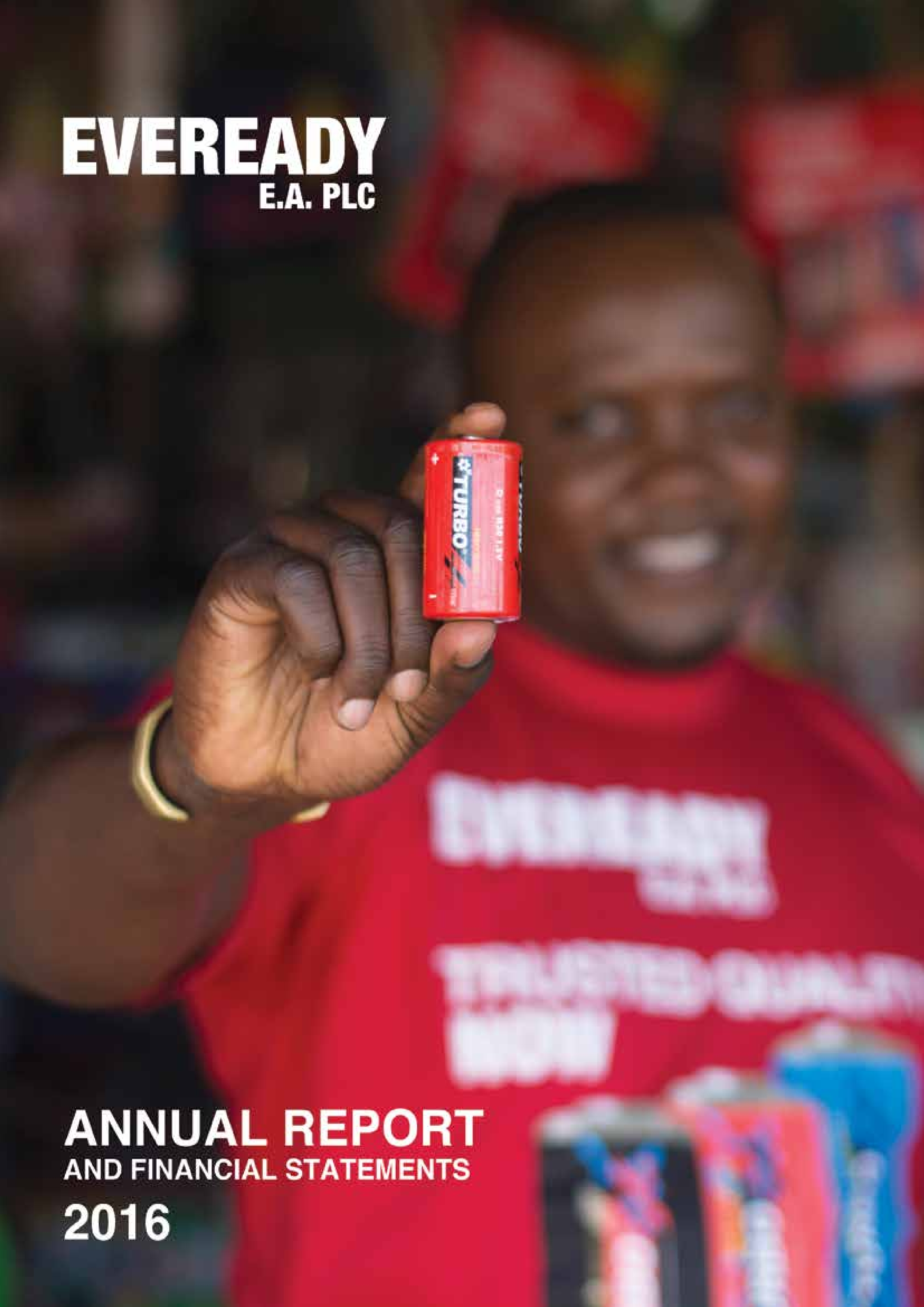
EVEREADY
E.A. PLC



ANNUAL REPORT
AND FINANCIAL STATEMENTS
2016

EVEREADY E.A. PLC

1

Our Mission

To profitably meet customer needs through the best use of available resources.

2

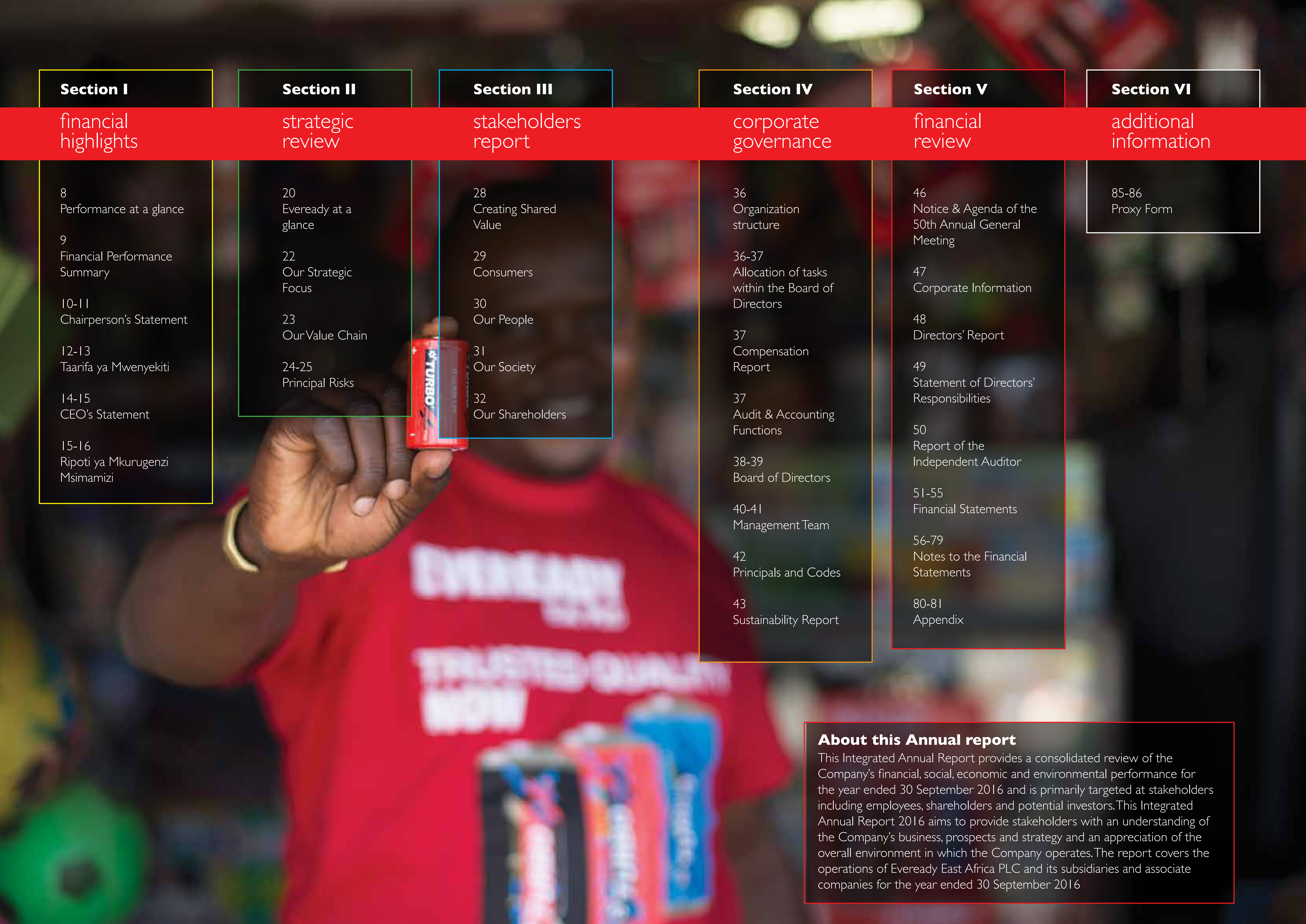
Our Vision

To be the partner of choice within the region in the provision of lifestyle solutions

3

Our Values

- Passion
- Integrity
- Respect
- Teamwork
- Initiative



About this Annual report

This Integrated Annual Report provides a consolidated review of the Company's financial, social, economic and environmental performance for the year ended 30 September 2016 and is primarily targeted at stakeholders including employees, shareholders and potential investors. This Integrated Annual Report 2016 aims to provide stakeholders with an understanding of the Company's business, prospects and strategy and an appreciation of the overall environment in which the Company operates. The report covers the operations of Eveready East Africa PLC and its subsidiaries and associate companies for the year ended 30 September 2016

Section 1

financial highlights

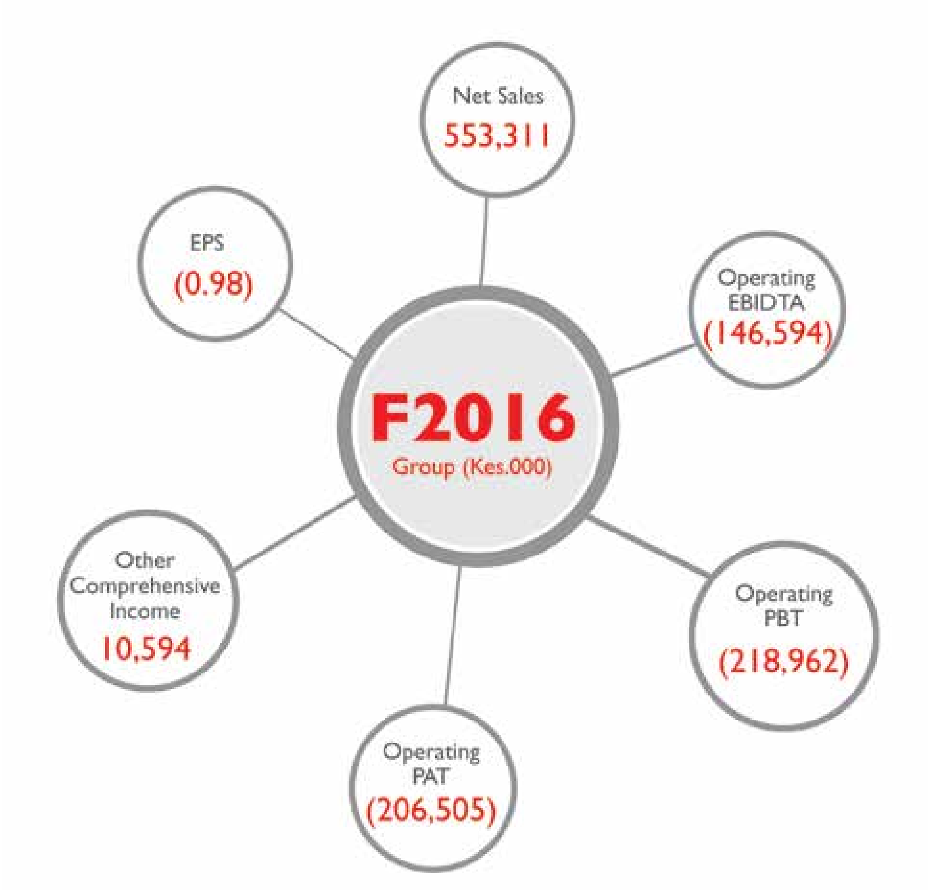
About this Section

This section provides an overview of the major occurrences in the company since the last report. The financial highlights includes major statistics and figures and the statements provide qualitative information on major issues affecting the Company.

Performance at a glance

Operational Highlights

- The Company experienced a challenging out of stock situation. Lack of supplies from our global supplier of carbon zinc and alkaline batteries adversely affected supply for a considerable period during the year under review.
- As a result of the out of stock situation, the Company recorded a 51% decline in total revenues compared to F2015.
- The Company also reviewed its route to market operations in Uganda and a decision was made to close our operations in that market and focus on working through partnerships with third parties. This impacted the performance of the year by Ksh 35m.
- Finance costs mainly driven by the high interest rate regime before the change in law saw the company incur financing costs of Ksh 72m compared to 50m in prior year.
- The above factors led to a loss after tax of Ksh 207m compared to a loss after tax last year of Ksh 202m.
- The Company made key strategic decisions last year in order to ensure a more sustainable solution to the business challenges and help position the business for future growth:
  - Sell the Nakuru property in order to clear the debt and provide sufficient working capital to support the distribution business.
  - The Company also reviewed its relationship with Energizer Middle East & Africa Ltd. from a supply stand point in light of the onerous terms offered for purposes of renewing the distribution agreement, and decided that it would not be in the best interests of the business to renew the agreement under those terms. The Company therefore decided to pursue other options in the supply of portable power solutions, which will guarantee certainty and sustainability to the business.

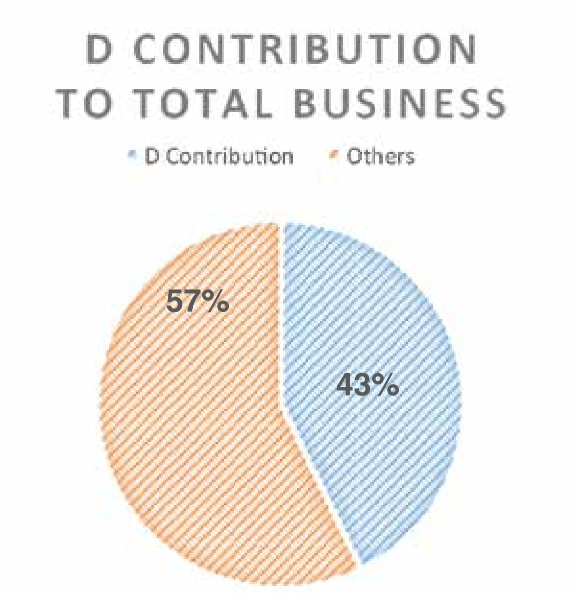


Financial performance summary

An Overview of Our 2 (Two) Year Performance

Group (Kes.000)		
FY	**2016**	**2015**
Descriptions		
Net Sales	553,311	1,124,582
Operating EBIDTA	(146,594)	(211,672)
Operating PBT	(218,962)	(161,405)
Operating PAT	(206,505)	(201,509)
Other Comp. Income	10,594	665,533
Earnings Per Share (EPS)	(0.98)	(0.96)

This illustrates the contribution of our new businesses introduced during our 2013-17 Plan period, and our traditional product lines. Contribution of new business grew by 5% compared to F2015.



We continue to work towards reducing the contribution of our "D" busines even as we increase the overall size of our business.

Chairperson's Statement

Mrs. Lucy Waguthi Waithaka

Chairperson

A Strategy that Answers the Business Risks

Over the last few years, we have been reviewing and reshaping our business, diversifying our revenues streams, creating greater efficiencies in operations, strengthening our financial base and reducing costs. All this has been done in order to move us towards becoming a Company which can generate the returns our shareholders deserve. We have continued to make good progress on our strategy.

Eveready has for a long time manufactured and distributed third party brands at great risk.

We introduced Energizer Inc's products in this market and grew them to their current dominant status through the hard work of dedicated staff and the channel relationships that we built over time. Unfortunately, these brands are not owned by Eveready thereby presenting significant risks to our business:

- The exclusive nature of the arrangement has dealt a struggle hold on our business overtime especially with the inability to correctly react to market dynamics as a result of the restrictions imposed. - These limitations made it difficult to meet our changing consumer needs correctly
- Lack of flexibility and control over key decisions such as product makeup/formats, pricing, and promotions coupled with the changing operating space meant we could not react correctly or in a timely manner thus losing popular products that thrived in this market.

The risks highlighted above manifested itself in FY2016 where Energizer unilaterally changed contract terms in the year severely impacting Eveready business due to lack of supplies. This had a significant impact in the financial performance for the year.

The arrangement also severely affected our ability to respond correctly to our consumer needs. Our business can only thrive if we focus on customer needs by providing solutions that are localised to specific needs. Eveready was presented with an opportunity to revisit the terms of the relationship with Energizer Inc., in 2016 when Energizer communicated their need to review the terms of the Distribution Agreement prevailing at the time. Upon extensive review of the pros and cons of the proposed new distribution agreement and having reviewed the benefits and pitfalls of the former arrangements with Energizer Inc., the Board of Directors decided not to take the proposed new distribution agreement due to grossly onerous terms which were not sustainable for our business and were not in its best interest.

The Board instead made the decision to quickly activate aspects of the Company's strategy which were hitherto pending due to the obligations imposed on Eveready under the existing Distribution Agreement with Energizer Inc. by introducing its own brand of portable power solutions under the name TURBO®.

> The core of the Eveready strategy is great brands built on the strength of our retail infrastructure

EVEREADY E.A. PLC

Brand TURBO® in so far as it applied to our portable power business, was therefore born.

We are very excited by the opportunity to take ownership of our destiny by taking creative control and ownership of our core business through this brand.

We have steered the business to an own brand arrangement and as a result, Eveready will no longer operate as only a distributor. This (distributorship) business model is fraught with too many risks as it is fully dependent on third party strategies/decisions for business survival.

