EVEREADY EAST AFRICA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2023

CONTENTS

Directors	Kenya Development Corporation (formerly Industrial and Commercial Development Corporation) Mr. Joseph Sitati Maurice Nduranu Kiiru (Appointed on 10 May 2023) Winnie Chepkemoi (Appointed on 22 September 2023) Wilfred Kashonga Saroni (Appointed on 10 May 2023) Faith Nyambura Mwaura (Appointed on 10 May 2023) Anzetse Patricia Khanyaha Were (Appointed on 28 July 2023) Mr. Thomas Masaki (Resigned on 22 September 2023) Mrs. L W Waithaka (Resigned on 10 May 2023) Ms. F B Shah (Resigned on 10 May 2023) Mr. A H Butt (Resigned on 10 May 2023)
Company secretary	Evans Kiplimo Lagat P.O. Box 12665 - 00100 Nairobi, Kenya.
Registered office	Sameer Industrial Park Mombasa Road P.O. Box 30429 - 00100 Nairobi, Kenya.
Registrar	Image Registrars Limited 5th Floor, Absa Plaza, Loita Street P.O. Box 9287 - 00100 Nairobi, Kenya.
Independent auditor	RSM Eastern Africa LLP Certified Public Accountants 1st Floor, Pacis Centre Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya.
Principal bankers	NCBA Bank Kenya PLC Mara and Ragati Roads, Upper Hill P.O. Box 30437 - 00100 Nairobi, Kenya. Prime Bank Limited Riverside Drive, Westlands P.O. Box 42825 - 00100 Nairobi, Kenya.

Principal bankers (continued)	KCB Bank Kenya Limited Kencom House,Moi Avenue P.O. Box 48400 - 00100 Nairobi, Kenya.
Legal advisers	Kale Maina & Bundotich Advocates P.O Box 10674 - 00100 Nairobi, Kenya.
	Mukite Musangi & Company Advocates P.O. Box 149 - 20100 Nakuru, Kenya.

The directors submit their report together with the audited financial statements of the company for the year ended 30th September 2023.

Incorporation

The company is domiciled in Kenya where it is incorporated as a public company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 1.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.

Principal activities

The principal activities of the company are those of selling imported dry cell and car batteries and trading in an assortment of flashlights and a range of bulbs.

Recommended dividend

The directors do not recommend the declaration of dividend for the year (2022: Nil).

Business review

Our business

EVEREADY East Africa PLC (the "Company" or "EVEREADY") is a consumer goods company focused on providing branded portable power solutions packaged to consumers in Kenya. The Company is headquartered in Nairobi, Kenya. The Company provides portable power solutions in Kenya was founded in 1967 and is listed in the Nairobi Securities Exchange.

The Company operates in three segments automotive, lighting and household. The Company sells its products in Kenya primarily through automotive dealers, hypermarkets, wholesalers, electronic stores, institutions, retail stores, petrol stations, high-frequency stores, and e-commerce.

Automotive

The Company offers maintenance free car batteries, vented car batteries, battery water and battery acid in its automotive segment under the brands TURBO® and TURBOPlus+®

Household

The Company offers dry cell batteries in sizes 'D' 'AA' 'AAA' '9V', 'C' and miniature in carbon zinc, alkaline batteries, lithium, and rechargeable constructions. The products under this segment are traded under the brands TURBO® and TURBOPlus+®.

Lighting

The Company offers flashlights, lanterns, and bulbs under the brands TURBO® and TURBOPlus+®.

Performance

In the year under review, gross revenue reduced by 80 % to KSh 16.8m down from KSh 82.6m in the previous financial year . This decrease in revenue was attributed to stock-out resulting from cashflow challenges during the period. While the gross revenue declined significantly during the period, expenses remained fixed and significantly high. The Business recorded a net loss of KSh 43.77M down from KShs 50.87M in 2022.

Risks

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

i) **Supply chain**

Our business depends on the timely distribution of products to our consumers. Potential hazards to the supply chain include long lead times and disruption or loss of key suppliers. The underlying materials from which our products are subject to cost fluctuations which affects our margins as the component cost fluctuations cannot always be passed on to the consumers.

