EVEREADY EAST AFRICA LIMITED

(Formerly EVEREADY BATTERIES KENYA LIMITED)

(Incorporated in Kenya on 6th March 1967)

(Registration number C7076)

("Eveready" or the "Company")

PROSPECTUS

in respect of

ADMISSION TO LISTING

of Eveready's 210,000,000 issued and fully paid up ordinary shares ("Shares") to the Main Investment Market Segment of the Nairobi Stock Exchange ("Listing")

and

AN OFFER FOR SALE

by the current shareholders of Eveready of 63,000,000 shares with a par value of one Kenya Shillings (KShs 1.00) each ("Offer Shares") in the ordinary share capital of Eveready at an Offer Price of Kenya Shillings 9.50 per ordinary share comprising a public offer of 30% of the issued ordinary Eveready shares ("Offer")

and incorporating

A Share Application Form

Offer opens 13 November 2006

Offer closes 24 November 2006

Proposed Listing Date 18 December 2006

This Prospectus is issued in compliance with the Companies Act (Cap 486), the Capital Markets Act, (Cap 485A) and the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.

Lead Transaction Advisor

CBA CAPITAL LIMITED

Joint Lead Sponsoring Stockbrokers

IMPORTANT NOTICE

This document is important and requires your careful attention.

Prospectus overview

This document is a Prospectus inviting the public to subscribe to the Offer Shares in Eveready East Africa Limited under terms outlined herein. If you are in doubt as to the meaning of the contents of this Prospectus or as to what action to take, please consult your accountant, bank, lawyer, stockbroker or other professional advisor.

If you wish to apply for shares in terms of the Offer, then you must complete the procedures for application and payment set out in section 1.7 of this document.

Registration and approvals

A copy of this Prospectus together with the documents required by section 43 of the Companies Act, have been delivered to the Registrar of Companies at the Attorney General's Office for registration.

The Capital Markets Authority ("CMA", the "Authority") has granted permission for the Listing and Offer of the Eveready shares at the Nairobi Stock Exchange ("NSE", the "Exchange"). As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Approval of the Offer and Listing of shares is not to be taken as an indication of the merits of the issuer or of the securities.

Approval has been obtained from the NSE for the admission of Eveready's entire issued ordinary shares in the Main Investment Market Segment ("MIMS"). Subject to compliance with the NSE listing rules, the NSE will admit the issued share capital of Eveready under the abbreviation "Eveready".

The existing shareholders of Eveready and the Board of Eveready have approved the Offer.

Dividends

It is anticipated that the first dividend payable to Eveready shareholders following the Offer and Listing will be in respect of the year ended 30 September 2006.

Rights and transfer

The Offer Shares will carry the right to participate in all future dividends to be declared and paid on the ordinary share capital of the Company. The Offer Shares rank pari passu with the other shares of Eveready and each share carries one vote at a general meeting.

After the closing of the Offer, the ordinary share capital of Eveready will comprise 210,000,000 authorised, issued and fully paid ordinary shares with a par value of Kenya Shillings 1.00 each. These shares will be freely transferable and will not be subject to any restrictions on marketability or any pre-emptive rights.

This Prospectus contains information that is provided in compliance with the requirements of the Companies Act and the Capital Markets Act as well as the rules and regulations made there under. The current Directors of Eveready, whose names appear in section 6.1.1 of the Prospectus, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken reasonable care to ensure that such is the case), the information contained in this document is in accordance with facts and does not omit anything that is likely to affect the importance of such information.

Reporting Accountant's opinion

This Prospectus contains a statement from Deloitte & Touche, the Reporting Accountants, which constitutes a statement made by an expert in terms of Section 42(1) of the Companies Act. Deloitte & Touche have not withdrawn their consent to the issue of the said statement in the form and context in which it is included in Section 12 of this Prospectus.

Legal Advisor's opinion

Hamilton Harrison & Mathews, the Legal Advisors, have given and not withdrawn their written consent to the inclusion in this Prospectus of their letter and the references to their names, in the form and context in which they appear and have authorised the contents of their letter set out in Section 13 of this document.

LETTER FROM THE CHAIRMAN

Dear Investor,

On behalf of my fellow Directors and current shareholders of Eveready East Africa Limited, I am delighted to offer you this opportunity to invest in our Company.

Under the Offer, we are inviting the public to share in the future of Eveready, by investing in up to 30% of the Company's share capital. Subsequently, on successful conclusion of the Offer, Eveready will have 30% of its equity publicly held with the remaining 70% held by the current shareholders of the Company.

The Offer and Listing of Eveready shares will also contribute to the development of the Kenyan Capital Market, by increasing the number of listed companies on the Nairobi Stock Exchange and widening investment choices to meet an increasing demand for attractive investment opportunities. The Directors also believe that listing on the Nairobi Stock Exchange will offer significant benefits to the Company and its shareholders. These include:

- Enhancing the profile of Eveready;
- Allowing for "price discovery" whereby shares are valued by the market at large;
- Attracting additional shareholders who otherwise may not invest in an unlisted company; and
- Being well positioned to raise capital in the future should the need arise.

Eveready has 39 years of experience in the battery industry in Kenya, within which the Company has not only developed a profitable operation, but has also clearly established its prominence in the regional battery industry. Key attractive features of Eveready include:

- Eveready's **strong partnership** with Eveready Battery Company USA governed by a technical services agreement between the Company and EBC that allows for transfer of technology between our two organisations as well as the provision of technical services.
- Eveready's **financial performance** illustrated by a history of consistent profitability for over 30 years. Over the years, the Company has adapted its business model to respond to competition and various industry challenges and consequently diversified its income base and implemented operational cost controls that have seen it remain profitable.
- Eveready's continuous enhancement of **shareholder value** through its dividend payment policy driven by the performance and investment requirements of the Company.
- Eveready's established **market leadership** position. The Company's ability to quickly respond to changing market dynamics has enabled it to capture and maintain significant market share in various market segments across the industry.

With its strong heritage, the Company is well positioned to respond to and take advantage of key industry developments that will enable it to maintain its profitability and market leadership. Earnings sustainability will be driven by focusing on production efficiencies through continued implementation of cost cutting initiatives and developing product and market diversification opportunities. Initiatives to drive these strategies have already been identified and are in the process of being implemented by the Company.

Details of the Offer and the Company's operations and performance are set out in the Prospectus and I encourage you to read it in full before making a decision to invest.

I recommend the Offer to you and look forward to welcoming you as a shareholder of Eveready East Africa Limited.

Yours sincerely

Naushad Merali, CBS
Chairman of the Board of Directors

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ADVISORS FOR THE OFFER

<u>**Lead Transaction Advisor**</u> CBA Capital Limited Mara & Ragati Roads, Upper Hill P. O. Box 30437-00100 Nairobi, Kenya Telephone: 254 20 2884000 Fax: 254 20 2734616	<u>**Legal Advisor**</u> Hamilton Harrison & Matthews 4th Floor, ICEA Building Kenyatta Avenue P. O. Box 30333-00100 Nairobi, Kenya Telephone: 254 20 225981 Fax: 254 20 222318
<u>**Reporting Accountant**</u> Deloitte & Touche "Kirungii" Westlands P. O. Box 40092-00100 Nairobi, Kenya Telephone: 254 20 4441344 Fax: 254 20 4448966	<u>**Joint Lead Sponsoring Stockbroker**</u> Dyer & Blair Investment Bank Limited 10th Floor, Loita House Loita Street P. O. Box 45396-00100 Nairobi, Kenya Telephone: 254 20 3240000 Fax: 254 20 218633
<u>**Joint Lead Sponsoring Stockbroker**</u> CFC Financial Services Limited CFC Centre, 2nd Floor Chiromo Road P. O. Box 47198-00100 Nairobi, Kenya Telephone: 254 20 3755000 Fax: 254 20 3752951	<u>**Joint Lead Sponsoring Stockbroker**</u> Standard Investment Bank Limited Hazina Towers 17th Floor Monrovia Street P. O. Box 13714-00800 Nairobi, Kenya Telephone: 254 20 240296 Fax: 254 20 240297
<u>**Receiving Bank**</u> Commercial Bank of Africa Limited CBA Building Wabera/ Standard Street P. O. Box 30437-00100 Nairobi, Kenya Telephone: 254 20 228802 Fax: 254 20 244796	<u>**Receiving Agent and Share Registrar**</u> Image Registrars 8th Floor, Transnational Plaza Mama Ngina Street P. O. Box 9287-00100 Nairobi, Kenya Telephone: 254 20 212065 Fax: 254 20 212120
<u>**Public Relations & Advertising Advisor**</u> Ogilvy East Africa Limited CVS Plaza, 3rd Floor Kasuku Road, off Lenana Road P. O. Box 30280-00100, Nairobi, Kenya Telephone: 254 20 2714686 Fax: 254 20 2714688	

DEFINITIONS AND ABBREVIATIONS

Term/Abbreviation	Description
"Authorised Selling Agents"	The selling agents listed in Schedule III of this Prospectus
"Authorised Cheque"	A banker's or Authorised Selling Agent's cheque
"Application Form"	The application form for purchase of the Offer Shares
"BBK"	Barclays Bank of Kenya Limited
"CBA"	Commercial Bank of Africa Limited
"CBK"	Central Bank of Kenya
"CDS"	Central Depository System, an electronic share transfer facility to facilitate the deposit and transfer of immobilized listed shares at the NSE
"CDSC"	Central Depository and Settlement Corporation Limited
"CDS Account"	A securities account opened on behalf of a shareholder with the CDSC by a Central Depository Agent for purposes of recording the deposit and dealing of immobilized shares at the NSE
"CDA"	Central Depository Agent appointed by CDSC to open CDS Accounts
"Closing Date"	24 November 2006, being the last day for receipt of applications in respect of Offer Shares
"CM Act"	Capital Markets Act (Cap 485A of the Laws of Kenya)
"CMA, the "Authority"	Capital Markets Authority established by the Capital Markets Act (Cap 485A)
"CMA regulations"	The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.
"COMESA"	Common Market for Eastern and Southern Africa
"Company" or "Eveready" or "EEAL"	Eveready East Africa Limited, incorporated in Kenya with registration number C7076
"Company Secretary"	Issa A. Timamy, CPS (K)
"Companies Act"	Companies Act (Cap 486 of the Laws of Kenya)
"Corporate Investor"	A collective investment vehicle, retirement benefits scheme, trustees of associations, a licensed financial institution, co-operative society and any other corporate body or registered organization other than an individual or group of individuals
"CPI"	Consumer Price Index
"Directors" or "Board"	The persons named herein as Directors of the Company
"Distributors"	Individuals and companies mandated by Eveready to distribute their products in Kenya, Uganda and Tanzania.
"EABL"	East Africa Batteries Limited
"EAC"	East African Community
"EBC"	Eveready Battery Company USA
"EFT"	Electronic Funds Transfer
"Employee"	Employee of Eveready at the opening date of the Offer
"Employee and Distributor Pool"	The offer to sell the Offer Shares to the Employees and Distributors of Eveready

Term/Abbreviation	Description
"EHI"	Energizer Holdings Inc
"EII", "Energizer"	Energizer International Inc
"Eveready"	Eveready East Africa Limited
"GDP"	Gross Domestic Product
"ICDC"	Industrial & Commercial Development Corporation
"ICDCI"	ICDC Investment Company
"KCB"	Kenya Commercial Bank
"Kenya", "Government"	Government of the Republic of Kenya
"KShs", "Shilling"	Kenya Shillings
"Lead Transaction Advisor"	CBA Capital Limited
"Joint Lead Sponsoring Stockbrokers"	Dyer & Blair Investment Bank Limited, CFC Financial Services Limited and Standard Investment Bank Limited
"Legal Advisor"	Hamilton Harrison & Mathews
"Listing"	Admission of the Shares to the Official List of the Nairobi Stock Exchange
"MIMS"	The Main Investment Market Segment at the Nairobi Stock Exchange
"NA"	Not available or not applicable
"NEMA"	National Environmental Management Authority
"NSE, the "Exchange"	Nairobi Stock Exchange
"Offer"	The offer to sell the Offer Shares to the public
"Offer Shares"	The 63,000,000 shares with a par value of 1.00 Kenya Shillings each in the ordinary share capital of Eveready being offered by the Vendors at a subscription price of 9.50 Kenya Shillings per ordinary share
"PPE"	Property, plant and equipment
"Retail Pool"	The offer to sell the Offer Shares to the public, except Employees and Distributors of Eveready and Corporate investors
"R&D"	Research and Development
"Receiving Bank"	Commercial Bank of Africa Limited
"Receiving Agent"	Image Registrars
"Reporting Accountant"	Deloitte & Touche
"RBA"	Retirement Benefits Authority
"Share Registrar"	Image Registrars
"Shares"	Ordinary shares of KShs 1.00 each in the Company
"USD" or "US$"	United States Dollars the currency of United States of America
"Union"	Kenya Chemical and Allied Workers Union
"Vendors"	ICDCI, Energizer, ICDC and EABL each selling 6,622,277, 7,340,000 15,668,100 and 33,369,623 shares respectively under the Offer

1. OFFER DETAILS

1.1 Key statistics

Component	Unit	Amount
Offer statistics		
Par value of each Eveready share	KShs	1.00
Total number of Eveready shares in issue		210,000,000
Number of share being offered to the public "Offer Shares"		63,000,000
Offer price per share	KShs	**9.50**
Audited final year end accounts as at 30th September 2005		
Share capital	KShs	210,000,000
Shareholders funds	KShs	277,111,000
Net profits	KShs	186,935,000
Dividend paid	KShs	155,190,000
Restated DPS (based on 210,000,000 shares)	KShs/ share	0.74
Restated EPS (based on 210,000,000 shares)	KShs/ share	0.89
6 months audited interim accounts as at 31st March 2006		
Share capital	KShs	210,000,000
Shareholders funds (Net Assets)	KShs	348,671,000
Net profits	KShs	71,560,000
Forecast financial performance		
Projected full year net profits as at 30th September 2006	KShs	146,840,000
Forecast net profits for 2007	KShs	174,992,000
Implied EPS		0.70
Implied current PE based on offer price		13.5
Forecast 2007 EPS		0.83
Implied forward PE		11.4
Average NSE PE for Industrial & Allied Sector for past 6 months		21.3
Average market PE for the past 6 months		23.5
Implied discount to sector PE		37%
Implied discount to market PE		42%

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1.2 Offer timetable

Opening of the Offer ("Opening Date")	9 a. m, 13 November 2006
Closing of the Offer ("Closing Date")	3 p. m, 24 November 2006
Announcement of allocation results ("Announcement Date")	11 December 2006
Electronic crediting of CDS accounts with the shares, dispatch of share certificates commences on	11 December 2006
Release of refund payments if any commences on	13 December 2006
All refunds payments dispatched by	15 December 2006
Commencement of trading on the Nairobi Stock Exchange on	18 December 2006

1.3 Offer description

Eveready's core business is the manufacture and marketing of portable power and personal grooming products. The Company manufactures dry cell size "D" carbon zinc primary batteries at its Nakuru based plant, and trades in a wide range of Eveready and Energizer branded portable power products including alkaline batteries and flashlights. Under the personal grooming category, Eveready imports and sells a wide range of Schick branded shavers and an assortment of personal grooming products. Eveready is recognised as a key player in the primary battery industry in Kenya and the East Africa region.