With the Turbo brand, Eveready will henceforth own and control a significant part of its business while providing infrastructure to third parties who are looking for an effective route to market in the region.

The launch of TURBO® in FY 2017, fulfilled the final leg of our 5-year strategic journey intended to reduce and/or eliminate key risks to our business associated with the prevailing business model by reducing some controlling interests in the business and resolving the issue of lack of intellectual property ownership of key revenue sources to our business. Untangling Eveready from this relationship was difficult but necessary. Eveready has had a relationship (as owner and later also as a supplier (distributor)) with Energizer Inc. since the business was set up nearly fifty years ago in 1967. Energizer has had historical controlling interest in our business borne out of certain contractual arrangements and ownership structure.

The aforementioned changes necessitated consolidation of our businesses to ensure singular focus in our core market while eliminating a major burden on the business. To this end, the Board decided to wind up the Uganda operations in 2016 as it had become unprofitable. We will henceforth work with third parties in this market. The change has caused a one off hit to our financials this year.

Also following shareholder approval at our Extraordinary General Meeting ("EGM") in 2016, we have completed the disposal of Nakuru property. This action has enabled the Company offset its debts and eliminate financing cost which was a major strain to our business. We have also injected additional funds into operations in order to support diversification plans.

In summary then, the future is positive. Eveready now owns majority of its business with brands capable of competing against the best in the world. We look forward to expanding our family with more quality brands which will be sibling businesses to our portable line. Shareholders and other stakeholders in Eveready will benefit from the diversified revenue streams they produce.

We recognise the importance of paying a meaningful dividend as part of total shareholder returns and are committed to doing so in the future. In order to complete our restructuring and deliver value for shareholders, who have been patient for a very long time, we were and still are committed to continue making definitive choices about the future of the Company.

Paul Scott and Susan Mudhune ceased from being Board members due to their work profiles and schedules and in order to streamline the structure of our Board from a governance perspective. We thank them for their contribution to the Board and wish them well in their future endeavours.

I wish to thanks the Board for their commitment to this business and the Eveready staff for their dedicated efforts in 2016.

Lucy Waithaka, Chairperson
31 January 2016

Taarifa ya Mwenyekiti

Mrs. Lucy Waguthi Waithaka

Mwenyekiti

Mkakati Unaotilia Maanani Hatari za Biashara

Katika miaka michache iliyopita, tumekuwa tukiangalia na kupanga kivingine biashara yetu, tukipanua njia za mapato yetu, tukibuni ufanisi zaidi katika utendaji, tukiimarisha msingi wetu wa kifedha na kupunguza gharama. Yote haya yamefanywa ili kutupeleka katika kuwa Kampuni inayoweza kuzalisha faida ambayo wahisa wetu wastahili. Tumeendelea kufanya maendeleo makubwa katika mkakati wetu.

Kwa muda mrefu Energizer imetengeneza na kugawanya chapa za kampuni zingine kwa hatari kubwa.

Tulianzisha bidhaa za Energizer Inc. katika soko na kuzikuza kufikia hadhi yake ya sasa ya nguvu ya kutawala kupitia kazi ngumu ya wafanyikazi waliojitolea kidhati na mahusiano ya kielekezi tuliojenga kupitia wakati. Bahati mbaya, chapa hizi hazimilikiwi na Eveready hivyo zikitoa hatari kuu kwa biashara yetu.

- Hali maalum ya makubaliano imekuwa na mshiko wa mapambano kwenye biashara yetu kwa muda hasa kwa kutoweza kuathiri kisawa myenendo ya soko kutokana na masharti yaliyowekwa. Vipingamizi hivi vilifanya iwe vigumu kutimiza kisawa mahitaji ya wanunuzi wetu yanayobadilika.
- Kutoweza kubadilika na mamlaka juu ya maamuzi muhimu kama vile vinavyotumika katika utengenezaji wa bidhaa/miundo, bei na utangazaji pamoja na kubadilika kwa hali ya utendaji ilimaanisha hatukuweza kujibu kisawa au kwa wakati ufaao hivyo kukosa bidhaa zipendwazo zilizofanya vyema katika soko.

Hatari zilizoelezwa hapa juu zilijitokeza katika mwaka wa kifedha wa 2016 ambapo Energizer kipekee ilibadilisha masharti ya mkataba katika mwaka ikiathiri vibaya biashara ya Eveready kutokana na ukosefu wa mali. Hili lilikuwa na athari kubwa katika utendaji wa kifedha wa mwaka.

Makubaliano hayo pia yaliathiri sana uwezo wetu kushughulikia kisawa mahitaji ya wanunuzi wetu.Biashara yetu inaweza tu kunawiri ikiwa tutalenga katika mahitaji ya wanunuzi kwa kutoa masuluhisho yaliofanywa kutimiza mahitaji maalum. Eveready ilipatiwa nafasi kuangalia upya masharti ya uhusiano na Energizer Inc., katika mwaka wa 2016 wakati Energizer ilipowasilisha haja yao ya kurejelea masharti ya Mkataba wa Ugawanyaji uliokuwepo wakati huo. Baada ya upimaji wa kina wa uzuri na ubaya wa mkataba mpya wa ugawanyaji unaopendekezwa na tukiwa tumeangalia faida na hasara za makubaliano ya awali na Energizer Inc., Halmashauri ya Wakurugenzi iliamua kutokubaliana na mkataba mpya wa ugawanyaji unaopendekezwa kutokana na masharti magumu sana ambayo hayakuweza kukubalika kwa biashara na hayakuwa ya manufaa kabisa kwa kwake.

Badili yake Halmashauri ilifanya uamuzi haraka kuanzisha vipengee vya mkakati wa Kampuni ambavyo kwamba vinangojea uamuzi kutokana na wajibu uliowekwa kwa Eveready chini ya Mkataba wa Ugawanyaji

Kiini cha Mkakati wa Eveready ni Kutoa Chapa Nzuri Sana Zilizojengwa Kwenye Uthabiti wa Uchuuzi Wetu Reja Reja

uliokuwepo na Energizer Inc. kwa kuanzisha chapa yake yenyewe ya masuluhisho ya nguvu ya kubebeka chini ya jina la TURBO®.

Chapa ya TURBO® kama inavyotumika kwa biashara yetu ya nguvu zinazobebeka, hivyo ilianzishwa.

Tunafuraha sana na nafasi hii kuwa na umiliki wa takdiri yetu kwa kuchukua mamlaka bunifu na umiliki wa biashara yetu muhimu kupitia chapa hii.

Tumeiongoza biashara kwa mpangilio wa chapa yake yenyewe na matokeo yake ni kuwa Eveready haitashughulika tena kama mgawanyaji tu. Muundo huu (ugawanyaji) wa biashara umejawa na hatari nyingi sana kwa vile unategemea kabisa katika mikakati/maamuzi ya wengine katika kuendelea kwa biashara.

Ikiwa na chapa ya TURBO®, Eveready kutokea sasa itamiliki na kudhibiti sehemu kuu ya biashara yake wakati ikitoa muundomsingi kwa wengine wanaotafuta njia inayofaa kuuza katika eneo.

Uanzishi wa chapa ya TURBO® katika mwaka wa kifedha wa 2017 ulitimiza mkondo wa mwisho wa safari yetu ya miaka 5 ya mkakati iliyolengwa kupunguza na/ au kumaliza hatari muhimu kwa biashara yetu zinazohusishwa na muundo wa biashara uliopo kwa kupunguza umilikaji wa hisa kubwa katika biashara na kutatua suala la ukosefu wa umiliki wa maliakili ya vianzo muhimu vya mapato kwa biashara yetu. Kuitoa Eveready kutoka kwa uhusiano huu ilikuwa vigumu lakini kulikohitajika – Eveready imekuwa na uhusiano (kama mmiliki na baadaye pia kama mgavi (mgawanyaji)) na Energizer Inc. kutokea biashara ilipoanzishwa karibu miaka hamsini iliopita katika mwaka 1967. Energizer imekuwa na umiliki wa hisa kubwa kihistoria katika biashara yetu uliotokana na makubaliano kadhaa ya kimkataba na muundo wa umilikaji wetu.

Mabadiliko yaliyotajwa yalihitaji kuunganishwa kwa biashara zetu kuhakikisha mlengo mmoja katika soko letu kuu wakati tukiondoa mzigo mkuu kwenye biashara. Kutimiza hili, Halmashauri iliamua kufunga shughuli za Uganda katika mwaka wa 2016 kwa vile zilikuwa zimekuwa hazina faida. Kutokea hapo tutafanya kazi na wengine katika soko hili. Badiliko hili limesababisha pigo la mara moja kwa fedha zetu katika mwaka huu.

Pia kufuatia makubaliano ya wahisa katika mkutano wetu usio wa kawaida katika mwaka wa 2016, tumekamilisha mauzo ya mali yetu ya Nakuru. Hatua hii imewezesha Kampuni kulipa madeni yake na kumaliza gharama za kifedha ambazo zilikuwa kikwazo kikuu kwa biashara yetu. Pia tumeingiza fedha zaidi katika utendaji wake ili kusaidia mipango ya upanuzi.

Kwa ufupi basi, siku za usoni ni chanya. Sasa Eveready inamiliki hisa kuu ya biashara yake ikiwa na chapa zinazoweza kushindana na zilizo bora kabisa ulimwenguni. Tunatarajia kupanua aina zetu na chapa za ubora zaidi ambazo zitakuwa biashara ndugu kwa aina yetu ya kubebeka. Wahisa na washika dau wengine katika Eveready watafaidika kutokana na njia anuwai za mapato zinazozalisha.

Tunatambua umuhimu wa kulipa gawio la faida la maana kama sehemu ya jumla ya faida ya wahisa na tunajitolea kufanya hivyo siku za usoni. Ili kukamilisha upangaji wetu mpya na kutoa thamani kwa wahisa, ambao wamekuwa watulivu kwa muda mrefu sana, tulikuwa na bado tunajitolea kuendelea kufanya uteuzi bora kabisa kuhusu siku za usoni za Kampuni.

Paul Scott na Susan Mudhune waliacha kuwa wanachama wa Halmashauri kutokana na maumbo na ratiba za kazi zao na ili kupanga muundo wa Halmashauri kutoka kwa mtazamo wa kiutawala. Tunawashukuru kwa mchango wao kwa Halmashauri na kuwatakia mema katika juhudi zao za siku za usoni.

Ningependa kushukuru Halmashauri kwa kujitolea kwao kwa biashara hii na wafanyikazi wa Eveready kwa juhudi zao za kujitolea kwa dhati katika mwaka 2016.

Lucy Waithaka, Mwenyekiti

Tarehe 31 Januari 2016

CEO's Statement

Jackson Mutua

CEO

A Strategy that Answers Business Needs

Eveready made significant milestones this year as we worked in tandem with our strategy to lay the bedrock for our business. Unfortunately we also had to deal with serious unforeseen disruptions to our supply chain.

2016 was a landmark year for us as we started the journey of redefining who Eveready is from what it has been for nearly 50 years. We stopped relying wholly on third party brands for our sustenance as a business and launched our own TURBO® brand of portable power solutions.

The TURBO® range has been extended to cover all product lines in the portable power category – sizes D, AA, AAA, C, 9V and flashlights in various formats are represented in this product line. We have previously played in these segments through third party owned brands albeit with increasingly limited formats. We continued to experience regular changes to the product portfolio under the contractual arrangement leading to unilateral discontinuation of some of our very popular lines at a great cost to the company.

Having been in this business for nearly fifty years now, Eveready has been at the forefront of the growth of the dynamic (portable power) business for 50 years. The category evolution is consumer driven due to the devices that they use and the choices they make on what product drives these devices. Obtaining creative control over the products that we offer to our consumers means that we can channel their needs into our product offering and adapt our strategies on how we engage with them, price and formats.

Our focus in this market, is to operate across categories in multiple segments within the household category and in various formats. We continue to focus on our portable power business as it remains an industry with significant opportunities. The higher earning power of our consumers, (old and new) and new (electrical) devices with higher energy demands means we have ever more opportunities to interact with our consumers. We will leverage on our core portable power business for growth as we take advantage of the opportunities presented by the growing middle class, digital migration and rural electrification through a combination of organic growth and new category introductions.

We have simplified Eveready's strategy over the last couple of years so that we can start generating returns for our shareholders. This required us to review the shape of our business as we reduced certain non-profitable and controlling interests in our business.

> We have done a great job building and growing brands. It is time to build our own

The following actions taken within our plan period have been instrumental in setting the right stage for our business and they will form the bedrock upon which we generate future growth:

- Retirement of old debt – this will add value to our shareholder by protecting their returns.
- New quality product introductions and formats – creates value to our downscale supply chain partners and affords value to our consumers.
- Closure of non - profitable units - Cessation of manufacturing and closure of our subsidiary in Uganda.

The introduction of TURBO® meant that we completed the last mile structural challenges that we needed to resolve in order to move away from dependence on third party brands for this Company to a distribution model based on own brands.

We started a journey of diversification in 2013 but the lack of ownership of the brands that drive our business was not ideal and was fraught with numerous risks to our business. Some of these risks included

- Our lack of creative control over the products (and their formats) that we availedto our consumers.
- Our lack of control over our own circumstances in key strategic areas. Changes to the structures of our global supplier would seriously affect our business.

Unfortunately, some of these risks had started manifesting themselves aggressively in our business over the years and in some cases escalated in FY2016 which severely compromised our business results in the period.

We were out of stock of most of our core products supplied from Energizer affiliated company for most of 2016, a situation which had a crippling effect to our business at great expense to all of our stakeholders. A more diversified portfolio would have alleviated/ reduced this risk. We lost half of our revenues as a result of an unanticipated and crippling out of stock of our core products.

As a result of the out of stock we have reported a 50% drop in sales in the period which had an impact on all the financial parameters for our business and contributed greatly to the KShs. 207m loss after tax that we reported in the period.

We started work on a recovery plan in F2016 to eliminate the key problems that contributed to the result, and our actions in F2017 in taking back control of our were therefore key in charting forward a recovery and growth plan

The renewal negotiations with Energizer in early 2016 afforded us the opportunity to finally resolve the weaknesses to our business model (and its manifestations) and in F2017, we finally launched our own brand of portable power products under the TURBO® brand after opting not to take up a new distribution agreement with Energizer due to the onerous terms imposed. Our new business model means that we are unencumbered and unrestricted in our options and therefore capable of responding faster to what our consumers need from us.

TURBO® brand represents to us much more than our own brand of portable power products. It is how we are going to re-connect with our consumers.

We will review our product offerings to our consumers to ensure that we give them value.

We are working with partners who share our vision for this market and we will offer our consumer's quality products that they can depend on to drive their devices. Our new lines of business continue to show growth and potential and we look forward to deepening their contribution to our business in line with our plans for them.

Eveready operates in a highly competitive fast moving consumer goods sector - a sector which is subject to an array of pressures and volatility. Quick response to customer needs is critical for success.

These strategic actions will bring to a close the completion of our restructuring process and herald the emergence of a simpler, stronger and well positioned Eveready for the future.

We also shut down our Uganda operations as it was operating at a loss outside of the expectations at a great strain to our Kenya operations. The out of stock of core products further exacerbated the Uganda situation. The tax rate regime, situation with major chains in that market and the Energizer imposed restrictions to our supply model to that market combined, worked to make those operations un-profitable. The unit which hitherto was profitable became loss making and therefore highly dependent on our Kenyan operations for financing a situation which was not sustainable. We will henceforth work with third party partners in that market.

I wish to thank the Board of Directors for the support in the year and our staff as well whose passion, commitment and dedication enabled us navigate the business through a very challenging period.

Jackson Mutua, CEO
31 January 2016

Ripoti ya Mkurugenzi Msimamizi

Jackson Mutua

Mkurugenzi Msimamizi

Mkakati unaojibu mahitaji ya biashara

Eveready imetekeleza matukio ya maana mwaka huu tunavyofanya kazi katika mkakati wetu kuweka msingi wa biashara yetu. Kwa bahati mbaya pia ilibidi kushughulikia vipingamizi vikuu visivyotarajiwa katika mfululizo wa ugavi wetu.

Mwaka 2016 ulikuwa muhimu kwetu kwa vile tulianza safari ya kujitambulisha upya Eveready ni nani kutoka ilivyokuwa kwa karibu miaka hamsini. Tuliacha kutegemea kikamilifu kwenye chapa za watu wengine kwa maendeleo yetu kama biashara na kuanzisha chapa yetu wenyewe ya TURBO® ya masuluhisho ya nguvu za kubebeka.

Aina ya TURBO® imekuzwa kujumuisha aina mpya za bidhaa katika kategoria ya nguvu za kubebeka – saizi D, AA, AAA, C, 9V na tochi za miundo tofauti zinawakilishwa katika bidhaa za aina hii. Awali tumekuwa na vitengo hivi kupitia chapa zinazomilikiwa na wengine ijapokuwa ambazo zilikuwa na miundo finyu. Tuliendelea kuwa na mabadiliko ya kawaida katika orodha za bidhaa chini ya makubaliano ya kimkataba yaliyotuongoza kipekee kukomesha baadhi ya aina zetu zinazopendelewa sana kwa gharama kuu kwa kampuni.

