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## NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE IS HEREBY** given that the 40th Annual General Meeting of the Members will be held at the Company's Factory Premises George Morara Avenue, Nakuru on Thursday, 22nd March 2007 at 12.00 noon for the following purposes:-

1. To confirm the minutes of the 39th Annual General Meeting held on 14th December, 2005;
2. To receive, consider and if deemed fit, adopt the financial statements for the year ended 30th September, 2006 together with the reports thereon of the Directors and of the Auditors.
3. To declare a final dividend of Shs. 0.60 per share.
4. a) To elect Directors:
  - i) ICDC, a director retiring by rotation, which being eligible, offers itself for re-election.
  - ii) M. H. Da Gama-Rose, a director retiring by rotation, who being eligible, offers himself for re-election:
- b) Special notice is hereby given pursuant to Section 186(5) of the Companies Act, to consider the following resolution:

“That Mr. M. H. Da Gama-Rose a director who has attained the age of 76 years, be and is hereby re-elected a director of the Company.”
5. To confirm the Directors' emoluments.
6. To appoint PricewaterhouseCoopers as auditors for the ensuing year and to authorize the Directors to fix the auditors remuneration.
7. To transact any other business which may be transacted at an Annual General Meeting.

### By Order of the Board

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

19 December 2006

Notes:

A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company. The form of proxy is attached on page 39.

The final dividend, if approved, will be paid on or about 30th March, 2007 to members on the register at close of business on 9th February, 2007.

## **CHAIRMAN'S REPORT**

Chairman's message to shareholders,

First, I would like to welcome our new shareholders. We now have over 175,000 shareholders after completing the most successful IPO in Kenya's history. This shows the overwhelming support for our Company and the faith many have in the future of Eveready.

From where I sit; our Company has a proud past and bright future. Later in the annual report our Managing Director, Mr. Steven G. Smith will go into the details about our 2006 business year and what to expect for the future. I would like to discuss our Company from a Board view point.

We will be expanding director positions in 2007 with two independent directors in addition to the current seven directors we have. We have a strong Board and Management team that has always directed this Company in a fully transparent manner with a view for growth in a challenging business environment. The new directors will strengthen our Board and offer additional resources for Eveready's Management team to draw upon.

Our product lines continue to expand for Eveready. We now offer in Kenya personal care products (Schick) and have continued to expand our battery and flashlight ranges. We are the only company that can meet all your portable battery needs. We see the needs of the consumer changing and we also have rechargeable batteries and the world's longest lasting AA battery for the new digital devices.

We are also focused on improvements at our factory. We have access to leading technology and support for our equipment from Eveready Battery Company, USA. Our factory continues to manufacture "D" batteries of the technology required by the East African consumer; who ask for low prices and these batteries represents more than 75% of batteries sold in East Africa. We have excellent quality and prices that give the consumer a choice with our products. While our prices are not the lowest; our products exceed all the safety and quality standards required. Many of the various competing brands with lower prices will not pass the Kenya Bureau of Standards requirements or IEC requirements. Our products will meet and exceed these standards every time. Substandard batteries must be stopped by the Government and we have continuous dialogue with various agencies in the Government regarding this matter. I however encourage you to support local industries and buy "Kenyan" whenever possible.

When the consumer is able to move away from the current "D" battery construction type we will also have the ability to change our manufacturing equipment because of the relationship we have with Eveready Battery Company, USA. We will be ready for the future. Our Company is already reaching out to other East African countries for top line sales growth and is ready to meet the AA battery growth we see for the future.

Our products are recognized for "proven value" and "trusted quality" in Kenya and we all need to promote our brands – Eveready, Energizer and Schick with families and friends. I encourage all shareholders to attend our Annual General Meeting on March 22, 2007 in Nakuru. The directors, company officers and I look forward to building our relationship and I thank you in advance for your cooperation and support of our company.

**Naushad N. Merali, CBS**

**Chairman**

**December 19, 2006**

## **UJUMBE WA MWENYEKITI KWA WENYEHISA**

Kwanza, ningependa kuwakaribisha Wenyehisa wetu wapya. Kwa sasa tuna zaidi ya Wenyehisa 175 elfu baada ya kukamilisha uuzaji uliofaulu wa tolea la kwanza la hisa katika historia ya Kenya. Hii inaonyesha jinsi kampuni yetu inavyoingwa mkono na wengi na imani waliyo nayo wengi kwa kampuni ya Eveready kwa siku zijazo.

Kuanzia mahali ninapokaa, kampuni yetu inajivunia wakati uliopita na matarajio mema siku zijazo. Baadaye katika taarifa ya kila mwaka Mkurugenzi wetu Mkuu, Bwana Steven G. Smith ataelezea zaidi kuhusu biashara yetu mwaka wa 2006 na kile tunachotarajia kwa siku zijazo. Ningependa kujadili kuhusu kampuni yetu kuanzia maoni ya Halmashauri.

Tutaongeza nafasi za wakurugenzi mwaka wa 2007 huku kukiwa na wakurugenzi wawili huru kuongezea idadi ya wakurugenzi saba tulio nao kwa sasa. Tuna Halmashauri yenye nguvu na kundi la Wasimamizi ambalo kila mara limeielekeza kampuni hii kwenye mkondo kamili wa uwazi kwa lengo la kukuza shughuli za biashara yake katika mazingira ya kibiashara yenye changamoto kubwa. Wakurugenzi wapya wataimarisha Halmashauri yetu na kutoa rasilimali zaidi kwa kundi la usimamizi wa kampuni ya Eveready kuimarisha biashara yake.

Laini zetu za utoaji bidhaa zaendelea kupanuka kwa Eveready. Kwa wakati huu hapa nchini tunatoa bidhaa za ulinzi wa kibinafsi (Shick) na tumeendelea kupanua bidhaa za betri na tochi. Tuna kampuni ya pekee inayoweza kutimiza mahitaji yako yote ya betri ndogo. Tunaona haja ya kubadilika kwa matumizi ya wateja na pia tuna betri za kuweka chaji, yaani unazoweza kuongeza nguvu na betri zinazokaa kwa muda mrefu sana aina ya AA kwa mitambo ya kisasa ya dijitali.

Pia tunazingatia uboreshaji wa kiwanda chetu. Tunapata teknolojia za hali ya juu na msaada kutoka kwa kiwanda chetu kampuni ya Eveready Battery cha Marekani. Kiwanda chetu kinaendelea kutengeneza betri za kiwango “D” za teknolojia inayohitajika kwa wateja wa Afrika Mashariki wanaohitaji betri za bei nafuu na za aina hii ambazo zinawakilisha zaidi ya asilimia 75 ya betri zinazouzwa sasa katika eneo la Afrika Mashariki. Tuna bidhaa bora na za bei nzuri zinazowapatia wateja chaguo la bidhaa zetu. Huku ikiwa bei zetu si za chini sana, zinafikia viwango vyote vya usalama na ubora unaohitajika. Nyingi ya bidhaa mbali mbali za bei nafuu hazitimizi viwango vya ubora vinavyohitajiwa na Shirika la Ukadiriaji ubora wa bidhaa nchini KBS au IEC. Bidhaa zetu zinatimiza na kupita viwango hivi kila wakati. Betri za viwango duni lazima zikomeshe na Serikali na tunafanya mashauri kila mara na mashirika mbali mbali ya serikali kuhusiana na swala hili. Hata hivyo nimewahimiza kuunga mkono viwanda vya humu nchini na kununua bidhaa za Kenya’ ikiwezekana.

Wakati wateja watakapoweza kubadili matumizi ya aina ya sasa ya betri za kiwango “D” pia nasi tutakuwa na uwezo wa kubadili mtambo wetu wa kutengeneza bidhaa mpya kwa sababu ya uhusiano mwema kati yetu na kampuni ya Eveready Battery ya Marekani. Tutakuwa tayari kwa siku zijazo. Kampuni yetu tayari inafikia nchi nyingine za Afrika Mashariki kwa kiwango cha juu cha ukuaji wa mauzo na iko tayari kutimiza mahitaji yanayoongezeka ya betri za kiwango cha AA siku zijazo.

Bidhaa zetu zinatambuliwa kwa “thamani iliyothibitishwa” na “ubora wa kuaminika” hapa nchini na sote tunahitajika kutangaza bidhaa zetu – Eveready, Energizer na Schick pamoja na familia na marafiki. Nina wahimiza Wenye-hisa wote kuhudhuria mkutano wetu mkuu wa kila mwaka tarehe 22 Machi, 2007 huko Nakuru. Wakurugenzi, maafisa wa kampuni pamoja nami tunatazamia kujenga uhusiano wetu na nawashukuru kwa ushirikiano wenu na msaada wa kampuni yetu.