Business review (continued)

Risks (continued)

ii) **Quality products**

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

iii) **Economic, political risks and natural disasters**

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

iv) **Systems and information**

Increasing our digital interaction with our consumers and the supply chain partners (trade) require secure and reliable IT systems and infrastructure. It is also crucial that we manage the information that we possess correctly and carefully. Unauthorized access failure of our IT systems and lack of effective use of information could disrupt our business, result in loss of assets and missed opportunities.

v) **Portfolio management**

Our growth is determined by our range of products (portfolio categories) that evolve over time. If we do not make optimal decision on these our margins and revenues will be affected.

vi) **Ethical**

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

vii) **Brand preference**

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

viii) **Legal and regulatory**

Eveready is subject to local and regional laws and regulations in various areas to include taxes, listing and disclosures obligations, competition, licensing, trademarks, employee health and safety, corporate governance and employment. Failure to abide by these laws and regulation exposes Eveready to civil and/ criminal actions which may lead to fines and sanctions with associated blight to our corporate reputation.

ix) **Business transformation**

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

Statement as to disclosure to the company's auditor

With respect to each director at the time this report was approved:

(a) there is, so far as the director is aware, no relevant audit information of which the company's auditor is unaware; and

(b) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Terms of appointment of the auditor

The directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KSh 750,000 has been charged to profit or loss in the year.

By order of the board

……………………………………..

Director

Nairobi ……29th May……………. 2024

Section 1- Not subject to audit

a) Decisions on directors' remuneration

During the year the directors remuneration was revised back to 100% (2022: 75%).

b) Company policy on directors' remuneration

The company's policy is to remunerate directors and executives fairly and responsibly. The remuneration policy is aligned with the company's strategy and linked to annual performance. The board nomination and remuneration committee is responsible for setting and administering the remuneration policy.

Directors are entitled to a basic quarterly fee and sitting allowance for each Board meeting and/or official company function attended. Directors are entitled to company transport when attending board meetings or company functions outside their regular areas of residence. A director who for any reason uses his/her own private vehicle is entitled to a mileage claim.

These are payable at the following rates:

Title	Director's Fees Quarterly (KSh)	Allowance per Sitting (KSh)	Mileage Claim per KM (KSh)
Board Chairperson	300,000	25,000	39.4
Committee Chairperson	135,000	25,000	39.4
Director	135,000	20,000	39.4

c) General terms of service

Directors shall generally be elected at the annual meeting of shareholders for three-year terms, to serve until the annual general meeting of shareholders occurring at the end of that term. From time to time, directors may be nominated by the Board to serve less than three-year terms if the board believes there is valid purpose for such shortened terms, for example, in order to equalise the number of directors in each class elected.

If a director is elected between annual meetings of shareholders, the initial term of any such director shall expire at the next annual meeting of shareholders.

Section 2 - Information subject to audit

Directors remuneration paid during the year

Director's name	**Fees and allowances for the year ended 30th September 2023 KSh**	**Fees and allowances for the year ended 30th September 2022 KSh**
Mrs. L W Waithaka - Chairperson (Resigned on 10 May 2023)	591,500	2,823,625
Ms. F B Shah (Resigned on 10 May 2023)	290,500	1,270,500
Mr. A H Butt (Resigned on 10 May 2023)	290,500	1,236,875
Kenya Development Corporation (formerly Industrial and Commercial Development Corporation)	669,500	1,507,374
Mr. Joseph Sitati	507,500	688,750
Mr. Thomas Masaki -Managing Director,Ag. - (Resigned on 22 September 2023	-	-
Mr. Maurice Nduranu (Appointed on 10 May 2023)	507,500	-
Ms. Faith Mwaura (Appointed on 10 May 2023)	259,000	-
Mr. Wilfred Saroni (Appointed on 10 May 2023)	245,000	-
Ms.Anzeste Were (Appointed on 28 July 2023)	115,843	-
	3,476,843	7,527,124

By order of the board

……………………………………..
Director

Nairobi ……………………………. 2024 29th May

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015.

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

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

Having made an assessment of the company's ability to continue as a going concern, the directors are aware of material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

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

Approved by the board of directors on **29th May** 2024 and signed on its behalf by:

…………………………………… ……………………………………

Director **Director**

RSM

RSM Eastern Africa LLP
Certified Public Accountants

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

Opinion

We have audited the accompanying financial statements of Eveready East Africa PLC (the "Company"), set out on pages 9 to 35, which comprise, the balance sheet as at 30th September 2023, the statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes, including material accounting policy information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 30th September 2023 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 24 in the financial statements, which indicate that the company incurred a net loss of KSh 43,770,000 (2022: KSh 50,866,000). During the year ended 30th September 2023, current liabilities exceeded current assets by KSh 88,414,000 (2022: KSh 45,726,000). These events or conditions, along with other matters set forth in Note 24, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion in not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Material uncertainty related to going concern section*, we have determined that there are no key audit matters to be communicated in our report.