Tukiwa katika biashara hii kwa karibu miaka hamsini sasa, Eveready imekuwa katika mstari wa mbele wa ukuzaji wa biashara yenye uwezo (nguvu za kubebeka) kwa miaka 50. Ukuaji wa kategoria hii unasukumwa na wanunuzi kutokana na vifaa ambavyo wanavitumia na uteuzi wanaoufanya wa ni bidhaa gani inayoendesha vifaa hivi. Kupata udhibiti bunifu dhidi ya bidhaa tunazotoa kwa wanunuzi wetu inamaanisha kuwa tunaweza kuelekeza mahitaji yao katika bidhaa zetu tunazotoa na kubadili mikakati yetu ya namna tunavyohusiana nao, bei na miundo.

Mlengo wetu katika soko hili, ni kushughulika katika kategoria kadhaa katika sehemu nyingi katika kategoria ya nyumbani na katika miundo tofauti tofauti. Tunaendelea kulenga katika biashara yetu ya nguvu za kubebeka kwa vile inabakia biashara yenye nafasi muhimu. Uwezo mkuu wa kuchuma wa wanunuzi wetu, (wa zamani na wapya) na vifaa vipya (vya umeme) vyenye mahitaji makuu ya nishati yamaanisha tuna nafasi zaidi wakati wote kuingiliana na wanunuzi wetu. Tutatumia uwezo shawishi kwenye biashara yetu kuu ya nguvu za kubebeka kuikuza tunavyojinufaisha na fursa zinazowasilishwa na tabaka la kati linalokua, uhamaji wa kidijitali na upelekaji umeme mashambani kupitia muungano wa ukuaji wa kulingana na uanzishi wa kategoria mpya.

> Tumefanya kazi kubwa kujenga na kukuza chapa. Hata hivyo ni wakati wa kujenga yetu wenyewe

Tumerahisisha mkakati wa Eveready katika miaka michache iliopita ili tuweze kuanza kuzalisha faida kwa wahisa wetu. Hili lilituhitaji kuangalia upya hali ya biashara yetu tukipunguza umilikaji hisa kubwa na usiokuwa wa faida katika biashara yetu.

Hatua zifuatazo zilizochukuliwa katika kipindi cha mpango wetu zimekuwa za kusaidia katika kuweka hali sawa kwa biashara yetu na kuunda msingi ambao kwamba tutazalisha ukuaji wa siku za usoni:

- Kujitenga na deni la zamani – hili litaongeza thamani kwa mhisa wetu kwa kulinda faida zao.
- Kuanzisha bidhaa mpya za ubora na miundo - kutaleta thamani kwa wagavi wetu wa viwango vya chini na kumudu thamani kwa wanunuzi wetu.
- Ufungaji wa vitengo visivyokuwa na faida – kukomesha utengenezaji na kufungwa kwa kampuni yetu tanzu nchini Uganda.

Uanzishi wa TURBO® ulimaanisha kuwa tulikamilisha changamoto za kimuundo za hatua ya mwisho tulizohitaji kutatua ili kuondoka kutoka utegemezi wa Kampuni hii katika chapa za wengine kuwa mfano wa ugawanyaji unaotegemea chapa zetu wenyewe.

Tulianza safari ya kupanua biashara katika mwaka 2013 lakini ukosefu wa kumiliki chapa zinazoendesha biashara haukuwa bora na ulikuwa na hatari nyingi kwa biashara yetu. Baadhi ya hatari hizi zilijumuisha:

- Ukosefu wetu wa udhibiti bunifu juu ya bidhaa (na miundo yao) ambazo tulizitoa kwa wanunuzi wetu.
- Ukosefu wetu wa udhibiti juu ya hali zetu wenyewe katika maeneo muhimu ya kimkakati. Mabadiliko katika miundo ya mgawaji wetu wa kilimwengu yataathiri pakubwa biashara yetu.

Bahati mbaya, baadhi ya hatari hizi zilikuwa zimeanza kujitokeza zenyewe kwa hima katika biashara yetu kwa miaka na kwa hali fulani ziliongezeka katika mwaka wa kifedha wa 2016 zilizotia hatarini zaidi matokeo ya biashara yetu katika kipindi hiki.

Tuliishiwa na karibu bidhaa zetu zote muhimu zilizotolewa na kampuni iliyoshirikishwa na Energizer kwa karibu mwaka wote wa 2016, hali iliyokuwa na athari ya kudhoofisha biashara yetu na gharama kubwa kwa washika dau wetu wote. Rasilimali anuwai zaidi ingeondoa/ ingepunguza hatari hii. Tulipoteza nusu ya mapato yetu kutokana na kutokuwepo na kukosekana kwa bidhaa zetu muhimu kusikotarajiwa na kuliodhoofisha.

Kama matokeo ya kutokuwepo kwa bidhaa tumepata upungufu wa asilimia 50 katika mauzo katika kipindi uliokuwa na athari katika vigezo vyote vya kifedha kwa biashara yetu na kuchangia pakubwa katika hasara ya KShs. 207m baada ya kodi tulioripoti katika kipindi.

Tulianza kazi katika mpango wa ahueni katika mwaka wa kifedha wa 2016 kumaliza shida kuu zilizochangia matokeo haya, na hatua zetu katika mwaka wa kifedha wa 2017 katika kudhibiti tena Kampuni yetu kwa hivyo zilikuwa muhimu katika kupanga kimbele mpango wa ahueni na ukuaji.

Mapatano mapya na Energizer mapema mwaka 2016 yalitupatia nafasi ya hatimaye kutatua mapungufu ya muundo wa biashara yetu (na yanavyojitokeza) na hatimaye katika mwaka wa kifedha wa 2017, tulianzisha chapa yetu wenyewe ya bidhaa za nguvu za kubebeka chini ya chapa ya TURBO® baada kuamua kutokuwa na mkataba mpya wa ugawanyaji na Energizer kutokana na masharti magumu yaliyowekwa. Muundo wetu mpya wa biashara unamaanisha kuwa hatupingwi na hatufungwi katika uchaguzi wetu na kwa hivyo kushughulikia haraka kile wanunuzi wetu wanahitaji kutoka kwetu.

Chapa ya TURBO® kwetu inawakilisha zaidi ya chapa yetu wenyewe ya bidhaa za nguvu za kubebeka. Ni namna tutakavyoungana upya na wanunuzi wetu.

Tutapitia upya bidhaa zetu tunazozitoa kwa wanunuzi wetu kuhakikisha kuwa tunawapatia thamani.

Tunafanya kazi na washirika walio na mwono kama wetu wa soko hili na tutatoa kwa wanunuzi wetu bidhaa bora wanazoweza kuzitegemea kuendeshea vifaa vyao. Aina zetu mpya za biashara zinaendelea kuonyesha ukuaji na uwezo na tuna matumaini ya kuongeza mchango wao kwa biashara yetu kufuatana na mipango yetu kwao.

Eveready inatenda katika sekta yenye ushindani mkubwa wa bidhaa za ununuzi zinazouza haraka – sekta ambayo inategemea shinikizo tofauti na mabadiliko ya haraka. Kushughulikia mahitaji ya wateja haraka ni muhimu kwa ufaulu.

Hatua hizi za kimkakati zitahitimisha ukamilishaji wa maendeleo ya uundaji wetu mpya na kuanzisha kutokeza kwa Eveready iliyo sahili, imara na ilio katika nafasi nzuri zaidi kwa siku za usoni.

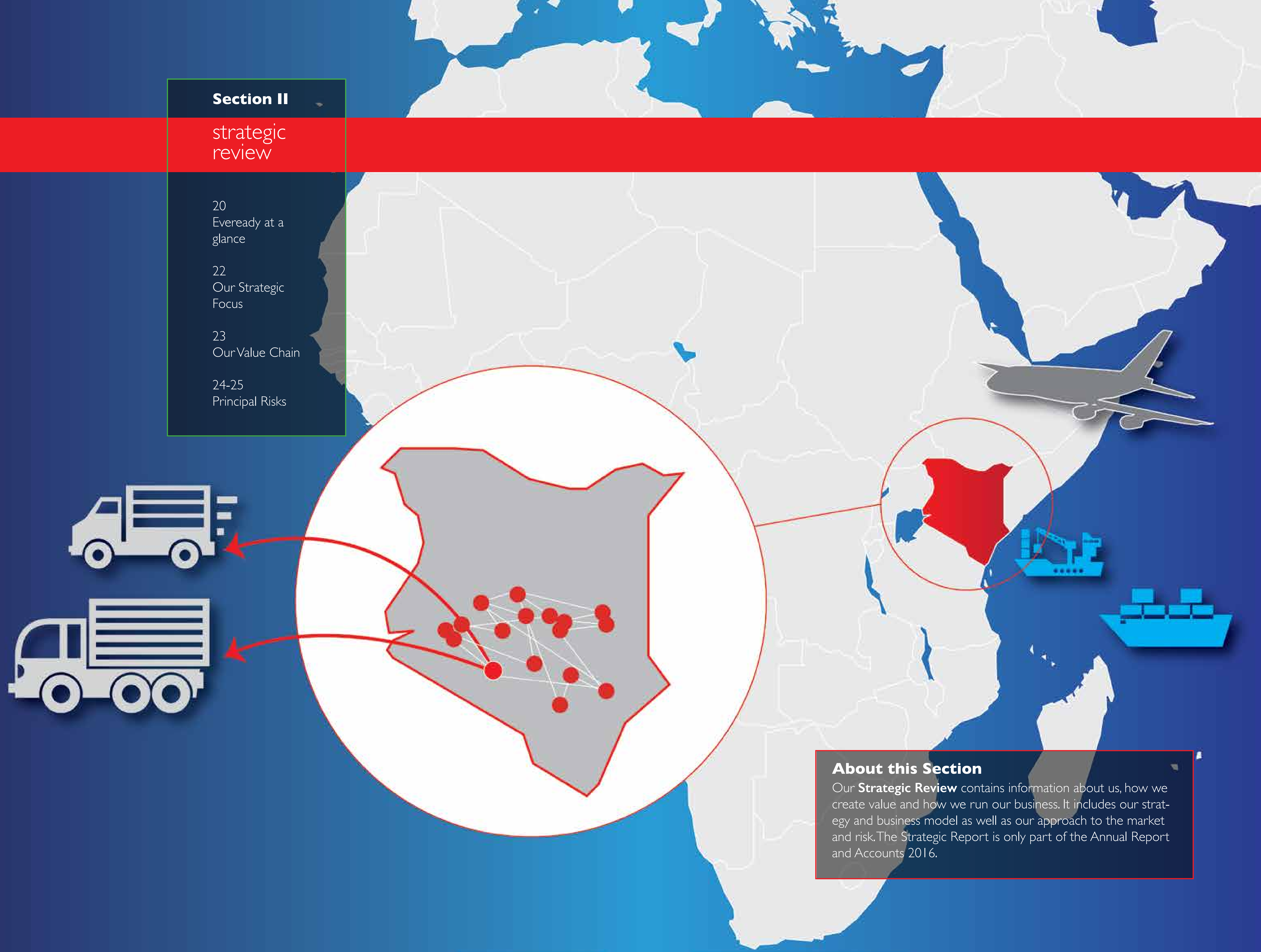
Pia tulifunga shughuli zetu za Uganda kwa vile zilikuwa zikifanya hasara nje ya matarajio na kwa mashaka makubwa kwa shughuli zetu za Kenya. Kutokuwepo kwa bidhaa muhimu kulizidisha zaidi hali ya Uganda. Mfumo wa kiwango cha kodi, hali ya maduka makuu katika soko hilo na vikwazo vilivyowekwa na Energizer katika muundo wa ugavi wetu kwa soko hilo, kwa pamoja zilichangia kufanya shughuli hizo kutokuwa na faida. Kitengo ambacho kilikuwa cha faida kikawa cha kufanya hasara na hivyo tegemezi zaidi kifedha katika shughuli zetu za Kenya hali ambayo haikuweza kuendelezwa. Hivyo kuendelea tutafanya kazi na wengine katika soko hilo.

Ningependa kuwashukuru Halmashauri ya Wakurugenzi kwa usaidizi katika mwaka na pia wafanyikazi wetu ambao shauku, uwajibikaji na kujitolea kwao kwa dhati kulituwezesha kuiongoza biashara katika kipindi cha changamoto sana.

Jackson Mutua, Mkurugenzi Msimamizi
Tarehe 31 Januari 2016

Section II

strategic review



About this Section

Our **Strategic Review** contains information about us, how we create value and how we run our business. It includes our strategy and business model as well as our approach to the market and risk. The Strategic Report is only part of the Annual Report and Accounts 2016.

Eveready at a glance

EVEREADY East Africa Ltd (the "Company" or "EVEREADY") is a public limited liability Company incorporated in Kenya. The Company has two fully owned subsidiaries, Flamingo Properties Uganda Limited and Flamingo Properties Limited (altogether referred to as the "Group"). The Company is headquartered in Nairobi, Kenya and was founded in 1967.

The Company is the largest supplier of portable power solutions in East Africa. This together with one of the best distribution systems in East Africa and world class brands has ensured the Company long term success. Continued product expansion and keen desire to understand what the consumer expects and what the competitors are doing has remained the priority areas for our Company.

A company with ***strong*** *brands*

EVEREADY's heritage is also tied to employee dedication and team work.

The Company distributes dry cells size 'D' 'AA' 'AAA' '9V' and 'C' carbon zinc primary batteries and alkaline batteries throughout the East Africa region and also provides flashlights for a broad spectrum of usage. The Company has also recently introduced the TURBO® brand of automotive batteries, the EVEREADY range of bulbs and now the CLOROX® brand of household bleach. Our products are recognized for their distinct quality.

EVEREADY has an extensive network of associates and distributors whose support for its business in East Africa forms a far reaching network to ensure that the Company meets the portable power and cleaning requirements of people in East Africa.

Sales

Earnings

HOUSEHOLD

Portable Power
Dry Cell Batteries
& Lighting Products
Turbo
TurboPlus. Clorox

Sales

Earnings

AUTOMOTIVE

Acid Water
Car Batteries

Sales

Earnings

FABRIC CARE

Bleaches
Fabric enhancers
Laundry Detergents

Our Strategic Focus

Eveready is in its 50th year. A Company does not last that long if it is not adaptive in this very dynamic industry. What is constant however is our need to fulfil the needs of our shareholders and delight our consumers.

Building a ***better*** *company*

To become a successful company we have had to retool our business and re-engineer it in order to enable us respond to changes in our operating environment and also manage our risks better.

We introduced TURBO® our new flagship brand which will enable us reconnect with our consumers. We continue to focus our efforts on areas that will grow our business – growing our sales, protecting and enhancing our margins and increasing efficiencies.

2017STRATEGY

At all times in these categories we remain focused on ensuring productivity improvements in the areas of Cost of Goods Sold, Overhead reduction and Marketing efficiencies.

Next Steps

We are also in the final year of our 5 year Strategy. The Company's 2013-17 Strategic Plan (the "Plan") focused out business on milestones that will get us to our mission of being the preferred partner in the region in the provision of lifestyle solutions. The core of this Plan was diversification.

Other Pillars which were equally important to us related to our technology and processes, customer focus, human capital, markets, and financial strength. The following illustrates our key success areas against our plan objectives:

Tech & Processes | Diversification | Financial Strength | Human Capital | Customer Focus

We are focused on 3 product categories with 4 brands

HOMECARE

Turbo
(dry cells lanterns and flashlights)

Clorox
(Adjacencies)

FABRIC

Clorox

Everclean

AUTOMOTIVE
Turbo

Our Value Chain

Our approach

Our customers are the sub distributors, dealers and key stores we distribute to in our markets.

Building an ***advantaged*** *capability*

We segment our major customers by channel (ie modern trade and general trade), by chain (i.e. major retailers, cash-and-carry shops) and by format (including hypermarkets, supermarkets and Supretes – informal stores mostly in estates).

To sustain strong customer relationships and a growth mindset, dedicated sales representatives and territory managers work in functional teams to serve each customer and their shoppers directly.

Principal Risks

Our business is subject to various risks and uncertainties. Highlighted below are some of the key risks to our business. These are risk that we consider to be material to Eveready's business at this moment in time. We recognize that there could be emerging risk in future.

Supply Chain

Our business depends on the timely distribution of products to our consumers. Potential hazards to our supply chain include long lead times, disruption or loss of key suppliers.

The underlying materials from which our products are subject to fluctuations of cost which affects our margins as the fluctuation of cost in these components cannot always be passed on to the consumers.

Quality Products

Product defects arising out of equipment failure or human error cannot be ignored.