**Naushad N. Merali, CBS**

**Mwenyekiti**

**Desemba 19, 2006**

## **UJUMBE WA MWENYEKITI KWA WENYEHISA**

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## **MANAGING DIRECTOR'S REPORT**

Our products – Eveready, Energizer and Schick are used by many through out East Africa and how the consuming public reacts to the challenges they encounter will have an impact on our company success. We estimate that we have approximately 5 million consumers using our products every month. However, if we have a drought or floods in Kenya we will see the negative impact very quickly in our sales; just as when the government correctly enforces standards; we see the positive impact on our sales. Many Eveready consumers in 2006 did not see their disposable income increase and were also impacted by higher food prices and oil related price increases in 2006. The Company was also impacted by significant raw material price increases. Zinc cost increased almost three times in 2006. However, when I review the entire year we were successful and actually improved our overall position by the actions we have taken. With the declining economic trends during the first half of 2006; we reduced the price of our 950 blue product which reduced our income by KShs 20 million but helped consumers to continue to use our products.

### **Safety, Health and Environment Review**

At Eveready, we believe that our colleagues are our most important asset and that their Safety and Health is our greatest responsibility. We strive to meet or exceed all Kenya standards as well as internal standards of Eveready Battery Company, USA (EBC). Training is periodically provided by EBC and audits are conducted to confirm appropriate program management and to identify opportunities to further improve.

During 2006 we completed the closing of all waste disposal sites on our property. While not required by Kenyan law it was the correct thing to do. This project cost us KShs 9 million and will not re-occur in 2007. In 2007 we plan to remove all under ground storage tanks to meet Eveready's goals of eliminating the potential for environmental impact. We also have in place a zero waste water discharge program at our factory. No water that is used in our manufacturing process leaves our facility. It is recycled onsite and used back into our process. We also apply this to solid waste and encourage recycling of manufacturing waste. We have an activity waste and energy reduction program. On a negative note we had over 20 off-the job injuries in 2006 with most of these accidents being tied to falls and/or vehicles that contributed to over 100 lost work days.

High energy cost continues to affect many; however, for Eveready we have undertaken for years the importance of controlling our energy consumption. Eveready's total energy cost is less than 3.5% of our total manufacturing cost. We also believe this can be reduced and are spending to upgrade various electrical systems. During 2006, we spent over KShs 3.5 Million on these projects; which we will realize the benefits from this investment in the coming years. We will spend additional money on our electrical distribution system in the coming years which will cost approximately KShs 20 million. These upgrades will be driven by improvements in safety and capacity needs but will also offer additional saving in our energy bill.

### **Human Resources Review**

We have over five hundred people working directly for Eveready and do believe this is our most valuable resource. Our distributors directly employ more than 200 people. We currently employ about 130 contract employees along with 370 permanent employees. Approximately 450 people are employed at our operations in Nakuru. We provide various benefits that meet and exceed Kenyan law for all employees.

We have a full time doctor at our factory clinic staffed with nurses on two shifts that are available to all employees. Our permanent employees are also provided with medical insurance that makes available more than KShs 200,000 in employee benefits per year. During 2006 we paid over KShs 22 million for medical benefit expenses.

The factory's Safety and Health program is provided with oversight and guidance by the General Safety Committee and a Management Safety, Health and Environmental Committee. These committees help to ensure compliance with the Factories Act, NEMA regulations and the Labor Act. Our Collective Bargaining Agreement with the Kenya Chemical and Allied Workers Union continues to be honored by both sides with the current agreement expiring July 2008.

We believe we have one of the most progressive HIV/AIDS policies in Kenya. Our employees and spouses have free access to testing, counseling and antiretroviral drugs for life. We believe that when people retire from Eveready with HIV/AIDS we should continue to help support them. We have also included with our life insurance benefits; insurance riders which help with critical illness and assist with payment for HIV/AIDS related medical treatment. We also provide HIV/AIDS training for our employees and our employees' children. Last year we saw more than 1,000 children and young adults go through this program sponsored by Eveready. We spent in 2006 about KShs 2.5 million for our various HIV/AIDS programs. For our life insurance programs we spend more than KShs 4.3 million per year in premiums.

Our permanent hourly employees have a gratuity program for retirement and our salary employees have a defined contribution program for retirement. We did close the salary retirement defined benefit program in October 2006 in favor of a defined contribution retirement program. We will continue to fund the retirement defined benefit program for the next three years at a cost of approximately KShs 19 million and after three years we will consider a full conversion to a defined contribution retirement program for benefits earned before October 2006. We contribute approximately 8.5% of our payroll cost to maintain these retirement benefits for our employees.

Our Nakuru factory employees continue to be highest paid for factories in the Nakuru area and are one of the top wage earners when compared to Nairobi factories. Our salaried employees' salary benefits compare favorable with market conditions for the positions they are in.

For our Nakuru operations; we also provide a canteen operation that provides meals to employees. The employee only pays KShs 6 per meal they consume. The operation of this benefits costs the company KShs 8 million per year. We also provide free transport to Nakuru employees who work between 6PM and 6AM. This costs Eveready approximately KShs 5.5 million.

We also believe in training for our employees; which includes training trips to other EBC locations. During 2006 we spent over KShs 5 million for training and developing our future leaders and had more than 75 man days spent at other EBC locations for training. EBC also sends training and technical personnel to Kenya for training and improvement programs that are covered under our technical service agreement. During 2006 EBC provided more than 200 man days of on site assistance in a variety of technical areas. We spent over KShs 300 million for wages, benefits and other employee programs in 2006.

### **Corporate Social Responsibility Review**

We spent about KShs 5 million in programs designed to give back to the community we live and work in. This includes KShs 800,000 spent on children HIV/AIDS education, KShs 1 million for famine relief and KShs 0.5 million for water wells. We also spent approximately KShs 500,000 for various programs designed to help train government

employees on understanding the impact of counterfeit and illegal products. We also supported various programs focusing on children, forest protection and women's issues. We have budgeted to spend approximately KShs 6 million for this area in 2007. This represents approximately 3% of our net income after taxes.

### **Corporate Governance Review**

We have always managed our business in an open and transparent manner. We feel strongly that ethical business practices at all levels of our company is important. If we find an ethical problem it will be discussed with the audit committee and the board which includes actions we take to resolve a situation and where appropriate we will turn over information to legal authorities for possible criminal prosecution.

We will be making changes in Board Member assignments to our Board Committees in 2007 with the addition of two independent directors. The current board committees are:

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

We have in place a Business Practice & Standards of Conduct Policy for all employees and an Insider Trading Rules for all employees which can be found on our web site. These policies also apply to company officers and directors. We also send out annually to all local suppliers our Business Practice Policy for Business Partners and also ask employees to fill out a questionnaire annually confirming business conduct activities have met Eveready's policies during the past year.

We believe strongly in operating our business ethically and that there are "no short cuts". We must do the Right Thing Every Time.

### **Manufacturing Review**

During 2006 we kicked off our Factory Improvement Program. We estimate we will average spending KShs 50 million per year on this program for the next several years. For 2006 we spent in total about KShs 63 million on all capital improvements for the company. Our Factory Improvement Program is divided into three areas: People, System and Equipment. During 2006 we spent a great deal of time on people and system issues. Training and performance evaluation played a major role as we must have the right people with the right education. Using EBC's technical experts we have begun a Lean Manufacturing effort. This has required that we look at our equipment maintenance process and have put in place major preventive maintenance upgrades in 2006 that required a new approach from all in the factory. We also began an equipment overhaul program in several areas.

We also have begun to look at factory operation on a return of installed capacity. We currently only use about 60% of our installed capacity but we have taken this a step further that includes looking at how effective we are in managing the time we have this resource available for use. This says it is important to understand if you have equipment available for 24 hours how well do you use that equipment for the 24 hours vs. historic ways of measuring efficiency.

We have also upgraded several areas in the factory to provide proper resources for our employees. We will spend about KShs 6.5 million on these improvements by the end of 2007.

By far the most important activity in 2007 will be to again address training issues for our factory employees. We must match skills and productivity measures from other EBC factories and work toward global bench marks.

### **Sales & Marketing Review**

During 2006 we did see a decline in total sales mainly due to reasons discussed at the beginning of this report over 2005 results. Our consumers have a preference for low price product and this was reflected in our sales patterns for 2006 along with a price reduction for our 950 blue product.

We do see growth in higher end products for those not affected by crop failures and drought. We also continue to see opportunities for our products in the export markets. We continue to gain market share in both Uganda and Tanzania. However, EAC tax treaty issues continue to favor Tanzania and government failure to enforce standards are problems facing our export business. However overall export business is growing and we will use all product lines to develop these markets. Eveready will be offering portable power solutions for other East African countries this year.

During 2006 we spent over KShs 60 million on advertising and promotion activities. Our programs are designed to segment and give the consumer product options that meet their needs. We are aware of the desire for lower price products; however, if you compare our pricing to other leaders in the battery industry our prices are similar. The pricing issue goes back to illegal products which find their way into Kenya that are under invoiced and have not paid the 16% VAT and 35% import duty in a correct manner. We will continue to investigate these situations and turn over information to government authorities for action.

We will be celebrating our 40th anniversary in 2007 and this will play a part in our promotion activities for 2007.

### **Financial Review**

The year 2006 posed many challenges. There was the drought in the first half of the financial year which led to reduced consumer purchasing power resulting in a decline in the overall battery market. This was compounded by increase in the prices of major raw materials, and in particular, zinc to unprecedented levels and pressure from low cost competition.