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSM

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF EVEREADY EAST AFRICA PLC (CONTINUED)

Directors' responsibility for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other matters prescribed by the Kenyan Companies Act, 2015 (the Act)

In our opinion:

i) the information given in the report of the directors on pages 3 and 4 is consistent with the financial statements; and
ii) the auditable part of the directors' remuneration report has been properly prepared in accordance with the Act.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Elvis Ogeto**, Practising Certificate No. 2303.

for and on behalf of RSM Eastern Africa LLP
Certified Public Accountants
Nairobi

29th May
.. 2024

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2023

	Note	2023 KSh'000	2022 KSh'000
Sales	5	16,811	82,624
Cost of sales		(13,586)	(59,595)
Gross profit		3,225	23,029
Other income	6	2,691	22,607
Selling and distribution expenses		(7,663)	(8,045)
Administrative expenses		(39,978)	(47,504)
Establishment expenses		(1,107)	(5,353)
Impairment of assets	7	329	7,695
Finance costs	8	(783)	(4,158)
Loss before tax	9	(43,286)	(11,729)
Tax expense	10	(484)	(39,137)
Loss for the year attributable to the owners of the company		(43,770)	(50,866)
Earnings per share		**KSh**	**KSh**
Loss per share - basic and diluted	11	(0.21)	(0.24)

BALANCE SHEET AT 30TH SEPTEMBER 2023

	Note	2023 KSh'000	2022 KSh'000
Equity			
Share capital	12	210,000	210,000
Accumulated losses		(298,336)	(254,566)
Total equity		(88,336)	(44,566)
REPRESENTED BY			
Non-current assets			
Equipment	15	78	1,160
Current assets			
Inventories	17	2,545	15,652
Trade and other receivables	18	10,429	21,236
Cash at bank and in hand	19	8,790	64,243
		21,764	101,131
Current liabilities			
Trade and other payables	20	106,103	111,175
Current tax		4,059	4,466
Borrowings	21	16	31,216
		110,178	146,857
Net current liability		(88,414)	(45,726)
		(88,336)	(44,566)

The financial statements on pages 9 to 35 were approved for issue by the board of directors on ....**29th May**……....……….. 2024 and were signed on its behalf by:

…………………………………… ……………………………………
Director **Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH SEPTEMBER 2023

	Share capital KSh'000	Retained losses KSh'000	Total KSh'000
As at 1st October 2021	210,000	(203,700)	6,300
Changes in equity in 2022			
Loss for the year	-	(50,866)	(50,866)
At 30th September 2022	210,000	(254,566)	(44,566)
At 1st October 2022	210,000	(254,566)	(44,566)
Changes in equity in 2023			
Loss for the year	-	(43,770)	(43,770)
At 30th September 2023	210,000	(298,336)	(88,336)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH SEPTEMBER 2023

	Note	2023 KSh'000	2022 KSh'000
Cash flows from operating activities			
Loss before tax		(43,770)	(50,866)
Adjustments for:			
Income tax	10	484	39,137
Depreciation of equipment	15	320	285
Depreciation of right-of-use assets	14	-	3,880
Gain on disposal of assets	6	(751)	(4,871)
Interest expense	8	783	3,780
Interest on lease liabilities	13	-	378
Operating loss before working capital changes		(42,934)	(8,277)
Decrease in inventories		13,107	3,207
Decrease in trade and other receivables		10,807	16,804
(Decrease)/increase in trade and other payables		(5,072)	1,419
Cash (used in)/generated from operations		(24,092)	13,153
Interest paid		(783)	(3,780)
Interest paid on lease liabilities		-	(378)
Tax paid		(891)	(1,439)
Net cash (used in)/generated from operating activities		(25,766)	7,556
Cash flows from investing activities			
Purchase of equipment		-	(52)
Proceeds from disposal of equipment		1,513	4,871
Net cash generated from investing activities		1,513	4,819
Cash flows from financing activities			
Payment of principal portion of the lease liability	13	-	(4,536)
Repayments of borrowings		(2,016)	(2,240)
Net cash used in financing activities		(2,016)	(6,776)
Net (decrease)/increase in cash and cash equivalents		(26,269)	5,599
Cash and cash equivalents at start of the year		35,043	29,444
Cash and cash equivalents at end of the year	19	8,774	35,043

NOTES

1. General information

Eveready East Africa Plc (the "company") is domiciled in Kenya where it is incorporated under the Kenyan Companies Act, 2015 as a private company limited by shares. The address of its registered office is Sameer Industrial Park, Mombasa Road, P.O. Box 30429 - 00100, Nairobi, Kenya.

2. Material accounting policy information

The accounting policy information considered material in the preparation of these financial statements is set out below:

a) Basis of preparation

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

The financial statements comprise profit and loss account, balance sheet (statement of financial position), statement of changes in equity, and statement of cash flows. Income and expenses are recognised in profit or loss. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the material accounting policy information summarised below.