Following 39 years of nurturing the Company to the level where it is now, a significant player in its industry, the Company shall list 100% of the share capital of Eveready, on the MIMS of the NSE, and hence make the Company a publicly traded entity.

In addition, the Vendors are inviting the public to become part owners of Eveready by offering a total of 63,000,000 shares representing 30% of the Company's share capital for subscription by members of the public.

Following successful subscription to the Offer Shares by the public, the Vendors will dilute their aggregate shareholding to 70% of the total share capital of the Company. With a continuing substantial interest in Eveready after the Offer, each of the Vendors intends to remain committed to the long-term growth and continued prosperity of the Company.

The Company will also benefit from numerous advantages associated with listing, which include, but are not limited to:

- An enhanced profile which is beneficial given the Company's increasing regional focus;
- Enhanced profitability through a lower tax rate of 25%, over the next 5 years, as a result of listing 30% of the Company's issued shares; and
- Increased financial flexibility with access to growth capital.

The Vendors wish to confirm that the Offer has not been made in connection with any merger, takeover offer or acquisition of the Company.

1.4 Offer proceeds

The proceeds raised from the Offer will be distributed to the Vendors pro rata to the shares sold by them under the Offer, following partial offset of the Offer expenses as outlined in Section 9.9 of this Prospectus.

1.5 Offer structure

1.5.1 Investor Pools

The Offer Shares will be split into three pools as follows;

- 5% will be reserved for Eveready employees and distributors ("Employee and Distributor Pool");
- 30% for Corporate Investors ("Corporate Pool"); and
- 65% will be offered to Retail Investors ("Retail Pool").

Table 1.1: Offer pools

Classification	%	Shares Available
Pool A – Employee and Distributor Pool	5	3,150,000
Pool B – Corporate Pool	30	18,900,000
Pool C – Retail Pool	65	40,950,000
Total	**100**	**63,000,000**

The offer structure is geared at achieving a balance between retail and corporate investors with a view to ensuring that Eveready shares have strong secondary market support.

Besides the above classification, the Directors of the Company are not aware of any shareholder, Director, member of the Company's management, supervisory or administrative bodies that intends to subscribe in the Offer, or whether any person intends to subscribe for more than 5% of the Offer.

1.5.2 Minimum subscription level

The minimum subscription level per applicant in each pool is outlined below:

Classification	Minimum shares	Minimum lots for additional shares
Pool A – Employee and Distributor Pool	Employees: 1,000 Distributors: 10,000	500
Pool B – Corporate Pool	10,000	2,000
Pool C – Retail Pool	1,000	500

1.5.3 Minimum subscription level and shareholders

Acceptance of applications and sale and allocation of shares pursuant to the Offer will be conditional on the receipt of valid aggregate applications for the purchase of no fewer than 83% or 52,500,000 of the Offer Shares from no fewer than 1,000 valid applicants resulting in 25% of the share capital being held by the public in compliance with the requirements of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.

1.5.4 Stock exchange listing

It is expected that the trading in the shares on the NSE will commence on 18 December 2006. Shares will be in certificate form or immobilised through the Central Depository System. However, for trading purposes the shares in certificate form will have to be immobilised prior to trading on the NSE.

1.6 Offer price

The Offer Price is based on the valuation of the Company in accordance with normal business valuation methods.

The Directors are of the view that the Offer Price of KShs 9.50 for each share in Eveready is fair and reasonable.

1.6.1 Valuation of Eveready

A business valuation of Eveready was conducted to provide an estimate of the fair value of 100% of the issued and fully paid shares of the Company.

The valuation was based on financial projections prepared by the Company's management and the primary valuation approach applied was the Discounted Cash Flow (DCF) method. Other methods used included the market comparable method (MCM) and the dividend discount method (DDM) with the aim of gauging the reasonableness of the DCF valuation. These are valuation methods commonly used by analysts worldwide to determine the value of a company.

Based on the business valuation and an assessment of prevailing equity market conditions a price range was established for Eveready. The following factors were taken into consideration in developing the price range:

- Kenya and East Africa economic conditions;
- Earning potential of Eveready;
- Cash flow generation and dividend paying potential of the Company;
- The observed price earnings multiples at which the shares of comparable companies in Kenya and other developing countries are trading at;
- Market liquidity and assessed appetite for shares on the primary and secondary equity market; and
- Observed capital markets performance indicators in Kenya.

1.7 Terms and Conditions of Application

1.7.1 CDS Account

i) Applicants may elect to receive allocated Offer Shares in material form (share certificates) or in electronic form by way of crediting their CDS Accounts with the allocated number of Offer Shares.

ii) A CDS Account is mandatory for trading purposes on the NSE. A CDS Account can be opened by any applicant through Central Depository Agents. These Agents include members of the NSE and various commercial banks. Only members of the NSE can directly trade shares for applicants on the NSE.

iii) To open a CDS Account, individual applicants will be required to complete CDS 1 Form available from an authorised CDA and provide a copy of their National Identity Card or Passport and two passport size photographs. Corporate applicants will need to provide a copy of the Certificate of Incorporation, copies of Directors and/or Secretary's National Identity Cards or Passports and two passport size photographs of each Director and/or Secretary.

iv) For applicants who elect to receive allocated Offer Shares in electronic form by way of crediting their CDS Accounts with the allocated number of Offer Shares, the Company will authorize the CDSC to credit the CDS Accounts of such applicants with the applicable number of allocated Offer Shares within seven business days following the Announcement Date of the Allocation Results as specified in the Offer Timetable (see section 1.2 under Offer Timetable) and in accordance with the instructions set out in the Application Form.

v) Applicants who elect to receive Share certificates in respect of the applicable number of allocated Offer Shares shall be unable to trade on the NSE until such time a CDS Account has been opened in the name of the Applicant pursuant to the immobilization of the share certificates, and Offer Shares have been credited in the CDS Account.

1.7.2 Authorised Selling Agents

i) The Vendors have appointed specific Authorised Selling Agents to this Offer and these Agents have signed Agency Agreements with the Vendors. This Agreement sets out various terms and conditions that the Agent is required to comply with.

ii) The Authorised Selling Agents are either members of the NSE as licensed by the CMA or are commercial banks licensed by the CBK. The appointed Authorised Selling Agents are listed in Schedule III of this Prospectus.

1.7.3 Receiving Agent / Registrar

The Vendors have appointed Image Registrars as the receiving agent to this Offer with the responsibility of receiving all applications from Authorised Selling Agents and processing the applications. Image Registrars is also the Shares Registrar for the Company.

1.7.4 Receiving Bank

The Vendors have appointed CBA as the Receiving Bank in respect of the Offer.

1.7.5 Application procedure

i) Copies of the Prospectus, with accompanying Application Form may only be obtained from any of the Authorised Selling Agents.

ii) The minimum number of Offer Shares that may be applied for each of the investor pools is outlined in section 1.5.2. Multiple applications will be aggregated.

iii) Applications once given are irrevocable and may not be withdrawn.

iv) By signing an Application Form each applicant:-

   a) agrees that having had the opportunity to read this document, it shall be deemed to have had notice of all information and representations concerning the Company contained herein;

   b) confirms that in making such application it is not relying on any information or representation in relation to the Company other than that contained in this document and it accordingly agrees that no person responsible solely or jointly for this document or any part thereof shall have any liability for such other information or representation; and

   c) authorises any of the Directors of the Company to sign on behalf of the applicant any share transfer required to be signed by a transferee in respect of any Offer Shares that shall have been allocated to the applicant.

v) Applicants must duly complete and sign the enclosed Application Form, and return the same in its entirety accompanied by payment by way of an Authorised Cheque for the full amount due for the applicable Offer Shares so that it is received by the Receiving Agent by the Closing Date. All Authorised Cheques must be in Kenya Shillings and should be drawn on a licensed bank, a member of the CBK Clearing House and should be made payable to "Eveready – IPO" and be crossed "A/C payee only".

vi) The Authorised Selling Agent on receiving a banker's cheque or personal cheque will issue the Applicant with a receipt in respect of the same.

vii) Personal cheques or cash directly payable to the Receiving Bank will not be accepted.

viii) The Authorised Selling Agents are entitled to ask for sufficient identification to verify that the person(s) making the application has authority or capacity to duly complete and sign the application form. In default, the Directors of the Company may at their sole discretion treat such application as invalid.

ix) Applicants may approach any licensed commercial bank, at their risk, for loan facilities to facilitate participation and payment of the full amount due in respect of the Offer Shares. **Refer to Loan Facilities below for details**.

x) All bank charges incurred in submitting an Application Form, together with requisite funds, are for the account of the Applicant.

xi) The Company and the Vendor reserve the right to present all cheques for payment on receipt, to reject any application not in all respects duly completed, and to accept or reject or scale down any other application in whole or in part. **Refer to Rejections Policy below for details**.

xii) Every Applicant is required to tick the appropriate box on the Application Form as regards his/her residency and or citizenship status where applicable. **Refer to Residential Status below for details.**

xiii) Applicants who are Employees or Distributors of the Company must have their employment or distributor status verified by presenting their Application Form to the Company Secretary for endorsement and validation of their status as an Employee or Distributor of the Company.

xiv) Applicants may elect to receive allocated Offer Shares in material form (share certificates) or in electronic form by way of crediting their CDS Accounts with the allocated number of Offer Shares. In this regard, Applicants are advised to indicate the preferred method of receiving allocated Offer Shares by completing the appropriate box in the enclosed Application Form.

xv) Applicants who elect to receive Share certificates in respect of the applicable number of allocated Offer Shares and refund cheques (if any) must indicate in the appropriate box in the Application Form whether the share certificates will be posted by registered post to their own address, or submitted to the Authorised Selling Agent through whom the Application Form was submitted, for collection.

xvi) Where Applicants elect to receive Share certificates in respect of allocated Offer Shares by way of registered mail to the postal addresses set out in the Application Form, the Company will dispatch the Share certificates to such Applicant's postal addresses, at the Applicant's risk within seven (7) business days following the Announcement Date of the Allocation Results in accordance with the instructions set out in the Application Form.

xvii) By signing an Application Form, an Applicant agrees to the transfer of such number of Offer Shares (not exceeding the number applied for) as shall be allocated or as the case may be transferred to the Applicant upon the terms and conditions of the Prospectus and subject to the Company's Memorandum and Articles of Association, and agrees that the Company may enter the Applicant's name in the register of members of the Company as holder of such Offer Shares. The number of Offer Shares allotted to an Applicant will be inserted by the Directors in the Share Transfer to be executed by the Vendor following allocation. **Refer to the Allocation Policy below.**

xviii) Applicants have different choices on how refunds are to be returned. In this regard, Applicants must indicate the preferred method of receiving their refund (if any) by ticking the appropriate box on the Application Form. EFT's may only be credited to accounts held at clearing banks, failing which refunds will be made by cheque and delivered in the mail. **Refer to Refunds Policy below for details.**

xix) If an applicant is tax exempt, they will be required to provide a copy of the Tax Exemption Certificate.

1.7.6 Loan facilities

i) The extension of loan facilities by any commercial bank is a decision to be made by such bank at its sole and absolute discretion in addition to the Applicant complying with the terms and conditions of the loan facilities.

ii) Any commercial bank which has extended finance to an Applicant, must submit their cheque for the full amount due and attach duly completed and signed Application Form, together with a letter signed by authorised representatives of the bank addressed to the Registrar of the Company requesting for the Share certificates for the applicable Offer Shares to be submitted to the bank, to reach the Authorised Selling Agent by the Closing Date.

iii) Where Applicants with CDS Accounts have been extended finance by a bank which insists on taking the Offer Shares as collateral, the following procedure must be followed.

a) The Applicant and or financing bank must complete a CDS 5 pledge form and record the pledge details on the Application Form. CDS 5 pledge forms shall be directly forwarded to the CDSC by the submitting Central Depository Agent.

b) Upon completion of any additional documentation prescribed by CDSC Limited, all pledges will be affected through entries in the Central Depository maintained by CDSC Limited. The pledging of such shares will at all times be subject to Rule 63 of the Central Depository Rules, 2004.

1.7.7 Residential status of applicant

Every applicant is required to complete the declaration on the Application Form declaring, as the case may be, the applicant's status as a Local Investor, East African Investor, Foreign Investor or an Institutional Investor, with supporting documentation evidencing such status.

The Capital Markets (Foreign Investors) Regulations, 2002 ("the Foreign Investors Regulations") have the following definitions:

"Local Investor"	in relation to an individual, means a natural person who is a citizen of Kenya; and a company as a body corporate, means a company incorporated under the Companies Act in which Kenya citizens or the Government of Kenya have beneficial interest in one hundred per centum of its ordinary shares for the time being or any other body corporate established or incorporated in Kenya under the provisions of any written law.
"East African Investor"	in relation to (a) an institution is a corporate person incorporated or registered in the East African Community partner states of Tanzania or Uganda in whom one hundred per centum of the beneficial interest lies with the citizens of Tanzania or Uganda; and (b) an individual means a natural person, who is a citizen of the East African Community partner states of Tanzania or Uganda.
"Foreign Investor"	means any person who is not a local investor in Kenya or an East African Investor.
"Institutional Investor"	means a body corporate including a financial institution, collective investment scheme, fund manager, dealer or other body corporate whose ordinary business includes the management or investment of funds whether as principal or on behalf of clients.

Foreign Investors

Foreign investors may apply for shares in Eveready, subject to the restrictions set out below. The offer of shares to foreign investors may be affected by laws and regulatory requirements of relevant jurisdictions. Foreign investors wishing to apply for the Offer Shares must satisfy themselves as to the full observance of the laws of the relevant territory and governmental and other consents to ensure that all requisite formalities are adhered to and pay any issue, transfer or other taxes due in such territory. Foreign investors are advised to consult their own professional advisers as to whether they require any governmental or other consent or need to observe any applicable legal or regulatory requirements to enable them to apply for and purchase the Offer Shares.