Despite these challenges, management instituted appropriate response measures to mitigate the challenges. This was achieved by implementing a competitive pricing strategy in order to maintain our market share position coupled with growth strategies in high performance products and export markets. In addition, management adopted strict control measures over operating costs, during the year. Our corporate overhead expenses were controlled at 2005 levels in 2006.

During 2006 we started the process of integrating and consolidating our computer operation between Nakuru and Nairobi. This included changes in telephone systems which reduced our cost. We expect the computer integration project to be completed by the end of 2007. This will also include an upgrade to our payroll system using BIO technology for factory timecards.

Our sales for 2006 were KShs 2 billion and profit after tax at KShs 166 million compared to KShs 2.2 billion and KShs 187 million respectively in the previous year.

### **Closing Comments**

I am very proud of our company and the growth we have seen in many individuals in 2006. We still have the normal business challenges ahead but, a reduction in our

manufacturing cost is a must. The cost of manufacturing in Kenya remains high when compared to other EBC locations. Our material costs tend to be higher than other EBC locations due to "in country transportation cost" (Mombasa to Nakuru). We are also impacted by the increasing amount of taxes on our company that are not applied in other countries.

For 2006, we had the added burden of a significant increase of zinc prices from US\$ 1,700 to over US\$ 4,000 per ton which represents 30% of a battery's cost. We were not able to increase our prices enough to recover this zinc price increase and had to absorb over KShs 30 million of this increase within the company. Whether competition is legal or illegal; it is competition and we must react in a manner that protects our long term business goals. We will continue to ask the government for a fair and ethical business environment.

We have no changes in the legal claims we are involved in and described in our prospectus. We continue to believe we will have no liability for these health and employment cases. Many of the cases have been delayed by the courts or by plaintiffs during 2006. We feel strongly about our position and our lawyers continue to feel we have a good chance for success in all these claims and accordingly, no contingent liability has been set aside for the claims. We carry employer's liability insurance for the health and safety claims. We have no insurance for employment claims that amount to KShs 163 million for cases that go back to 1995.

Our focus for 2007 is growing the top line sales for bottom line improvement. We are very clear we must support you with proper income performance year to year. We do ask for your support and this means having family and friends to use our products. This also says it is important to use products made in Kenya if they are available from local manufacturers. We are developing several local Kenyan suppliers to supply various raw materials we have been importing for years and expect to have these Kenyan companies fully certified by the end of 2007 to supply Eveready and if they have the capacity they will be able to supply EBC.

I thank the Chairman, directors, shareholders and all my colleagues at Eveready East Africa Ltd. for their cooperation and support in 2006. We at Eveready welcome our new shareholders and look forward to working with you in building our company in 2007.

**Steven George Smith**  
**Managing Director**  
**December 19, 2006**

## **MKURUGENZI MKUU**

Bidhaa zetu za Eveready, Energizer na Schick hutumiwa na wengi kote katika eneo la Afrika Mashariki na jinsi umma unavyotoa maoni mbali mbali kuhusu changamoto wanazokumbana nazo kuna umuhimu mkubwa kwa ufanisi wa kampuni yetu. Tunakisia kwamba tuna takribani wateja milioni 5 watumia bidhaa zetu kila mwezi. Hata hivyo tunapokabiliwa na ukame au mafuriko humu nchini tutaathiriwa kwa haraka katika mauzo yetu, hasa wakati serikali inapohimiza kuzingatiwa kwa viwango vinavyokubaliwa tunapata ufanisi bora kwenye mauzo yetu. Wateja wengi wa bidhaa za Eveready mwaka wa 2006 hawakushuhudia mapato yao ya ununuzi yakiongezeka na pia waliathiriwa na bei za juu za vyakula na ongezeko la bei za mafuta mwaka wa 2006. Kampuni pia iliathiriwa na ongezeko la bei ya mali ghafi. Gharama ya Zinki iliongezeka karibu mara tatu kuliko bei ya kawaida mwaka 2006. Hata hivyo ninapouchunguza mwaka mzima, tulipata ufanisi na hasa kuboresha nafasi yetu kwa ujumla kwa hatua tulizochukua. Kufuatia kudidimia kwa shughuli za kiuchumi wakati wa nusu ya kwanza ya mwaka 2006, tulipunguza bei ya bidhaa ya 950 blue' iliyopunguza mapato yetu kwa shilingi milioni 20 lakini tukawasidia wateja kuendelea kutumia bidhaa zetu.

### **Usalama, Afya na Mazingira**

Katika kampuni ya Eveready tunaamini kwamba wenzetu ni rasilimali muhimu kwetu na kwamba Usalama na Afya yao ni jukumu letu kuu. Tunajitahidi kutimiza au kuendeleza viwango vyote vya Kenya na vile vile vya kampuni ya Eveready Battery ya Marekani (EBC). Mafunzo hutolewa mara kwa mara na EBC na ukaguzi wa hesabu za pesa hufanywa ili kuthibitisha usimamizi bora wa miradi na kutambua sehemu zinazohitaji kuboreshwa zaidi.

Mnamo mwaka 2006 tulikamilisha hatua ya kufunga sehemu zote za uondoaji taka kwenye kiwanda chetu. Huku likiwa si hitaji kubwa la kisheria humu nchini, lilikuwa jambo lifaalo kutekelezwa. Mradi huu ulitugharimu shilingi milioni 9 na hautazinduliwa tena mwaka 2007. Mwaka 2007 tunapanga kuondoa tangi zote za chini ya ardhi ili kutimiza malengo ya kampuni ya Eveready ya kuondoa uwezekano wa kuwoko kwa athari za kimazingira. Pia tuna mradi wa uondoaji maji taka usio na athari zozote kimazingira kwenye kiwanda chetu. Hakuna maji yanayotumika katika mpango wa utengenezaji bidhaa yanayoondolewa kwenye kiwanda chetu. Maji hayo husafishwa papo hapo na kutumiwa kwa shughuli nyingine kwenye kiwanda hicho. Sisi pia hutumia mtindo huu kwa taka nyingine na kuhimiza matumizi ya taka hizo kwa shughuli nyingine. Tuna mradi wa kupunguza taka na kawi. Tukigusia hatari za kazi yetu, tulikuwa na majeruhi 20 nje ya kazi mwaka wa 2006 huku nyingi ya ajali hizi zikihusisha watu kuanguka na magari yaliyochangia kupotea bure kwa siku 100 bila kazi.

Gharama ya juu ya kawi inaendelea kuathiri wengi, hata hivyo kwa kampuni ya Eveready tumezingatia kwa miaka kadhaa umuhimu wa kuthibiti matumizi yetu ya kawi. Jumla ya gharama ya kawi ya Eveready ni chini ya asilimia 3.5 ya jumla ya gharama yetu ya utengenezaji bidhaa. Pia tunaamini gharama hii inaweza kupunguzwa na tunajitahidi kuimarisha vifaa vinavyotumia umeme. Katika mwaka 2006 tulitumia zaidi ya shilingi milioni 3.5 kwa miradi hii itakayoleta manufaa kutokana na uwekezaji huu katika miaka ijayo. Tutatumia pesa zaidi kwenye vifaa vyetu vinavyotumia umeme katika miaka ijayo kwa gharama ya shilingi milioni 20. Uboreshaji huu wa vifaa utaimarisha usalama na kiwango cha mahitaji lakini utaokoa malipo ya kawi yetu.

### **Wafanyikazi**

Tuna zaidi ya wafanyikazi mia tano wanaofanyikazi moja kwa moja na kampuni ya Eveready na tunaamini hawa ndio rasilimali yetu muhimu. Wagawaji wa bidhaa zetu wamewaajiri moja kwa moja zaidi ya watu 200. Kwa wakati huu tumewaajiri kwa kandarasi wafanyikazi 130 pamoja na wafanyikazi 370 wa kudumu. Tuna takriban watu 450 walioajiriwa kuendesha shughuli zetu mbali mbali huko Nakuru. Sisi hutoa manufaa mbali mbali yanayotimiza na kupita sheria ya Kenya kwa wafanyikazi wote.

Tuna daktari anayehudumu wakati wote kwenye Kliniki ya kiwanda chetu akiwa na wauguzi kwa zamu mbili za wafanyikazi wetu wote. Wafanyikazi wetu wa kudumu pia wanawekewa bima ya matibabu inayotoa shilingi elfu 200 kama marupurupu ya mfanyikazi kila mwaka. Mnamo mwaka 2006 tulilipa zaidi ya shilingi milioni 22 kama gharama za marupurupu ya matibabu.

Mradi wa Usalama na Afya wa kiwanda chetu unazingatiwa na kupata mwongozo wa kamati Kuu za Usalama na Usimamizi, Afya na Mazingira. Kamati hizi husaidia kuhakikisha uzingatiwa wa sheria za viwanda, sheria za Halmashauri ya kitaifa ya usimamizi wa mazingira NEMA na sheria za Wafanyikazi. Makubaliano yetu na Chama cha wafanyikazi wa viwanda vinavyohusika na Kemikali yanaendelea kuzingatiwa na pande zote mbili huku mkataba wa sasa ukimalizika Julai mwaka 2008.