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

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

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

NOTES (CONTINUED)

2. Material accounting policy information (continued)

b) New and revised standards

i) Adoption of new and revised standards

Five Amendments to standards became effective for the first time in the financial year beginning 1st October 2022 and have been adopted by the company. None of the Amendments has had an impact on the company's financial statements.

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

The company has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1st October 2022, and the Directors do not plan to apply any of them until they become effective. Note 25 lists all such new or revised standards and interpretations, with their effective dates, none of which is expected to have a significant impact on the company's financial statements in the period of initial application.

c) Translation of foreign currencies

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

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

d) Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income is recognised on a time proportion basis using the effective interest method.

All other income earned by the company is recognised in the period in which it is earned.

e) Borrowing costs

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

NOTES (CONTINUED)

2. Material accounting policy information (continued)

f) Income tax

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

<u>Current tax</u>

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

<u>Deferred income tax</u>

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

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

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

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

g) Share capital

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

h) Dividends

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

i) Financial instruments

<u>Initial recognition</u>

Financial instruments are recognised when, and only when, the company becomes a party to the contractual provisions of the instrument. All financial assets are recognised initially using trade date accounting which is the date the company commits itself to the purchase or sale.

NOTES (CONTINUED)

2. Material accounting policy information (continued)

i) Financial instruments (continued)

Classification

The company classifies its financial instruments into the following categories:

i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured **at amortised cost**;

ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured **at fair value through other comprehensive income.**

iii) All other financial assets are classified and measured **at fair value through profit or loss.**

iv) Notwithstanding the above, the company may:
a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it **at fair value through other comprehensive income.**
b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured **at fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

v) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured **at fair value through profit or loss**. The company may also, on initial recognition, irrevocably designate a financial liability as **at fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

vi) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables were classified as at amortised cost; and
- Borrowings and trade and other liabilities were classified as at amortised cost.

Initial measurement

On initial recognition:
i) Trade receivables are measured at their transaction price.
ii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

NOTES (CONTINUED)

2. Material accounting policy information (continued)

i) Financial instruments (continued)

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

Fair value is determined as set out in Note 1(a), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Presentation:

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

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

NOTES (CONTINUED)

2. Material accounting policy information (continued)

i) Financial instruments (continued)

Derecognition/write off

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

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

Offsetting

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

j) Inventories

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

k) Cash and cash equivalents

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

l) Provisions for liabilities

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

m) Equipment

All categories of equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

NOTES (CONTINUED)

2. Material accounting policy information (continued)

m) Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

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

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

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

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

n) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

o) Leases

<u>Leases under which the company is the lessee</u>

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the company's incremental borrowing rate is used.

For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

NOTES (CONTINUED)

2. Material accounting policy information (continued)

o) Leases (continued)

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

p) Short term employee benefits

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

q) Post-employment benefit obligations

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

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

3. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

NOTES (CONTINUED)

3. Significant judgements and key sources of estimation uncertainty (continued)

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

The judgements made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised (see Note 16); and

ii) Classification of financial assets: whether the business model in which financial assets are held has as its objective the holding of such assets to collect contractual cash flows or to both collect contractual cash flows and sell the assets; and whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest.

b) Key sources of estimation uncertainty

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

i) Income taxes

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

ii) Impairment losses

Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. The movement on the impairment provision is set out in Note 18.

iii) Net realisable value of inventory

Estimates made in determining the net realizable value of inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses and includes estimated selling price on products bundled as part of a sales promotion.

4. Nature and extent of risks arising from financial instruments

a) Financial risk management

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

NOTES (CONTINUED)

4. Nature and extent of risks arising from financial instruments (continued)

i) Credit risk and expected credit losses

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

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The company carries out its own assessment of credit risk before investing in corporate bonds, and updates such assessments at each reporting date.

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

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company company's financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

NOTES (CONTINUED)

4. Nature and extent of risks arising from financial instruments (continued)

a) Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Basis for measurement of loss allowance

		Lifetime expected credit losses (see note below)			
At 30th September 2023	**12- months expected credit losses KSh'000**	**(a) KSh'000**	**(b) KSh'000**	**(c) KSh'000**	**Totals KSh'000**
Trade receivables	-	-	-	174,351	174,351
Other receivables	-	-	-	26,673	26,673
Cash at bank	8,790	-	-	-	8,790
Gross carrying amount	8,790	-	-	201,024	209,814
Loss allowance	-	-	-	(191,007)	(191,007)
Exposure to credit risk	8,790	-	-	10,017	18,807
At 30th September 2022					
Trade receivables	-	-	-	182,591	182,591
Other receivables	13,994	-	-	15,038	29,032
Cash at bank	64,243	-	-	-	64,243
Gross carrying amount	78,237	-	-	197,629	275,866
Loss allowance	-	-	-	(191,336)	(191,336)
Exposure to credit risk	78,237	-	-	6,293	84,530

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;

b) financial assets that are credit impaired at the balance sheet date; and

c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The loss allowances at the end of each year relate to the trade receivables, staff receivables and related company receivable.

