciation on property, plant and equipment	21,630	26,483
Amortization of prepaid lease rentals	4	3
Auditors' remuneration	715	715
Operating lease rentals expensed	5,454	5,332
Employee benefit expense		
Salary and wages	315,633	196,780
Retirement benefit expense:		
Defined contribution scheme	7,834	15,263
Defined benefit scheme	-	10,097
National Social Security Fund	125	219
	323,592	**222,359**
b) Expenses by nature		
Depreciation	21,631	26,483
Amortisation	4	4
Employee benefits expenses	323,592	222,359
Changes in inventories of finished goods and WIP	219,656	371,325
Raw materials and consumables used	560,813	430,375
Transportation	2,215	1,165
Other expenses	290,699	371,770
	1,418,610	**1,423,481**

	2012	2011
9. Finance costs		
Net foreign exchange (gain) / loss	(51,138)	87,491
Current borrowings	50,321	42,010
	(817)	**129,501**

	2012 K Sh '000	2011 K Sh '000
10. Taxation		
Major components of the tax income		
Current tax	-	355
Deferred		
Originating and reversing temporary differences	(1,170)	(49,569)
	(1,170)	**(49,214)**
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	68,914	(173,208)
Tax at the applicable tax rate of 25% (2011: 25%)	17,229	(43,302)
Tax effect of adjustments on taxable income		
Over provision of deferred tax in prior year	-	(8,150)
Income not subject to tax	(27,863)	-
Tax effect of movement in retirement benefit provision	2,796	(1,313)
Disallowed expenses	6,668	3,551
	(1,170)	**(49,214)**

11. Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2012 K Sh '000	2011 K Sh '000
From continuing operations (K Sh per share)	0.33	(0.59)
Profit or loss for the year attributable to equity holders of the Company (K Sh '000)	70,084	(123,994)
Basic earnings (loss)	70,084	(123,994)
Weighted average number of ordinary shares used for basic earnings per share	210,000	210,000

Dividends per share

No dividend is proposed for the year ended 30 September 2012 (2011: Nil). No interim dividend was paid during the year (2011: Nil).

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

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

12. Property, plant and equipment

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	49,698	(28,700)	20,998	49,734	(27,450)	22,284
Plant and machinery	365,179	(221,071)	144,108	363,197	(207,207)	155,990
Furniture and fixtures	30,303	(24,599)	5,704	30,353	(23,940)	6,413
Motor vehicles	79,328	(75,272)	4,056	79,328	(69,557)	9,771
IT equipment	17,788	(16,585)	1,203	17,794	(14,190)	3,604
Capital work in progress	6,359	-	6,359	3,224	-	3,224
Total	**548,655**	**(366,227)**	**182,428**	**543,630**	**(342,344)**	**201,286**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers and other movements	Depreciation	Total
Buildings	22,284	-	(2,288)	-	1,002	20,998
Plant and machinery	155,990	-	(913)	2,895	(13,864)	144,108
Furniture and fixtures	6,413	-	(50)	-	(659)	5,704
Motor vehicles	9,771	-	-	-	(5,715)	4,056
IT equipment	3,604	200	(206)	-	(2,395)	1,203
Capital work in progress	3,224	6,358	-	(3,223)	-	6,359
	201,286	**6,558**	**(3,457)**	**(328)**	**(21,631)**	**182,428**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers	Other movements	Depreciation	Total
Buildings	24,916	-	-	-	(2,632)	22,284
Plant and machinery	139,530	-	30,659	-	(14,199)	155,990
Furniture and fixtures	7,435	-	128	-	(1,150)	6,413
Motor vehicles	8,614	-	5,570	-	(4,413)	9,771
IT equipment	7,455	-	322	(83)	(4,090)	3,604
Capital work in progress	37,068	11,359	(36,679)	(8,524)	-	3,224
	225,018	**11,359**	**-**	**(8,607)**	**(26,484)**	**201,286**

The Company's property, plant and equipment has been pledged as security under floating charge in respect of short term bank borrowings (see Note 22 and 24).