Tunaamini kuwa tuna moja ya maongozi bora zaidi kuhusu HIV na Ukimwi hapa Kenya. Wafanyakazi wetu na waume au wake zao wanapata huduma za bure za kuchunguzwa virusi, kupewa ushauri nasaha na dawa za kuwaongezea maisha wagonjwa. Tunaamini kwamba wakati watu wanapostaafu kutoka kampuni ya Eveready wakiwa na HIV na Ukimwi tunapaswa kuendelea kuwasaidia. Pia tumejumisha marupurupu ya bima yetu ya maisha, bima ya wanaogua magonjwa yasiyotibika kwa urahisi na kusaidia kulipia matibabu ya magonjwa yanayohusiana na HIV na Ukimwi. Pia tunawapa mafunzo wafanyakazi wetu kuhusu HIV na Ukimwi na watoto wa wafanyakazi wetu. Mwaka uliopita tulishuhudia zaidi ya watoto elfu moja na vijana wakipata mafunzo kupitia mradi huu uliodhaminiwa na Eveready. Mnamo mwaka wa 2006 tulitumia karibu shilingi milioni 2.5 kwa miradi mbali mbali ya HIV na Ukimwi. Kwa miradi ya bima ya maisha tulitumia zaidi ya shilingi milioni 4.3 kwa mwaka katika michango ya bima.

Wafanyakazi wetu wa kudumu wana mradi wa marupurupu ya kustaafu na wafanyakazi wanaolipwa mshahara wanao mradi unoachangia marupurupu ya kustaafu. Tuliufunga mradi wa marupurupu ya kustaafu wa mshahara mwezi Oktoba mwaka 2006 ili kuruhusu utaratibu bora wa mchango wa marupurupu ya kustaafu. Tutaendelea kufadhili mpango huu kwa muda wa miaka mitatu ijayo kwa gharama ya takribani shilingi milioni 19 na baada ya miaka mitatu tutafikiria kutekeleza mpango kamili wa mchango wa marupurupu ya kustaafu kwa marupurupu yaliyopatikana kabla ya Oktoba mwaka 2006. Tunachangia takribani asilimia 8.5 ya gharama ya mshahara ili kudumisha marupurupu kwa wafanyakazi wetu.

Wafanyakazi wetu wa kiwanda cha Nakuru wanaendelea kulipwa malipo ya juu kwa viwanda vya sehemu ya Nakuru na ni miongoni mwa wanaolipwa mishahara ya juu ikilinganishwa na viwanda vya Nairobi. Marupurupu ya wafanyakazi wenye mshahara inalingana ifaavyo na masharti ya kikazi kwa kazi wanazofanya.

Kwa shughuli zetu huko Nakuru pia tunatoa huduma za mkahawa zinazotoa mlo kwa wafanyakazi wetu. Wafanyakazi hulipa shilingi 6 pekee kwa kila mlo. Shughuli za manufaa haya hugharimu kampuni shilingi milioni 8 kwa mwaka. Pia tunatoa huduma ya uchukuzi kwa wafanyakazi wa Nakuru bila malipo kwa wafanyakazi wanaohudumu kati ya saa kumi na mbili jioni na saa kumi na mbili alfajiri. Hii huigharimu Eveready takribani shilingi milioni 5.5.

Pia tunaamini katika kuwapa mafunzo wafanyakazi wetu ambayo ni pamoja na ziara za mafunzo kwenye maeneo mengine ya EBC. Mnamo mwaka wa 2006 tulitumia zaidi ya shilingi milioni 5 kutoa mafunzo na kuwastawisha viongozi wetu wa siku zijazo na zaidi ya maafisa 75 walimaliza siku kadhaa katika maeneo mengine ya EBC kwa mafunzo. EBC pia huwatumia maafisa wa mafunzo na wa kiufundi hapa nchini ili kutoa mafunzo na kuimarisha miradi yetu ya huduma za kiufundi. Katika mwaka wa 2006, EBC ilitumia zaidi ya maafisa 200 waliomaliza siku kadhaa kwenye maeneo mbali mbali ya kiufundi. Tulitumia zaidi ya shilingi milioni 300 kwa malipo, marupurupu na miradi mingine ya wafanyakazi mwaka huo.

### **Jukumu la Kampuni kwa Jamii**

Tulitumia karibu shilingi milioni 5 kwenye miradi ya kusaidia jamii tunayohudumia. Hii ni pamoja na shilingi 800 elfu tulizotumia kuelimisha watoto kuhusu HIV na Ukimwi. Shilingi milioni moja kwa msaada wa chakula na shilingi milioni 0.5 kwa visima vya maji. Pia tulitumia karibu shilingi 500 elfu kwa miradi mbali mbali ya kusaidia kutoa mafunzo kwa wafanyakazi wa serikali kuhusu jinsi ya kufahamu athari za bidhaa bandia na zile zisizo halali. Pia tulisaidia miradi mbali mbali inayozingatia watoto, ulinzi wa misitu na maswala ya kinamama. Tumepanga bajeti ya kutumia karibu shilingi milioni 6 kwenye miradi hii mwaka 2007. Hii inawakilisha karibu asilimia 3 ya mapato yetu baada ya kulipa ushuru.

### **Usimamizi wa Kampuni**

Kila mara tumefanya biashara yetu kwa njia ya uwazi. Tuna imani kuu kwamba maadili ya kazi katika viwango vyote vya kampuni yetu ni muhimu. Ikiwa tutapata tatizo la kimaadili litajadiliwa na kamati ya ukaguzi wa hesabu za pesa na Halmashauri inayojumuisha hatua tunazochukua kutatua hali iliyojiri na kwa njia ifaayo tutatoa habari kwa maafisa wanaohusika ili hatua za kisheria kuchukuliwa na wahalifu kushtakiwa.

Tutafanya mabadiliko ya majukumu ya wanachama wa Halmashauri kwenye kamati ya Halmashauri yetu mwaka 2007 kwa kuongezea wakurugenzi wawili watakaokuwa huru. Kamati ya sasa ya Halmashauri ni:-

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

Tumeweka maongozi ya maadili ya kikazi na viwango vya tabia kwa wafanyakazi wetu wote na sheria zinazozingatiwa na wafanyakazi wote ndani ya kampuni, zinazopatikana kwenye mtandao wa tovuti yetu. Maongozi haya pia yanahusu maafisa wa kampuni na wakurugenzi. Pia tunatumia kila mwaka kwa wagawaji wa bidhaa zetu maongozi ya maadili ya biashara yetu kwa washirika wa kibiashara na pia kuwomba wafanyakazi wetu kujaza karatasi ya maswali kila mwaka kuthibitisha kuwa shughuli za kazi yao zimetimiza maongozi ya Eveready kwa mwaka uliopita.

Tunaamini katika uendeshaji biashara yetu kulingana na maadili yetu na kwamba hakuna njia za mikato. Lazima tufanye kilicho sawa kila wakati.

### **Utengenezaji Bidhaa**

Mnamo mwaka 2006 tulianza mradi wa kukiimarisha kiwanda chetu. Tunakisia kwamba tutatumia shilingi milioni 50 kila mwaka kwenye mradi huu katika miaka kadhaa ijayo. Mwaka wa 2006, tulitumia jumla ya karibu shilingi milioni 63 kuboresha shughuli za kampuni yetu. Mradi wetu wa kuimarisha kiwanda chetu umegawanywa katika sehemu tatu. Watu, Mfumo na Mitambo. Katika mwaka 2006 tulitumia muda mwingi kushughulikia maswala kuhusu watu na mfumo. Ukadiraji wa mafunzo na utendaji kazi ulitekeleza jukumu muhimu kwani ni lazima tuwe na watu wanaofaa, walio na elimu inayohitajika. Kwa kutumia wataalam wa kiufundi wa EBC tumeanza juhudi za kuegemea utengenezaji bidhaa. Hii inatuhitaji kuchunguza mpango wa kudumisha mitambo yetu na tumeweka hatua madhubuti za kuimarisha udumishaji mitambo yetu katika mwaka 2006 baada ya kuwa na haja ya kukiimarisha kiwanda chetu. Pia tulianza mradi wa ukarabati mkubwa wa mitambo yetu katika sehemu kadha.

Tumeanza kuchunguza shughuli za kiwanda kwa kurejesha kiwango cha utengenezaji bidhaa kinachohtajika. Kwa sasa tunatumia tu asilimia 60 ya mitambo yetu lakini tumepiga hatua ambazo ni pamoja na kuchunguza jinsi tunavyoweza kusimamia wakati kwa rasilimali tuliyo nao. Ni muhimu kuelewa haya ikiwa una mitambo inayofanyakazi kwa saa 24 na kuona ni vipi unaweza kutumia muda wa saa 24 ukitumia mitambo ya kufanyia kazi kama njia ya kihistoria ya kukadiria utendaji kazi. Pia tumeboresha sehemu kadhaa katika kiwanda chetu ili kutoa rasilimali muhimu kwa wafanyakazi wetu. Tutatumia karibu shilingi milioni 6.5 kwa shughuli hizi za uboreshaji kufikia mwisho wa mwaka 2007.