Economic, Political Risks and Natural Disasters

Consumer demand is weakened by adverse economic conditions. We are exposed to economic social and political volatility.

System and Information

Increasing our digital interaction with our consumers and the supply chain partners (trade) require secure and reliable IT systems and infrastructure. It is also crucial that we manage the information that we possess correctly and carefully.

Unauthorized access failure of our IT systems and lack of effective use of information could disrupt our business, result in loss of assets and result in missed opportunities.

Portfolio management

Our growth is determined by our range of products (portfolio categories). These evolve over time. If we do not make optimal decision in this are out margins and revenues will be affected.

Ethical

The way we operate contributes to our society. Despite our commitment to ethical business and the steps that we take to adhere to this commitment there is always the risk that we fall short of our standards which may result to damage of our corporate brand and results.

Brand preference

Consumer's preferences are continuously changing. Our ability to respond to these changes and our ability to differentiate our products remains key. We have to innovate to meet the needs of our consumers and if we are unable to do this successfully it will impact our revenues and margins.

Legal & Regulatory

Eveready is subject to local and regional laws and regulations in various areas to include taxes, listing and disclosures obligations, competition, licensing, trademarks, employee health and safety, corporate governance and employment.

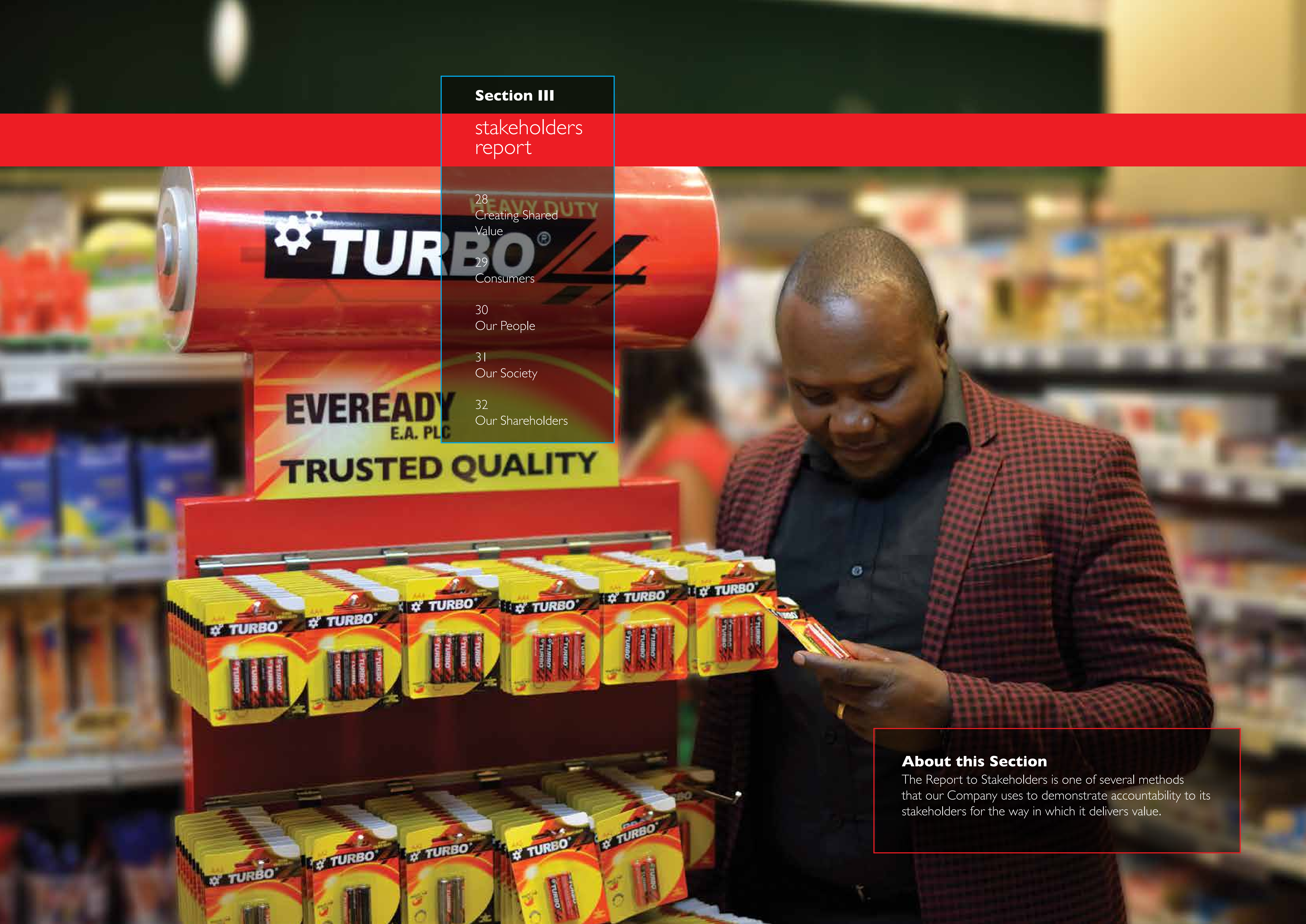
Failure to abide by these laws and regulation exposes Eveready to civil and/ criminal actions which may lead to fines and sanctions with associated blight to our corporate reputation.

Business Transformation

Our transformation projects are ongoing and they drive our continuous improvement agenda. Excellence in execution as well as speed of execution remain key unsuccessful executions deny us the intended benefits of a project and may disrupt our business.

Section III

stakeholders report



About this Section

The Report to Stakeholders is one of several methods that our Company uses to demonstrate accountability to its stakeholders for the way in which it delivers value.

Creating Shared Value

The following pages highlight how Eveready has performed for the benefit of our consumers, wider society, our people and our shareholders in 2016.

PG29

Our Consumers

All our categories are focused on providing our consumers with the products they want, with the benefits they need and the trust they demand.

PG30

Our People

We want to help all our people be the best they can, to realise their potential and the potential of the business. Training and development are crucial for all

PG31

Society

We continued to have an impact across. Our core goals of improving the lives of women and children in our communities by enhancing livelihoods

PG32

Shareholders

We aim to deliver the best possible operational performance from the business to deliver maximum returns to our shareholders over the long term

Consumers

Consumers have historically had a strong emotional connection to Eveready products. Our aim is to continuously delight our consumers with quality products that they can depend on and trust.

Our consumers are individuals who use our product.

Given that satisfied customers and consumers ensure the sustained and profitable growth of our company, we take our engagement with both groups of stakeholders seriously. In particular, consumers shape our business strategy and underpin our brand innovation and marketing strategy. This consumer-centric approach adds value to our company by offering a positive consumer experience that builds brand loyalty, the key to our continued success.

Consumer Strategy

Our marketing strategy is driven by our focus on consumers – and how to satisfy their needs better in our specific product areas of the FMCG market. In our strategy, we aim to nurture and grow the businesses by driving growth through focus and evolving the distributor model, determining optimal coverage and improving in-market visibility. Our Go to Market toolkit has excellence in execution as a primary goal.

Our operating landscape is undergoing significant changes that affect the way we go to market and in-store execution. Key changes to the retail landscape include:

- An increasingly crowded trading arena
- Shifting route to market, including independent channel growth
- Continued rise of the private-label brand

- Increasingly resilient independent trade
- Sub-channel development in retail
- Focus on margin
- The increasing role of data and technology
- Retailers operating for less
- Targeted collaboration/joint business planning
- Modern trade expanding

To achieve our goals and having regard to the changing operating landscape, our RTM Strategies are guided by the following principles:

- Grow our customers
- Growing distribution and reach in TT
- Growing instore
- Great place to work

Our People

As an employer, we are genuinely committed to broadening access to careers in our industry and being part of creating a workforce for the future. We also aim to hire talent and give them a suitable environment in which to thrive.

Communication & Involvement

We strive to maintain a healthy environment in which dialogue between management and employees. On a quarterly basis, management briefs employees on our operational and financial results through various channels, including team meetings, face-to-face gatherings with our Chief Executive Officer and online publications.

We promote safe reporting of views about our processes and practices. In addition to local channels, the Eveready Alert Line enables employees to report potential breaches of the Eveready General Business Practices and Codes of Conduct, confidentially and anonymously.

Eveready appreciates the importance of employee networks and the benefits that can be gained by both employees and the organization through the exchange of ideas and relationship-building. Our networks are designed to enhance employee engagement, deliver substantive content, create a framework for cross-business unit connectivity and idea-sharing, and advance the Company's overall culture of inclusion.

We launched 2 employee networks at Eveready in 2015. Through these networks we advance various causes and promote interactions with each other.

Kike Network
Our Kike (Women)'s Network is committed to recruiting, developing, advancing and supporting women talent.

EVEREADY
E.A. PLC
KIKE NETWORK

We look forward to continuing to provide our women with the greater support as we work towards cultivating women leadership skills, business development, personal contacts and career opportunities through appropriate workshops, speaker engagements, mentoring and networking activities.

Zoezi Network
This network is focused on health and fitness.

Our network not only facilitates interactions and group synergy but is also a way in which we give back to our Community.

EVEREADY
E.A. PLC
ZOEZI NETWORK

Our Society

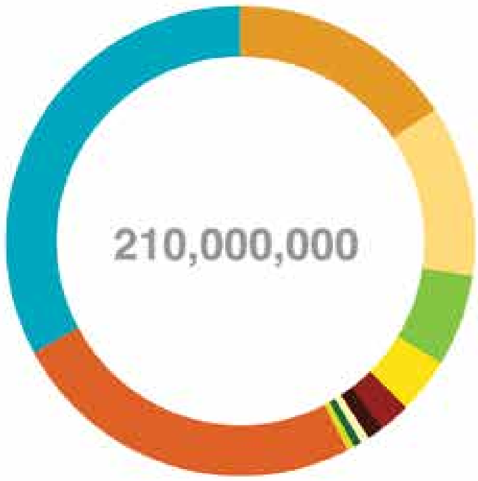
Eveready East Africa PLC continues to play its role in enriching the lives and livelihoods of the less fortunate and excluded people in a sustainable manner. We remain focused on projects that support women and children in our community. In 2016 Eveready continued to make contributions to various activities and projects spread throughout the country in line with our focus areas.

The Eveready **Kike (Women) Network** availed time and resources to the Mary Faith Rescue Centre, Kawangware which is a safe space for girls who have been have gone through forms of abuse including sexual abuse, child labor, early marriage and FGM. The Kike Network with the support of the Company, paid the children's home a visit in September. Out of the visit, the Company learnt and got to understand the various needs of the Home and continues to support and encourage and the girls as they face life after tragedy.

In addition, the Company through its **Zoezi (Fitness) Network** spent a day of Sports and Games with the children at Happy Life Children's Home, Roysambu which aims to provide the abandoned children in Kenya with a Home and a Hope for adoption. The day was spent with the children participating in Team Building Sessions. The company donated foodstuff and other items bought with contributions by staff as part of the Festive Season gifts to the children.

Our Shareholders

Global Investors

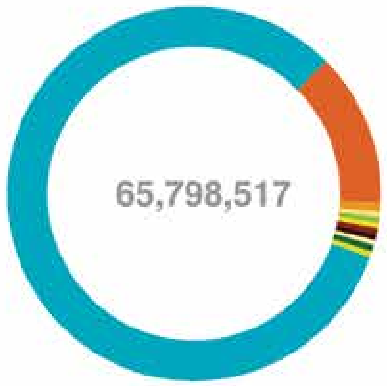


- 73,425,029 • East Africa Batteries Limited
- 36,583,575 • Others
- 36,583,575 • Industrial & Commercial Development Corporation
- 22,061,559 • Energizer International Inc.
- 9,426,687 • Karim Jamal
- 1,684,000 • Best Investment Decisions Ltd
- 878,400 • Naran Khimji And Virji Khimji Hirani
- 830,300 • Cfcfs Nominees Ltd A/c 210
- 548,300 • Mohanlal Dharamshi Shah
- 450,800 • Mushtaq Gulamhussein
- 431,500 • Mahendra Dahyabhai Patel & Jasumati Mahendra Patel Patel

Foreign Investors

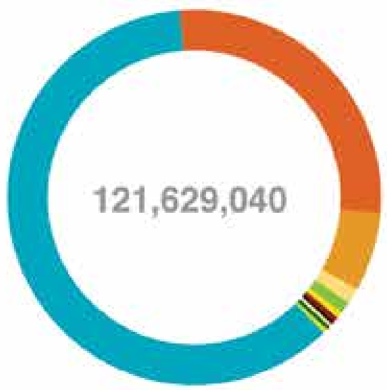
- 22,061,559 • Energizer International Inc.
- 257,784 • Others - 695
- 100,200 • Abdulrasul Ismail Thawer
- 31,900 • Sadaf Seher & Fahim Ahmed
- 22,700 • Roger Alan Dainty
- 20,000 • Anthony John Duckworth
- 19,000 • Steven George Smith
- 16,600 • George Gitagia Kiarie
- 16,200 • Rakesh Kashyap
- 14,000 • Seraphim Kykkotis
- 12,500 • Shila Dhimantlal Samji Shah

Local Individual Investors

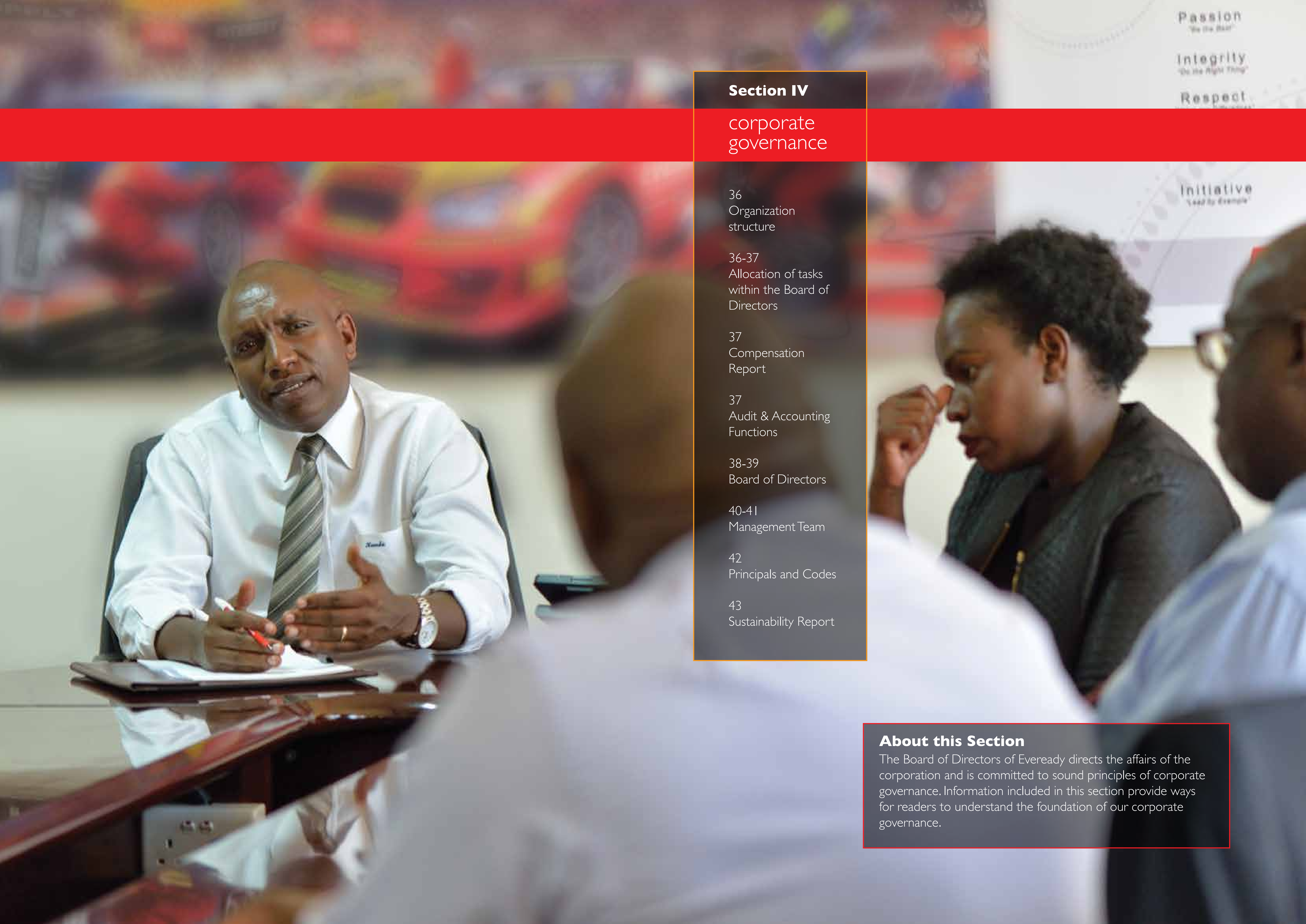


- 52,256,130 • Others
- 9,426,687 • Karim Jamal
- 878,400 • Naran Khimji And Virji Khimji Hirani
- 548,300 • Mohanlal Dharamshi Shah
- 450,800 • Mushtaq Gulamhussein
- 431,500 • Mahendra Dahyabhai Patel & Jasumati Mahendra Patel Patel
- 406,600 • Chandrakant Gulabchand Shah
- 365,300 • Johnson Mwangi Gitari
- 356,200 • Stanley Thuku Ngatiah
- 341,800 • Andrew Mukite Musangi
- 336,800 • Parotiben Sudhir Kumar Premchand Shah

Local Corporate Investors



- 73,425,029 • East Africa Batteries Limited
- 36,583,575 • Industrial & Commercial Development Corporation
- 7,880,436 • Others
- 1,684,000 • Best Investment Decisions Ltd
- 830,300 • Cfcfs Nominees Ltd A/c 210
- 370,000 • Chali Investments Limited
- 216,700 • Denroma Investment Limited
- 201,400 • Kericho Wholesalers Ltd
- 162,600 • Tausi Assurance Company Limited
- 137,800 • Goodwill(Nairobi)limited A/c 855
- 137,200 • Continental Publishing & Comm.network Ltd



Section IV

corporate governance

About this Section

The Board of Directors of Eveready directs the affairs of the corporation and is committed to sound principles of corporate governance. Information included in this section provide ways for readers to understand the foundation of our corporate governance.