The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

No provision for expected credit losses was recognised on other receivables, cash in hand, financial assets and short term deposits since it was not considered material.

NOTES (CONTINUED)

4. Nature and extent of risks arising from financial instruments (continued)

a) Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

The age analysis of the trade receivables at the end of each year was as follows:

	Not past KSh'000	30 to 90 KSh'000	90 to 120 KSh'000	Over 120 KSh'000	Total KSh'000
At 30th September 2023	388	2,025	505	171,433	174,351
At 30th September 2022	2,040	5,973	761	173,817	182,591

The changes in the loss allowance during the year were as follows:

Year ended 30th September 2023		**Basis for measurement of loss allowance**			
	12-month expected KSh'000	**Lifetime expected credit losses (see note (a) KSh'000**	**(b) KSh'000**	**(c) KSh'000**	**Total KSh'000**
At start of year	-	-	-	191,336	191,336
Changes arising from receivables originating during the year	-	-	-	(329)	(329)
At end of year	-	-	-	191,007	191,007
Year ended 30th September 2022					
At start of year	-	-	-	252,133	252,133
Changes arising from receivables originating during the year	-	-	-	(60,797)	(60,797)
At end of year	-	-	-	191,336	191,336

ii) Liquidity risk

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

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

	Less than one month KSh'000	**Between 1-3 months KSh'000**	**Between 3-12 months KSh'000**	**Over 1 year KSh'000**	**Total KSh**
At 30th September 2023					
Trade payables	46,979	-	-	-	46,979
Other payables and accrued expenses	37,956	-	-	-	37,956
Dividend payable	21,168	-	-	-	21,168
Borrowings	16	-	-	-	16
	106,119	-	-	-	106,119

NOTES (CONTINUED)

4. Nature and extent of risks arising from financial instruments (continued)

a) Financial risk management (continued)

ii) Liquidity risk (continued)

	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000	Total KSh
At 30th September 2022					
Trade payables	42,587	-	-	-	42,587
Other payables and accrued expenses	31,644	-	-	-	31,644
Dividend payable	36,944	-	-	-	36,944
Borrowings	29,200	2,016	-	-	31,216
	140,375	2,016	-	-	142,391

iii) Market risk

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

Interest rate risk

The company is exposed to cash flow interest rate risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining an interest cover ratio, which is the extent to which the gross margin is available to service borrowing costs. Management consider that a change in interest rates of 1% in the year ending 30th September 2024 is reasonably possible. If the interest rates on the company's borrowings at the year-end were to increase/decrease by 1%, with all other factors remaining constant, the post-tax profit would be lower/higher by KSh 112,000 (2022: KSh 219,000) respectively.

Currency risk

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

	2023 US$ KSh' 000	2022 US$ KSh' 000
Cash at bank	9	-
Trade payables	-	(298)
Net exposure	9	(298)

Management consider that an appreciation of the United States Dollar against the Kenya Shilling of between 5% and 10% in the year ending 30th September 2024 is reasonably possible. If the foreign currencies were to appreciate/depreciate against the Kenya Shilling by 10% with all other factors remaining constant, the post tax profit would be lower/higher by KSh 1,000 (2022: KSh 21,000).

NOTES (CONTINUED)

4. Nature and extent of risks arising from financial instruments (continued)

b) Capital management

The company's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximise the return to its shareholders. The Company is required to have shareholders' funds of at least KSh 100 million.

The board of directors reviews the capital structure on a quarterly basis. As part of this review, the board considers the cost of capital. Based on the review, the board considers, analyses and assesses the gearing ratio to determine the appropriate levels. This ratio is calculated as net debt divided by total shareholders' funds and net debt. Net debt is calculated as total borrowings less cash and cash equivalents. Except for the bank overdraft the company had no other external debt at the end of the year.

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

	2023 KSh'000	2022 KSh'000
Shareholders' funds	(88,336)	(44,566)
Total borrowings, including lease liabilities	16	31,216
Less: cash and cash equivalents	(8,790)	(64,243)
Net debt	(8,774)	(33,027)
Gearing	Nil	Nil

5. Sales

	2023	2022
Sale of purchased goods	16,811	82,624

6. Other income

	2023	2022
Interest income	1,614	5,196
Miscellaneous income	326	12,540
Gain on disposal of equipment	751	4,871
	2,691	22,607

7. Impairment of assets

	2023	2022
Change in provision for expected credit losses		
Trade receivables	329	7,695

8. Finance costs

	2023	2022
Interest on lease liability	-	378
Interest expense - loans	783	3,780
	783	4,158