Regulation 3 (1) of the Capital Markets Authority (Foreign Investors) Regulations 2002 on the Foreign Investors Regulations provides that:

"*Every listed company shall reserve at least twenty-five per centum of its ordinary shares for investment by local investors in the issuer or listed company*".

The shares to be reserved should be the percentage of the ordinary shares being offered to the public i.e. 25% of the Offer Shares.

Regulation 3(3) of the Capital Markets Authority (Foreign Investors) Regulations 2002, goes on to provide that:

"*Any proportion of the voting shares of an issuer or listed company in excess of twenty five per centum reserved for local investors, shall be a free float available for investment by the East African investors, local investors or foreign* *investors without any restrictions in the level of holdings except as provided under the Capital Markets (Take-Overs and Mergers) Regulations 2002".*

Where, in the case of public offering, the per centum reserved for Local Investors is not subscribed for in full by local investors, the issuer may with the prior written approval of the Authority, allot the shares so remaining to East African investors and foreign investors.

Regulation 4 (1) of the Capital Markets (Foreign Investors) Regulations 2002, imposes a duty on a listed company to maintain a register of shareholders at all times with an indication as to whether they are foreign, East African or Local Investors.

Certificates for shares owned by Foreign Investors must be deposited with an authorised depository in Kenya in accordance with regulation 7 of the Capital Markets (Foreign Investors) Regulations, 2002, i.e. in a CDS account. Any Foreign Investor who wishes to apply for shares should obtain guidance from an Authorised Selling Agent before completing and lodging an Application Form.

In light of the above, the Vendors reserve the right to treat as invalid any application or purported application to purchase the Offer Shares which appear to the Vendors or their agents to have been executed, effected, or despatched in a manner which may involve a breach of any applicable legal or regulatory requirement of any jurisdiction outside Kenya.

1.7.8 Rejections Policy

i) The Authorised Selling Agents will present to the Receiving Agent all Authorised Cheques for payment on behalf of the Vendor. Delivery of an Application Form accompanied with payment by way of an Authorised Cheque will constitute a warranty that the cheque will be honoured on first presentation. If any Authorised Cheque accompanying an application is not honoured on first presentation and the application has already been accepted in whole or part, such acceptance may at the option of the Vendor be rescinded and the Offer Shares comprised therein may be allocated to another person upon such terms and conditions as the Vendor sees fit.

ii) Neither the Company nor the Vendor shall be under any liability whatsoever should any Application Form fail to be received by the Receiving Agent or by any Authorised Selling Agent by the Closing Date set out in the Offer Timetable. In this regard, Applicants should be aware that any Application Forms and accompanying cheques submitted after the Closing Date shall be returned to the Authorised Selling Agent where the Application Form was submitted, for collection by the applicable Applicants.

iii) Applications will be rejected for the following reasons :

  a) Incorrect CDS Account No ;
  b) Missing or illegible Name of Primary / Joint / Company in any application ;
  c) Missing or illegible Identification number, including company registration number ;
  d) Missing or illegible postal Address;
  e) Missing Residence and Citizenship indicators (for primary applicant in the case of an individual) or Missing Residency for tax purposes for Corporate Investors ;
  f) Missing CDS 5 form Number / Financing Bank Details in the case of financed applications ;
  g) Insufficient documentation is forwarded including missing tax exemption certificate copies for companies that claim to be tax exempt ;
  h) Missing or inappropriately signed application form including:
    - Primary Signature missing from Signature Box 1 ;
    - Joint Signature missing from Signature Box 2 (if applicable) ;
    - Two Directors/Officials or A Director and Company Secretary has not signed in the case of a Corporate Application ;
    - Missing seal in the case of a Corporate Application by a company registered under the Companies Act ;

- Number of shares applied for does not comply with the levels set out in Section 1.5.2 of this Prospectus; and

i) Payment submitted is less than the correct calculated amount as per the number of shares applied for.

1.7.9 **Allocation policy**

i) The allocation criteria outlined below is subject to the achievement of the minimum subscription level as set out in Section 1.5.3.

ii) In the event that the total number of Offer Shares applied for by applicants in any of the investor pools is equal to the total number of Offer Shares reserved for the respective pool, all valid applications will be allocated in full as per the number of Offer Shares applied for by such applicants.

iii) In the event that the total number of shares applied for by applicants in a particular investor pool is below the total number of Offer Shares available in the pool, the following will apply:

- All valid applications received will be allocated in full as per the number of Offer Shares applied for.
- The unsubscribed Offer Shares will be available for allocation to applicants in the other pools which are oversubscribed. Such unsubscribed Offer Shares will be allocated pro-rata to the other two pools based on the level of oversubscription.

iv) In the event of an oversubscription, applicants in an oversubscribed investor pool may receive fewer Offer Shares than the number applied for. In the case of oversubscription, allocations of Offer Shares will be as follows:

- For Pool A all valid applications received from applicants will be allocated the total number of Offer Shares applied for up to 1,000 shares for employees and 10,000 shares for distributors. Thereafter, all remaining shares will be allocated pro-rata, rounded down to the nearest 100, among those applicants who applied for in excess of 1,000 and 10,000 Offer Shares respectively.
- For Pool B all valid applications received from applicants will be allocated up to 5,000 shares initially and thereafter all remaining shares will be allocated pro-rata, rounded down to the nearest 100.
- For Pool C all valid applications received from applicants will be allocated up to 500 shares initially and thereafter all remaining shares will be allocated pro-rata, rounded down to the nearest 100.
- It is important to note that all applications received from a single applicant will be aggregated and treated as a single application in terms of the Offer.

v) If the results of the subscription make the above policy impractical then an amendment of the allocation policy will be made with the approval of the CMA and such amendment will be announced within twenty four hours of the grant of such approval.

vi) The Directors will announce the manner in which the Offer Shares have been allocated between the three investor pools outlined in Section 1.5.1 ('the Allocation Results') on the Announcement Date.

vii) Applicants not receiving the full number of Offer Shares applied for will receive refund cheques in respect of the Offer Shares not allotted in the manner specified in the Application Form.

viii) No interest will be paid to applicants on monies received in respect of applications for Offer Shares, nor will interest be paid on any amounts refunded or indeed deposited at the time of application.

ix) Commissions will be paid to Authorised Selling Agents at the regulated rates on all allocations made for Application Forms received in respect of the Offer which bears the stamp of the Authorised Selling Agent. No commission will be paid on Application Forms which bear more than one stamp.

1.7.10 **Delivery of shares**

All shares offered and transferred in terms of this Prospectus will be transferred to successful applicants at the expense of the Vendors. The costs of subsequent transactions, including commissions paid to the Authorised Selling Agents, will be borne by the Company's shareholders subsequent to the IPO.

All shares transferred in terms of this Prospectus will be allocated and transferred subject to the provisions of the Memorandum and Articles of Association of Eveready, and will rank pari passu in all respects.

Applicants may collect their share certificates or have their shares credited to their CDS account. Eveready and the Share Registrar accept no liability for any certificates that may be lost in the post.

On acceptance of any application, the Directors will, as soon as possible after the fulfilment of the condition precedent referred to in section 1.5.3, register the allocated shares in the name of the applicant concerned.

Eveready will issue block certificates in the name of the Central Depository & Settlement Corporation for the shares allocated and transferred in terms of the Offer where the shares allocated have been uploaded in CDS Accounts.

1.7.11 **Refunds**

i) Applicants can elect to have their refund cheques sent to a mailing address as indicated on the application form or sent to the Authorised Selling Agent through whom the application was lodged for collection.

ii) Applicants who apply for more than 40,000 shares can elect to receive their refund directly via EFT and as such are required to provide their bank account details in the application form.

1.7.12 **Taxation issues**

The comments below are of a general nature based on taxation law and practice in Kenya as at the date of this Prospectus and are subject to any changes thereafter. They relate only to the position of persons who are the absolute beneficial owners of the Offer Shares. The section does not purport to be a complete analysis of all tax considerations relating to the Offer Shares and should be treated with appropriate caution. Prospective investors should consult their own professional advisors concerning the possible tax consequences of purchasing, holding and/or selling the Offer Shares and receiving payments of dividends and/or other amounts in respect of the shares under the applicable laws of their country of citizenship, residence or domicile.

1.7.12.1 Withholding tax on dividend payments

Withholding tax at the rate of 5% will be deducted from dividend payments made to Kenya resident shareholders of the Company and at 10% for non-resident shareholders in terms of prevailing legislation as set out in the Kenya Income Tax Act (which is subject to revision through changes in Government policy). Non-residents may be entitled to a tax credit in their country of residence, either under domestic law or under the tax treaties referred to below.

1.7.12.2 Stamp duty

So long as the Offer Shares are listed on the NSE no stamp, registration or similar duties or taxes will be payable in Kenya in connection with the transfer of the shares in accordance with current legislation.

1.7.12.3 Tax treaties

Kenya has entered into double taxation treaties with Canada, Denmark, Germany, India, Norway, Sweden, the United Kingdom and Zambia. Treaties with Italy, Uganda and Tanzania have been signed but are not yet in force.

1.7.13 **Selling restrictions**

a) General

Each Authorised Selling Agent has acknowledged that no action has been or (except to the extent indicated in sub-paragraph (b) will be, taken in any jurisdiction by any of the Authorised Selling Agents or the Vendors that would permit a public offering of the Offer Shares, or possession or distribution of the Prospectus (in preliminary or final form) or any other offering or publicity material relating to the Offer Shares, in any country or jurisdiction where action for that purpose is required. Each Authorised Selling Agent has undertaken that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Offer Shares or has in its possession or distributes the Prospectus (in preliminary or final form) or any such other material, in all cases at its own expense. Each Authorised Selling Agent has also undertaken to ensure that no obligations are imposed on the Vendors, Eveready or any Authorised Selling Agent in any such jurisdiction as a result of any of the foregoing actions. The Vendors, the Lead Stockbroker, the Lead Transaction Adviser and the Authorised Selling Agents will have no responsibility for, and each Authorised Selling Agent will obtain, any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of the Offer Shares under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Authorised Selling Agent is authorised to make any representation or use any information in connection with the Offer, subscription and sale of the Offer Shares other than as contained in the Prospectus (in final form) or any amendment or supplement to it.

b) Republic of Kenya

The approval of the Capital Markets Authority has been obtained for the Offer in the Republic of Kenya. The sale or transfer of the Offer Shares by the Vendors will be subject to the Rules of the NSE and CMA. There are no other restrictions on the sale or transfer of the Offer Shares under Kenyan law. In particular, there are no restrictions on the sale or transfer of the Offer Shares by or to non-residents of Kenya, except as under Regulation 3(1) of Capital Markets Authority (Foreign Investors) Regulations 2002.

c) United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act, 1933 as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("Regulation S") or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Each Authorised Selling Agent has represented and agreed that, except as permitted by the Prospectus, it has only offered and sold the Offer Shares, and will only offer and sell the Offer Shares:

i. as part of their distribution at any time; and

ii. otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in this Prospectus), only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Offer Shares, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Authorised Selling Agent agrees that, at or prior to confirmation of sale of the Offer Shares, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Offer Shares from it during the restricted period a confirmation or notice to, substantially, the following effect:

iii. "The Offer Shares covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Prospectus), except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

d) United Kingdom

Each Authorised Selling Agent has represented and agreed and each further Authorised Selling Agent appointed under the Offer will be required to represent and agree that:

i. it has not offered or sold and will not offer or sell any of the Offer Shares, prior to the expiry of six months from the Opening of the Offer in respect of such Offer Shares, to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of Public Offers of Securities Regulations 1995;

ii. it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom; and

iii. it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of any of the Offer Shares to a person who is of a kind described in Article 11(3) of the Financial Services Act of 1996 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

1.8 Governing law

This Prospectus and any contract resulting from the acceptance of an application to purchase shares of Eveready shall be governed by and construed in accordance with the Laws of Kenya and it shall be a term of each such contract that the parties thereto and all other interested parties submit to exclusive jurisdiction of the courts of Kenya.

2. INCORPORATION, COMPANY STRUCTURE AND CORPORATE INFORMATION

2.1 Incorporation and trade name

Eveready was incorporated as Union Carbide Kenya Limited on 6th March 1967 under the Companies Act, Cap 486 of the Laws of Kenya as a private limited liability company (registration number C.7076). It changed its name to Eveready Batteries Kenya Limited on 24th October 1986. There was a subsequent name change on 30th September 2004 to Eveready East Africa Limited. Eveready was converted to a public company with limited liability pursuant to a special resolution passed on 30 October 2006.

2.2 Applicable law

Eveready is incorporated under the Companies Act, and the Company has to comply with all the laws that apply to a manufacturing and trading business.

After the listing of the ordinary shares on the MIMS of the NSE, Eveready will also have to comply with the CM Act and regulations issued there under.

2.3 Share capital and ownership

The Company's authorised share capital comprises 210,000,000 ordinary shares each with a par value of KShs 1.00 each. The share capital of the Company is not divided into different classes of shares and all of the ordinary shares carry equal rights**.**

All of the authorised share capital has been issued and fully paid-up, and save for the authorised share capital, the Company has not issued any shares not represented by capital.

It is the opinion of the Directors of Eveready that the issued share capital of the Company is adequate for the purpose of the business of the Company for the foreseeable future.

2.4 Working capital

The directors believe that the Company has adequate working capital for the purposes of conducting the business of the Company.

2.5 Alterations of share capital

2.5.1 **Alterations to the authorised share capital of the Company in the three years immediately preceding the date of this Prospectus.**

The only alteration to the authorised share capital of the Company in the past three years has been through a resolution dated 30 October 2006, whereby the 210,000 ordinary shares of the Company each with a par value of KShs 1,000/= were sub-divided into 210,000,000 shares of KShs 1.00 each.

2.5.2 **Issue of shares by the Company in the three years immediately preceding the date of this Prospectus**

The table below summarises the movement in the Company's issued share capital in the past three years.

Table 2.1: Issue of shares in the past three years

Date	**No of ordinary shares allotted**	**Nominal value KShs**
As at 1 October 2002 and 30 September 2006	210,000	210,000,000
30 October 2006	209,790,000	209,790,000
As at the date of the Prospectus*	210,000,000	210,000,000

* Each existing share of KShs 1,000 split into 1,000 shares of KShs 1.00 each.

Save as disclosed in the table above no share or loan capital of the Company has been issued, or agreed to be issued, within the three years preceding the date of this Prospectus or is now proposed to be issued, fully or partly paid, for a consideration other than cash.