EVEREADY E.A. PLC

Corporate Governance

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.

Organization Structure

The Board of Directors is the highest governance body responsible for Eveready's long term strategic direction and the ultimate supervision of the Company. It oversees our economic, social and environmental sustainability. The Board attends to all matters which are not reserved for the Annual General Meeting.

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.

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 (7) Directors. One third (1/3) of the Directors were independent.

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.

Allocation of Tasks within the Board of Directors

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

This Committee consists of a Chairperson, who is an independent and non-executive member of the Board, and a minimum of two other non-executive members of the Board, excluding the CEO. The Committee is headed by an Independent Director. IN accordance with the requirements of the Code, the Remuneration & Nominations Committee has set in place motion the steps required to have at least 3 members of this Committee to be independent. To this end, two additional Directors will be recruited to replace open vacancies and these new members will be independent. At least one member has and will continue to have recent and relevant financial expertise, the others are and will continue to be familiar with the issues of accounting and audit. In discharging its responsibilities, this Committee has unrestricted access to the Company's management, books and records. The Audit Committee supports the Board of Directors in its supervision of financial controls through a direct link to BDO and now RSM East Africa (external auditors) and the Eveready's corporate internal auditors.

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

This Committee consists of Chairperson who is independent and non-executive member of the Board. The other members are presently comprised of a minimum of two non-independent and non-executive members of the Board.

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. To this end, the Board on the recommendation of this Committee, reviewed and put in place a robust policy on Recruitment ad Selection Procedures which will guide all future appointment to the Board. The Committee will be reconstituted in F2017 to comprise mainly of independent directors.

Work methods of the Board of Directors & its Committees

The Board convenes at least four (4) times a year. In the year 2016, the Board met in 4 additional sessions in order to review the Company's strategic plan.

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. 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.

The Board reserves at least one day per year to discuss the strategic long-term plan of the Company. The attendance at the Board meetings and Committee for year 2016 meetings is set out below.

The Company performs annual self-evaluations of the Board the Managing Director and its Committees. Findings are appropriately addressed. The Board conducted an evaluation of itself in F2016 and the results discussed and adopted by the Board.

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.

Compensation Report

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 2017 are set out in Note 27, page 78.

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 78. of this Report under Note insight. There were no share option plans implemented in FY 2016 and no Director was advanced a loan by the Company in the same period.

Audit & Accounting Functions

The Company has hired an internal auditor 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.

DIRECTORS	BOARD	FINANCE & RISK COMMITTEE	AUDIT COMMITTEE	REMUNERATION & NOMINATION COMMITTEE
Lucy Waithaka	8 (out of 8)	n/a	n/a	n/a
Jackson Mutua	8 (out of 8)	4 (out of 4)	4 (out of 4)	3 (out of 3)
Akif Butt	8 (out of 8)	4 (out of 4)	4 (out of 4)	n/a
Mbatha Mbithi	5 (out of 8)	3 (out of 4)	n/a	1 (out of 3)
Catherine Ngahu	8 (out of 8)	2 (out of 4)	n/a	2 (out of 3)
Fauzia Shah	7 (out of 8)	n/a	4 (out of 4)	3 (out of 3)
Susan Mudhune	7 (out of 8)	n/a	3 (out of 4)	n/a
Paul Scott	1 (out of 8)	n/a	0 (out of 4)	n/a
Michael Yep (Alt. to Paul Scott	0 (out of 8)	n/a	0 (out of 4)	n/a

Selected members of the senior management participate in certain Committee meetings.

Board of Directors

Mrs. Lucy W. Waithaka - Chairperson
Mrs. Waithaka is an export business development specialist. She holds a Master of Science degree in Horticulture/Agronomy and a BSC in Agriculture from the University of Nairobi. She has extensive experience in agriculture, export marketing and business management having held senior positions in agriculture and international trade related institutions, namely, the Horticultural Crops Development Authority (HCDA) and the Fresh Produce Exporters Association of Kenya (FPEAK), where she was the Chief Executive before joining the Export Promotion Council (EPC) of Kenya. She left EPC in 2015 as General Manager, Enterprise and Product Development. She has served as a member of the Board of Directors of the Kenya Plant Health Inspectorate Service (KEPHIS) and is currently a member of Sasini Ltd. Board of Directors, where she chairs the Sasini Audit Committee. Mrs. Waithaka has carried out research work and published widely in the areas of cut flowers, post-harvest handling of horticultural produce and export marketing. She has organized and led market study and export promotion missions to several international markets in Europe, USA, Japan, Middle East and Africa, providing business to business linkages for Kenyan exporters. At the EPC, she managed several programmes, all aimed at enhancing the export supply base and export competitiveness through enterprise development initiatives and capacity building. These included product development and test marketing; market penetration and promotion; and training in export trade, business development and management skills. ***61***

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 18 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. ***46***

Ms. Fauzia B. Shah
Ms. Shah holds a Bachelor of Laws Degree and is 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 has worked for the Sameer Group as Company Secretary and Inhouse Counsel and is presently practicing as an advocate at Shapley Barret & Company, Advocates. ***53***

Mr. Akif H. Butt
Mr. Butt is a fellow of the Association of Chartered Certified Accountants (FCCA) and a Certified Public Accountant (CPA) and has over 35 years' experience in financial Management, corporate planning and strategic management. Akif initially trained and worked with Pricewaterhouse 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. ***59***

Dr. Catherine Ngahu, EBS
Dr. Catherine Ngahu is a consultant, educator, researcher and entrepreneur with wide experience in corporate governance under diverse regulatory regimes. She has many years of practicing and consulting experience in business strategy, marketing, consumer behavior, HR, ICT policy and leadership. She is the founder and executive chairman of SBO Research, a leading consulting company ranked no 8 in the Top100 Midsize Companies in 2011. She has been a senior lecturer at the University of Nairobi, School of Business for many years. She holds PhD in Business Administration, MBA and B.Ed. from the University of Nairobi. Dr Ngahu is the Chairman of Uchumi Supermarkets Limited and the Universal Service Advisory Council of Communications Authority of Kenya. She is a member of the Boards of Eveready East Africa, AAR Insurance Kenya Limited and Moran Publishing. She previously served as Chairperson of Kenya ICT Board (2007-2013) now ICT Authority and chair of the World Bank funded Kenya Transparency and Communications Infrastructure Project (KTCIP). She was awarded 'the Elder of the Order of the Burning Spear' (EBS) in 2011 by the President of the Republic of Kenya for devoted service. ***55***

Ms. Mbatha Mbithi (Representing ICDC)
Ms. Mbithi is the Chief Manager Operations at ICDC, a position she has held since September 2009. She has a solid background in Finance and Banking having worked in middle and senior management level positions in five commercial banks. Prior to joining ICDC, she was Head of Credit at Family Bank Ltd. She sits on the Board of Development Bank of Kenya Ltd. She holds a Master of Business Administration degree in Strategic Management from Moi University and a Bachelor of Science Degree in International Business Administration from the United States International University. She is a member of the Kenya Institute of Management. ***50***

Ms. Susan Mudhune
Resigned 31st December 2016

Mr. Paul Scott (Alternate Mr. Michael Yep)
Resigned 13th April 2016


Mrs. Lucy W. Waithaka - Chairperson


Mr. Jackson Mutua - MD


Ms. Fauzia Shah


Mr. Akif Butt


Dr. Catherine Ngahu


Ms. Mbatha Mbithi

Management Team

Board of Directors

Chief Executive Officer/ Managing Director

Finance
IT, Accounting

Traditional Trade
Route to market Management - Channel and Program Management, Sales Operations, Territory Management, Retail Focus

Key Accounts
Account Management - Relationship Management, Tier I and II Focus

Corporate Services
Legal, Stakeholder Management, People, Common Resources

Internal Audit
Controls, Risk

Marketing
New Product Development, Consumer

Jackson K. Mutua - Chief Executive Officer

Margaret A. Odhiambo - Head of Corporate Services

Wilson Gachau - Head of Finance

Timothy Muriithi - Sales Manager – Traditional Trade

Simon Githae - Key Accounts Manager

Noah Ochanda - Supply Chain Manager

Principles and Codes

Eveready Code of Conduct

Directors and employees are required to comply with the Eveready Code of Business Conduct, which is intended to help them put Eveready's business principles into practice. This code clarifies the basic rules and standards they are expected to follow and the behaviour expected of them. The Eveready Code of Business Conduct and Governance Statement can be found at http://eveready.co.ke/corporate-info/

Eveready Helpline

Employees, may raise ethics and compliance concerns through the Eveready Ethics Helpline. This is a confidential reporting mechanism which is available 24 hours a day, seven days a week by telephone.

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.

Information Policy

Eveready is committed to managing an open communication policy with shareholders, potential investors and other interested parties. The objective is to ensure that the perception of those parties about the historical record, current performance and future prospects of Eveready is in line with management's understanding of the actual situation at Eveready.

The guiding principles of this policy are that Eveready gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as full, simple, transparent and consistent as possible.

Methodology

Eveready produces each year a detailed Annual Report, which reviews the business. It also provides detailed audited Financial Statements for the year under review, prepared according to the International Financial Reporting Standards (IFRS). Eveready publishes its full-year and half-year results; it also publishes press releases at the time of any potentially price-sensitive events.

Furthermore, Eveready has an active investor relations programme, including both group meetings and one-to-one meetings to include the Annual General Meeting.

The Company utilises the World Wide Web (www.eveready.com/investors) to ensure a rapid and equitable distribution of information. Eveready does not just rely on people visiting the site to be updated on the latest developments within the Company, press releases are distributed to major wire and news services and major information is published for our shareholders information.

A Corporate calendar of relevant dates is available on the Corporate website (www.eveready.co.ke/investors/events). Eveready's Investor Relations section can be contacted, either through the website, or by telephone, e-mail or letter through:

Investor Relations , Eveready East Africa PLC
Tel. +254 (0)20 2980 000, E-mail: info@eveready.co.ke

EVEREADY E.A. PLC

Sustainability

Eveready is a proud member of Global Compact since 2007. Through this initiative Eveready has over the years committed to live by universally accepted norms on sustainability. These principles touch on human rights, the environment, corruption and labour.

How we Implement The Principles

The Eveready Corporate Business Practices and Standards of Conduct reflect our commitment to a strong compliance culture as a non-negotiable foundation of how we do business. Through our Code of Business Conduct and Supplier Code of Conduct, we encourage employees, suppliers and stakeholders to report practices or actions believed to be inappropriate or illegal, and we assess and investigate the reports if warranted, responding appropriately.

Eveready aims to meet the highest standards of business conduct across our operations. We work against corruption in all its forms. Our Annual Ethics Questionnaire process enables our employees have top of mind awareness of the need to share and continuously live by our values.

Eveready believes that all accidents are preventable and we work hard to foster our company's safety culture.

We have to make sure that respect for human rights remains at the forefront of Eveready's business, by continually reviewing, monitoring and addressing the human rights risks of our activities. By upholding international human rights standards, and continuous and consistent application of our own policies, which are aligned with the UN Guiding Principles on Business and Human Rights, Eveready can make a positive impact on all our stakeholders.

Environmental

We strive to provide our consumers with products that encourage recycling to minimise the amount of waste we produce. We also avail to our consumers new and upcoming technologies that we can use to help reduce our environmental footprints. A good example of this is LED lighting, which provides many environmental advantages.

LEDs are energy efficient with longer life span and therefore need less frequent replacements. All our torches and lanterns are LED.

Rechargeable batteries are a better choice – they are used over and over, so our consumer not only save money but also conserve resources as fewer batteries are used compared to primary batteries

Eveready is a proud member of Global Compact since 2007.

Section V

financial review

About this Section

Our **Financial Statements and Notes** constitute the Eveready Annual Report and Accounts 2016.

Notice & Agenda of the 50th Annual General Meeting

NOTICE IS HEREBY GIVEN that the fiftieth (50th) Annual General Meeting of EVEREADY East Africa PLC (the "Company") will be held at Merica Hotel, Nakuru on Tuesday 28, March 2017 at 11 a.m. for the following business:

AGENDA

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

2. Confirmation of Minutes
To confirm the minutes of the forty ninth (49th) Annual General Meeting held on Thursday April 14, 2016.

3. Ordinary Business

(i) Report of the Auditors and Financial Statements for the Year Ended 30 September 2016:
To receive, consider and, if thought fit, adopt the Audited Financial Statements for the year ended September 30, 2016 together with the Directors' and Auditors' Reports thereon.

(ii) Election of Directors:

i) Mrs. Lucy Waithaka will retire by rotation in accordance with Article 91 of the Company's Articles of Association and being eligible offers herself for re-election as a Director of the Company.

ii) Industrial Commercial Development Corporation will retire by rotation in accordance with Article 91 of the Company's Articles of Association and being eligible offers itself for re-election as a Director of the Company.

iii) In accordance with the provisions of Section 769 of the Companies Act, 2015, the following directors, being members of the Board Audit Committee be elected to serve as members of the said Committee:
(a) Dr. Catherine Ngahu;
(b) Ms. Mbatha Mbithi;
(c) Ms. Fauzia Shah; and
(d) Mr. Akif Butt.

4. Remuneration of Directors
To approve the Directors' remuneration for the year ended September 30, 2016.

5. Appointment and Remuneration of Auditors
To appoint RSM Eastern Africa auditors of the Company for Financial Year 2017 and to authorize the Board to fix the Auditors' remuneration.

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

By Order of the Board,

Image Registrars Limited, Company Secretary
7 March, 2017

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 Friday March 24, 2017 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, 2016 may be viewed on the Company's website at www.eveready.co.ke

Corporate Information

Directors	Mrs L Waithaka - Chairperson Mr J K Mutua - Managing Director Mr A H Butt Industrial Commercial Development Corporation (ICDC) (Alternate Ms. Mbatha Mbithi) Dr C Ngahu Ms F B Shah Mr P Scott - Resigned 13th April 2016 Ms S Mudhune - Resigned 31st December 2016
Company Secretary	Image Registrars Limited 5th Floor, Barclays Plaza, Loita Street P.O. Box 9287 - 00100 Nairobi, Kenya.
Registered Office	MCFL Logistic 1st Floor, Mombasa Road P.O. Box 44765 - 00100 Nairobi, Kenya.
Registrar	Image Registrars Limited 5th Floor, Barclays Plaza, Loita Street P.O. Box 9287 - 00100 Nairobi, Kenya.
Independent auditor	RSM Eastern Africa Certified Public Accountants 1st Floor, Pacis Centre Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya.
Principal Banker	Commercial Bank of Africa Limited Grenadier Tower, Woodvale Grove P.O. Box 30437- 00100 Nairobi, Kenya.
Legal Advisers	Kaplan & Stratton Advocates P.O. Box 40111 - 00100 Nairobi, Kenya. Mukite Musangi & Company Advocates P.O. Box 149 - 20100 Nakuru, Kenya. O & M Advocates P.O. Box 49393 - 00100 Nairobi, Kenya.

Director's Report

The directors submit their report together with the audited financial statements for the year ended 30th September 2016. In accordance with Section 42 of the Sixth Schedule, Transitional and Saving Provisions, of the Companies Act, 2015 this report have been prepared in accordance with Section 157 of the repealed Companies Act, as if that repeal had not taken effect.

Principal activities

The principal activities of the company are those of selling imported dry cell batteries and trading in an assortment of flashlights, schick razors, accessories and car batteries.

Change of name

The company changed its name from Eveready East Africa Limited to Eveready East Africa Plc effective 6th October 2016.