NOTES (CONTINUED)

9. Loss before tax

(a) Items charged

The following items have been charged in arriving at loss before tax:

	2023 KSh'000	2022 KSh'000
Inventories expensed	13,586	59,595
Employee benefits expense (Note 9(b))	22,950	28,979
Depreciation of right-of-use asset	-	3,880
Depreciation of equipment	320	285

(b) Employee benefits expense

The following items are included in employee benefits expense:

	2023 KSh'000	2022 KSh'000
Wages and salaries	22,782	28,589
Retirement benefit costs:		
- Defined contribution scheme	34	305
- National Social Security Fund (NSSF)	134	85
	22,950	28,979

The average number of persons employed during the year, by category, were:

	2023 Number	2022 Number
Sales and distribution	8	20
Management and administration	4	14
	12	34

10. Tax expense

	2023 KSh'000	2022 KSh'000
Current income tax	484	1,559
Deferred tax expense relating to the origination and reversal of temporary differences (Note 16)	-	37,578
Tax expense	484	39,137

NOTES (CONTINUED)

10. Tax expense (continued)

The tax on the company's loss before tax differs from the theoretical amount that would arise using the statutory income tax rate of 30% (2022: 30%) as follows:

	2023 KSh'000	2022 KSh'000
Loss before tax	(43,286)	(11,729)
Tax calculated at a tax rate of 30% (2022: 30%)	(12,986)	(3,519)
Tax effect of:		
Deferred tax asset not recognised	13,520	42,262
Expenses not deductible for tax purposes	374	394
Under provision in prior years	(424)	-
Tax expense	484	39,137

11. Earnings per share

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

	2023 KSh	2022 KSh
Loss for the year (KSh' 000)	(43,770)	(50,866)
Number of ordinary shares (thousands) - Note 12	210,000	210,000
Loss per share - basic and diluted (KSh)	(0.21)	(0.24)

There were no potentially dilutive shares outstanding at either 30th September 2023 or 30th September 2022.

12. Share capital

	No. of shares '000	Issued and paid up capital KSh'000
Ordinary shares		
At 1st October 2021 and 30th September 2022	210,000	210,000
At 1st October 2022 and 30th September 2023	210,000	210,000

The total number of authorised ordinary shares is 210,000,000 (2022: 210,000,000) with a par value of KSh 1 each.

NOTES (CONTINUED)

13. Lease liabilities

	2023 KSh'000	2022 KSh'000
Current	-	-
Non-current	-	-
	-	-

The total cash outflow for leases in the year was:

	2023 KSh'000	2022 KSh'000
Payments of principal portion of the lease liability	-	4,536
Interest paid on lease liabilities	-	378
	-	4,914

For more information on the nature of the leases entered into and the related right-of-use assets, see Note 14.

14. Right-of use assets

	Buildings	
	2023 KSh'000	**2022 KSh'000**
At start of year	-	3,880
Depreciation charge	-	(3,880)
At end of year	-	-

The right-of-use asset relates to leased warehouses. The current lease for the warehouse is for 4.8 years and expired on 31st October 2023. The lease does not contain any restrictions or covenants other than the protective rights of the lessor and does not carry a residual value guarantee.

For information on the related lease liabilities, see Note 13.

NOTES (CONTINUED)

15. Equipment

	Furniture and fixtures KSh'000	Computers KSh'000	Motor vehicles KSh'000	Total KSh'000
At 1st October 2021				
Cost	18,485	13,280	19,594	51,359
Accumulated depreciation	(17,231)	(13,141)	(19,594)	(49,966)
Net carrying amount	1,254	139	-	1,393
Year ended 30th September 2022				
Opening carrying amount	1,254	139	-	1,393
Additions	-	52	-	52
Cost eliminated on disposal	-	-	(14,564)	(14,564)
Accumulated depreciation eliminated on disposal	-	-	14,564	14,564
Depreciation charge	(212)	(73)	-	(285)
Closing carrying amount	1,042	118	-	1,160
At 30th September 2022				
Cost	18,485	13,332	5,030	36,847
Accumulated depreciation and impairment	(17,443)	(13,214)	(5,030)	(35,687)
Net carrying amount	1,042	118	-	1,160
Year ended 30th September 2023				
Opening carrying amount	1,042	118	-	1,160
Cost eliminated on disposal	(1,325)	-	(2,695)	(4,020)
Accumulated depreciation eliminated on disposal	563	-	2,695	3,258
Depreciation charge	(245)	(75)	-	(320)
Closing carrying amount	35	43	-	78
At 30th September 2023				
Cost	17,160	13,332	2,335	32,827
Accumulated depreciation and impairment	(17,125)	(13,289)	(2,335)	(32,749)
Net carrying amount	35	43	-	78

Fully depreciated assets still used had a cost of KSh 43,151,501 (2022: KSh 44,852,000).