2.6 Shareholding structure before and after the Offer

The names of the shareholders of the Company and their respective holdings of the issued and allotted share capital of the Company as at the date of this Prospectus and the proforma shareholding position assuming that the Offer is fully subscribed is as set out in the table below.

Table 2.2: Current and Proforma post-Offer shareholding structure

Shareholder	Director	Pre Offer		Post Offer	
		Ordinary shares held	**%**	**Ordinary shares held**	**%**
East Africa Batteries Limited	Naushad Merali Akif Butt Steven G Smith, Mirabeau Da Gama Rose	107,124,000	51.01	73,754,377	35.12
Industrial & Commercial Development Corporation Limited	Company	52,227,000	24.87	36,558,900	17.41
Energizer International, Inc	Natarajan Radhakrishnan	29,390,000	14.00	22,050,000	10.50
ICDC Investment Company Limited	Company	21,259,000	10.12	14,636,723	6.97
Aggregate holding by Employees, Distributors, Institutional and Retail Investors	N/A	-	-	63,000,000	30.00
Total		**210,000,000**	**100**	**210,000,000**	**100**

Key points to note in regards to the Company's shareholding structure are as outlined below:

1) there has not been any change in the controlling shareholders and trading objectives of Eveready during the previous two financial years;
2) there has been no change in the percentage ownership held by any major shareholders during the past three years;
3) there is no known person (other than the Directors or persons represented by the Directors) who are in any way directly or indirectly interested in 10% or more of Eveready's share capital;
4) post Offer, Eveready's major shareholders will have the same voting rights as those of every other shareholder of the Company;
5) after successful conclusion of the Offer, the affairs of the Company will be conducted by the Directors whose powers and duties are conferred by the Companies Act and the Company's Articles of Association;
6) after the successful conclusion of the Offer, the Directors propose to increase the size of the Company's board by identifying two additional independent directors for consideration by shareholders; and
7) there are no arrangements, the operation of which may at a subsequent date, result in a change in control of Eveready.

A brief description of each of the existing shareholders of the Company is provided below.

East Africa Batteries Limited

EABL was incorporated on 23rd June 1987, in Kenya, for the sole purpose of holding shares in Eveready. The Company is part of the Sameer Group.

Industrial & Commercial Development Corporation Limited

ICDC is an investment arm of the Government that partners with both local and foreign private investors to provide investment capital to industrial and commercial ventures, for the economic development of the country.

ICDC Investment Company Limited

ICDCI is a public investment company quoted on the NSE that was incorporated in 1967 and its shares were floated in the same year on the Exchange. Its principal business comprises of investments in a wide range of industrial and commercial enterprises locally and regionally.

Energizer International Inc

Energizer International Inc. ("EII") is a 100% owned subsidiary of Energizer Holdings Inc ("EHI"), one of the world's largest manufacturers of primary batteries, flashlights, razors and blades. EHI, which is headquartered in Missouri, USA, was listed on the New York Stock Exchange in 2000 and at September 2005 had 14,509 shareholders. EHI acquired the worldwide Schick-Wilkinson Sword ("SWS") razors and blades business in March 2003.

The principle activities of EHI through its various subsidiaries located around the world (together referred to as "the Group") include the manufacture and marketing of alkaline and carbon zinc batteries, miniature batteries, flashlights and other lighting products and razors and blades. It also markets a line of rechargeable batteries. The Group's operations are managed through three major segments; North America Battery, International Battery and Razors and Blades.

The Group's trademarks include Eveready, Energizer, Energizer e2, Energizer Max, Schick, Wilkinson Sword, Intuition, Quattro, Xtreme 3, Protector, Lady Protector, Silk Effects, the Energizer Bunny and the Energizer Man character.

The Group markets its products in more than 165 countries primarily through a direct sales force and through distributors, to mass merchandisers, wholesalers and other customers. Its international operations are located in North America, South and Central America, Europe, Asia Pacific and Africa/ Middle East.

2.7 Corporate Information

Financial year end: 30 September	
Registered and head office: 5th Floor, Standard Building Standard/ Wabera Street P. O. Box 44765-00100 Nairobi, Kenya	**Principal place of manufacturing:** George Morara Avenue P. O. Box 1321-20100 Nakuru, Kenya
Share Registrar: Image Registrars 8th Floor, Transnational Plaza Mama Ngina Street P. O. Box 9287-00100 Nairobi, Kenya	**Company Secretary:** Issa A, Timamy, CPS (K) 5th Floor, Standard Building Standard/ Wabera Street P. O. Box 44765-00100 Nairobi, Kenya
Principal banker: Commercial Bank of Africa Ltd CBA Building Standard/ Wabera Street P. O. Box 40111-00100 Nairobi, Kenya	**Principal banker:** Barclays Bank of Kenya Ltd Barclays Plaza Loita Street P. O. Box 30120-00100 Nairobi, Kenya
Auditor: PricewaterhouseCoopers The Rahimtullah Tower Upper Hill Road P. O. Box 43963-00100 Nairobi, Kenya	**Subsidiaries and joint ventures:** The Company does not have any subsidiaries or joint ventures as at the date of publication of this Prospectus
Company's legal advisors: Kaplan & Stratton 9th Floor, Williamson House 4th Ngong Avenue, Upper Hill P.O. Box 40111 - 00100 Nairobi	 Daly & Figgis Advocates 8th Floor Lonrho House Standard Street P O Box 40034 00100 Nairobi, Kenya

2.8 Principal objects

Eveready's principal objects, which are contained in its Memorandum of Association at clause 3 are:

1. To carry on the business of manufacturers of and distributors, agents or dealers in, and to manufacture, import, export, buy, sell, distribute and deal in all kinds of dry cells, dry batteries and other electric cells and batteries, accumulators, torches, lamps, incandescent electric bulbs containers cases, and plant and fittings required for use or capable of being used in connection with the generation, production, supply, accumulation, transformation control, conversion or employment of electricity or electric or other power and any other sundry items and goods.
2. To manufacture buy, sell and deal in, maintain service and repair machinery tools, instruments, substances, materials, plant, appliances and things used or capable of being used in or which may conveniently be dealt within connection with any of the businesses of the Company.
3. To undertake and carry on scientific and technical research and to gather and furnish technical information and services either in connection with the Company's own products or objects or generally.
4. To buy, sell and deal in any natural, raw, processed or manufactured substances goods or merchandise used or capable of being used in any of the Company's operations and to make, buy, sell and deal in any articles or things in the production of which any of the products of the Company are used or are capable of being used and in any articles or things which can conveniently be supplied or dealt with in conjunction therewith.

3. COUNTRY OUTLOOK

3.1 The Kenyan Economy

3.1.1 Key economic performance indicators

The table below is a summary of the key economic performance indicators over the past 4 years, and discussion on the projected performance of the economy is provided further below.

Table 3.1: Key economic and social indicators

Indicator for calendar year ended December	**2002**	**2003**	**2004**	**2005**
Population (mn)	31.5	32.1	32.7	33.4
Real GDP growth %	0.6	3.0	4.9	5.8
GDP at market prices (KShs bn)	1,222	1,136	1,283	1,415
External debt service charge as % of GDP	2.9	2.8	2.1	1.7
Foreign exchange reserves (US$ bn)	1.6	1.9	2.1	2.5
12-month overall inflation (Dec-Dec) (%)	4.3	8.4	16.3	18.9
91-day Treasury bill rates %	8.9	3.7	2.9	8.4
Exchange rate average KShs: US$	78.7	75.9	79.3	75.6
NSE 20 share index	1,363	2,738	2,946	3,973

Source: Central Bank of Kenya and Economic Survey 2006

3.1.2 Economic Recovery is Underway

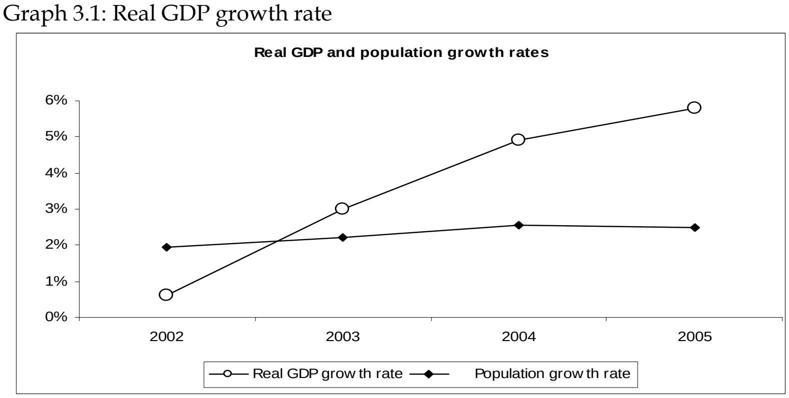
Following the political regime change in 2002, the Kenyan economy has registered a measurable turnaround after a decade of slow growth. According to the CBK annual report for 2005, the economy registered 4.9% GDP growth in 2004 compared to 2.8% in the previous year. This was in spite of increasing production costs inherent in the rise in wages, crude oil prices and structural bottlenecks. Growth momentum was maintained in 2005 with the GDP growth rate accelerating to 5.8%.

Tourism was the most vibrant sector in 2005, following the 2004 lifting of a travel advisory ban imposed on Kenya. This upward trend is expected to persist in 2006. On the other hand, the agriculture sector, which contributes approximately 24% of GDP, has in recent years exhibited mixed fortunes. Key sub-sectors such as dairy farming and the sugar sector have undergone a revival due to improved efficiencies and a revitalized marketing infrastructure that has delivered higher prices to farmers. Conversely, elements such as coffee and tea have grown only marginally due to erratic rain patterns and fluctuation in world commodity prices.

Growth in GDP in 2006 is expected to be sustained notwithstanding the impact of the drought experienced in late 2005 into early 2006, which slowed down economic growth in the first quarter of 2006. With the arrival of the long rains in April, the economy is expected to regain growth momentum for the remainder of the 2005/6 fiscal year and into the 2006/7 fiscal year. The improved economic performance is on the back of economic and political reforms, as well as a stable macro-economic environment characterised by low interest rates, relatively stable exchange rates and low underlying inflation rates.

The graph below indicates that GDP growth since 2003 has been greater than the population growth, a positive indicator for overall wealth creation and economic development.

Graph 3.1: Real GDP growth rate



Source: Central Bank of Kenya

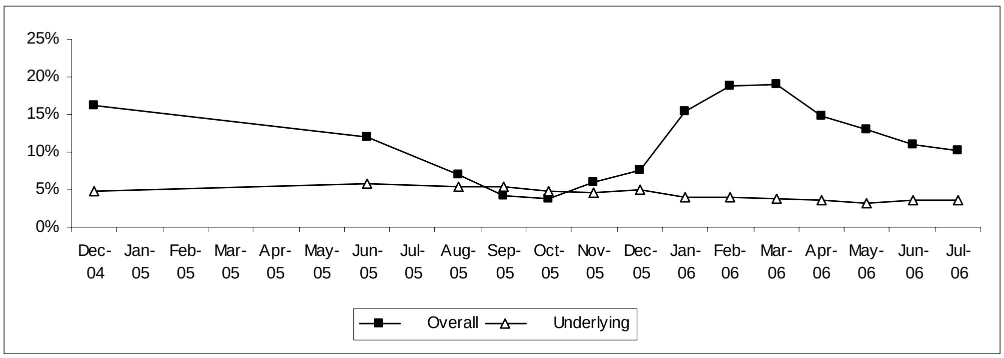
3.1.3 **Inflation**

The 12-month overall inflation remained high during the first quarter of this year due to the impact of the drought on food prices. The inflation during this period was 15.4%, 18.9% and 19.1% respectively, with the March 2006 rate being the highest in the past 18 months. This increase has been significant compared to the low rates experienced in 2005 especially in the last quarter of the year i.e. 3.7% in October 2005, 6% in November 2005 and 7.6% in December 2005. However, in April 2006, following the seasonal rains, food prices began to decline, and the overall inflation declined to 14.9%, due to a 19% decline in the food and no-alcoholic index, which constitutes 50% of the price index. As at July 2006, the overall inflation stood at 10.1%.

On the other hand, the 12-month underlying index, which excludes food, energy and transport and communications, has continued to decline, averaging 3.7% in April 2006.

The outlook on inflation is positive as overall inflation is expected to reduce following the favourable rains received in most parts of the country during the period between March and May 2006, which impacted inflation on basic food and drink commodities. In addition, with CBK continuing to pursue and implement prudent monetary policies, underlying inflation is expected to remain low.

Graph 3.2: 12 month inflation



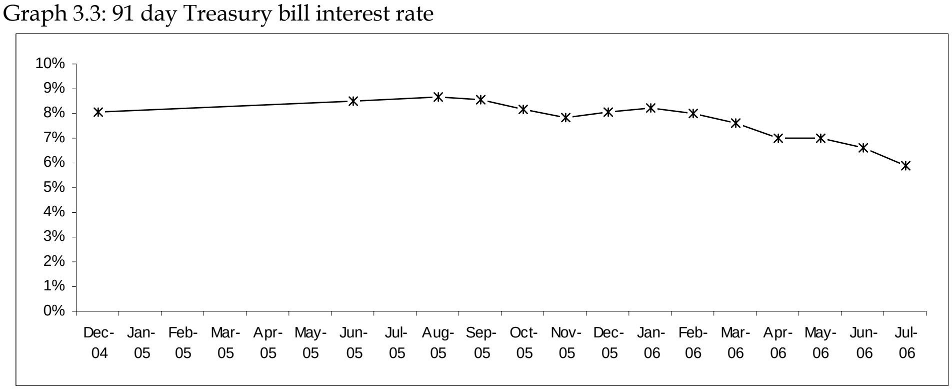
Source: Central Bank of Kenya –Monthly Economic Reviews (July and December 2005, April and July 2006)

3.1.4 **Interest rates**

For most of 2005, the 91-day Treasury bill rate, used as a benchmark for lending rates, averaged 8.6%. However, with the exception in November 2005 when the rate dropped to 7.8%, between October 2005 and February 2006, the rate declined and stabilized at between 8.0% and 8.2%.

In the months of March and April 2006, the rate declined to 7.6% and 7.1% respectively, and declined further to 5.9% in July 2006. This is attributable to the prevailing high liquidity levels.