13. Prepaid operating lease rentals

	2012			2011		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated depreciation	Carrying value
Prepaid operating lease rentals	362	(157)	205	362	(153)	209

Reconciliation of prepaid operating lease rentals - 2012

	Opening balance	Amortisation	Total
Prepaid operating lease rentals	209	(4)	205

Reconciliation of prepaid operating lease rentals - 2011

	Opening balance	Amortisation	Total
Prepaid operating lease rentals	211	(2)	209

14. Deferred tax

Deferred income tax is calculated using the enacted income tax rate of 25% (2011: 25%). The movement on the deferred income tax account is as follows:

There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity.

	2012 K Sh '000	2011 K Sh '000
Deferred tax assets	88,982	76,112
Deferred tax liabilities	(37,476)	(25,776)
Net deferred tax asset	**51,506**	**50,336**
Movement of the deferred tax account is as follows:		
At 1 October	50,336	767
Credit / (Charge) to the statement of comprehensive income	1,170	49,569
At 30 September	**51,506**	**50,336**

14. Deferred tax (continued)

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable.

Deferred income tax assets and liabilities, deferred income tax (charge)/credit in the statement of comprehensive income are attributable to the following items:

Deferred tax (liability) /asset	2012 K Sh '000	2011 K Sh '000
Accelerated capital allowances for tax purposes	(23,341	(25,776)
Unrealised exchange differences	(13,368)	20,790
Provision for obsolete stock	11,953	12,111
Provision for retirement benefit obligation	(767)	1,398
Provision for plant closure	18,601	-
Tax losses available for set off against future taxable income	39,836	26,049
Provision for staff leave	1,592	664
Provision for gratuity	17,000	15,100
	51,506	50,336

Reconciliation of deferred tax asset (liability)

	2012	2011
At beginning of the year	50,336	767
Accelerated capital allowances	2,435	(3,759)
Retirement benefit asset	631	1,483
Unrealised exchange differences	(34,158)	24,780
Provision for staff leave	928	(1,820)
Provision for gratuity	1,900	(9,275)
Tax losses	13,787	26,049
Provision for obsolete stock	(158)	12,111
Provision for closure	18,601	-
Adjustment on opening balance	(2,796)	-
	51,506	50,336

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

15. Retirement benefits

Defined benefit plan

Carrying value	2012 K Sh '000	2011 K Sh '000
Present value of the defined benefit obligation partially or wholly funded	(7,334)	(7,996)
Fair value of scheme assets	12,341	10,072
Net actuarial gains or losses not recognised	(1,936)	3,517
	3,071	**5,593**

15. Retirement benefits (continued)

Movements for the year	2012 K Sh '000	2011 K Sh '000
Opening balance	(5,593)	(339)
Contributions by employer	-	(15,351)
Other	(31)	-
Net expense recognised in profit or loss	2,553	10,097
	(3,071)	(5,593)

Net expense recognised in profit or loss

	2012 K Sh '000	2011 K Sh '000
Interest cost	990	6,248
Actuarial (gains) losses	2,507	9,704
Expected return on plan assets	(944)	(5,855)
	2,553	10,097

Key assumptions used

Assumptions used on last valuation on 20 November 2012.

	2012	2011
Discount rates used	12.00%	13.50%
Expected rate of return on assets	10.00%	10.00%

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 from 1 October 2006. Future service benefits for all non unionised employees will be through the defined contribution scheme.

Defined contribution plan

Following the closure of the defined benefit scheme, 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 2012, the Company contributed K Sh 7,834,345 (2011: K Sh 15,262,960), which has been charged to the statement of comprehensive income.

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 2012, the Company contributed K Sh 617,200 (2011: K Sh 218,581), which has been charged to the statement of comprehensive income.

16. Inventories	2012 K Sh '000	2011 K Sh '000
Raw materials, components	281,679	217,469
Work in progress	15,134	32,627
Finished goods	271,329	238,704
Maintenance stock	24,455	20,331
	592,597	509,131

a) The cost of inventory recognised as expense and included in cost of sales amounted to K Sh 799,421,875 (2011: K Sh 712,438,630)

b) Borrowings are secured by floating charges on the assets of the Company including inventory.