Directorate

The directors who held office during the year and to the date of this report are set out on page 47.

Results and dividends

The loss for the year of Shs 206,505,000 (2015: Shs 201,509,000) has been transferred to retained earnings. The directors do not recommend the declaration of a dividend for the year.

By order of the board

Jackson Mutua
Director

Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the group and the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) selecting suitable accounting policies and applying them consistently; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 30 January 2017 and signed on its behalf by:

Jackson Mutua
Director

Mrs. Lucy Waithaka
Director

RSM

RSM Eastern Africa
Certified Public Accountants

1st Floor, Pacis Centre, Slip Road
off Waiyaki Way, Westlands
P.O. Box 44-00600, Nairobi, Kenya

T +254(0)20 3624000/ 4451747/ 8/ 9
M +254 (0) 706347950/ 772 786111
F+254(0) 20 4451773

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EVEREADY EAST AFRICA PLC

We have audited the accompanying financial statements of Eveready East Africa Plc (the company) and its subsidiary (together, the group), set out on pages 51 to 81, which comprises of the consolidated and company balance sheets as at 30th September 2016, the consolidated profit and loss account and statements of comprehensive income, consolidated and company statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the group and of the company as at 30th September 2016 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Report on other legal requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:
i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those
iii) the company's balance sheet is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report was FCPA Ashif Kassam, Practising Certificate No. 1126.

RSM Eastern Africa
Certified Public Accountants
Nairobi

........30th January...... 2017
015/2017

* In accordance with Section 42 of the Sixth Schedule, Transitional and Saving Provisions, of the Companies Act, 2015 the company's financial statements and this report have been prepared in accordance with Sections 147 to 163 of the repealed Companies Act, as if that repeal had not taken effect.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH SEPTEMBER 2016

	Note	2016 Shs '000	2015 Restated Shs '000
Continuing operations			
Sales	5	553,311	1,124,582
Cost of sales		(425,016)	(905,915)
Gross profit		128,295	218,667
Other income	6	4,872	75,929
Reversal of impairment of assets	7	17,021	-
Selling and distribution expenses		(43,926)	(36,663)
Administrative expenses		(177,394)	(265,785)
Establishments expenses		(41,242)	(50,991)
Impairment of assets	8	(34,220)	(52,295)
Finance costs	9	(72,368)	(50,267)
Loss before tax	10	(218,962)	(161,405)
Tax income/(expense)	11	47,138	(20,670)
Loss for the year from continuing operations		(171,824)	(182,075)
Loss for the year from discontinued operations	12	(34,681)	(19,434)
Loss for the year		(206,505)	(201,509)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of property, plant and equipment		-	705,000
Deferred tax relating to surplus on revaluation of property, plant and equipment		-	(35,250)
Actuarial losses		310	(5,248)
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Currency translation differences on foreign operations		10,284	1,031
Other comprehensive income for the year, net of tax		10,594	665,533
Total comprehensive (loss)/ income for the year attributable to the owners of the company		(195,911)	464,024
Earnings per share		Shs	Shs
Loss per share - basic and diluted	13	(0.98)	(0.96)

BALANCE SHEET AS AT 30TH SEPTEMBER 2016

	Note	Group		Company	
		2016 Shs'000	2015 Restated Shs'000	2016 Shs'000	2015 Restated Shs'000
Share capital	14	210,000	210,000	210,000	210,000
Actuarial reserve		(3,270)	(3,580)	(3,270)	(3,580)
Translation reserve		11,118	834	-	-
Revaluation reserve	15	657,073	669,750	657,073	669,750
Retained earnings		(388,343)	(194,515)	(379,895)	(161,562)
Total equity		**486,578**	**682,489**	**483,908**	**714,608**
Provisions for liabilities charges	16	8,847	8,847	8,847	8,847
		8,847	8,847	8,847	8,847
		495,425	691,336	492,755	723,455
Property, plant and equipment	17	18,293	721,670	18,293	718,053
Non-current assets held for sale	12	695,658	-	693,797	-
Investment in subsidiary	18	-	-	333	333
Deferred income tax	19	98,087	50,013	98,087	50,013
Retirement benefit asset	20	4,215	3,418	4,215	3,418
		816,253	775,101	814,725	771,817
Inventories	21	161,997	355,720	161,997	334,233
Trade and other receivables	22	94,805	184,855	94,805	249,788
Current tax		6,007	11,140	6,007	6,944
Cash at bank and in hand	23	3,744	6,979	562	2,373
		266,553	558,694	263,371	593,338
Trade and other payables	24	144,107	315,049	142,067	314,290
Borrowings	25	443,274	327,410	443,274	327,410
		587,381	642,459	585,341	641,700
Net current liabilities		(320,828)	(83,765)	(321,970)	(48,362)
		495,425	691,336	492,755	723,455

The financial statements on pages 51 to 81 were approved for issue by the board of directors on 30 January 2017 and were signed on its behalf by:

Jackson Mutua
Director

Mrs. Lucy Waithaka
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH SEPTEMBER 2016

Group	Note	Share capital Shs'000	Translation reserve Shs'000	Actuarial reserve Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Total Shs'000
As at 1st October 2014		210,000	(197)	1,668	-	6,994	218,465
Loss for the year - restated	28	-	-	-	-	(201,509)	(201,509)
Other comprehensive income		-	1,031	(5,248)	705,000	-	700,783
Deferred income tax relating to components of other comprehensive income		-	-	-	(35,250)	-	(35,250)
Total comprehensive income for the year		-	1,031	(5,248)	669,750	(201,509)	464,024
At 30th September 2015 - restated		**210,000**	**834**	**(3,580)**	**669,750**	**(194,515)**	**682,489**
At 1st October 2015 as previously reported		210,000	834	(3,580)	669,750	(70,716)	806,288
Prior period adjustments:							
- Restatement of deferred income tax	28	-	-	-	-	(41,873)	(41,873)
- Restatement of receivables	28	-	-	-	-	(38,879)	(38,879
- Understatement of cost of sales	28	-	-	-	-	(43,047)	(43,047)
As at 1st October 2015 - as restated		210,000	834	(3,580)	669,750	(194,515)	682,489
Loss for the year		-	-	-	-	(206,505)	(206,505)
Other comprehensive income		-	10,284	310	-	-	10,594
Total comprehensive income for the year		-	10,284	310	-	(206,505)	(195,911)
Transactions with owners:							
Transfer of excess depreciation (net of deferred tax)		-	-	-	(12,677)	12,677	-
At 30th September 2016		**210,000**	**11,118**	**(3,270)**	**657,073**	**(388,343)**	**486,578**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH SEPTEMBER 2016

Company	Note	Share capital Shs'000	Actuarial reserve Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Total Shs'000
As at 1st October 2014		210,000	1,668	-	20,513	232,181
Changes in equity in 2015						
Loss for the year - restated	28	-	-	-	(187,075)	(187,075)
Other comprehensive income		-	(5,248)	705,000	-	699,752
Deferred income tax relating to components of other comprehensive income		-	-	-	(35,250)	(35,250)
Total comprehensive income for the year		-	(5,248)	669,750	(182,075)	482,427
At 30th September 2015 - restated		**210,000**	**(3,580)**	**669,750**	**(161,562)**	**714,608**
At 1st October 2015 as previously reported		210,000	834	669,750	(37,763)	838,407
Prior period adjustments:						
- Restatement of deferred income tax	28	-	-	-	(41,873)	(41,873)
- Restatement of receivables	28	-	-	-	(38,879)	(38,879)
- Understatement of cost of sales	28	-	-	-	(43,047)	(43,047)
As at 1st October 2015 - as restated		**210,000**	**(3,580)**	**669,750**	**(161,562)**	**714,608**
Changes in equity in 2016						
Loss for the year		-	-	-	(231,010)	(231,010)
Other comprehensive income		-	310	-	-	310
Total comprehensive income for the year		-	310	-	(231,010)	(230,700)
Transactions with owners:						
Transfer of excess depreciation (net of deferred tax)		-	-	(12,677)	12,677	-
At 30th September 2016		**210,000**	**(3,270)**	**657,073**	**(379,895)**	**483,908**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH SEPTEMBER 2016

	Note	2016 Shs'000	2015 Shs'000
Cash flows from operating activities			
(Loss) before tax		(206,505)	(201,509)
Adjustments for:			
Income tax	11	(47,138)	20,670
Depreciation charge	17	26,521	23,636
Gain on disposal of assets	6	(1,752)	(64,205)
Interest expense	9	72,368	50,267
Movement in retirement benefit asset and liabilities		(487)	3,580
Gratuity paid		-	(118,278)
Reversal of impairment loss on property plant and equipment	7	(17,021)	-
Write off of assets		4,460	-
Operating profit before working capital changes		**(169,554)**	**(285,839)**
Decrease in trade and other receivables		111,056	57,536
Decrease in inventories		194,720	146,685
(Decrease)/increase in trade and other payables		(171,329)	138,440
Cash (used in)/generated from operations		**(35,107)**	**56,822**
Interest paid		(72,368)	(50,267)
Tax paid		-	(1,574)
Net cash (used in)/generated from operating activities		**(107,475)**	**4,981**
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(3,090)	(8,006)
Proceeds from disposal of property, plant and equipment		3,164	64,219
Net cash generated from investing activities		**74**	**56,213**
Cash flows from financing activities			
Receipt/(repayment) of borrowings		383,558	(57,083)
Net cash generated from/(used in) financing activities		**383,558**	**(57,083)**
Net increase in cash and cash equivalents		**276,157**	**4,111**
Cash and cash equivalents at start of the year		**(285,519)**	**(285,845)**
Effect of exchange rate changes on cash and cash equivalents		**8,631**	**(3,785)**
Cash and cash equivalents at end of the year	23	**(731)**	**(285,519)**

1. Summary of significant accounting policies

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

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, which is also the functional currency of the company (see (c) below), rounded to the nearest thousand (Shs'000).

The directors have reached the decision to wind up Flamingo Properties Uganda Limited (the subsidiary) due to the unprofitability of its operations. The financial statements for the subsidiary have been prepared on a basis other than that of a going concern.

The financial statements comprise a statement of profit or loss and other comprehensive income, balance sheet (statement of financial position), statement of changes in equity, and statement of cash flows. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

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

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:
• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

b) New and revised standards

i) Adoption of new and revised standards

A number of amendments to standards and one interpretation became effective for the first time in the financial year beginning 1st October 2015 and have been adopted by the company. None of them has had an effect on the company's financial statements.

ii) New and revised standards and interpretations which have been issued but are not yet effective

The company has not applied any new revised standards and interpretations that have been published but are not yet effective for the year beginning 1st October 2015 (see note 30).

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which each entity operates).

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in profit or loss in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

Translation of financial statements of foreign entities

The assets and liabilities of foreign operations are translated into Kenya Shillings using exchange rates at the reporting date. The components of shareholders' equity are stated at historical amounts.

Average exchange rates for the period are used to translate income and expense items of foreign operations. However, if exchange rates fluctuate significantly, the exchange rates at the dates of the transactions are used.

All resulting exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve, a separate component of equity.

d) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the company's activities. It is recognised when it is probable that future economic benefits will flow to the company and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts.

Sale of goods are recognised upon the delivery of the product and customer acceptance.
Rental income from operating leases is recognised on a straight line basis over the period of the lease. All other income earned by the company is recognised in the period in which it is earned.

e) Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

f) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

g) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

h) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting.

i) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Leasehold land is subsequently carried at a revalued amount, based on valuation by external independent valuers, less accumulated depreciation and accumulated impairment loss. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying value 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. Repairs and maintenance is charged to the profit and loss account in the year to which it relates.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

Rate - %	
Leasehold land	**Over the lease period**
Buildings	3.33 - 4
Plant and machinery	6.67
Furniture and fixtures	16.7
Computers	33.3
Motor vehicles	33.3

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

j) Investment in subsidiaries

Subsidiaries are entities controlled by the company. The company controls an entity when it is exposed to or has variable returns from its involvement with the entity and has an ability to affect these returns therefore its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Subsidiaries are fully consolidated from the date at which the company starts controlling them and are de-consolidated from the date control ceases. Inter-company transactions, balances and unrealised gains or transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the company.

During the year the directors reached the decision to wind up Flamingo Properties Uganda Limited (the subsidiary) due to unprofitability of its operations. The results of the subsidiary have been presented as discontinued operations.

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

k) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, 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.

l) Discontinued operations and non-current assets held for sale

Discontinued operations

These are either separate major lines of business or geographical operations that have been sold or classified as held for sale. When held for use, discontinued operations were a cash-generating unit or a group of cash-generating units. They comprise operations and cash flows that can be clearly distinguished - operationally and for financial reporting purposes - from the rest of the entity. Their results are shown separately in the consolidated statement of profit or loss and comparative figures are restated to reclassify them from continuing to discontinued operations.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. The directors must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and the fair value less costs to sell.

m) Financial instruments

CLASSIFICATION

The company classifies its financial instruments into the following categories:

i) Loans and receivables, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the company intends to sell immediately or in the near term or those which the company upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.

ii) Financial liabilities, which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

Financial instruments held during the year were classified as follows:
- Demand and term deposits with banking institutions and trade and other receivables were classified as 'loans and receivables'.
- Borrowings and trade and other liabilities were classified as financial liabilities.

RECOGNITION AND MEASUREMENT

i) Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the profit and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, loans and receivables are carried at amortised cost using the effective interest method. Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The company assesses at each balance sheet whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

Changes in the carrying values and impairment losses of loans and receivables are recognised in the profit and loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

ii) Financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit and loss account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

PRESENTATION

All financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

DERECOGNITION

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

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or

OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes all costs incurred in bringing the goods to their present location and condition but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

o) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

p) Provisions for liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

q) Leases

FINANCE LEASES AS THE LESSEE

Leases of property, plant and equipment including hire purchase contracts where the company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

OPERATING LEASES

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the profit and loss account on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

r) Short term employee benefits

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

s) Post-employment benefit obligations

Defined contribution

The company operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance company. A defined contribution plan is a plan under which the company pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The company's contributions are charged to the profit and loss account in the year to which they relate.

The liability/asset recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date less the fair value of the plan assets. The defined 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 flows using interest rates of high- quality corporate bonds that are denominated in the functional currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined benefit liability/asset are recognised in other comprehensive income, with no reclassification to profit or loss in a subsequent period. Remeasurements comprise actuarial gains/losses and the return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset.

The company and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

a) Significant judgements made in applying the company's accounting policies

The judgements made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include whether it is probable that future taxable profits will be available against which tax losses carried forward can be utilised.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Income taxes

Estimates made in determining the income tax expense for transactions for which the ultimate determination of the income tax expense is uncertain in the ordinary course of business.

iii) Impairment losses

Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset.

iii) Retirement benefit obligations

Assumptions made by the actuary in determining the present value of retirement benefit obligations. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 20.

3. Risk management objectives and policies (continued)

a) Financial risk management

The company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the company's performance by setting acceptable levels of risk. The company does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis.

The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.
Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The credit exposure of the company as at the balance sheet date is as follows:

a. Group

	Fully performing Shs '000	Past due but not impaired Shs '000	Impaired Shs '000	Total Shs '000
At 30th September 2016				
Trade receivables	66,351	9,121	8,659	84,131
Other receivables	4,849	-	-	4,849
Cash at bank	3,744	-	-	3,744
Maximum exposure to credit risk	**74,944**	**9,121**	**-**	**92,724**
At 30th September 2015				
Trade receivables	155,732	15,401	-	171,133
Other receivables	4,441	-	-	4,441
Cash at bank	6,979	-	-	6,979
Maximum exposure to credit risk	**167,152**	**15,401**	**-**	**182,553**

b. Company

	Fully performing Shs '000	Past due but not impaired Shs '000	Impaired Shs '000	Total Shs '000
At 30th September 2016				
Trade receivables	66,351	9,121	8,659	84,131
Other receivables	4,849	-	-	4,849
Receivable from related party	-	-	59,186	59,186
Cash at bank	562	-	-	562
Maximum exposure to credit risk	**71,762**	**9,121**	**-**	**148,728**
At 30th September 2015				
Trade receivables	149,852	12,515	-	162,367
Other receivables	3,465	-	-	3,465
Receivables from related parties	79,515	-	-	79,515
Cash at bank	2,373	-	-	2,373
Maximum exposure to credit risk	**235,205**	**12,515**	**-**	**247,720**

ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for the financial liabilities to their remaining contractual maturities.

a. Group

	Less than one month Shs '000	Between 1-3 months Shs '000	Between 3-12 months Shs '000	Over 1 year Shs '000
At 30th September 2016				
Trade payables	48,489	-	-	-
Other payables and accrued expenses	24,510	1,423	-	-
Payables to related parties	69,685	-	-	-
Borrowings	4,475	438,799	-	-
	147,159	**440,222**	**-**	**-**
At 30th September 2015				
Trade payables	255,188	-	-	-
Other payables and accrued expenses	39,120	-	-	-
Payables to related parties	20,741	-	-	-
Borrowings 292,498	34,912	-	-	
	607,547	**34,912**	**-**	**-**

b. Company

	Less than one month Shs '000	Between 1-3 months Shs '000	Between 3-12 months Shs '000	Over 1 year Shs '000
At 30th September 2016				
Trade payables	47,714	-	-	-
Other payables and accrued expenses	23,245	1,423	-	-
Payables to related parties	69,685	-	-	-
Borrowings	4,475	438,799	-	-
	145,119	440,222	-	-
At 30th September 2015				
Trade payables	59,258	-	-	-
Other payables and accrued expenses	38,493	-	-	-
Payables to related parties	216,539	-	-	-
Borrowings	292,498	34,912	-	-
	606,788	34,912	-	-

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk

The company is exposed to cash flow interest rate risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining an interest cover ratio, which is the extent to which the gross margin is available to service borrowing costs. Management consider that a change in interest rates of 1% in the year ending 30th September 2017 is reasonably possible. If the interest rates on the company's borrowings at the year-end were to increase/decrease by 1%, with all other factors remaining constant, the post-tax profit would be lower/higher by Shs 4,799,690 (2015: Shs 3,518,690) respectively.