Graph 3.3: 91 day Treasury bill interest rate

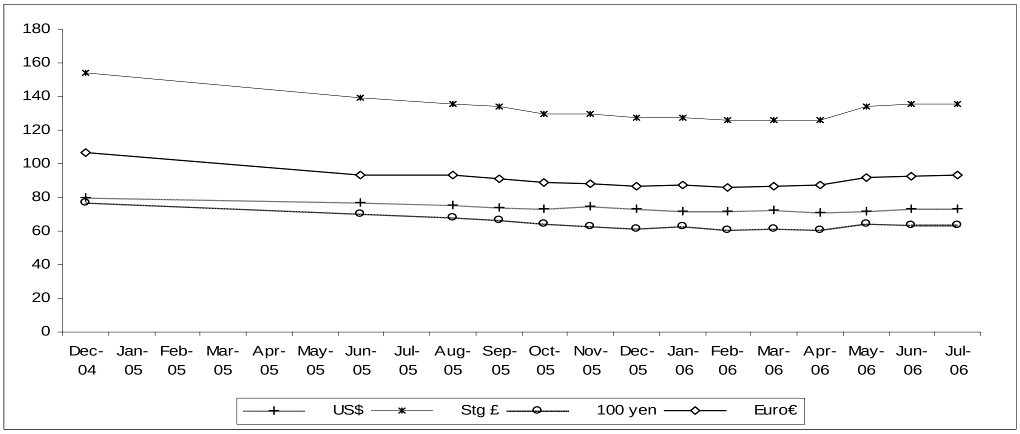


Source: Central Bank of Kenya - Monthly Economic Reviews (July and December 2005, April and July 2006)

3.1.5 Exchange rates

The Kenya Shilling has generally strengthened against all the major international currencies in the recent past, leading to a widening gap between import and export balances. The strength of the Kenyan Shilling is attributable to various factors ranging from the flow of foreign currency funds into Kenya, held for various activities such as the rehabilitation of Sudan, and also the better than expected economic growth in 2004 and 2005.

Graph 3.4: Major international currency exchange rates



Source: Central Bank of Kenya –Monthly Economic Reviews (July and December 2005, April and July 2006)

The Kenya Shilling continued to strengthen against the dollar, exchanging at KShs 71.30 per US$ in April 2006 compared to KShs 72.21 per US dollar in January 2006 and KShs 73.11 in December 2005. Similar trends were noted for the Sterling Pound and the Euro during the same period. As at August 2006, the Kenya Shilling exchanged at KShs. 72.78 to the US dollar.

3.2 Kenya and the East African Region

Eveready operates within the East African Community (EAC), an economic trading bloc comprising the three partner states of Kenya, Uganda and Tanzania. This trading bloc presents the Company with a significant market base. The EAC countries cover an area of approx 1.8 million square kilometres and boast a combined population of approx 82 million people.

The EAC, which was re-instituted in 1999 has the mandate of achieving regional co-operation and integration in various areas including trade; investment and industrial development; monetary and fiscal affairs; infrastructure and services; human resources; science and technology; agriculture and food security; environment and natural resources management; tourism and wildlife management; health, social and cultural activities; free movement of factors of production; and co-operation in political matters, including defence, security, foreign affairs, legal and judicial affairs.

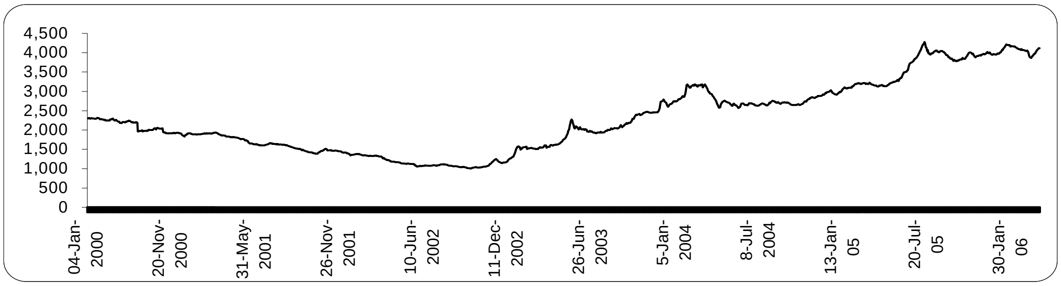
A recent development that Eveready is well positioned to take advantage of is the setting in motion of negotiations to establish a common market protocol by January 2010.

Eveready also has access to certain domains within the Common Market for Eastern and Southern Africa (COMESA) market, of which Kenya is a member, including Uganda, Rwanda and Burundi. This opens up Eveready's products to an estimated population of approximately 100 million people. Member states enjoy preferential tariff rates thus boosting trade, an opportunity Eveready is currently exploiting.

3.3 Stock market review and outlook

The period preceding the year 2002 December general elections was characterised by a steady decline in stock prices. The economy was performing poorly and the NSE index, trading volumes and turnover at the NSE were low and falling on a daily basis in response to weak economic signals and fundamentals. However, in early October 2002, on the back of an expected regime change, activity at the bourse started to pick up and quickly gained momentum to deliver unprecedented growth in the NSE index in excess of 300 per cent over the next two and a half years. The introduction of the Central Depository System in early 2005 greatly improved the ease with which shares can be traded and as a result, liquidity and turnover have improved significantly.

Graph 3.5: NSE 20 share index



Source: Dyer and Blair Investment Bank Ltd

Electronic trading through the Automated Trading System ("ATS") commenced in the fourth quarter of 2006, which has resulted in a marked increase in trading volumes on the NSE.

Until March 2006, activity on the primary market of the NSE had been almost non-existent for the last five years. Prior to the recently concluded Kengen and Scan Group IPOs, the last IPO was that of Mumias Sugar Company in 2001. Activity picked up from 2003 with secondary offers by companies that included Express Kenya with a rights issue in 2003, followed by the highly successful Kenya Commercial Bank rights issue in 2004, which successfully mobilized KShs 2.3 billion. In 2005, CFC Bank and Uchumi Supermarkets raised KShs 756 million and KShs 1.2 billion respectively through secondary offers. Privatisation of government owned entities through the NSE is expected to further boost activity at the bourse. The KenGen IPO has greatly enhanced awareness of public share offers and the attractiveness of the stock exchange as an avenue for investment for the Kenyan public. Given the size of the KenGen IPO, liquidity and turnover at the NSE has significantly improved. According to the CDSC, the number of people with CDS accounts has increased significantly and as at the end of June 2006 stood at approximately 324,700 accounts up from 78,300 in December 2005.

Several privately held companies have expressed an interest in offering shares to the public through a listing on the NSE. This has been driven by the positive trends on the NSE spurred on by the attractive tax incentives offered by the government for newly listed companies. In addition, there is significant liquidity available with limited investment outlets. According to the RBA as at September 2005, total assets held by pension funds in the country stood at KShs 175 billion. Asset allocation to quoted equities stood at 25%, a long way short of the statutory maximum of 70% set under RBA guidelines. The pension industry therefore has capacity to absorb significant levels of any new public offer. In addition, with stability in interest rates, stock market activity should increase as investors look for higher yields.

As the table below indicates, turnover at the NSE has grown exponentially over the last five years.

Table 3.2: NSE turnover

NSE Turnover	KShs in Billions
2001	3.1
2002	2.9
2003	15.3
2004	22.3
2005	36.6
First 6 months of 2006	35.97

Source: Nairobi Stock Exchange

Based on indicators as at June 2006, the turnover for the full year is expected to exceed KShs 70 billion, riding on the back of increased trading arising from the listing of Kengen, Scan Group and Equity Bank.

4. BATTERY INDUSTRY OVERVIEW

4.1.1 Introduction

Batteries can generally be categorised into two main types:

- dry cell or primary batteries; and
- rechargeable batteries also known as secondary batteries.

Secondary or rechargeable batteries can be charged and re-used many times, whereas dry cell ones must be discarded once their power is consumed. Within the two categories, further distinction can be made in terms of the manufacturing technology determined by the electrolyte in the battery. This defines the potency of the battery and thus its price.

4.1.2 Primary (dry cell) batteries

The two common technologies used in the manufacture of dry cell batteries are carbon zinc and alkaline. Georges Leclanche is credited with the invention of the carbon zinc battery, also known as dry cell or Leclanche cell, in 1866. Common sizes of this type of battery are AAA, AA, C and D. Carbon zinc batteries are normally used as a power source in flashlights and transistor radios and are the least expensive variety of primary batteries and is the technology commonly used in Africa.

Over the years, especially in the developed countries, alkaline technology has gradually replaced carbon zinc technology. The alkaline electrolyte used in the manufacture of alkaline batteries provides it with a higher energy density and longer shelf life than the carbon zinc batteries. It is thus more expensive. Given higher disposable incomes, alkaline batteries are common in developed countries.

4.1.3 Secondary (rechargeable) batteries

Widespread use of secondary or rechargeable batteries is found in portable consumer electronics such as notebook computers, digital cameras and cell phones. Unlike primary batteries, these batteries have to be charged initially before use. Thereafter they do not have to be discarded once the charge is drained as they can be recharged and reused many times. Commonly used technologies include nickel cadmium (NiCD), nickel metal hydride (NiMH), Lithium ion (Li-ion) and Lithium ion polymer (Li-ion-polymer).

4.2 Global battery industry

According to the Battery and EV Industry Review 2005, more than 70 billion batteries are produced every year with a value in excess of US$ 38 billion. Primary batteries account for the larger portion of this market.

The World Batteries report, by the Fredonia Group, projects the global demand for both the primary and secondary batteries to grow annually at 6.6% to US$ 65 billion by 2008. This report indicates that growth will be generated worldwide mainly due to projected favourable economic growth, hence increased personal income levels.

Global trend towards miniaturization in consumer electronics and need for environment friendly batteries are important factors in global market growth. Subsequently it is expected that the smaller secondary market will grow at a faster pace than the primary market. However, due to its larger size, the primary market will continue to dominate the overall market with the alkaline technology remaining dominant in this market.

The carbon zinc technology is expected to continue dominating the African market as the alkaline market will be limited by the continent's lower consumer purchasing power.

4.3 East African battery industry

4.3.1 Overview

Within the region, batteries are used mainly to power radios and flashlights, with the largest proportion of users falling into the middle and lower income brackets. As such, the East African market is dominated by the less expensive carbon zinc batteries, which account for over 90% of the total market. The AA and D sizes represent the bulk of this market; with a tendency for demand to be price driven

4.3.2 Carbon zinc market size

In 2005, the regional market manufactured and traded approximately 485 million AA and D carbon zinc batteries, with the D market accounting for 76% of this volume. The table below provides an overview of the trend across the three EAC countries, over the past 4 years.

Table 4.1: East Africa carbon zinc market size

Product '000 pieces		2002	2003	2004	2005	Avg Cont.
D:	Kenya	195,000	210,000	210,000	210,000	56%
	Uganda	70,000	70,000	70,000	70,000	19%
	Tanzania	85,000	90,000	90,000	90,000	24%
	Total	***350,000***	***370,000***	***370,000***	***370,000***	***100%***
Avg contribution		***77%***	***78%***	***76%***	***76%***	
AA:	Kenya	42,000	42,000	50,000	50,000	42%
	Uganda	25,000	25,000	25,000	25,000	23%
	Tanzania	36,100	38,000	40,000	40,000	35%
	Total	***104,100***	***105,000***	***115,000***	***115,000***	***100%***
Avg contribution		***23%***	***22%***	***24%***	***24%***	
Total:	Kenya	237,000	252,000	260,000	260,000	53%
	Uganda	95,000	95,000	95,000	95,000	20%
	Tanzania	121,100	128,000	130,000	130,000	27%
	Total	***454,100***	***475,000***	***485,000***	***485,000***	***100%***

Source: Research International study commissioned by Eveready

Though the overall market has grown over the past few years, the trend indicates that the demand mix between the D and AA segments has shifted slightly in favour of the latter. This is in line with the overall global shift in the manufacture of smaller size devices that are powered by the smaller size AA batteries. As the East African regional economies grow and consumer demand increases for AA powered devices, it is expected that the growth in the AA market will rise proportionately.

4.3.3 Market penetration

The market penetration of batteries (batteries per person), is lower in Uganda and Tanzania compared to Kenya as indicated by the figures in the table below.

Table 4.2: Regional battery penetration

2005	Kenya	Tanzania	Uganda
Population (m)	34	38	28
Carbon zinc battery market size (pieces m)	260	130	95
Per capita consumption	8	3	3

Source: CBA Analysis

Export growth opportunities exist for Eveready in both Tanzania and Uganda, as consumption levels in the two countries grow to Kenya's level.

4.3.4 Market players

The key regional players are Eveready, Panasonic Battery Tanzania Co. Limited and various imported brands mainly from Asia.

4.3.4.1 *Eveready*

Eveready participates in the regional alkaline and carbon zinc markets, and has a significant presence in both markets.

Although the regional alkaline market is small, it is highly competitive and the key players in Kenya include Eveready, Duracell and Kodak. The Energizer brand contributes to the bulk of Eveready's strong market share in the Kenyan alkaline market.

Regionally, the carbon zinc low-end market is highly competitive with a strong presence of imported brands. The import factor is highly fragmented in the sense that there is no single importer with a structured approach to the importation and distribution of product. The existence of several traders, who periodically import high quantities of batteries for sale and distribution largely to the informal market, is what prevails.

Nonetheless, Eveready, while recognised for premium batteries, has responded to the threat from imported brands by broadening its product range to cater to the price sensitive low-income segment and has in the process been able to retain a significant share of the carbon zinc market.

The Company has a track record of high quality batteries and strong brand equity and is well placed to take advantage of the market potential in the East African region.

4.3.4.2 *Panasonic Battery Tanzania Co. Limited*

The Panasonic Battery Tanzania Co. Ltd was established in 1966 and has a manufacturing plant in Dar-es-Salaam.

The plant is not able to fully meet the demand for the domestic market, and subsequently, the Tanzanian market is also serviced by imports with Eveready aggressively pursuing this market. The Tanzania government imposes tariffs on all imports in an effort to protect the domestic plant. However, Eveready expects to further penetrate the Tanzania market once the EAC initiatives to reduce tariffs across the three countries, are implemented.

4.3.4.3 *Imports*

Although imported batteries have been available in the region since the liberalisation of the East African economies in the 1990's, their share of the market has risen over the years due to aggressive pricing. Some of the imported batteries sold in Kenya have been found by Kenya Bureau of Standards (KEBS) to come short of their established standards. Market research indicates that imported batteries from Asia command a significant share of the regional market.

4.4 Key industry drivers

4.4.1 Growth in consumer purchasing power

As with most consumer goods, demand levels will be driven by trends in consumer purchasing power. While brand equity is a strong selling point, the largest consumers are in the price sensitive middle and lower income segments and are therefore price conscious buyers.

In this regard, Eveready offers the consumer a wide choice of products to choose from with various price points that fit consumer demands for dry cell batteries. The Company has products that compete in the low and high end consumer markets for the same product types, which allows it to minimize the impact of shifts in demand levels within the various income segments.