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

	Rate - %
Furniture and fixtures	33.3
Computers	33.3
Motor vehicles	33.3

NOTES (CONTINUED)

16. Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2022: 30%).

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

Year ended 30th September 2023	At start of year KSh'000	Credited/ (charged) to profit or loss KSh'000	At end of year KSh'000
Deferred tax asset			
Tax losses	325,114	12,604	337,718
Provision for staff leave	225	(127)	98
Provision for bad debts	23,571	99	23,670
Equipment	6,904	(3,708)	3,196
Provision for obsolete inventory	3,232	4,652	7,884
	359,046	13,520	372,566
Valuation allowance	(359,046)	(13,520)	(372,566)
Net deferred tax asset	-	-	-

Year ended 30th September 2022	At start of year KSh'000	Credited/ (charged) to profit or loss KSh'000	At end of year KSh'000
Deferred tax asset			
Tax losses	316,784	8,330	325,114
Provision for staff leave	305	(80)	225
Provision for bad debts	25,880	(2,309)	23,571
Equipment	7,248	(4,016)	3,232
Right-of-use assets	(1,164)	1,164	-
Lease liability	1,361	(1,361)	-
Provision for obsolete inventory	3,948	2,956	6,904
	354,362	4,684	359,046
Deferred tax asset not recognized on tax losses	(316,784)	(42,262)	(359,046)
Net deferred tax asset	37,578	(37,578)	-

Under the Kenyan Income Tax Act, with effect from 1 July 2021, the tax losses can be carried forward indefinitely.

The deferred tax asset has not been recognised on deductible temporary differences and tax losses carried forward amounting to KSh 372,566,000 (2022: KSh,359,046,000) due to a lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised

17. Inventories	**2023 KSh' 000**	**2022 KSh' 000**
Finished goods	30,476	38,667
Less: provision for impairment	(27,931)	(23,015)
	2,545	15,652

NOTES (CONTINUED)

18. Trade and other receivables

	2023 KSh' 000	2022 KSh' 000
Trade receivables	174,351	182,591
Less: Provision for impairment losses	(174,261)	(176,298)
	90	6,293
Other receivables	17,506	18,902
Less: Provision for impairment losses	(16,746)	(15,038)
Value Added Tax recoverable	9,167	10,130
Prepayments	412	949
	10,429	21,236

The movement on the provision for impairment losses for trade receivables and receivables from related parties is as follows:

	2023 KSh' 000	2022 KSh' 000
At 1st October	191,336	252,133
Net decrease charged to profit or loss	(329)	(60,797)
At 30th September	191,007	191,336

19. Cash at bank and in hand

	2023 KSh' 000	2022 KSh' 000
Cash at bank and in hand	730	471
Short-term bank deposits	8,060	63,772
	8,790	64,243

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023 KSh' 000	2022 KSh' 000
Cash and bank balance	730	471
Short-term bank deposits	8,060	63,772
Bank overdraft (Note 21)	(16)	(29,200)
	8,774	35,043

20. Trade and other payables

	2023 KSh' 000	2022 KSh' 000
Trade payables	43,827	41,287
Accruals	26,952	23,943
Dividend payable	21,168	36,944
Payable to related parties (Note 22 (iii))	3,152	1,300
Payable to directors (Note 22 (iii))	11,004	7,701
	106,103	111,175

NOTES (CONTINUED)

21. Borrowings

	2023 KSh' 000	2022 KSh' 000
Current		
Bank overdraft (Note 19)	16	29,200
Post dated cheques discounting	-	1,457
Insurance premium financing	-	559
	16	31,216

22. Related party transactions

The company is related to other companies which are related through common shareholding or directorships.

The following transactions were carried out with related parties.

	2023 KSh'000	2022 KSh'000
i) Purchase of goods and services		
- Other related parties	3,826	6,411
ii) Sale of goods and services		
- Other related parties	-	277

Sales and purchases to/from related parties were made at terms and conditions similar to those offered to/by major customers/suppliers.

iii) Outstanding balances arising from sale and purchase of goods/services	2023 KSh'000	2022 KSh'000
Payables to related parties (Note 20)	3,152	1,300
Payables to directors (Note 20)	11,004	7,701
Receivables from related parties (Note 18)	-	261

iv) Key management compensation

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

	2023	2022
Salaries and other benefits	6,972	9,615

v) Directors' remuneration

	2023	2022
Salaries	406	2,678
Fees for services as directors	4,725	2,230
	5,131	4,908

NOTES (CONTINUED)

23. Contingencies	**2023 KSh'000**	**2022 KSh'000**
Bank guarantees	7,700	7,700

In August 2021, the company received a demand notice for an amount of KSh 61.7 million by the Kenya Revenue Authority (KRA) for principal tax, penalties and interest on outstanding income tax - corporate, VAT, withholding tax and PAYE for the period starting December 2013 to February 2021. The company is currently engaged with KRA with the necessary reconciliation and supporting documents to object to the demand.