17. Trade and other receivables

	2012 K Sh '000	2011 K Sh '000
Trade receivables	161,550	169,534
Prepayments	6,204	10,967
Amounts due from related parties	2,284	440
Other receivable	6,672	7,398
	176,710	188,339
Trade receivables comprise of the following:		
Trade receivables	169,877	175,028
Provision for impairment losses	(8,327)	(5,494)
	161,550	169,534

The fair values of trade and other receivables approximate to their carrying amount.

18. Current tax payable / (receivable)

	2012 K Sh '000	2011 K Sh '000
Balance at beginning of the year	6,944	7,299
Current tax for the year recognised in profit or loss	-	(355)
Balance at end of the year	(6,944)	(6,944)
	-	-

19. Cash and cash equivalents

Cash and cash equivalents consist of:	2012 K Sh '000	2011 K Sh '000
Bank balances	9,337	29,294
Short term deposits	90,455	-
Bank overdraft	(275,398)	(308,411)
	(175,606)	**(279,117)**
Current assets	99,792	29,294
Current liabilities	(275,398)	(308,411)
	(175,606)	**(279,117)**

20. Share capital

	2012	2011
Authorised, issued and fully paid up ordinary share capital 210,000,000 ordinary shares of par value of K Sh 1	210,000	210,000

21. Provisions for liabilities and charges

Reconciliation of provisions for liabilities and charges - 2012

	Opening balance	Additions	Total
Service gratuity	53,300	14,700	68,000

Reconciliation of provisions for liabilities and charges - 2011

	Opening balance	Utilised during the year	Total
Service gratuity	97,500	(44,200)	53,300

An actuarial valuation was carried out to determine the present value of the gratuity component of the retirement benefit. According to the valuation report, the Company's obligation at 30 September 2012 amounted to K Sh 68,000,000 (2011: K Sh 53,300,000), resulting in a debit of K Sh 14,700,000 (2011:credit of K Sh 44,200,000) to the statement of comprehensive income during the year.

The principal actuarial assumptions used were as follows:
- Discount rate: 2012: 12% p.a. (2011: 13.5% p.a.)
- Future salary increase: 2012: 10% p.a. (2011: 10.5% p.a.)
- Retirement age: 2012: 60 years (2011: 60 years)

22. Other financial liabilities

	2012 K Sh '000	2011 K Sh '000
At fair value through profit or loss		
Short term loan Citi bank	185,628	133,484
Current liabilities		
Fair value through profit or loss	185,628	133,484

(a)The borrowings are secured as follows:
(i) An all asset debenture over present and future assets of the Company for USD 5,800,000 to rank pari passu with existing debenture holders.
(ii) Negative pledge over the assets of the Company not charged to the Bank.
(iii) Inter lenders Agreement.
(iv) Debenture for aggregate of K Sh 175,000,000 over all assets of the borrower to rank pari passu with existing debenture holders.
(b) The interest rates are as follows:
(i) Issuance of letters of credit and trade loans: 3 month USD LIBOR + 2.5%
(ii) Advances and overdraft: 91 day Government of Kenya treasury bill rate + 3.5%.

The carrying amounts of financial liabilities at fair value through profit or loss are denominated in the following currencies:

US Dollar	2,176,610	1,335,138

Other financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

23. Trade and other payables

	2012 K Sh '000	2011 K Sh '000
Trade payables	110,474	81,481
Amount due to related party	20,058	91,850
Accrued expense	95,025	25,468
Other payables	9,181	17,733
	234,738	216,532

The fair values of trade and other payables approximate to their carrying amount.