4.4.2 Production costs

Savings made as a result of lower production costs can be passed on to the consumers through lower pricing. Key cost components include raw material, primarily zinc, labour, and other variable and fixed costs, which are driven by production efficiencies. Cost efficient producers, therefore have a competitive advantage.

Eveready is cognizant of these factors and has recently implemented key initiatives to reduce production costs that include preventive maintenance and the introduction of lean production concepts geared at waste reduction and overall enhancement of production efficiency.

4.4.3 Distribution network

Moderate entry barriers exist in the form of capital requirements to construct a new plant, and the ability to build a distribution network enabling the product to reach final consumers. In the region, dry cell batteries are largely used in rural communities and it is therefore imperative for players in the sector to have a distribution network that penetrates remote rural markets. Eveready has established a stable and efficient network in Kenya and is in the process of doing the same within the region to ensure that its products are available on a wider regional basis.

4.4.4 Legislative and regulatory framework

The strength of the "import factor" in East Africa can be partially attributed to poor enforcement of regulations. Some of the imported brands from Asia available in the market do not meet minimum local standards, and those that do, do not meet the standards consistently.

In Kenya, regulation is currently enforced through KEBS, which seeks to prevent sub-standard dry cell batteries from being sold in the country. According to KEBS, "it is an offence under the Standards Act, Cap 496 of the law of Kenya to import, offer for sale or sell banned batteries, which have been found not to comply with the approved Kenyan standards". KEBS compiles a list of batteries that are banned from importation or sale in Kenya and this list is accessible to the public. Eveready constantly lobbies the Government to crack down on counterfeit and sub-standard products finding their way into the market and has been successful working closely with government enforcement agencies in identifying dealers in counterfeit batteries and publicly destroying the batteries.

There is no government protection or any investment encouragement law, which may affect the business of Eveready.

5. EVEREADY OVERVIEW

5.1 Introduction

5.1.1 General History of the Company

Eveready has been in existence for the past 39 years and the Company's evolution to date is summarised below.

Period	Milestone
March 1967:	Eveready incorporated as Union Carbide Kenya Limited ("UCK"), with Union Carbide Corporation U.S.A. as the parent company.
April 1967:	ICDC became a shareholder.
September 1967:	ICDCI became a shareholder.
October 1986:	UCK changed its name to Eveready Batteries Kenya Ltd ("EBK").
March 1988:	East Africa Batteries Ltd became a shareholder.
September 2004:	Eveready began trading in personal grooming products, under the Schick brand, following the acquisition of Schick-Wilkinson Sword by EHI in 2003.
	EBK changed its name to Eveready East Africa Limited, following a change in the Company's product offering to include Schick shaving products, and the need for the Company's name to reflect an East African regional operation.

5.1.2 Principal activities and nature of business

Eveready's principle activities are manufacturing and selling of Eveready dry cell "D" size batteries and trading in an assortment of imported products including batteries, flashlights, razors and accessories, in East Africa. The Company offers its consumers a wide range of products, both locally and regionally, categorised into three key brands i.e. Energizer, Eveready, and Schick.

Eveready sells its products in both the domestic and regional market, of which the former contributes about 85% to the total net sales revenue. The current export market comprises Tanzania and Uganda with potential markets being Rwanda, Burundi and the Democratic Republic of Congo.

EBC provides the Company with technical support under the terms and conditions of an Operations, Administrative and Technical Service Agreement ("OATS"). Eveready has also entered into a Trademark Licensing Agreement ("TLA") with EBC that allows the Company to use its trademarks in the region. Key features of these agreements are summarised in section 9.6.3 of this Prospectus.

There have been no material changes in the business of Eveready during the past 5 years of operation.

There have been no changes in the Company's trading objectives over the past two years and there are no foreseeable changes in the near future.

5.2 Product description

5.2.1 Batteries

Batteries are Eveready's key product, accounting for over 90% of the Company's turnover. The Company imports and manufactures batteries under the brand names Energizer and Eveready.

5.2.2 Manufactured batteries

Locally manufactured batteries account for 85% of the total sales volume. The Company only manufactures D carbon zinc batteries, under the Eveready brand, as described below:

Table 5.1: Manufactured products

Brand	Technology	Product	Product Code
Eveready	Carbon zinc	Premium	SHD 1250 (black)[1]
	Carbon zinc	Heavy Duty (Paka Power)	HD 1050 (red)
	Carbon zinc	General Purpose	GP 950 (blue)

Source: Eveready

The SHD 1250, which is the Company's premium brand, competes in the high-income market segment and is only sold within the domestic market. The Company's flagship product is the popularly known red HD 1050 battery, which targets the middle market segment, while the blue GP 950 was introduced in 2001 to compete in the low end market segment with various imported brands. Both the GP 950 and HD 1050 are exported to Uganda, Tanzania, Rwanda and Burundi.

5.2.3 Imported batteries

All Energizer batteries are imported from Energizer's affiliate company in Singapore. Eveready branded batteries are imported from affiliates around the world based on the most competitive value offered. These affiliates include Singapore, Indonesia, China and Egypt. The product range includes AAA, AA, C and D batteries, 9V rechargeable batteries and battery chargers.

Imported batteries on average account for 15% of total sales volume. The key imported products are the smaller sized batteries i.e. AAA and AA, which together represent some 80% of the total imported sales volume and value.

5.2.4 Flashlights and bulbs

Flashlights and bulbs are sourced from an affiliate company in China and from the various options available, Eveready selects suitable products to serve the needs of East African countries.

5.2.5 Personal grooming

Schick wet shave products are sold in more than 80 countries around the world, competing globally in all three segments of the wet shave category: men's systems, women's systems and disposables.

Schick products are the newest addition to the Company's product range, with trading having commenced in 2004. Currently the product range comprises shaving blades of various sizes.

5.3 Plant overview

5.3.1 Production technology

Eveready's manufacturing process is carried out using two types of production processes: a Cooker Line process; and a Paper Lining Machine (PLM) process.

The key difference between the two processes is the separation system used, in that the PLM uses a paper separator while the cooker line uses a liquid separator system.

Although world battery technology is constantly changing to produce higher quality and longer lasting batteries, the low purchasing power of consumers in the region has priced the new technology batteries out of the reach of most consumers. As a result, even though the technology used at Eveready is older, it is appropriate for the market, and is similar to the production technology used in more developed and higher income economies such as Egypt and Philippines.

[1] Colour was recently changed from Yellow to Black

5.3.2 **Plant capacity**

The Cooker Line has an installed capacity of approximately 200 million batteries per annum and is currently run on two shifts at a capacity utilisation rate of 71%. The Cooker Line is used to manufacture the GP 950 and HD 1050 batteries. The PLM, also known as the zinc chloride line, is used to manufacture the SHD 1250 and has an annual installed capacity of 31 million batteries. It operates at more modest utilisation rate due to the smaller size of the high-income market segment.

Given current installed capacity and utilisation rates, the Company has adequate capacity to support its growth initiatives.

5.3.3 **Maintenance**

Normal repair and maintenance work is carried out constantly and machines are thus kept in good condition, functioning as expected.

In addition, there has been a phased replacement programme over the years to cater for ageing machinery. Ongoing refurbishment and other capital expenditure is discussed in detail under section 5.7.

5.4 Manufacturing cost

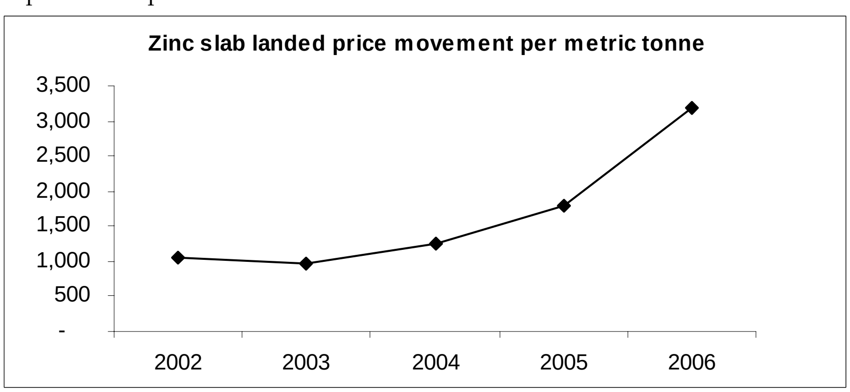
The Company's key production cost element is raw material. This on average accounts for approximately 70% of the total manufacturing cost, while the other manufacturing costs i.e. labour, variable expense and fixed costs account for the balance.

The majority of raw materials are procured through a central purchasing system, one based in Missouri for key raw materials and another based in Singapore for other raw materials. This allows the Company to acquire high quality raw materials from reliable global suppliers at competitive prices and benefit from economies of scale. It is important to note that transactions between Eveready and the central purchasing systems are conducted on an arms length basis. The role of central purchasing is to identify the lowest cost supplier by leveraging EBC's global supply needs to negotiate favourable prices. Once a supplier is identified, Eveready buys directly from the supplier and not through a trading arm of EBC.

In addition, the Company also has the discretion to identify and purchase raw materials from elsewhere. The Company is therefore gradually identifying local sources of raw materials to reduce lead times and where possible take advantage of lower prices.

Due to the large component of imported raw materials, the Company is also exposed to both exchange rate fluctuations and global fluctuation in commodity prices. For instance, the price of Zinc, which is the key raw material and accounts for approximately 20% of the manufacturing cost, has over the years increased, due to global price and exchange rate fluctuations, as displayed by the graph below.

Graph 5.1: Zinc price movement



Source: Eveready

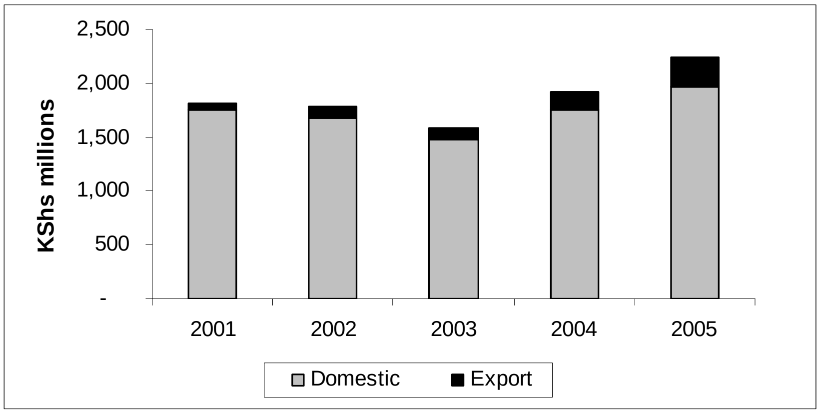
However, the strength of the shilling against most world currencies has mitigated exchange rate fluctuations and countered the increase in world zinc prices, which is a key risk area that the Company has to constantly manage. This risk area and mitigating factors is discussed in section 8.

5.5 Sales

The Company sells its products in the domestic market and regionally to Uganda and Tanzania, with local sales accounting for over 85% of the Company's sales value, over the past 5 years.

As the chart below indicates, the Company's turnover has experienced a mixed trend due to a change in product mix in 2001 when the lower priced GP 950 battery was introduced in response to the influx of imported brands. This change in sales mix resulted in a decline in sales value in both 2002 and 2003. However, the Company was able to quickly reposition itself, in the lower income segment, and began the path to recovery in 2004 when sales increased by 21% in the same year and 17% in 2005.

Graph 5.2: Breakdown of domestic and export sales value



Source: Eveready

As a result of the repositioning strategy, domestic sales in 2002 and 2003 declined but recovered in 2004 and 2005 growing at 19% and 12% respectively. On the other hand, sales to export markets, with the exception of 2003, registered significant growth rates of 65%, 53% and 78% in 2002, 2004 and 2005 respectively and consequently contributed a higher proportion to total sales during these years. The notable increase in export sales has been due to a renewed focus by the Company to expand its regional market, and should provide momentum for continued export led growth in the future.

Eveready has demonstrated its ability to not only maintain but also grow in the seemingly mature domestic market. The Company will continue to develop and carry out initiatives that will enable it effectively compete in this market. Eveready also acknowledges the importance of the regional market due to its significant capacity, and will continue to focus on this market to drive its export sales.

5.6 Marketing and distribution network

One of the key strengths of Eveready is its well established distribution network in Kenya, which is a significant deterrent to entry for potential competitors. The Company operates principally through distributors who serve in exclusive markets. Product sales are made to the distributors who sell to the wholesale market who in turn channel product downstream to the retail market. In addition, the Company also directly serves key retail accounts in an effort to ensure high service levels and availability of products at all times.

The Company has area sales managers, each with a dedicated team, that interface directly with the distributors in terms of training, motivation and generation of sales. The area sales managers report to business managers who also function as brand managers for the Company, for the three brands of the company i.e. Eveready, Flashlights, Energizer and Schick.

The Company a dedicated distributorship in Uganda and in Tanzania. The Company is in the process of appointing a third distributor in Tanzania to expand its market penetration.

5.7 Investments

Capital expenditure ("capex") constitutes the key investment made by the Company, as it is not involved in other investment activities outside its normal business operations.

The projected capital expenditure is KShs 84 million and KShs 68 million for 2006 and 2007 respectively. The expenditure largely goes towards the refurbishment of the plant machinery and equipment and replacement of the sales and distribution fleet. The refurbishment of plant and equipment is expected to deliver enhanced production efficiencies that will enable Eveready maintain its gross margins in a competitive environment where price increases are not commensurate with increases in raw material prices.

There is no immediate need to increase or add new capacity for the Company's operations. The focus is on maximizing the current resources while meeting international standards for Eveready's products and operation.

The majority of the Company's capital expenditure for these two years will be focused on factory projects for equipment upgrades and required maintenance projects. However, the Company will be purchasing vehicles in 2006 and 2007 valued at KShs 13 million and KShs 22 million respectively as part of the normal replacement policy for vehicles.

Eveready's goal is to maintain its capital resources in a manner that allow it to meet its sales requirements while maintaining efficiency, quality, safety, health and environmental performance.

These investments will be financed using internally generated funds.

5.7.1 Financial position

To the knowledge of the directors of Eveready, the current and past operating and financial position of the Company has not been exposed to any transactions of an unusual nature or condition, or to any interruptions during the past nine months that could have a significant effect on the Company's financial position.

5.7.2 Summarized financial statements

Detailed financial statements together with accompanying notes are in the Reporting Accountants Report, which is in Section 12 of this Prospectus.