Shughuli muhimu mwaka wa 2007 itakuwa kushughulikia maswala ya mafunzo kwa wafanyakazi wa kiwanda chetu. Lazima tuwianishe ujuzi na hatua za uzalishaji kutoka kwa viwanda vingine vya EBC na kufikia viwango vya Kimataifa.

### **Uuzaji**

Mnamo mwaka 2006 tulishuhudia kupungua kwa mauzo hasa kutokana na sababu zilizojadiliwa hapo mwanzo wa taarifa hii kuhusu matokeo ya mwaka 2005. Wateja wetu

wanapenda bidhaa za bei nafuu na hii ilidhihirishwa kwenye mtindo wetu wa mauzo wa mwaka 2006 pamoja na kupungua kwa bei kwa bidhaa yetu ya 950 blue.

Tunatarajia ukuaji wa juu wa bidhaa yetu kwa wale wasioathiriwa na kupungua kwa mazao na ukame. Pia tunaendelea kutafuta nafasi kwa bidhaa zetu katika masoko ya nje. Tunaendelea kupata nafasi yetu kwenye soko katika nchi za Uganda na Tanzania. Hata hivyo maswala ya Mkataba wa ushuru wa Afrika Mashariki (EAC) yanaendelea kuipendelea Tanzania na kushindwa kwa serikali kuhimiza kuzingatwa kwa viwango vilivyowekwa, ndilo tatizo linalokumba uuzaji bidhaa zetu nje. Hata hivyo biashara ya uuzaji bidhaa nje kwa ujumla inaendelea kukua na tutatumia laini za bidhaa kustawisha masoko hayo. Eveready itatoa suluhisho la kawi ndogo kwa nchi za Afrika Mashariki mwaka huu.

Mnamo mwaka 2006 tulitumia shilingi milioni 60 kwa matangazo ya kibiashara. Miradi yetu inalenga kumpa mteja chaguo la bidhaa aipendayo ili kutimiza mahitaji yake. Tunafahamu juu ya haja ya kutengeneza bidhaa za bei nafuu na hata hivyo ukilinganisha bei za bidhaa zetu na za kampuni nyingine katika sekta ya utengenezaji betri, bei zetu ni sawa. Swala la uwekaji bei linakumbusha kuhusu bidhaa bandia zinazolingizwa kwenye soko la humu nchini kwa njia isiyohalali na bila kulipiwa ushuru ziada wa thamani (VAT) wa asilimia 16 na asilimia 35 kwa njia ifaayo. Tutaendelea kuchunguza hali hii na kutoa habari kwa maafisa wa serikali wanaohusika ili hatua zichukuliwe.

Tutasherehekea mwaka wetu wa 40 mwaka 2007 na hii itashirikisha shughuli zetu za matangazo kwa mwaka 2007.

### **Fedha**

Mwaka wa 2006 ulikuwa na changamoto nyingi. Kulikuwa na ukame kwenye nusu ya kwanza ya kipindi cha matumizi ya pesa, uliosababisha kupungua kwa uwezo wa ununuzi kwa mteja na kusababisha kupungua kwa mauzo ya betri. Hali hii ilizidishwa na ongezeko la bei za mali ghafi na hasa zinki kwa viwango vya juu mno na kusababisha shinikizo la mashindano kutoka kwa bidhaa za bei duni.

Licha ya changamoto hizi, wasimamizi walibuni hatua za kukabiliana na changamoto hizi. Hatua hii ilifikiwa kwa kutekeleza mbinu ya kuweka bei nafuu ili kudumisha nafasi yetu kwenye soko pamoja na ukuaji katika utoaji bidhaa bora na mauzo ya nje. Vile vile, wasimamizi walifikia hatua za uthibiti kwa gharama za utendaji kazi katika mwaka huo. Matumizi ya ziada ya kampuni yalithibitiwa mwaka 2005 na 2006.

Mnamo mwaka wa 2006 tulianza mpango wa kuunganisha na kujumuisha shughuli zetu kwenye mtandao wa kompyuta kati ya Nakuru na Nairobi. Hii ilihusisha mabadiliko ya mfumo wa simu uliopunguza gharama. Tunatumaini kwamba mradi huu wa uunganishaji shughuli zetu utakamilika kufikia mwisho wa mwaka 2007. Hii pia ni pamoja na kuimarishwa kwa orodha ya malipo ya mshahara kwa kutumia teknolojia ya BIO kwa kazi za kazi za kunakili wakati viwandani.

Mauzo yetu mwaka 2006 yalikuwa shilingi bilioni 2 na faida baada ya kulipa ushuru ya shilingi milioni 166 ikilinganishwa na shilingi bilioni 2.2 na shilingi milioni 187 mwaka uliotangulia.

### **Mwisho**

Ninajivunia sana kampuni yetu na ukuaji ulioshuhudia miongoni mwa watu wengi mwaka wa 2006. Bado tunakabiliwa na changamoto za kawaida katika biashara yetu lakini upunguzaji gharama ya utengenezaji bidhaa ni lazima. Gharama ya utengenezaji bidhaa hapa Kenya inaendelea kuwa ya juu ikilinganishwa na maeneo mengine ya EBC. Gharama ya mali ghafi inaendelea kuwa ya juu kuliko maeneo mengine ya EBC kutokana na gharama za uchukuzi humu nchini (kutoka Mombasa hadi Nakuru). Pia tumeathiriwa na ongezeko la ushuru kwenye kampuni yetu ambalo halijajumuishwa katika nchi nyingine.

Mwaka wa 2006 tulikuwa na mzigo zaidi wa ongezeko la bei ya zinki kutoka dola 1,700 hadi zaidi ya dola elfu 4 kwa tani moja ambayo ni asilimia 30 ya gharama ya betri. Hatuwezi kuongeza bei zetu kwa kiwango cha juu sana ili kufidia ongezeko la bei ya zinki na tulilazimika kutumia shilingi milioni 30 kwenye ongezeko hili katika kampuni. Iwapo mashindano ni halali au si halali, bado ni mashindano na lazima tuyashughulikie ili kulinda malengo ya biashara yetu ya muda mrefu. Tutaendelea kuiomba serikali kubuni mazingira sawa na ya maadili ya kibiashara.

Hatujapata mabadiliko ya malalamiko ya kisheria tunayohusika nayo. Tunaendelea kuamini kwamba hatujasababisha hasara ya kiafya na visa vya wafanyikazi viwandani. Visa vingi vimecheleweshwa na mahakama au walalamishi katika mwaka wa 2006. Tuna imani kuu kuhusu msimamo wetu na mawakili wetu wanaendelea kuwa na imani kwamba tunayo nafasi ya ufanisi katika malalamishi yaliyowasilishwa na hakuna malipo maalum ya fidia yaliyotengwa. Tuna beba mzigo wa bima ya afya na usalama kwa malipo yote ya bima ya kampuni. Hatuna malipo ya bima ya kima cha shilingi milioni 163 kwa visa vya tangu mwaka 1995.

Lengo letu mwaka 2007 ni kuongeza laini za mauzo kwa uimarishaji wa shughuli zetu. Ni wazi kwamba ni lazima tukusaidie kwa matokeo ya mapato bora mwaka hadi mwaka. Tunakuomba pia utusaidie na hii inamaanisha kuwa familia na marafiki wanatumia bidhaa zetu. Pia ni muhimu kutumia bidhaa zilizotengenezwa hapa nchini ikiwa zinapatikana. Tuna wastawisha wagawaji kadhaa wa humu nchini kugawa bidhaa mbali mbali za mali ghafi ambazo tumeagiza kwa miaka mingi kutoka nje na tunatarajia kuwa kampuni hizi za Kenya zitaidhinishwa kufikia mwisho wa mwaka 2007 ili kuisambazia kampuni ya Eveready mali ghafi na pia kusambazia maeneo mengine ya EBC.

Namshukuru Mwenyekiti, Wakurugenzi, Wenyehisa na wenzangu wote katika kampuni ya Eveready East Africa Limited, kwa ushirikiano na msaada wao katika mwaka wa 2006. Sisi katika Eveready tunawakaribisha Wenyehisa wapya na tunatazamia kushirikiana nawe katika kuijenga kampuni yetu mwaka wa 2007.