Currency risk

Currency risk arises on financial instruments that are denominated in foreign currencies. The company has cash at bank, trade payables and borrowings which are denominated in foreign currencies.

	2016 US$ Shs' 000	2015 US$ Shs' 000
Cash at bank	-	63
Trade payables	(102,408)	(212,608)
Bank overdraft	(955)	(1,153)
Borrowings	-	(34,912)
Net exposure	**(103,363)**	**(248,610)**

Management consider that an appreciation of the United States Dollar against the Kenya Shilling of between 5% and 10% in the year ending 31st December 2017 is reasonably possible. If the foreign currencies were to appreciate/depreciate against the Kenya Shilling by 10% with all other factors remaining constant, the post tax profit would be lower/higher by Shs 7,235,000 (2015: Shs 17,412,000).

b) Capital management

The company's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximise the return to its shareholders. The company is not subject to any external capital requirements.

The board of directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risk associated with each class of capital. Based on the review, the board considers and analyses and assesses the gearing ratio to determine the appropriate levels. This ratio is calculated as net debt divided by total shareholders' funds and net debt. Net debt is calculated as total borrowings less cash and cash

The gearing ratio at the year-end was as follows:

	2016 Shs '000	2015 Shs '000	2016 Shs '000	2015 Shs '000
Shareholders' funds	486,578	682,489	483,908	714,608
Total borrowings	443,274	327,410	443,274	327,410
Less: cash and cash equivalents	(3,744)	(6,979	(562)	(2,373)
Net debt	439,530	320,431	442,712	325,037
Total shareholders' funds and net debt	926,108	1,002,920	926,620	1,039,645
%	**47%**	**32%**	**48%**	**31%**

4. Segmental information

The continuing operations of the company comprise a single operating segment. Consequently, no segmental information is included in these financial statements.

	2016 Shs' 000	2015 Shs' 000
5. Revenue		
Sale of manufactured goods	-	379,552
Sale of purchased goods	550,977	745,030
Sale of raw materials	2,334	-
	553,311	**1,124,582**
6. Other income		
Gain on disposal of assets	1,752	64,205
Rental income	3,120	1,789
Miscellaneous income	**-**	**9,935**
	4,872	**75,929**
7. Reversal of impairment loss on property, plant and equipment		
Buildings	15,609	-
Machinery and equipment	**1,412**	**-**
	17,021	**-**
8. Impairment of assets		
Impairment of receivables	**34,220**	**52,295**
	34,220	52,295
9. Finance costs		
Interest expense: Bank overdrafts	24,799	27,657
Loans	47,569	22,610
	72,368	50,267

10. Loss before tax

	2016 Shs'000	2015 Shs'000
(a) Items charged		
The following items have been charged in arriving at profit before tax:		
Inventories expensed	425,016	905,915
Employee benefits expense (Note 10(b))	110,892	117,379
Operating lease rentals expense	9,951	6,152
Net foreign exchange loss	3,118	44,652
Depreciation of property, plant and equipment	24,662	21,672
Auditors' remuneration		
Current year	2,000	1,829
(b) Employee benefits expense		
The following items are included in employee benefits expense:		
Retirement benefit costs:		
- Defined contribution scheme	5,019	5,320
- Defined benefit scheme	(487)	(1,668)
- National Social Security Fund (NSSF)	162	188

11. Tax expense

	2016 Shs'000	2015 Shs'000
Current income tax	936	-
Deferred tax (credit)/charge (Note 19)	(48,074)	20,670
Tax (income)/expense	(47,138)	20,670
The tax on the group's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
(Loss) before tax	**(218,962)**	**(161,405)**
Tax calculated at a tax rate of 30% Tax effect of:		
Income not subject to tax	(65,689)	(48,422)
	-	(18,548)
Under-provision of deferred income tax in prior year	(39,958)	-
Deferred tax not recognised	51,335	41,873
Expenses not deductible for tax purposes	7,174	45,766
Tax (income)/expense	**(47,138)**	**20,669**

12. Discontinued operations and assets held for sale

	2016 Shs'000	2015 Shs'000
Loss for the year from discontinued subsidiary company operations		
Sales	25,514	7,554
Cost of sales	(18,235)	(7,529)
Gross profit	7,279	25
Employment cost	(1,799)	(1,762)
Other administration expenses	(9,360)	(8,535)
Write down of assets	(20,993)	-
Operating losses	(24,873)	(10,272)
Finance cost	(9,808)	(9,162)
Loss before tax	**(34,681)**	**(19,434)**
Tax	-	-
Loss for the year	**(34,681)**	**(19,434)**

On 20th May 2016, the board of directors of the subsidiary company Flamingo Properties Uganda Limited resolved to voluntarily wind up the subsidiary company.

Assets held for sale	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Leasehold land	678,188	-	678,188	-
Building	15,609	-	15,609	-
Furniture and fixtures	161	-	-	-
Motor vehicles	1,630	-	-	-
Computers	70	-	-	-
	695,658	**-**	**693,797**	**-**

During the year the board approved the sale of the company's leasehold land and building on land reference number NakuruMunicipality block 7/554. The sale is in the process of being concluded.

13. Loss per share - basic and diluted

Loss per share is calculated by dividing the loss for the year attributable to shareholders by the number of ordinary shares in issue during the year.

	2016 Shs'000	2015 Shs'000
(Loss) for the year (Shs' 000)	(206,505)	(201,509)
Number of ordinary shares (thousands) - Note 14	210,000	210,000
(Loss) per share - basic and diluted (Shs)	**(0.98)**	**(0.96)**

There were no potentially dilutive shares outstanding at either 30th September 2016 or 30th September 2015.

14. Capital Share

	No. of Shares	Issued and capital (Shs)
Ordinary Shares		
At 1st October 2014 and 30th September 2015	210,000,000	210,000,000
At 1st October 2015 and 30th September 2016	**210,000,000**	**210,000,000**

The total number of authorised ordinary shares is 210,000,000 (2015: 210,000,000) with a par value of Shs 1 each.

15. Revaluation Surplus

Group and company

The revaluation surplus arises on the revaluation of leasehold land and is stated net of deferred income tax. The surplus is not distributable. The movement during the year is as follows:

	2016 Shs'000	2015 Shs'000
At 1st October	669,750	-
Surplus on revaluation of leasehold land	-	705,000
Deferred tax relating to surplus on revaluation of leasehold land	-	(35,250)
Transfer of excess depreciation on revaluation (net of deferred tax)	(12,677)	-
At 30th September	**657,073**	**669,750**

16. Provisions for Liabilities

Assets held for sale	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
At the start of the year and end of year	8,847	8,847	8,847	8,847

The above provision is in respect of pending claims from former employees following the restructuring program undertaken in 2014.

17. Property, plant and equipment

a) Group

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Furniture & fixtures Shs'000	Computers Shs'000	Motor vehicles Shs'000	Work-in-progress Shs'000	Total Shs'000
At 1st October 2014								
Cost or valuation	362	28,211	246,622	44,559	26,464	73,164	181	419,563
Accumulated depreciation	(164)	(28,211)	(246,622)	(29,744)	(19,504)	(62,572)	-	(386,817)
Net carrying amount	**198**	**-**	**-**	**14,815**	**6,960**	**10,592**	**181**	**32,746**
Year ended 30th September 2015								
Opening carrying amount	198	-	-	14,815	6,960	10,592	181	32,746
Additions	-	-	-	-	5,737	2,450	(181)	8,006
Translation differences	-	-	-	(116)	(40)	(276)	-	(432)
Revaluation	705,000	-	-	-	-	-	-	705,000
Disposal	(14)	-	-	-	-	-	-	(14)
Depreciation charge	(13,561)	-	-	(2,628)	(3,048)	(4,399)	-	(23,636)
Closing carrying amount	**691,623**	**-**	**-**	**12,071**	**9,609**	**8,367**	**-**	**721,670**
At 30th September 2015								
Cost or valuation	705,267	28,211	-	44,559	32,201	62,612	-	872,850
Translation differences	-	-	-	(116)	(40)	(276)	-	(432)
Accumulated depreciation and impairment loss	(13,644)	(28,211)	-	(32,372)	(22,552)	(53,969)	-	(150,748)
Net carrying amount	**691,623**	**-**	**-**	**12,071**	**9,609**	**8,367**	**-**	**721,670**
Year ended 30th September 2016								
Opening carrying amount	691,623	-	-	12,071	9,609	8,367	-	721,670
Additions	-	-	-	-	-	3,090	-	3,090
Disposals	-	-	(1,412)	-	-	-	-	(1,412)
Depreciation charge	(13,435)	-	-	(5,386)	(4,580)	(3,120	-	(26,521)
Asset write off	-	-	-	(300)	-	(1,626)	-	(1,926)
Closing carrying amount	**-**	**-**	**-**	**6,415**	**5,049**	**6,829**	**-**	**18,293**
At 30th September 2016								
Cost or valuation	-	-	241,133	42,853	30,491	60,180	-	374,657
Accumulated depreciation and impairment loss	-	-	(241,133)	(36,438)	(25,442)	(53,351)	-	(356,364)
Net carrying amount (valuation basis)	**-**	**-**	**-**	**6,415**	**5,049**	**6,829**	**-**	**18,293**

17. Property, plant and equipment (continued)

b) Company

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Furniture & fixtures Shs'000	Computers Shs'000	Motor vehicles Shs'000	Work-in-progress Shs'000	Total Shs'000
At 1st October 2014								
Cost or valuation	362	29,448	248,711	42,853	24,754	67,642	181	413,951
Accumulated depreciation	(164)	(29,448)	(248,711)	(29,210)	(18,756)	(60,929)	-	(387,218)
Net carrying amount	**198**	**-**	**-**	**13,643**	**5,998**	**6,713**	**181**	**26,733**
Year ended 30th September 2015								
Opening carrying amount	198	-	-	13,643	5,998	6,713	181	26,733
Additions	-	-	-	-	5,737	2,450	(181)	8,006
Revaluation	705,000	-	-	-	-	-	-	705,000
Disposal	(14)	-	-	-	-	-	-	(14)
Depreciation charge	(13,561)	-	-	(2,227)	(2,553)	(3,331)	-	(21,672)
Closing carrying amount	**691,623**	**-**	**-**	**11,416**	**9,182**	**5,832**	**-**	**718,053**
At 30th September 2015								
Cost or valuation	705,267	29,448	-	42,853	30,491	57,090	-	865,149
Accumulated depreciation and impairment loss	(13,644)	(29,448)	-	(31,437)	(21,309)	(51,258)	-	(147,096)
Net carrying amount	**691,623**	**-**	**-**	**11,416**	**9,182**	**5,832**	**-**	**718,053**
Year ended 30th September 2016								
Opening carrying amount	691,623	-	-	11,416	9,182	5,832	-	718,053
Additions	-	-	-	-	-	3,090	-	3,090
Disposals	-	-	(1,412)	-	-	-	-	(1,412)
Depreciation charge	(13,435)	-	-	(5,001)	(4,133)	(2,093)	-	(24,662)
Reversal of impairment loss	-	15,609	(1,412)	-	-	-	-	(17,021)
Transfer to assets held for sales	(678,188)	(15,609)	-	-	-	-	-	(693,797)
Closing carrying amount	**-**	**-**	**-**	**6,415**	**5,049**	**6,829**	**-**	**18,293**
At 30th September 2016								
Cost or valuation	-	-	241,133	42,853	30,491	60,180	-	374,657
Accumulated depreciation and impairment loss	-	-	(241,133)	(36,438)	(25,442)	(53,351)	-	(356,364)
Net carrying amount (valuation basis)	**-**	**-**	**-**	**6,415**	**5,049**	**6,829**	**-**	**18,293**

Leasehold land was revalued on 13th November 2014 by Regent Valuers Limited based on special value assuming successful change of use from existing industrial to mixed use (commercial and residential) and extension of remaining lease term from 52 years to 99 years. The carrying amount of the asset was restated to the revalued amount of the asset, and the resulting surplus arising on revaluation net of deferred income tax was recognised in other comprehensive income and credited to the revaluation surplus in the equity.

If the freehold land were stated on the historical cost basis, the carrying amount would be as follows:

	2016 Shs'000	2015 Shs'000
Cost	267	267
Accumulated depreciation	(91)	(86)
Carrying amount	176	181

Leasehold land has been charged to secure banking facilities as disclosed in Note 25. Fully depreciated assets still used had a cost of Shs 165,826,000 (2015: 87,213,000).

18. Investments in subsidiaries

		2016 Shs'000	2015 Shs'000
Company			
Unquoted securities at cost	**Holding**		
Flamingo Properties Uganda Limited	**100%**	333	333

The company also has a subsidiary in Kenya, Flamingo Properties Limited, for which no capital contribution has been made. The subsidiary was dormant during the year and will be used as a procurement vehicle on an agency basis for the company.

19. Deferred income tax - group and company

	At start of year Shs'000	(Credited) / charged to profit or loss Shs'000	At end of year Shs'000
Year ended 30th September 2016			
Deferred tax assets			
Tax losses	72,348	44,295	116,643
Provision for staff leave	3,851	(3,827)	24
Unrealised exchange difference	5,660	(5,660)	-
Provision for obsolete inventory	19,225	3,840	23,065
Provision for terminal dues	3,000	(3,000)	-
	104,084	35,648	139,732
Deferred tax liability			
Property, plant and equipment	(54,071)	12,426	(41,645)
Net deferred tax asset	**50,013**	**48,074**	**98,087**

	At start of year	(Credited) / charged to profit or loss (restated)	(Credited)/charged to other comprehensive income	At end of year restated
Year ended 30th September 2016				
Deferred tax assets				
Provision for plant impairment	41,873	(41,873)	-	-
Provision for gratuity	31,705	(31,705)	-	-
Tax losses	24,696	47,652	-	72,348
Provision for staff leave	2,883	968	-	3,851
Unrealised exchange difference	6,053	(393)	-	5,660
Provision for obsolete inventory	16,746	2,479	-	19,225
Provision for terminal dues	3,000	-	-	3,000
	126,956	(22,872)	-	104,084
Deferred tax liability				
Property, plant and equipment	(21,023)	2,202	(35,250)	(54,071)
Net deferred tax asset	**105,933**	**(20,670)**	**(35,250)**	**50,013**

Under the Kenyan Income Tax Act, tax losses are allowable as a deduction only in the nine years succeeding the year in which they occurred. The tax losses of Shs 559,924,000 carried forward will expire as follows:

Arising in:	Tax losses Shs'000	Expiring:
2011	92,518	2020
2012	55,148	2021
2015	180,226	2024
2016	232,032	2025
	559,924	

The deferred tax asset has been recognised based on management's projections of future taxable profits that will be available against which the deductible temporary differences and tax losses can be utilised.

20. Staff retirement defined benefit scheme

The company operates a funded final salary defined benefit plan. The scheme is established under trust and was closed to new entrants and to future accrual effective September 2006. The company fully funded the deficit and transferred the accrued assets and liabilities in respect of active (in service) members to the company's new defined contribution arrangement and personal pension plans, as selected by members effective October 2011. Currently the scheme comprises only deferred members with entitlement to deferred benefits and members whose benefits are outstanding. The scheme assets are partly invested in the fixed income assets and cash, and partly in a pooled deposit administration account with an insurance company.

The plan exposes the company to actuarial risks, in particular:

- Longevity risk: any increase in the plan participants' life expectancy will increase the plan's liability.
- Investment risk: if the actual return on plan assets is below the discount rate used in calculating the defined benefit plan liability, a plan deficit will arise; however, the composition of plan assets is balanced enough not to expose the company to significant concentrations of investment risk.
- Interest rate risk: a decrease in the bond interest rate will increase the plan liability (however, partially counter balanced by an increase in the return on the plan's debt investments).

