EVEREADY®
EAST AFRICA LIMITED

Announcement of results for the six month period ended31 March 2009

PROFIT AND LOSS ACCOUNT

	31.03.2009	31.03.2008
	Ksh '000	Ksh '000
Turnover	827,571	956,520
Profit from operations	36,543	32,263
Finance costs	(32,778)	(21,220)
Profit before taxation	3,765	11,043
Tax charge	(3,475)	(5,555)
Profit after tax	290	5,488
Basic / Diluted earnings per share (Kshs)	0.00	0.03
Issued shares of Ksh 1 each	210,000,000	210,000,000

STATEMENT OF CHANGES IN EQUITY

	Share Capital Ksh '000	Retained Earnings Ksh '000	Dividends Ksh '000	Total Ksh '000
At 1 October 2007	210,000	138,585	94,500	443,085
Profit for the period	-	5,488	-	5,488
Dividends paid in the year	-	-	-	-
Dividends proposed	-	-	-	-
At 31 March 2008	210,000	144,073	94,500	448,573
At 1 October 2008	210,000	156,425	-	366,425
Profit for the period	-	290	-	290
Dividends paid in the year	-	-	-	-
Dividends proposed	-	-	-	-
At 31 March 2009	210,000	156,715	-	366,715

BALANCE SHEET

	31.03.2009	30.09.2008
NON-CURRENT ASSETS	Ksh '000	Ksh '000
Property, plant and equipment	178,877	180,837
Prepaid operating lease rentals	219	219
Deferred tax	11,822	14,222
Retirement benefit asset	3,937	3,937
Total Non-current Assets	194,855	199,215
CURRENT ASSETS		
Inventories	712,840	400,049
Receivables and prepayments	182,819	189,050
Current income tax receivable	12,345	13,184
Cash and bank balances	41,420	35,831
Total Current Assets	949,424	638,114
TOTAL ASSETS	1,144,279	837,329
SHAREHOLDERS' FUNDS AND LIABILITIES		
CAPITAL EMPLOYED		
Share Capital	210,000	210,000
Retained earnings	156,715	156,425
Proposed dividends	-	-
Total Capital employed	366,715	366,425
NON CURRENT LIABILITIES		
Provision for liabilities and charges	83,610	82,800
Hire purchase liabilities	2,143	3,965
Total Non current liabilities	85,753	86,765
CURRENT LIABILITIES		
Payables and accrued expenses	260,323	183,766
Hire purchase liabilities	4,672	4,886
Borrowings	426,816	195,487
Total Current liabilities	691,811	384,139
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	1,144,279	837,329

CASH FLOW STATEMENT

OPERATING ACTIVITIES		
Cash generated from operations	(198,258)	225,325
Interest received	82	39
Interest paid	(17,053)	(19,200)
Income tax paid	0	0
Net cash generated from operating activities	(215,229)	206,164
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,939)	(23,315)
Proceeds on sale of property, plant and equipment	2,764	0
Net cash used in investing activities	(8,175)	(23,315)
FINANCING ACTIVITIES		
Dividends paid on ordinary shares	0	0
Proceeds from borrowings	0	0
Repayments of borrowings	(2,336)	(2,812)
Net cash used in financing activities	(2,336)	(2,812)
(Decrease)/increase in Cash and cash equivalents	(225,740)	180,037
Cash and cash equivalents at the beginning of the period	(159,656)	(397,081)
Cash and cash equivalents at the end of the period	(385,396)	(217,044)

COMMENT ON RESULTS

The Company recorded a 13% decline in revenues for the 1st half of the year, while profit from operations for the same period registered a 13% growth. The decrease in revenues was mainly attributable to the continued lack of action by the authorities in stopping the dumping of cheap and duty free sub-standard batteries into the local market coupled with failure to ensure surveillance of transit batteries which ended up in the local market despite most being in the banned list. Matters were made worse by the on going famine situation which eroded the purchasing power within a large segment of the battery market. However, the effeciency improvement program started two years ago and capacity reduction process started last year are already bearing fruits and led to the growth in operating profits. This growth was achieved despite the Company spending Ksh 12m in the 2nd phase of the redundancy exercise carried out in November 2008 and Ksh 40m spend within the period to carry out a national consumer promotion which was aimed at reconnecting the Eveready brand to the consumer.

The Company also saw a 54% increase in finance costs which resulted in a 65% decline in profit before tax. The Company was forced to adjust its raw materials purchasing program in order to deal with the congestion at the port of Mombasa and also to take advantage of reduced zinc price .This led to an increase in the level of borrowing and cost of capital. Global recession has resulted in a significant depreciation of the Kenya shilling which cost the Company Ksh 17m in exchange losses in addition to increase incost of raw materials.

WAY FORWARD

The Company remains committed to the current strategic direction which centres on product and market diversification together with a lean and efficient approach to business. The Company continues to increase its presence in the regional markets and more resources will be committed in that direction whenever opportunities become available. The Company is also fast tracking its capacity alignment program and this will result in 26 people being declared redundant in April 2009 at a cost of Ksh 20m.

The principal accounting policies applied in these financial statements are similar to those adopted in the most recent financial statements.

The Directors do not recommend payment of an interim dividend.

By order of the Board

Steven G Smith - Director, Akif H Butt - Director

The above extract is based on the unaudited accounts of Eveready East Africa Limited for the six months ending 31March 2009

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