**Steven George Smith**  
**Mkurugenzi Mkuu**  
**Desemba 19, 2006.**

## **BOARD OF DIRECTORS**

### **Naushad Merali**

Mr. Merali is a businessman and the Chairman and Chief Executive Officer of the Sameer Group of Group of Companies. Sameer Group is a conglomerate of companies involved in telecommunications, energy, manufacturing, agriculture and finance sectors. Some of the companies in the group include Sameer Africa Limited (Formerly Firestone East Africa (1969) Limited), Sasini Tea & Coffee limited, H Young & Company Limited, Equatorial Commercial Bank, Ryce Motors Limited, Kenya Data Networks and Swift Global Limited. Mr Merali has also served on various Presidential Committees relating to trade and social services. 54

**Steven George Smith**

Mr. Smith holds a Bachelor of Science degree in Industrial Technology from East Carolina University, Greenville, North Carolina, USA. He has over 33 years experience in the EBC group starting as a production supervisor and rising through the ranks to a managerial position. He has worked with Eveready since 1998 as the Managing Director. 56

**Natarajan Radhakrishnan**

Mr Radhakrishnan represents Energizer in the Board of Eveready. He is currently the Finance director of Energizer Middle east and Africa Operations. He is a fellow Member of the Institute of Cost and Works Accountants of India and a member of the Institute of Company Secretaries of India. He has over 28 years senior managerial experience in various industries including financial institutions, manufacturing and service industries. He has been involved in Corporate re-structuring and several business development initiatives. With his extensive work experience in and exposure to the economies of the Middle East and various countries in the far East, Mr. Radhakrishnan is able to provide guidance and direction to Eveready's financial management. 57

**Akif H. Butt**

Mr Butt is a fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Public Accountant (CPA) and has over 25 years experience in financial management, corporate planning and strategic management. He initially trained and worked with PricewaterhouseCoopers in Kenya and the East African Region, Liberia and England. He joined the Sameer Group in 1989 and currently holds the position of Finance Director. He represents interests of the Sameer Group on the board of various companies. 49

**Peter Mwangi**

Mr Mwangi represents ICDCI as an alternate director on the boards of Kisii Bottlers Limited, Mount Kenya Bottlers Limited, Rift Valley Bottlers Limited, Eveready Batteries Limited, KWAL Holdings Limited and UAP Provincial Insurance Company Limited. Mr. Mwangi served as ICDCI's Company Secretary from 2000 to 2004 and was appointed Managing Director in December 2004 after serving in an acting capacity from August 2004. Mr. Mwangi is a member of ICPAK and the Institute of Certified Public Secretaries of Kenya (ICPSK). 37

**Mr. Isaac B. Mogaka**

Mr. Mogaka represents Industrial & Commercial Development Corporation (ICDC) in the Board of Eveready East Africa Limited. He holds a Bachelor of Laws degree from the University of Nairobi. He is an Advocate of the High Court of Kenya having been admitted on 15th February 1982, a member of the Institute of Certified Public Secretaries (K) and an Associate Member of the Chartered Institute of Arbitrators. He is currently the Executive Director of ICDC. Prior to his appointment as the Executive Director on 19th June 2006, he served as the Corporation Secretary of ICDC for 12 years and as the Company Secretary of several ICDC subsidiary/Associate Companies. 50

**Mirabeau Da Gama Rose**

Mr. Da Gama Rose was admitted as an Advocate of the High Court of Kenya on 13th December 1956. His practice has focussed principally on commercial and corporate work and he is currently a consultant with his old firm, Shapley Barret & Co Advocates. He is the Chairman of Commercial Bank of Africa Limited and a director of several other companies. 76

**SHAREHOLDING STRUCTURE****Major Shareholders**

Shareholder	No of Shares	% Holding
East Africa Batteries Limited	73,754,377	35.12
Industrial and Commercial Development Cooperation	36,558,900	17.41
Energizer International Inc.	22,050,000	10.50
ICDC Investment Company Limited	14,636,723	6.97
Anthony Eulogius Muhindi	208,200	0.10

Kericho Wholesalers Limited	201,400	0.10
Charles Kirimi Mbui	200,000	0.10
Johnson Mwangi Gitari	165,200	0.08
Rahab Mwihaki Karoki	116,100	0.06
Cresto Wear	113,400	0.05
Others	61,995,700	29.52
<b>Total</b>	<b>210,000,000</b>	<b>100.00</b>

#### **Distribution of Shareholders**

<b>Shareholding</b>	<b>No of Shareholders</b>	<b>Shares Held</b>
<hr/>		
No of Shares		
Below 1000	168,840	36,531,515
1001-5000	7,963	14,912,776
5001-10000	462	3,257,165
10001-50000	240	4,701,229
50000-100000	31	2,177,815
Above 100000	14	148,419,500
<b>Total</b>	<b>177,550</b>	<b>210,000,000</b>

**Based on the share register as at 31 January 2007**

#### **Directors**

Mr. N Merali (Chairman)  
Mr. S.G.Smith (Managing Director)  
Mr. A.H. Butt (Finance Director)  
Mr. M. Da Gama Rose  
Mr. N. Radhakrishnan  
Industrial & Commercial Development Corporation  
ICDC Investment Company Limited

#### **Audit Committee**

Mr. A.H. Butt (Chairman)  
Mr. P. Mwangi  
Mr. S.G. Smith

#### **Remuneration and Nomination Committee**

Mr. M. Da Gama Rose (Chairman)  
Mr. P. Mwangi  
Mr. S.G. Smith

#### **Finance and Risk Committee**

Mr. N. Radhakrishnan (Chairman)  
Mr. A.H. Butt  
Mr. S.G. Smith  
Mr. I. Mogaka

#### **Auditors**

PricewaterhouseCoopers  
Rahimtulla Tower, Upper Hill Road  
P.O.Box 43963-00100  
Nairobi

**Share Registrars**

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

**Advocates**

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

**Advocates**

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

**Secretary and Registered Office**

Mr. I.A. Timamy  
Standard Building, Wabera Street  
P.O.Box 44765-00100  
Nairobi

**Bankers**

Barclays Bank of Kenya Limited  
Commercial Bank of Africa Limited

**DIRECTORS' REPORT**

The directors submit their report together with the audited financial statements for the year ended 30 September 2006, which disclose the state of affairs of the company.

**PRINCIPAL ACTIVITIES**

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

**RESULTS AND DIVIDEND**

The net profit for the year of Shs 165,566,000 (2005: Shs 186,935,000) has been added to retained earnings. No dividend was paid during the year (2005: Shs 155,190,000).

**DIRECTORS**

Details of the Board of Directors are set out on

Page 14.

ICDC and Messrs. M. H. Da Gama - Rose retire by rotation, and being eligible, offer themselves for re - election.

**AUDITORS**

The company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

**By order of the Board**

**Issa Timamy**  
**Company Secretary**  
**19 December 2006**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

**S. G. Smith**  
**Managing Director**

**Natarajan Radhakrishnan**  
**Director**

**19 December 2006**

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EVEREADY EAST AFRICA LIMITED**

We have audited the financial statements of Eveready East Africa Limited for the year ended 30 September 2006 set out on pages 18 to 37.

### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of financial statements, as described on page 16. Our responsibility is to express an independent opinion on the financial statements based on our audit.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and we believe our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion proper books of account have been kept and the financial statements, which are in agreement with the books of account, give a true and fair view of the state of the company's financial affairs at 30 September 2006 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

**PricewaterhouseCoopers**  
**Certified Public Accountants**  
**Nairobi**

19 December 2006

**PROFIT AND LOSS ACCOUNT**

For the year ended 30 September 2006

Shs'000	Notes Shs'000	2006	2005
<b>Sales</b>		2,029,462	2,244,635
Cost of sales		(1,460,073)	(1,600,365)
<b>Gross profit</b>		569,389	644,270
Other operating income		23,266	2,668
Selling expenses		(104,346)	(137,391)
Other expenses		(236,452)	(229,895)
<b>Operating profit</b>	5	251,857	279,652
Finance costs	7	(17,821)	(10,289)
<b>Profit before income tax</b>		234,036	269,363
Income tax expense	8	(68,470)	(82,428)
<b>Profit for the year</b>		165,566	186,935
<b>Earnings per share (Shs per share)</b>			
- Based on 210,000 shares		788	890
- Restated on 210,000,000 shares		0.788	0.890
<b>Dividends:</b>			
Interim dividend paid	9	-	155,190
Final dividend proposed	9	126,000	-

**BALANCE SHEET**

As at 30 September 2006

	Notes	2006 Shs'000	2005 Shs'000
<b>CAPITAL EMPLOYED</b>			
Share capital	10	210,000	210,000
Retained earnings		106,677	67,111
Proposed dividends	9	126,000	-
<b>Shareholders' funds</b>		442,677	277,111
<b>Non-current liabilities</b>			

Provision for liabilities and charges	20	82,900	100,018
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		525,577	377,129
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**REPRESENTED BY**

**Non-current assets**

Property, plant and equipment	14	139,248	94,545
Prepaid operating lease rentals	15	227	373
Deferred tax	12	24,372	32,900
Retirement benefit asset	13	11,621	11,774

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		175,468	139,592
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**Current assets**

Inventories	16	500,758	515,630
Receivables and prepayments	17	163,434	160,490
Current income tax receivable		1,050	-
Cash and bank balances		78,296	2,455

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		743,538	678,575
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**Current liabilities**

Payables and accrued expenses	19	201,666	166,260
Current income tax payable		-	8,624
Borrowings	11	191,763	266,154

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		393,429	441,038
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**Net current assets**

		350,109	237,537
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525,577

377,129

The financial statements on pages 18 to 37 were approved for issue by the board of directors on 19 December 2006 and signed on its behalf by:

**S.G Smith**  
Managing Director

**Natrajan Radhakrishna**  
Director

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 September 2006

	Notes	Share capital Shs'000	Retained earnings Shs'000	Dividends Shs'000	Total Shs'000
<b>Year ended 30 September 2005</b>					
At start of year		210,000	35,366	-	245,366
Profit for the year		-	186,935	-	186,935
Dividend proposed	9		(155,190)	155,190	
Dividend paid in the year	9		-	(155,190)	(155,190)
At end of year		210,000	67,111	-	277,111