A full actuarial valuation was carried out as at 30 June 2016 by Alexander Forbes. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2016 Shs'000	2015 Shs'000
Interest cost on defined benefit obligation	1,491	1,372
Interest income on plan assets	(2,465)	(3,040)
Interest on effect of asset ceiling	487	-
Components of defined benefit costs recognised in profit or loss	**(487)**	**(1,668)**
Return on plan assets (excluding amounts included in net interest expense)	(593)	1,760
Actuarial gains arising from changes in assumptions	(26)	69
Change in effect of asset ceiling (excluding amount in interest cost)	309	3,419
Components of defined benefit costs recognised in other comprehensive income	(310)	5,248
	(797)	3,580
Net asset at the start of the year	(3,418)	(6,998)
Net asset at the end of the year	**(4,215)**	**(3,418)**
The net defined benefit asset in the balance sheet comprises:		
Present value of the defined benefit obligation	11,926	10,461
Less: fair value of plan assets	(20,356)	(17,298)
	(8,430)	(6,837)
Effect of asset ceiling	4,215	3,419
	(4,215)	**(3,418)**
The movement in the defined benefit obligation over the year is:		
At start of year	10,461	9,020
Net interest expense	1,491	1,372
Actuarial gains arising from changes in assumptions	(26)	69
At end of year	**11,926**	**10,461**
The movement in the fair value of plan assets is as follows:		
At start of year	(17,298)	(16,018)
Interest on plan assets	(2,465)	(3,040)
Return on plan assets (excluding amounts included in net interest expense)	(593)	1,760
At end of year	**(20,356)**	**(17,298)**
Effect of asset ceiling at start of the year	3,419	-
Interest on the effect of the asset ceiling	487	-
Change in effect of the asset ceiling, excluding amount in ceiling	309	3,419
Total	**4,215**	**3,419**
The significant actuarial assumptions used were as follows:	**2016**	**2015**
Discount rate (%)	14.00%	14.25% Future
salary escalation (%)	N/A	N/A
Future pension increases (%)	N/A	N/A
Retirement Age	60 years	60 years

For each of the above significant actuarial assumptions, a sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 1% lower, the benefit obligation would decrease by Shs 105,000. Since the benefits payable under the scheme are preserved benefits, there is no sensitivity of the liability to a change in the salary escalation assumption.

For the above sensitivity analysis, the present value of the defined benefit obligation has been determined using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in the balance sheet.

Such sensitivity analysis might not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another.

21. Inventory

	Group		Company	
	2016 Shs' 000	2015 Shs' 000	2016 Shs' 000	2015 Shs' 000
Raw materials	48,927	53,046	48,927	53,046
Less: provision for impairment	(48,927)	(53,046)	(48,927)	(53,046)
	-	-	-	-
Finished goods	102,188	229,473	102,188	207,986
Good in transit	59,809	26,247	59,809	126,247
	161,997	**355,720**	**161,997**	**334,233**

22. Trade and other receivables

	Group 2016	Group 2015	Company 2016	Company 2015
Trade receivables	168,583	221,365	168,583	212,599
Less: Provision for impairment losses	(84,452)	(50,232)	(84,452)	(50,232)
	84,131	171,133	84,131	162,367
Other receivables	4,849	4,441	4,849	3,465
Receivable from related parties (Note 27(i))	-	-	59,186	79,515
Less: Provision for impairment losses	-	-	(59,186)	-
Prepayments	5,825	9,281	5,825	4,441
	94,805	**184,855**	**94,805**	**249,788**
The movement on the provision for impairment losses is as follows:				
At 1st October	50,232	-	50,232	-
Net increase charged to profit and loss account	37,066	50,232	96,252	50,232
Provisions utilised	(2,846)	-	(2,846)	-
At 30th September	**84,452**	**50,232**	**143,638**	**50,232**

23. Cash at bank and in hand

	Group 2016	Group 2015	Company 2016	Company 2015
Cash at bank and in hand	3,744	6,979	562	2,373
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:				
Cash and bank balance	3,744	6,979		
Bank overdraft (Note 25)	(4,475)	(292,498)		
	(731)	**(285,519)**		

24. Trade and other payables

	Group		Company	
	2016 Shs' 000	2015 Shs' 000	2016 Shs' 000	2015 Shs' 000
Trade payables	48,489	255,188	47,714	59,258
Other payables	765	2,810	582	2,716
Accrued expenses	25,168	36,310	24,086	35,777
Related parties (Note 27(i))	69,685	20,741	69,685	216,539
	144,107	**315,049**	**142,067**	**314,290**

25. Borrowings

	Group 2016	Group 2015	Company 2016	Company 2015
Current				
Bank overdraft (Note 23)	4,475	292,498	4,475	292,498
Bank loans	363,799	34,912	363,799	34,912
Related party loans	75,000	-	75,000	-
	443,274	**327,410**	**443,274**	**327,410**
The borrowings are repayable as follows:				
On demand or within 1 year	443,274	327,410	443,274	**327,410**

The borrowings from Commercial Bank of Africa are secured by:

- Debenture for aggregate Shs 600,000,000 over all the assets of the borrower.
- First ranking legal charge for Shs 450,000,000 over Nakuru Municipality Block 7/554, Nakuru registered in the name of the borrower together with original title.

The bank loan from Commercial Bank of Africa was restructured at year end allowing the company to settle the outstanding balance in full from the proceeds of disposal of the company property in Nakuru (Nakuru Municipality Block 7/544), and hence the amount has been classified as a current liability at 30th September 2016.
Loan from related party is unsecured.

26. Operating lease arrangements

	2016 Shs'000	2015 Shs'000
The company as lessee:		
Minimum lease payments under operating leases recognised through profit or loss	19,036	20,736
At the end of the reporting period, the company had outstanding commitments under operating leases, payable as follows:		
Within one year	605	531
In the second to fifth years inclusive	-	605
	605	**1,136**

Operating lease payments represent rentals payable by the company for certain of its office premises and storage facilities. The leases are cancellable with no penalty provided the company gives three months' notice to vacate the premises.

27. Related party transactions

The company is related to other companies which are related through common shareholding or directorships. The following transactions were carried out with related parties.

Group and Company

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

	2016 Shs'000	2015 Shs'000
Receivables from subsidiary (Note 22)	-	79,515
Payables to related parties (Note 24)	69,685	216,539
Loans from related parties (Note 25)	75,000	-

ii) Key management compensation

The remuneration for key management during the year was as follows:

	2016 Shs'000	2015 Shs'000
Salaries and other benefits	48,429	52,207

iii) Directors' remuneration

	2016 Shs'000	2015 Shs'000
Fees for services as directors	5,606	3,891

28. Prior year adjustment

The financial statements for the year ended 30th September 2015 have been restated to incorporate the impact of restatement of deferred income tax, inventory and receivables.

The change has resulted in the loss after tax for the year ended 30th September 2015 increasing by Shs 123,799,000.

	Shs '000
Restatement of deferred tax	41,873
Restatement of receivables	38,879
Understatement of cost of sales	43,047
Prior year adjustment	123,799

	Group Shs '000	Company Shs '000
Loss for the year ended 30th September 2015 - as previously stated	77,201	58,276
Prior year restatement	123,799	123,799
Loss for the year ended 30th September 2015 - restated	201,509	182,075

29. Contingencies

	2016 Shs '000	2015 Shs '000
Bank guarantees	12,600	-

30. New and revised standards and interpretations which have been issued but are not yet effective

The company has not applied the following revised standards and interpretations that have been published but are not yet effective for the year beginning 1st October 2015:

- IFRS 14 *Regulatory Deferral Accounts* (issued in January 2014, effective for annual accounting periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 titled *Accounting for Acquisitions of Interests in Joint Operations* (issued in May 2014, applicable prospectively to annual periods beginning on or after 1 July 2016).
- Amendments to IAS 16 and IAS 38 titled *Clarification of Acceptable Methods of Depreciation and Amortisation* (issued in May 2014, effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 41 titled *Agriculture: Bearer Plants* (issued in June 2014, applicable to annual periods beginning on or after 1 January 2016).
- Amendments to IAS 27 titled *Equity Method in Separate Financial Statements* (issued in August 2014, applicable to annual periods beginning on or after 1 January 2016).
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014, effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 Financial Instruments (issued in July 2014, effective for annual periods beginning on or after 1 January 2018).
- Amendment to IAS 19 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014, effective for annual periods beginning on or after 1 January 2016).
- Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014, effective for annual periods beginning on or after 1 January 2016).
- Amendment to IFRS 7 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014, effective on or after 1 January 2016).
- Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities: Applying the Consolidation Exception (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016,
- Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014, applicable from a date yet to be determined).
- Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014, effective for annual periods beginning on or after 1 January 2016).
- IFRS 16 Leases (issued in January 2016, effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 12 titled Recognition of Deferred Tax Assets (issued in January 2016, applicable to annual periods beginning on or after 1 January 2017).
- Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016, applicable to annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions issued in June 2016, applicable to annual periods beginning on or after 1 January 2018.
- Amendment to IFRS 12 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016, effective for annual periods beginning on or after 1 January 2017).
- Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016, effective for annual periods beginning on or after 1 January 2018).
- Amendment to IAS 28 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016, effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 Investment Property issued in January 2017, effective for periods beginning on or after 1 January 2018.
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerationissued in January 2017, effective for annual periods beginning on or after 1 January 2018.

The directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

SCHEDULE OF OPERATING EXPENDITURE

1) SELLING AND DISTRIBUTION EXPENSES

	2016 Shs'000	2015 Shs'000
Salary and wages	13,791	13,623
Staff other costs	1,846	1,466
Vehicle running costs	7,003	6,991
Travel	1,014	2,586
Transport	1,528	1,008
Miscellaneous expenses	9,039	5,673
Postage and telephone	168	107
Printing and stationery	1,049	1,236
Security	1,271	1,563
Insurance	1,006	839
Depreciation	1,612	1,571
Rent and rates	4,599	-
Total selling and distribution expenses	**43,926**	**36,663**
ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	84,165	91,263
Staff welfare costs	656	1,686
National Social Security Fund (NSSF)	162	188
Defined contribution scheme	5,019	5,320
Defined benefit scheme	(487)	(1,668)
Staff medical	5,740	5,501
Total employment costs	**95,255**	**102,290**
Other administration expenses:		
Directors remuneration	5,606	3,891
Postage, telephone and email	4,188	3,244
Printing and st ationery	5,284	6,542
Travel		
Audit fees	12,349	18,847
- Current year	2,000	1,829
Vehicle running expenses	11,605	9,286
Leasing expenses	9,085	14,584
Legal and professional fees	12,610	13,013
Bank charges and commissions	4,072	1,628
Subscription	465	538
Office expenses	235	642
Distributors incentives	173	3,682
Advertisement and sales	3,396	20,450
Donation	250	312
Shareholders services	7,937	13,558
Foreign exchange loss on trade payables	3,118	44,652
Miscellaneous expenses	(234)	6,797
Total other administration expenses	**82,139**	**163,495**
Total administrative expenses	**177,394**	**265,785**

2) OTHER OPERATING EXPENSES

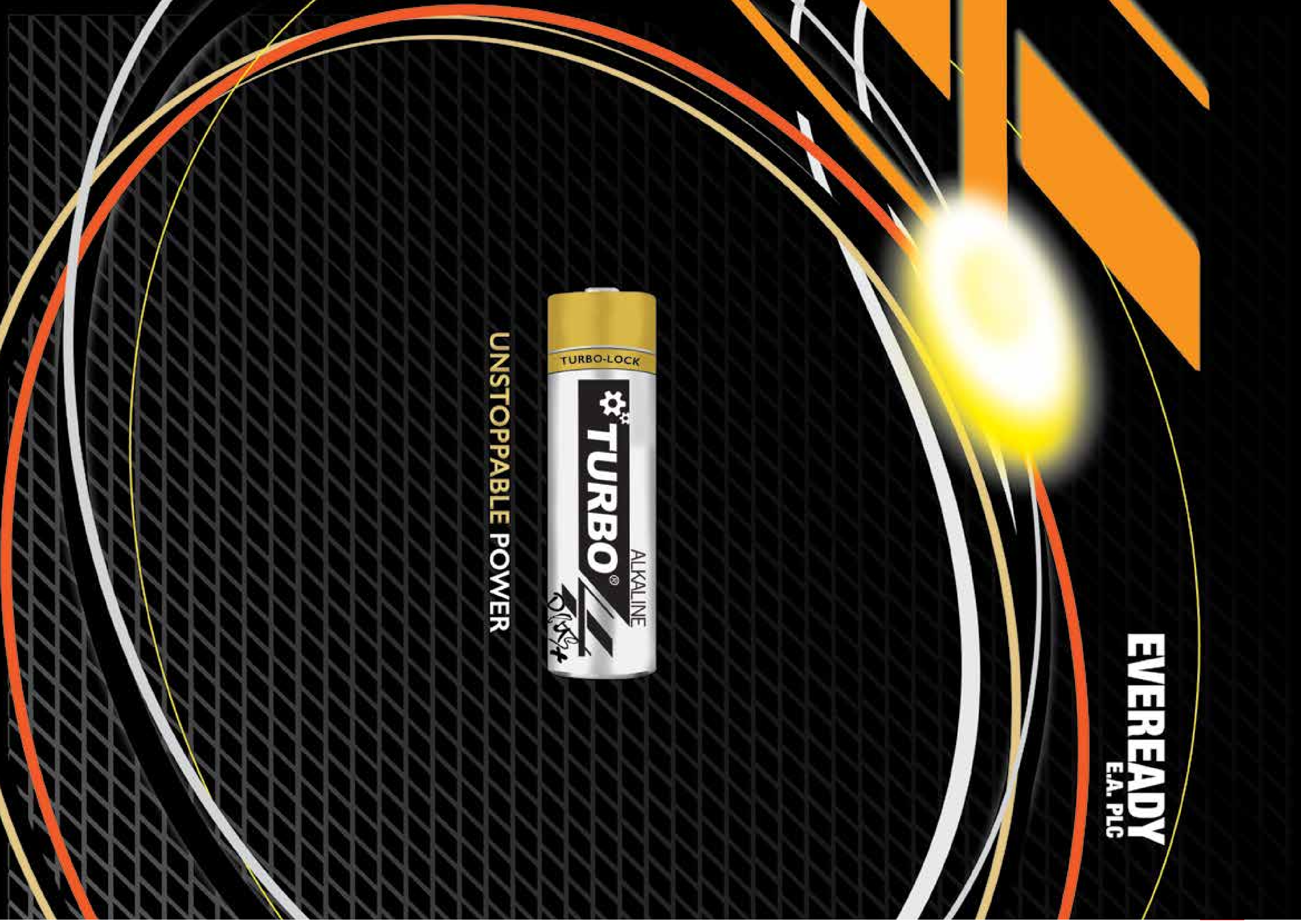
	2016 Shs '000	2015 Shs '000
Establishment:		
Rent and rates	5,352	6,152
Service fees	-	14,572
Security	3,522	3,395
Electricity and water	1,208	1,908
Insurance	3,392	4,050
Licences	4,718	813
Depreciation	23,050	20,101
Total other operating expenses	**41,242**	**50,991**

Section VI

additional information

About this Section

This section captures aspects of the report provides additional information that is useful to our investors



EVEREADY E.A. PLC

Form of Proxy / Fomu ya Uwakilishi

Mimi/Sisi____
Anwani____________________________________kama mwanahisa/wanahisa wa
Kampuni iliotajwa, namteua/tunamteua eneo ______________________________
na akikosa, nateua/tunamteua _____________________Anwani eneo ___________
kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa Mwaka wa Kampuni utaofanyika Jumanne, 28 Machi 2017 ama siku yoyote ile endapo mkutano huo utaahirishwa.

Sahihi

____

Sahihi hii/hizi imewekwa/zimewekwa Tarehe _________ ya_________________2017.

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, Barclays Plaza, 5th Floor, Loita 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. Ijumaa, 24 Machi, 2017.

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

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 Tuesday 28th day of March 2017, and at any adjournment thereof.

As witness my/our* hand this ______________ day of _________________ 2017.

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, Barclays Plaza, 5th Floor, Loita 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 Friday March 24, 2017 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.

FOLD 2

Affix
Stamp
Here

The Company Secretary
Eveready East Africa Limited
MCFL Logistics Centre, 1st Floor
Mombasa Road
P.O. BOX 44765 - 00100
Nairobi
Kenya

FOLD 1

FOLD 3

EVEREADY®
EAST AFRICA LIMITED

Insert flap inside

EVEREADY
E.A. PLC

Head Office - MCFL Logistics Centre, 1st Floor, Mombasa Road, P.O. Box 44765 -00100, Nairobi, Kenya
Tel: +254 20 298 0000 · Fax: +254 20 343213 · Email: info@eveready.co.ke · Website: www.eveready.co.ke