24. Bank overdraft

	2012 K Sh '000	2011 K Sh '000
Bank overdraft	275,398	308,411

(a)The borrowings are secured as follows:
(i) An all asset debenture over present and future assets of the Company for USD 5,800,000 to rank pari passu with existing debenture holders.
(ii) Negative pledge over the assets of the Company not charged to the Bank.
(iii) Inter lenders Agreement.
(iv) Debenture for aggregate of K Sh 175,000,000 over all assets of the borrower to rank pari passu with existing debenture holders.
(b) The interest rates are as follows:
(i) Issuance of letters of credit and trade loans: 3 month USD LIBOR + 2.5%
(ii) Advances and overdraft: 91 day Government of Kenya treasury bill rate + 3.5%.

25. Cash used in operations

	2012 K Sh '000	2011 K Sh '000
Profit before taxation	68,914	(173,208)
Adjustments for:		
Depreciation and amortisation	21,635	26,484
Profit on sale of assets	(108,532)	(63)
Finance costs	(817)	129,501
Movements in retirement benefit assets and liabilities	2,522	(5,255)
Movements in provisions	14,700	(44,200)
Impairment loss	-	8,525
Amortization of prepaid operating lease rental	-	3
Other movement in assets	328	83
Changes in working capital:		
Inventories	(83,466)	176,538
Trade and other receivables	11,629	55,372
Trade and other payables	18,206	(12,499)
	(54,881)	**161,281**

26. Auditors' remuneration

	2012 K Sh '000	2011 K Sh '000
Audit and tax fees	977	901

27. New Standards and Interpretations

27.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 October 2012 or later periods:

IFRS 9 Financial Instruments

This new standard was issued as part of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the Standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are the main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.

- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

IAS 24 Related Party Disclosures (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- The name of the government and nature of the relationship
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The company has adopted the amendment for the first time in the 2012 financial statements.

2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements

The amendment now requires that an entity must present, either in the statement of changes in equity for the year ended 30 september 2012 or in the notes, an analysis of other comprehensive income by item.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The company has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

2010 Annual Improvements Project: Amendments to IFRIC 13 Customer Loyalty Programmes

The amendment clarifies the guidance on determining the fair value of award credits.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The company has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

Improvements to IFRIC 14 – IFRS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The amendments apply in limited circumstances: when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The company has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

IFRS 7 Amendments to IFRS 7 Disclosures Transfers of financial assets

Amended the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

The effective date of the amendment is for years beginning on or after 01 July 2011.

The company has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

IFRS 10 Consolidated Financial Statements

Standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

IAS 27 Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended Standard now only deals with separate financial statements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The company expects to adopt the amendment for the first time in the 2014 financial statements.

The impact of this amendment is currently being assessed.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary Contributions by Venturers. The standard defines a Joint arrangement as existing only when decisions about relevant activities requires the unanimous consent of the parties sharing joint control in terms of a contractual arrangement. The standard identifies two types of joint arrangements as:

- Joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their financial statements.
- Joint ventures which exist when the entities sharing joint control only have rights to the net assets of the joint arrangements.

Joint venturers account for their interest in joint ventures using the equity method of accounting.

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The standard sets out disclosure requirements for investments in Subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

IAS 12 Income Taxes: Amendment: Deferred Tax: Recovery of Underlying Assets

The amendment now provides that for investment property measured at fair value, the recovery of the carrying amount is assumed to be through sale, with the result that deferred tax arising on the valuation is measured using the prevailing tax rate for capital gains.

The effective date of the amendment is for years beginning on or after 01 January 2012.

The company expects to adopt the amendment for the first time in the 2013 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

28. Commitments

	2012 K Sh '000	2011 K Sh '000
Authorised capital expenditure		
Property, plant and equipment	23,611	23,415

This capital expenditure has been committed but not contracted for at the date of the statement of financial position and therefore not recognised in the financial statements.

29. Contingencies

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 pending litigations against the Company.
Outflow 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.