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**Year ended 30 September 2006**

At start of period		210,000	67,111	-	277,111
Profit for the period		-	165,566	-	165,566
Dividend proposed	9	-	(126,000)	126,000	-
At end of year		210,000	106,677	126,000	442,677

## CASH FLOW STATEMENT

For the year ended 30 September 2006

	Notes	2006 Shs'000	2005 Shs'000
<b>Operating activities</b>			
Cash generated from operations	23	288,311	227,737
Interest received		72	78
Interest paid		(23,313)	(21,752)
Income tax paid		(69,616)	(87,740)
Net cash generated from operating activities		195,454	118,593
<b>Investing activities</b>			
Purchase of property, plant and equipment	14	(71,852)	(27,679)
Proceeds from disposal of property, plant and equipment		26,630	1,209
Net cash used in investing activities		(45,222)	(26,470)
<b>Financing activities</b>			
Dividends paid		-	(155,190)
Net cash used in financing activities		-	(155,190)
<b>Increase/(decrease) in cash and cash equivalents</b>		150,232	(63,067)
<b>Movement in cash and cash equivalents</b>			
At start of year		(263,699)	(200,632)
Increase/(decrease)		150,232	(63,067)
At end of year	18	(113,467)	(263,699)

## NOTES

### 1. General information

Eveready East Africa Limited is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is:

Standard Building, Wabera Street  
PO Box 44765,

## 2. Summary of significant accounting policies

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

### (a) Basis of preparation

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

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

### Adoption of new and revised standards

In 2006 several new and revised standards became effective for the first time and have been adopted by the company where relevant to its operations. The adoption of these new and revised standards had no material effect on the company's accounting policies or disclosures, except as follows:

IAS 16 (revised 2003) has required the disclosure of comparative figures for movements in property, plant and equipment;

IAS 24 (revised 2003) has affected the identification of related parties and some other related party disclosures.

### (b) Revenue recognition

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

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

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

### (c) Translation of foreign currencies

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

### (d) Property, plant and equipment

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

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

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

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

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

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

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

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

**(e) Accounting for leases**

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

**(f) Inventories**

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

**(g) Receivables**

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

**(h) Employee benefits**

**(i) Retirement benefit obligations**

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

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

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

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

**(ii) Other entitlements**

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

The liability recognised in the balance sheet and the company contributions are assessed by an independent actuary using the projected unit credit method. The notional contributions are charged to the profit and loss account in the year to which they relate. Actuarial gains or losses are recognised immediately.

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

**(i) Income tax**

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

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

#### (j) Dividends

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

### 3 Financial risk management objectives and policies

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

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

### 4 Critical accounting estimates and judgements

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

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

Retirement benefit obligations

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations. These assumptions are set out in Note 13 and 21.

Property, plant and equipment

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

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

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

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

### 5. Operating profit

The following items have been charged in arriving at operating profit:

<b>2006</b>	<b>2005</b>	
<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Depreciation on property, plant and equipment (Note 14)	22,162	21,032
Operating lease rentals expensed	3,281	3,215
Employee benefits expense (Note 6)	322,916	376,710
Profit on sale of plant and equipment	(21,504)	(1,209)
Amortisation of prepaid lease rentals	7	7
Auditors' remuneration:		
- special audit	625	-
- year-end audit	790	790

### 6. Employee benefits expense

<b>2006</b>	<b>2005</b>
<b>Shs'000</b>	<b>Shs'000</b>

The following items are included within employee

benefits expense:

Retirement benefits costs:

- Defined contribution scheme	1,190	-
- Defined benefit scheme (Note 13)	6,089	5,514
- National Social Security Fund	1,024	926

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## 7. Finance costs

	2006 Shs'000	2005 Shs'000
Interest expense - bank overdraft	(23,313)	(21,752)
Interest income	72	78
Net foreign exchange gains/(losses)	5,420	11,385
	5,492	11,463
Net finance costs/income	(17,821)	(10,289)

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## 8. Income tax expense

Current income tax	60,261	88,600
Deferred income tax (Note 12)	8,484	(5,051)
Overprovision of current income tax in prior year	(319)	-
Under/(over) provision of deferred income tax in the prior years	44	(1,121)
Income tax expense	68,470	82,428

---

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

	2006 Shs'000	2005 Shs'000
Profit before income tax	234,036	269,363
Tax calculated at the statutory income tax rate of 30% (2005 - 30%)	70,211	80,809
Tax effect of:		
Income not subject to tax	(5,761)	(76)
Expenses not deductible for tax purposes	4,295	2,816
Overprovision of current income tax in prior year	(319)	-
Under/(over) provision of deferred income tax in prior year	44	(1,121)
Income tax expense	68,470	82,428

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## 9. Dividends per share

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

At the annual general meeting a final dividend in respect of the year ended 30 September 2006 of Shs 600 (diluted 60 cents) per share amounting to a total of Shs 126,000,000 is to be proposed. No interim dividend was paid during the financial period. The total dividend for the year is therefore Shs 600 (diluted 60 cents) per share (2005: Shs 739 (diluted 74 cents)), amounting to a total of Shs 126,000,000 (2005: Shs 155,190,000).

Payment of dividends is subject to withholding tax at a rate of 10% for non-resident shareholders. No withholding tax is charged to the local shareholders as they are

companies and hold more than 12.5% of the total shareholding or are exempt.

<b>10. Share capital</b>	<b>Number of shares (Thousands)</b>	<b>Ordinary shares Shs'000</b>
Balance at 1 October 2004, 30 September 2005 and 30 September 2006	210	210,000

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

<b>11. Borrowings</b>	<b>2006 Shs'000</b>	<b>2005 Shs'000</b>
Short-term bank loans	191,763	145,000
Bank overdrafts	-	121,154
	191,763	266,154

Borrowings are secured by a floating debenture over all the assets, excluding land and buildings, of the company.

The weighted average effective interest rate on the short-term borrowings at the period end was 10.87 % (2005: 10.9%).

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

## 12. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2005: 30%).

The movement on the deferred income tax account is as follows:

	<b>2006 Shs'000</b>	<b>2005 Shs'000</b>
At start of year	32,900	27,849
(Charge)/credit to profit and loss account (Note 8)	(8,528)	5,051
At end of year	24,372	32,900

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

	<b>1 October 2005 Shs'000</b>	<b>Charged/ (credited) to P/L Shs'000</b>	<b>30 September 2006 Shs'000</b>
<b>Deferred income tax liabilities</b>			
Property, plant and equipment	433	2,607	3,040
Unrealised exchange gains	245	(206)	39
	678	2,401	3,079
<b>Deferred income tax assets</b>			
Provisions	(33,578)	6,127	(27,451)

	(33,578)	6,127	(27,451)
Net deferred income tax asset	(32,900)	8,528	(24,372)

### 13. Retirement benefit asset/obligations

#### (i) Defined benefit scheme

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

	<b>2006</b>	<b>2005</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Present value of funded obligations	(108,123)	(118,622)
Fair value of scheme assets	88,656	103,749
Net under funding	(19,467)	(14,873)
Unrecognised actuarial gains/(losses)	31,088	26,647
Asset in the balance sheet	11,621	11,774

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

The amounts recognised in the profit and loss account for the year are as follows:

	<b>2006</b>	<b>2005</b>
	<b>2007Shs'000</b>	<b>Shs'000</b>
Current service cost	3,207	3,335
Interest cost	9,568	11,201
Expected return on scheme assets	(8,000)	(9,935)
Net actuarial losses recognised in the year	1,314	913
Net charge for the year included in staff costs	6,089	5,514
Movement in the liability/asset in the balance sheet	153	794

The actual return on scheme assets was Shs 8,936,000 (2005: Shs 6,443,000).

### 13. Retirement benefit asset/obligations (continued)

#### (i) Defined benefit scheme (continued)

The principal actuarial assumptions used were as follows:

2006

2005

- discount rate	10%	9.5%
- expected rate of return on scheme assets	10%	9.5%
- future salary increases	7%	7.5%
- future pension increases	0%	0%

#### (ii) Defined contribution scheme

Following the closure of the defined benefit scheme (note 13 (i)) the company commenced contributions to a defined contribution scheme for all its non-unionised employees recruited from 1 October 2005. With effect from 1 October 2006, other non-unionised employees from the defined benefit scheme except those within 5 years of retirement have migrated to the defined contribution scheme. For the year ended 30 September 2006, the company contributed Shs 1,190,000 (2005: Nil), which has been charged to the profit and loss account.