5.7.2.1 Profit & Loss Account

KShs m	**2001***	**2002**	**2003**	**2004**	**2005**	**March 2006+**
Sales	2,007	1,786	1,583	1,917	2,245	991
Cost of sales	(1,239)	(1,091)	(1,041)	(1,322)	(1,601)	(691)
Gross profit	768	695	542	595	644	300
Other operating income/(expenses)	(1)	2	5	3	3	3
Selling expenses	(185)	(167)	(145)	(118)	(137)	(59)
Administrative expenses	(206)	(203)	(183)	(206)	(230)	(133)
Operating profit	376	327	219	274	280	111
Finance (costs)/income	12	2	(10)	(8)	(11)	(7)
Profit before income tax	388	329	209	266	269	104
Income tax expense	(120)	(128)	(66)	(76)	(82)	(32)
Net profit for the year/period	**268**	**201**	**143**	**190**	**187**	**72**
Dividends paid	**355**	**642**	**135**	**186**	**155**	**-**

* based on 13 months
+ based on half year interim audited financial statements

5.7.2.2 Balance sheet

KShs m	2001	2002	2003	2004	2005	March 2006
Capital employed						
Share capital	210	210	210	210	210	210
Retained earnings	465	24	31	35	67	138
Shareholders' funds	675	234	241	245	277	348
Non-current liabilities	49	53	71	82	100	108
	724	**287**	**312**	**327**	**377**	**456**
Represented by:						
Non-current assets						
Property, plant and equipment	127	104	98	89	96	109
Deferred income tax asset	12	12	22	27	32	32
Retirement benefit asset	9	9	8	11	12	12
	148	**125**	**128**	**127**	**140**	**153**
Current assets						
Inventories	488	325	392	440	516	526
Receivables and prepayments	110	123	94	130	160	142
Cash and bank balances	98	82	25	2	2	3
	696	**530**	**511**	**572**	**678**	**671**
Current liabilities						
Payables and accrued expenses	117	138	93	160	166	145
Current income tax	3	15	14	9	9	-
Borrowings	-	215	220	203	266	223
	120	368	327	372	441	368
Net current assets	576	162	184	200	237	303
	724	**287**	**312**	**327**	**377**	**456**

5.7.2.3 Cash flow statement

KShs m	2001	2002	2003	2004	2005	March 2006
Operating activities						
Cash generated from operations	436	539	182	290	228	137
Interest received	10	3	-	-	-	-
Interest paid	(3)	(7)	(16)	(9)	(22)	(13)
Income tax paid	(129)	(118)	(75)	(88)	(87)	(57)
Net cash generated from operating activities	314	417	91	193	119	67
Investing activities						
Purchase of PPE	(34)	(8)	(21)	(15)	(28)	(25)
Proceeds from disposal of PPE	9	1	3	2	1	2
Net cash used in investing activities	(25)	(7)	(18)	(13)	(27)	(23)
Financing activities						
Dividends paid	(355)	(641)	(135)	(186)	(155)	-
Net cash used in financing activities	(355)	(641)	(135)	(186)	(155)	-
Decrease in cash and cash equivalents	(66)	(231)	(62)	(6)	(63)	44
Cash and cash equivalents:						
At start of year/period	164	98	(133)	(195)	(201)	(264)
At end of year/period	**98**	**(133)**	**(195)**	**(201)**	**(264)**	**(220)**

5.7.2.4 Financial Ratios

	2001	2002	2003	2004	2005	2006+
Operating performance						
Net turnover growth rate	5.7%	-11.0%	-11.4%	21.1%	17.1%	-8.1%*
Profitability						
Gross profit margin	38.3%	38.9%	34.2%	31.0%	28.7%	30.7%
Operating profit margin	18.7%	18.3%	13.8%	14.3%	12.5%	11.6%
Net profit margin (after tax)	13.4%	11.3%	9.0%	9.9%	8.3%	7.6%
ROE (after tax)	39.7%	85.9%	59.3%	77.6%	67.5%	60.4%*
ROA (before tax)	46.0%	50.2%	32.7%	38.1%	32.9%	25.7%*
Operating efficiency						
Asset turnover	2.4	2.7	2.5	2.7	2.7	2.5*
Fixed asset turnover	15.8	17.3	16.2	21.8	23.6	18.9*
Trade debtor days	18.6	23.7	20.5	23.0	24.5	19.6*
Stock days	143.8	108.7	137.4	121.5	117.6	128.0*
Trade creditors days	10.3	18.1	13.7	10.5	11.4	15.1*
Liquidity						
Current ratio	5.8	1.4	1.6	1.5	1.5	1.8
Quick ratio	1.7	0.6	0.4	0.4	0.4	0.4
Capital structure & solvency						
Gearing ratio (borrowings/ equity)	-	0.9	0.9	0.8	1.0	0.6
Interest coverage ratio (EBIT/ interest)	130.3	55.8	14.1	30.6	13.2	10.0
Debt service coverage ratio (EBITDA/ borrowings + interest)	138.3	1.6	1.0	1.4	1.0	0.5

+ based on half year interim audited financial statements
* based on annualised income statement as reflected in 2006 estimates in Accountants Report

5.7.3 **Brief analysis of historical financial statements (2001 to March 2006)**

5.7.3.1 Earnings

Eveready's net profit before taxes over the past 5 years averaged KShs 292 million, ranging between KShs 209 million and KShs 388 million. The Company's profit before tax declined from 388 million in 2001, to 209 million in 2003, but thereafter increased to KShs 266 million and 269 million in 2004 and 2005 respectively. Profit before tax as at 31 March 2006 stood at KShs 72 million.

This trend in the Company's profitability has resulted from a strategic decision to alter the Company's sales mix from a heavy reliance on high margin premium priced products such as SHD 1250 and HD 1050 to a more balanced mix with significant contribution from lower priced products such as GP 950 batteries. This strategy was implemented in 2001 with the introduction of GP 950, to compete with the aggressively priced imports thus safeguarding Eveready's overall market share and its role as a key player in the mid to low income segment.

The strategy has paid off as Eveready has reasserted itself as a major player in the battery industry with the slide in earnings being stemmed in 2003 followed by recovery and growth in 2004 and 2005. Below is a review of key drivers of earnings including revenues and operating expenses, which provide further insights into business performance over the last five years and the first 6 months of the current financial year, 2006.

Revenue

Prior to the introduction of the GP 950, the key volume and value driver was the HD 1050, which in 2000 contributed 85% to total volume sales. However, as the Company aggressively pushed the new GP 950, the contribution to volume and revenue of the HD 1050 began to decline, as that of the GP 950 increased.

Following the volume growth of the lower priced GP 950, the revenue of the Company declined by 11% in both 2002 and 2003, as the volume of the higher priced HD 1050 declined. However, the Company was able to assert its market position in both market segments, as implied by the 21% increase in revenues in 2004, leveraging off higher sales volumes for GP 950 which grew by 57% in 2004 (1008% in 2002 and 35% in 2002), and the stabilisation of HD 1050 volumes which grew by 2% in 2004 compared to a 26% and 23% decline in 2002 and 2003 respectively.

In 2005, as the momentum of the GP 950 stabilised, volumes declined by 10%, although this was offset by the 9% growth in sales volumes of HD 1050, a clear indication that the Company had regained its position in the middle income market segment. This shift in volume led to a revenue growth of 17%. For the 6-month period to March 2006, the Company recorded net revenues of KShs 991 million compared to KShs 1.12 billion over a similar period last year. The drop in revenue was as a result of a decline in volumes occasioned by the drought, experienced in the first half of the financial year which constrained consumer purchasing power. During the second half, volumes reverted to normal in relation to historical trends, and were 10% higher than the first half.

During the period under review, Eveready has demonstrated its ability to successfully adapt to market changes. This has been illustrated by the successful re-positioning of the Company in the mid to low income segments allowing it to compete with aggressively priced imports.

Expenses

The Company's gross profit margin declined from 38% in 2001 to 29% in 2005, as a result of the change in sales mix discussed above. Increase in the global zinc prices, a key raw material, have also had a negative impact on the Company's gross margins.

Margin levels are likely to be maintained at the March 2006 levels with slight enhancements being achieved through production cost management through the introduction of lean production methods. Indeed, the Company is already achieving meaningful cost reductions on account of enhanced production efficiencies, which together with a strong shilling has had an impact on holding back growth in production costs in light of significant increases in raw material prices.

Operating expenses have remained under control, with these expenses as a proportion of turnover remaining relatively stable at 21% in 2002 and 2003, and declining to 17% and 16% in 2004 and 2005 respectively. However, there are opportunities for management to further reduce and stabilise both its selling and administration expenses.

The Company incurred finance costs from 2003 following the introduction of gearing in its capital structure after a history of relying on equity to finance its business. This cost increased to KShs 11 million in 2005 from KShs 9 million in 2004 driven by an increase in market interest rates. Over the last two years bank borrowing interest rates have stabilised and as such interest expense is expected to remain stable with any increases pegged to an increase in the Company's borrowing.

5.7.3.2 Operating Efficiency

Eveready operates efficiently as reflected by its healthy efficiency ratios.

The Company's fixed asset turnover has been relatively high increasing gradually from 16.3 times in 2003 to 23.7 times in 2005. This is as a result of growth in turnover and the decline in the value of fixed assets, with the latter achieving 85% production efficiency levels over the past 3 years. With the ongoing plant refurbishment, this ratio is bound to decline as the value of the fixed assets increases.

The overall quality of the Company's debtor accounts appears strong as reflected by the low trade debtor days, which have averaged less than 25 days over the past 5 years. On the other hand, trade creditor days are also extremely low, and on average are lower than the trade debtor days. Though trade creditor days increased slightly in 2005 to 11.5 days (2004: 10.6 days) they remain lower than industry practice. Eveready is actively pursuing better credit terms with suppliers, to enhance liquidity levels.

Eveready has registered an improvement in stock days over the past 5 years, which have declined from 143 days in 2001 to approximately 117 days in 2005. By the end of August 2006, the days were down 114. The target is to achieve inventory days of between 90 and 100 days. Raw materials and finished goods account for over 85% of the total stock and management is exercising strong stock controls to ensure that both of these categories are managed more efficiently to achieve further decline in stock holding days. The high raw material stock holding levels has been occasioned by relatively long lead times and also due to a historical policy of hedging against increases in raw material prices by buying large quantities at the time of re-ordering. Inefficiencies at the Mombasa port have also contributed to the high stock holding volumes, but the Company is working closely with the relevant authorities to ensure that stock levels are kept at a minimal.

5.7.3.3 *Liquidity*

Eveready's overall liquidity position has been fairly good with an average current ratio of 1.5 over the past 3 years. However, stock is the key current asset with a substantial portion in the form of raw material and work in progress, both of which are not as liquid as cash or debtors. Subsequently, the Company's quick ratio and cash ratios fall below the threshold of 1.0. The Company is working at increasing its liquid assets through better inventory management.

5.7.3.4 *Capital structure*

Prior to 2002, Eveready relied on internally generated funds to finance its continuing operations. The Company had accumulated high cash reserves, which would not have been considered an optimal capital structure.

To better manage its funding structure and increase its leverage, Eveready increased its dividend pay-out ratio and began borrowing in 2002. Consequently, the Company's gearing level increased in the same year but has remained relatively constant over the years. This is due to both the relatively flat equity, due to high dividend payments, and borrowing balances over the same period. The table below displays the high dividend payment policy the Company has exercised over the past 5 years.

Table 5.4: Dividend payment

	2001	*2002*	*2003*	*2004*	*2005*
Net profit	268	201	143	190	187
Dividend payments	355	642	135	186	155
Dividend payout ratio	132%	319%	94%	98%	83%

Source: 2001-2005 audited annual accounts

5.7.3.5 *Summary of historical financial performance*

Eveready's historical performance has demonstrated that the Company is well placed to continue operating in a highly competitive environment. In particular, Eveready has demonstrated:

- ability and flexibility to adapt to changes in the market and remain profitable;
- ability to effectively manage its operating expenses; and
- commitment to reward its shareholders through the payment of dividends.

5.7.4 **Post balance sheet performance and projections**

There have been no material changes to the financial and trading position of the Company that have occurred since the completion of the statutory audit of the financial statements of the Company for the year ended 30 September 2005 and half year period to 31 March 2006.

Below, we discuss the Company's medium term growth strategy, commencing in the financial year 2006, the causes of the decline in performance in 2006 and the underlying assumptions supporting the expected recovery in 2007.

5.7.4.1 *Eveready medium term strategy*

The following initiatives will drive the Company's medium term strategy:

- Focus on improving the production processes to improve on product quality while also minimising costs through gains in efficiency. This is being carried through the on-going refurbishment of the plant;
- Implement moderate price increases with a view to trading volumes for margins particularly for the products targeted at the medium to upper income market segments;
- Develop an increased focus on export markets with a view to further diversifying income sources; and
- Gradually develop markets for its other non-battery products, whose demand is growing steadily.

5.7.4.2 *Interim results and projections*

Table 5.5 3 year projected earnings

KShs m	Actual HY 2006	Projections 2006	Projections 2007
Sales	991	2,063	2,720
Cost of sales	(691)	(1,500)	(2,006)
Gross profit	300	563	714
Other operating income	3	21	4
Selling expenses	(59)	(107)	(138)
Administrative expenses	(133)	(245)	(299)
Operating Profit	111	232	281
Finance cost	(7)	(20)	(29)
Operating Profit	104	212	252
Income tax expense	(32)	(66)	(77)
Profit for the year / period	72	146	175
Dividends	-	110	131

Source: Eveready

5.7.4.3 *Sales outlook*

- The expected 8% decline in 2006 net sales has been caused by a number of factors, which together imply that the overall battery market in Kenya experienced a decline in late 2005 and the first quarter of the 2006 calendar year, which coincides with the first half of Eveready's financial year.
- Sales were adversely affected by drought of late 2005 and early 2006. The drought and the ensuing increase in food prices dampened battery demand, as spending was diverted from non-essentials like batteries to food items. Traditionally, the first quarter of the financial year records the highest sales for the year and therefore depressed demand during this period was expected to affect overall performance for the year.
- Recovery, of revenue growth, from the effects of the above factors is expected to commence in the 2007 financial year which begins in October 2006. This will be driven by, amongst others, the effect of the Company's strategies, as discussed above, the recovery of the country from the inflationary effects of the drought, and the overall projected economic growth for the country and the East African region in general.
- **D domestic market.** Although cheap imports are expected to continue being a factor, especially in the larger low end D market, the price differential between the imported products and Eveready's locally manufactured products is expected to narrow, as the prices of imported brands adjust upwards to reflect the increasing costs of inputs on a global level. Historically, Eveready has been a price leader hence the impact of its pricing strategy will not be as great as that of importers, who have always competed on price. Consequently, Eveready expects to increase its share of the market as consumer's trade up from lower quality imported brands to its higher quality products as the price differential narrows. The upper end market segment has a loyal following, with Eveready having kept its market share in the face of price fluctuations. Following the marginal drop in volumes expected in 2006, sales are expected to experience marginal growth thereafter, with margins remaining at historical levels.
- **AA domestic market.** The AA domestic market is growing rapidly as demand for consumer electronics by high income earners rises. However, this market is much smaller than the D market, which caters for the mass market. Eveready projects to maintain in market share in this segment, which has historically been strong.
- **Export market**. Sales growth will also be driven by growth in exports as these markets have relatively low penetration rates and are growing. This will also be driven by initiatives such as the agreement signed between the Tanzanian and Kenyan governments, whereby suspended duty, currently at 30%, on imports to Tanzania will reduce by 5% per year every year, ending up at 0% in 2010. In addition, import duty for goods manufactured in Kenya is expected to be scrapped in 2008. As the duties are reduced, Eveready should be able to continue growing its export market.