30. Related parties

Relationships
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:

Related party balances	2012 K Sh '000	2011 K Sh '000
i) Purchase of goods and services		
Purchase of goods and services (at commercial terms and conditions)	192,314	179,701
ii) Technical services and trade mark fees		
Technical fees	37,005	41,528
Trademark fees	-	14,441
	37,005	55,969
iii) Outstanding balances arising from purchase of goods, services and commissions		
Energizer Egypt	12,240	26,462
Eveready Hong Kong	6,496	15,522
Energizer Middle East and Africa	189	1,095
Energizer Hong Kong	4,012	4,534
Energizer Singapore	10,315	19,646
Energizer Indonesia	-	6
Energizer Battery Company - Technical service fees	1,346	24,586
	34,598	91,851
v) Outstanding balances arising from intercompany transactions.		
Receivables from related parties		
Energizer Singapore	1,251	279
Energizer Indonesia	153	162
Eveready Hong Kong	632	-
Eveready Egypt	249	-
	2,285	441
Vi) Key management compensation		
Salaries and other short term employment benefits	67,974	86,226
Post employment benefits Pension	2,171	2,129
	70,145	88,355
Vii) Directors remuneration		
Fees for services as a director	4,345	4,170
Other emoluments (including those in key management above)	16,354	24,065

Form of Proxy / Fomu ya Uwakilishi

I/We* ____

of P.O. Box ________________Code________ being a member/members* of the above named Company, hereby appoint ______________________ ____or failing him ________________________________of P.O. Box ____________code ________ as my/our proxy* to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held on Thursday 18th day of April 2013, and at any adjournment thereof.

As witness my/our* hand this ____________ day of ____________________ ______ 2013.

This Form is to be used in favour of/against* the resolution. Unless otherwise instructed, the proxy will vote as he/she sees fit.

*Strike out whichever is not desired.

Notes:

1.To be valid, this Proxy Form must either be deposited at the offices of the Company's shares Registrars, Image Registrars Limited, Transnational Plaza, 8th Floor, Mama Ngina Street, P.O. Box 9287 – 00100 GPO, Nairobi or lodged at the Company's registered office at, MCFL Logistic Centre, 1st Floor, Mombasa Road P.O Box 44765 - 00100 Nairobi not later than 11a.m on Tuesday April 16, 2013 failing which it will be invalid.

2. In the case of a corporate body the Proxy Form must be under its common seal or by notification in writing under the hand of some officer of the corporation duly authorized in that behalf.

Mimi/Sisi____

Anwani______________________________kama mwanahisa/wanahisa wa Kampuni iliotajwa, namteua/tunamteua ____________________________ na akikosa, nateua/tunamteua __________________Anwani ____________ kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa Mwaka utaofanyika Alhamisi, 18 Aprili 2013 ama siku yoyote ile endapo mkutano hua utahirishwa.

Sahihi

____

Sahihi hii/hizi imewekwa/zimewekwa Tarehe _____ ya_______________2013.

Mimi/sisi ninamuagiza/tunamuagiza mwakilishi kupiga kura kuunga mkono/dhidi ya/ kuzuia kura kwa maamuzi kama ilivyoelekezwa katika sehemu ya nyuma ya fomu hii.

*futa yasiyofaa

Maelezo:

1. Ni lazima fomu hii ya uwakilishi kufikishwa kwa Katibu wa Kampuni Image Registrars Limited, Transnational Plaza, 8th floor Mama Ngina Street, Anwani 9287 – 00100 GPO, Nairobi ama iwasilishwe katika ofisi za kampuni iliopo MCFL Logistics Centre, 1st Floor, Mombasa Road, Anwani 44765 – 00100, Nairobi kabla ya 11.00a.m. Alhamisi, 16 Aprili, 2013.

2. Iwapo mteuaji ni shirika, fomu hii ya uwakilishi ni lazima ipigwe muhuri wa kampuni hiyo na walio idhinishwa.

Annual Report and Financial Statements for The Year Ended 30 September 2012 EVEREADY EAST AFRICA LIMITED

FOLD 2

Affix
Stamp
Here

The Company Secretary
EVEREADY East Africa Ltd
MCFL Logistic Centre, 1st Floor,
Mombasa Road
P.O Box 44765 - 00100
Nairobi
Kenya

FOLD 1

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FOLD 3

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