The company also makes contribution to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statutes and are shared between the employer and employee. For the year ended 30 September 2006, the company contributed Shs 1,024,200 (2005: Shs 926, 000), which has been charged to the profit and loss account

#### 14. Property, plant and equipment

	<b>Buildings &amp; freehold land Shs'000</b>	<b>Plant &amp; machinery Shs'000</b>	<b>Vehicles &amp; equipment Shs'000</b>	<b>Capital work-in- progress Shs'000</b>	<b>Total Shs'000</b>
<b>At 1 October 2004</b>					
Cost	31,685	187,277	164,720	-	383,682
Accumulated depreciation	(20,530)	(140,008)	(135,246)	-	(295,784)
<hr/>					
Net book amount	11,155	47,269	29,474	-	87,898
<hr/>					
<b>Year ended 30 September 2005</b>					
Opening net book amount	11,155	47,269	29,474	-	87,898
Additions		3,570	14,527	9,582	27,679
Disposals		(1,216)	(6,153)	-	(7,369)
Depreciation charge	(1,055)	(6,716)	(13,261)	-	(21,032)
Depreciation on disposals		1,216	6,153	-	7,369
<hr/>					
Closing net book amount	10,100	44,123	30,740	9,582	94,545
<hr/>					
<b>At 30 September 2005</b>					
Cost	31,685	189,631	173,094	9,582	403,992
Accumulated depreciation	(21,585)	(145,508)	(142,354)	-	(309,447)
<hr/>					
Net book amount	10,100	44,123	30,740	9,582	94,545
<hr/>					
<b>Year ended 30 September 2006</b>					
Opening net book amount	10,100	44,123	30,740	9,582	94,545
Additions	-	13,210	26,832	31,810	71,852
Disposals	(747)	(642)	(20,073)	-	(21,462)
Depreciation charge	(1,026)	(6,732)	(14,404)	-	(22,162)
Depreciation on disposal	747	389	15,339	-	16,475
<hr/>					
Closing net book amount	9,074	50,348	38,434	41,392	139,248
<hr/>					
<b>At 30 September 2006</b>					
Cost	30,938	202,199	179,853	41,392	454,382
Accumulated depreciation	(21,864)	(151,851)	(141,419)	-	(315,134)

Net book amount	9,074	50,348	38,434	41,392	139,248
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### 15. Prepaid operating lease rentals

	<b>2006</b>	<b>2005</b>
<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
At start of period	373	380
Disposals	(139)	-
Amortisation for the period	(7)	(7)

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At end of period	227	373
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### 16. Inventories

	<b>2006</b>	<b>2005</b>
<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Raw materials	274,684	262,869
Work in progress	53,153	56,326
Finished goods	114,118	143,890
Maintenance stock	58,803	52,545

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	500,758	515,630
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### 17. Receivables and prepayments

	<b>2006</b>	<b>2005</b>
<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Trade receivables	155,761	157,385
Less: Provision for impairment losses	(5,838)	(6,572)

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	149,923	150,813
Prepayments	3,811	7,841
Other receivables	9,700	1,836

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	163,434	160,490
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The fair values of current receivables approximate to their carrying amount.

### 18. Cash and cash equivalents

	<b>2006</b>	<b>2005</b>
<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Cash at bank and in hand	78,296	2,455
Bank overdraft and short-term bank loans (Note 11)	(191,763)	(266,154)

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	(113,467)	(263,699)
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### 19. Payables and accrued expenses

Trade payables	73,981	50,243
Amounts due to related companies (Note 24)	39,406	37,519
Accrued expenses	34,569	52,201
Other payables	53,710	26,297

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	201,666	166,260
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### 20. Provisions for liabilities and charges

#### Service gratuity

At start of period	100,018	81,909
(Credit)/charge to profit and loss account	(17,118)	18,109
<hr/>		
At end of period	82,900	100,018
<hr/>		

In accordance with IAS 19, an actuarial valuation was carried out to determine the present value of the defined benefit obligation for gratuity. According to the valuation report, the company's obligation at 30 September 2006 amounted to Shs 82,900,000 resulting in an overprovision in the previous years amounting to Shs 17,118,000 which has been credited to this year's profit and loss account.

The principal actuarial assumptions used were as follows:

- Discount rate	10%
- Future salary increase	9% for 2 years and 7% thereafter
- Retirement age	60 years

## 21. Contingent liabilities

The company has pending litigation in the High Court. The directors, having taken appropriate legal advice, believe that no liability will arise from the pending litigation against the company.

## 22. Commitments

### Capital commitments

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

	2006 Shs'000	2005 Shs'000
Property, plant and equipment	20,786	-
<hr/>		
Operating lease commitments	2006 Shs'000	2005 Shs'000
Not later than 1 year	3,395	3,339
Later than 1 year and not later than 5 years	8,580	11,975
	11,975	17,774
<hr/>		

## 23. Cash generated from operations

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

	2006 Shs'000	2005 Shs'000
Profit before income tax	234,036	269,363
Adjustments for:		
Interest income (Note 7)	(72)	(78)
Interest expense (Note 7)	23,313	21,752
Depreciation (Note 14)	22,162	21,032
Amortisation of prepaid operating lease rentals	7	7
(Profit)/loss on sale of property, plant and equipment	(21,504)	(1,209)
Changes in working capital		
- receivables and prepayments	(2,944)	(30,631)
- inventories	14,872	(75,587)
- payables and accrued expenses	35,406	6,050
- provision for liabilities and charges	(17,118)	18,109
- retirement benefit obligations	153	1,071
<hr/>		
Cash generated from operations	288,311	227,737

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## 24. Related party transactions

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

The following transactions were carried out with related parties:

### i) Banking arrangements

The company shares common directors with two of its bankers, Commercial Bank of Africa Limited and First American Bank Limited (which was acquired during the year by Commercial Bank of Africa Limited and ceased to exist).

	<b>2006</b>	<b>2005</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>ii) Purchase of goods and services</b>	277,153	360,271

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

### iii) Technical services and trade mark fees

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

The charges for the year were as follows:

	<b>2006</b>	<b>2005</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Technical fees	85,097	95,893
Trademark fees	17,020	19,179
	102,117	115,072

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### iv) Management fees

Sameer Management Limited, a company related by common directorships, charges management fees for financial, legal and marketing services provided to Eveready Batteries Kenya Limited. The management fee charged for the period was Shs 4,350,000 (2005: Shs 8,700,000).

### v) Outstanding balances arising from purchase of goods and services, and commissions

	<b>2006</b>	<b>2005</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Payables to related parties	39,406	37,519

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## 24. Related party transactions (continued)

	<b>2006</b>	<b>2005</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>(vi) Key management compensation</b>		
- Salaries and other short term employment benefits	63,701	84,274
- Termination benefits	-	1,516
- Post employment benefits	1,043	7,587
	64,744	93,377

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**(v) Directors' remuneration**

- fees for services as a director	4,896	3,814
- other emoluments (included in key management compensation above)	26,289	25,813

**FIVE YEAR FINANCIAL RECORD**

	2002	2003	2004	2005	2006
	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000
Turnover	1,785,888	1,583,291	1,917,445	2,244,635	2,029,462
Profit before tax	328,521	208,578	266,388	269,363	234,036
Taxation	(127,918)	(65,826)	(76,553)	(82,428)	(68,470)
Profit after taxation	200,603	142,752	189,835	186,935	165,566
Dividends	(641,550)	(135,240)	(185,640)	(155,190)	-
Retained profit for the year	(440,947)	7,512	4,195	31,745	165,566
Earnings per share (Shs)	955	680	904	890	788
Diluted earnings per share (Shs)					0.788*
Dividend per share (Shs)	3,055	644	884	739	-
Proposed dividend per share (Shs)					0.60*
<b>BALANCE SHEET SUMMARY</b>					
Fixed assets	102,585	97,368	87,898	94,545	139,248
Non current assets	22,584	30,699	38,932	45,047	36,220
	125,169	128,067	126,830	139,592	175,468
Current assets	529,857	511,138	571,586	678,575	743,538
Current liabilities	(368,092)	(327,364)	(371,141)	(441,038)	(393,429)
Net current assets	161,765	183,774	200,445	237,537	350,109
<b>NET ASSETS</b>	286,934	311,841	327,275	377,129	525,577
Financed by:					
Share capital	210,000	210,000	210,000	210,000	210,000
Reserves	23,659	31,171	35,366	67,111	232,677
<b>SHAREHOLDERS' FUNDS</b>	233,659	241,171	245,366	277,111	442,677
Non current liabilities	53,275	70,670	81,909	100,018	82,900
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>	286,934	311,841	327,275	377,129	525,577

\* Based on 210,000,000 shares

**PROFIT AND LOSS SUMMARY****FORM OF PROXY**

I, We \_\_\_\_\_ of \_\_\_\_\_  
being (a) member/s of Eveready East Africa Limited, do hereby appoint \_\_\_\_\_  
\_\_\_\_\_ or failing him/her, the duly appointed Chairman of the meeting to  
be my/our Proxy, to vote for me/us at the Annual General Meeting of the Company to be held at  
the Company's Factory Premises, George Morara Road, Nakuru, on Thursday 22nd March, 2007  
and at any adjournment thereof.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2007

Signature \_\_\_\_\_

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

- Notes:
1. To be valid this proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for holding the meeting.
  2. If the appointer is a corporation, the proxy must be executed under its common seal or under the hands of an officer or Attorney duly authorised in writing.

THE COMPANY SECRETARY  
EVEREADY EAST AFRICA LIMITED  
STANDARD BUILDING  
WABERA STREET  
P. O. BOX 44765 - 00100  
NAIROBI  
KENYA