24. Going concern

During the year ended 30th September 2023, the company made a loss of KSh 43,770,000, (2022: KSh 50,866,000) and as at that date, the company's current liabilities exceeded current assets by KSh 88,414,000 (2022: KSh 45,726,000). This situation indicates that a material uncertainty exists that may cast doubt on the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis on the assumption that the turnaround strategies adopted by the directors will be effective.

Despite these results, the business remains resilient. The board and the management have no doubt that continued implementation of the turn-around measures will yield positive results.

Our focus now extends beyond traditional dry cell batteries and car batteries. We are dedicated to researching, manufacturing, and distributing new energy and battery solutions that provide clean and resilient power for Africa's future industrial and commercial ecosystem. Our commitment includes reshaping our services and solutions to include recycling of batteries and transformers, solar and wind energy batteries, EV (including motorcycle) batteries, project development for renewable energy, green manufacturing, and carbon trading platforms to finance projects and create new and sustainable revenue streams for our communities and partners. This project will kick off within the next 12 months.

Though the core capital has been eroded over time; the company, during the year on boarded a strategic investor, who has commenced to:

a) put in place measures to improve the company’s financial performance while leveraging on the strong household brand and long-term heritage, however, as of 30th September 2023 this process had not been concluded.
b) leverage on its networks to assist the company in rolling out a turnaround strategy and support the future growth. The company has an interested investor who has expressed interest in investing in the company and intends to provide a loan of Ksh160 million.
c) strengthen capacity to fund investment required to support future growth of the company; and
d) introduce diversification in the company’s product lines including oil and gas sectors so as to improve the financial stability while maximizing the shareholders’ value going forward.

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

The company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st October 2022.

IFRS 17 Insurance Contracts (issued in May 2017 and amended in June 2020)
The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

NOTES (CONTINUED)

25. New and revised standards and interpretations which have been issued but are not yet effective (continued)

Amendments to IAS 8 titled Definition of Accounting Estimates (issued in February 2021)

The amendments introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies.

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to IFRS 9 and IFRS 17 titled Initial application of IFRS 17 and IFRS 9 – Comparative Information (issued in December 2021)

The amendments, applicable on initial application of IFRS 17, add a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.

Amendments to IAS 12 entitled International Tax Reform - Pillar Two Model Rules (issued in May 2023)

The amendments introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and targeted disclosure requirements for affected entities.

SCHEDULE OF OPERATING EXPENDITURE

1. SELLING AND DISTRIBUTION EXPENSES	2023 KSh'000	2022 KSh'000
Salaries and wages	1,869	2,643
National Social Security Fund (NSSF)	29	14
Rent and rates	3,826	151
Vehicle running costs	803	3,100
Travel	26	370
Transport	105	357
Miscellaneous expenses	207	210
Printing and stationery	19	111
Security	240	240
Insurance	490	626
Distributors incentives	17	142
Advertisement and sales	32	81
Total selling and distribution expenses	7,663	8,045

2. ADMINISTRATIVE EXPENSES

	2023 KSh'000	2022 KSh'000
Employment:		
Salaries and wages	20,913	25,946
Staff welfare costs	14	21
National Social Security Fund (NSSF)	105	71
Housing levy	45	-
Defined contribution scheme	34	305
Total employment costs	21,111	26,343
Other administration expenses:		
Directors remuneration	4,725	2,230
Postage, telephone and email	2,731	3,312
Printing and stationery	405	527
Travel	150	793
Audit fees		
- Current year	750	750
- Under provision in prior year	25	-
Vehicle running expenses	1,899	2,928
Legal and professional fees		
- Current year	695	2,664
Bank charges and commissions	816	754
Subscription	11	19
Office expenses	-	110
Shareholders' services	3,740	2,947
Foreign exchange loss on trade payables	49	179
Fines and penalties	2,107	-
Miscellaneous expenses	764	3,948
Total other administration expenses	18,867	21,161
Total administrative expenses	39,978	47,504

SCHEDULE OF OPERATING EXPENDITURE

3. ESTABLISHMENT EXPENSES	**2023 KSh'000**	**2022 KSh'000**
Establishment:		
Insurance	750	1,144
Licences	37	44
Depreciation of right-of-use asset	-	3,880
Depreciation of equipment	320	285
Total establishment expenses	1,107	5,353