5.7.4.4 *Operating profit margin*

Besides revenue, the operating profit margin is further driven by cost of sales, which includes the cost of manufacturing the batteries and the landed cost of the imported products and other costs such as administration costs.

Manufacturing costs: 2006 manufacturing costs of sales have been affected by the increase in raw material prices particularly that of zinc and increase in labour usage. Should input price increases persist, battery prices are expected to increase industry-wide and this cost increase will be passed to consumers. Labour usage contributed to the increase of 2006 production costs, driven by increased use of manpower for certain operations at the plant such as packaging.

Eveready projects a decline in its production costs, commencing 2007. The improvement in production costs will be driven by improved efficiencies and better utilization of raw materials. The Company is also actively seeking local alternatives to imported raw materials, which will be cheaper and require shorter lead times.

The need for maintenance is also expected to reduce over the projection period, reflecting the improvements from the plant refurbishment, while fixed costs which are projected to rise in 2006 due to the scale down in production, are only expected to increase marginally thereafter as efficiencies from the refurbishment are expected to result in fewer supervisory and overhead resource requirements.

Other operating costs: These include trade discounts, the technical service fee, advertising, distribution/ selling costs and administration expenses. Trade discounts as a proportion of gross sales are forecasted to remain relatively stable while the technical service fee as a proportion of sales is expected to remain constant going forward. Advertising and promotion is only expected to increase marginally as Eveready promotes its brand in Uganda and Tanzania to support its trade in these markets. Management is focussed on improving the efficiency of the distribution system, and is exploring alternative ways of streamlining logistics with a view to reducing associated expenses. Administration expenses are expected to increase in 2006, largely due to one-off IPO expenses amounting to KShs 8.5 million and KShs 6.5 million in 2007, with further additions in 2007 associated with recurrent costs of going public such as the maintenance of register, annual general meeting costs and printing costs of the Company's annual report, etc, currently estimated at KShs 7.5 million. With the one-off additional costs being excluded, other operating costs would actually be lower in 2006 vis-à-vis 2005.

Miscellaneous costs: In 2006 the Company incurred an exceptional expense of KShs 9 million as a result of the closure of soak pits, which further reduced earnings. Going forward, the Company intends to convert its pension scheme from a defined benefit scheme to a defined contribution scheme. Actuaries estimate that upon conversion, the pension fund will be under funded by approximately KShs 17 million. The provision for under-funding will be amortised over three years commencing 2007.

Therefore despite the decline in earnings in 2006, the Company's management is reasonably confident that earnings will recover to historical levels in 2007 based on the non-recurrence of exceptional expenses and the assumptions discussed above.

5.7.5 Other financial matters

5.7.5.1 *Banking information*

The bankers of Eveready are BBK and CBA. Eveready has confirmed that it does not have any direct debits payable to a third party and there are no loans granted by the Company under which its rights have been subordinated to the rights of any other party.

On short-term loans from BBK, interest rates are pegged to the Treasury bill rate and are fixed for 3 months. Apart from this, Eveready has confirmed that it has not entered into any foreign currency or interest rate fixing mechanism.

5.7.5.2 *Borrowings*

Eveready operates short-term lines of credit with BBK and CBA. These lines are renewable on an annual basis and a summary of the key terms of the credit facilities is provided below.

Table 5.5: Summary of borrowing arrangements

Terms	**BBK**	**CBA**
Credit Facilities	Multi Option Credit Facility ▪ Overdraft and/ or money market loans ▪ Letters of credit ▪ Bonds and Guarantees	Multi Option Credit Facility ▪ Overdraft and/ or money market loans ▪ Letters of credit ▪ Bonds and Guarantees
Tenor	1 Year renewable	1 Year renewable
Principal Amount	150,000,000	100,000,000
Interest payable	Pegged to BBK bank base rate	Pegged to CBA bank base rate
Balance as at 31 August 2006	KShs 143,669,089	KShs 9,740,616
Security	An all asset debenture (excluding land and buildings) securing KShs 150,000,000 in favour of BBK, shared pari passu with CBA. No legal charges have been created over any of the properties listed in section 9.5.1.	All asset debenture (excluding land and buildings) securing KShs 100,000,000 in favour of CBA, shared pari passu with BBK. No legal charges have been created over any of the properties listed at section 9.5.1.

Source: Eveready

The Company has entered into an operating lease agreement with RentWorks Kenya Ltd. The facility, which has a limit of KShs 20 million, can be used to rent IT equipment and commercial vehicles. The facility is financed by BBK with pricing pegged to the BBK bank base rate.

Eveready has not exceeded its borrowing powers and is not in breach of any of its loan covenants

5.8 Future dividend policy

It is the intention of the Board of Directors of Eveready to continue with the Company's track record of high dividend pay out. The projected dividend payment is therefore estimated at 75% of net profits. However, the directors reserve the right to declare dividends following an assessment of the Company's financial position, requirement for growth capital and upon advice received from management.

The directors are not obliged to declare a dividend out of Company profits and may instead carry the profits forward to a reserve for any purpose for which the profits of the Company may properly be applied.

5.9 Other Company matters

5.9.1 Research and development policy

As part of its obligations under the OATS agreement, Energizer through EBC provides assistance to Eveready in research and development. Energizer's policy with regard to carbon zinc R&D is to employ a team of qualified scientists and technical personnel whose role is to focus on projects, efforts and studies geared towards maintaining and improving the products contained within the global carbon zinc battery portfolio. The centralized carbon zinc R&D department supports each of Energizer's carbon zinc manufacturing locations including Kenya through activities and efforts such as:

- Product design changes - to enhance product performance and/or reduce product cost.
- Alternate material studies - to enhance product performance, reduce product cost or assure a non-interruptible flow of manufacturing operations, in the event of a raw material supply issue.
- Cost reduction efforts - to identify opportunities to effectively reduce product cost.
- Specifications and standards compliance - to assure product designs meet and exceed the various international performance, reliability and environmental standards the batteries are marketed in.
- Troubleshooting/Problem Solving Assistance - assisting plant personnel when a product performance or reliability issue arises.

On its part, Eveready develops material source alternates within Energizer's global guidelines and makes suggestions that offer equipment improvement through Energizer's equipment engineering system.

5.9.2 Licenses and consents

Eveready is not subject to any specific industry regulator but has all requisite licenses, consents and permits to enable it to conduct its business in Kenya.

5.9.3 Training programs

The Company encourages the employees to develop management and technology skills through internal programs, industry affiliations and external certifications. The company has feedback systems and a number of learning initiatives.

5.9.4 Industrial relations

Eveready has developed a strong and stable workforce**.** As at 31 August 2006, Eveready had a workforce of 448 staff located at the plant in Nakuru and the head office in Nairobi.

Eveready affords full recognition to Kenya Chemical and Allied Workers' Union as a properly constituted and representative body and the sole labour organization that represents the interests of unionised workers.

Eveready has entered into a recognition agreement dated 18 August 2006 with the Union, which remains in force until modified or amended by the parties. Relationships between the unionised employees and the Company are currently governed by a Collective Bargaining Agreement between Eveready and Kenya Chemical and Allied Workers Union. The current agreement expires in 2008 and regulates the rates of pay, hours of work, paid leave, duration of employment, and other generally accepted terms and conditions of service of unionised employees.

Eveready has maintained harmonious relationships with the Union. The company has not reported any instances of strikes over the past five years, and there are currently no unresolved disputes with the Union.

5.9.5 Corporate Governance

Eveready has three committees that have been constituted by the Board as follows:

(a) the Remuneration and Nomination Committee. The staff committee has been set up to liaise with Eveready management and also to consult with other relevant bodies and to present the Board with proposals to improve the existing staff policy in order to promote efficiency through enhancement of working capacity, integrity and morale. The members of this committee are Mirabeau Da Gama Rose, Peter Mwangi and Steven Smith.

(b) the Audit Committee. The Audit Committee's objective is to ensure that management has an effective control environment in the organisation and demonstrates and stimulates the necessary respect of the internal control structure amongst all parties. The members of this committee are Akif Butt, Peter Mwangi and Steven Smith.

(c) the Finance and Risk Committee. The Finance Committee and Risk Committee objective is to assist the Board in exercising its responsibilities regarding the financial condition, objectives and strategy of the Company. The members of this committee are Natarajan Radhakrishnan, Akif Butt Steven Smith and Isaac Mogaka.

The composition of the Committees will change once the Board is expanded to increase the number of independent directors.

5.9.6 Environmental, Health and Safety Policies

5.9.6.1 Environmental Policy

Eveready has a policy on the management of the environment, which outlines the Company's commitment to establishing, implementing and maintaining an environmental management system that prevents and/or mitigates negative impacts to the environment, and complies with environmental laws.

In addition, Eveready continuously implements stringent international practises that are audited by EBC group. The Company's environmental management systems and procedures include the submission of annual environmental audit reports to NEMA and commissioning of expert agencies to carry out investigations and propose improvements to the existing environmental, health and safety practices.

There is no pending litigation pertaining to environmental issues.

5.9.6.2 Health and Safety Policies

Eveready has a health and safety policy and also has a Health and Safety Committee as required by the Safety and Health Committee Rules, 2004. The committee meets once a month. The committee investigates health and safety complaints and ensures that Eveready's policies on health and safety are adhered to. The committee also has a session with employees on health and safety issues once a month. New employees are required to go through an induction program referred to as New Employee Safety Training (NEST) and Safety Training Observation Program (STOP). Monthly departmental meetings are held to discuss and review the safety measures at the plant and these are led by supervisors.

5.9.7 Corporate Social Responsibility

Eveready is committed to contributing to the sustainable economic and social development of the local Nakuru community and the Kenyan community at large.

Over the years, the Company has participated actively, in several charitable causes, such as children and women's support groups, biased towards HIV/Aids, environment and wildlife conservation projects and junior achievement programmes and the recent famine relief exercise. The Company supports institutions such as Help Age Kenya, Heart to Heart Foundation, Kenya Society for the Blind, Palm House Foundation and Save a Life.

6. DIRECTORS AND EMPLOYEES

6.1 Board of Directors

6.1.1 **Details of Current Directors**

A summary of the company's directors details as at the date of the Prospectus is as follows:

NAME	AGE	NATIONALITY	ADDRESS	OCCUPATION	APPOINTMENT	STATUS
Naushad Merali (Chairman)	54	Kenyan	P O Box 49729 Nairobi	Business Executive	25th March 1988	Non-Executive
Steven G. Smith	55	American	P O Box 44765 Nairobi	Managing Director	26th March 1998	Executive
Natarajan Radhakrishnan	51	Indian	P O Box 58095, Dubai, UAE	Business Executive	24th May 2005	Non-Executive
Akif H. Butt	49	Kenyan	P O Box 40286 Nairobi	Finance Director	2nd July 1998	Non-Executive
Mirabeau Da Gama Rose	76	Kenyan	P O Box 40286 Nairobi	Advocate	20th July 1990	Non-Executive; Independent
ICDC	NA	Incorporated in Kenya	P O Box 45519 Nairobi	Investment company	9th January 1979	Non-Executive
ICDCI	NA	Incorporated in Kenya	P O Box 10518 Nairobi	Investment company	26th November 1993	Non-Executive

A brief profile on each of the directors is provided below.

Naushad Merali

Mr. Merali is a businessman and the Chairman and Chief Executive Officer of the Sameer 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 Network and Swift Global Limited. Mr. Merali has also served on various Presidential Committees relating to trade and social services. Directorships of companies listed on the NSE held by Mr. Merali include Sameer Africa Ltd, and Sasini Tea & Coffee Ltd.

Mr. Steven George Smith, Managing Director (American)

Mr. Smith holds a Bachelor of Science degree in Industrial Technology from East Carolina University, Greenville, North Carolina, USA. He has over 32 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. Mr. Smith is 55 years old. Mr. Smith does not hold any directorships in companies listed on the NSE.

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 of 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. Mr. Radhakrishnan does not hold any directorships in companies listed on the NSE.

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 Africa Region, Liberia and England. He joined the Sameer Group in 1989 and currently holds the position of Finance Director. He represents the interests of the Sameer Group on the boards of various companies and is actively involved as a member of the Audit Committee of Sasini Tea & Coffee Ltd, which is quoted on the NSE. .

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. Mr. Da Gama Rose does not hold any directorships in companies listed on the NSE.

A brief profile of ICDC and ICDCI is provided at section 2.6.

A list of other directorships of each of the directors is attached under Schedule I of this prospectus.

6.1.2 Alternate or proposed directors

There were no alternate or proposed directors as at the date of this Prospectus. However, it is the intention of the current Eveready Board to propose to shareholders that two additional directors be appointed at the first Annual General Meeting subsequent to the listing so as to increase the number of independent directors.

6.1.3 Director remuneration

In the financial year 2005, Mr. Butt, Mr. Da Gama-Rose, ICDC, ICDCI and Energizer each received KShs 395,500, while Mr. Merali received KShs 1,836,464. A summary of the total director's remuneration paid over the past 4 years are provided below:

KShs '000	**2002**	**2003**	**2004**	**2005**	**2006**
Fees	3,814	3,814	3,814	3,814	4,896
Other*	21,364	22,965	24,299	25,813	26,389
Total directors' remuneration	**25,178**	**26,779**	**28,113**	**29,627**	**31,285**

* This comprises the Managing Director's salary plus benefits and the Board chairman's car benefit.

Apart from Mr. Natarajan Radhakrishan whose remuneration as a director is paid directly to Energizer in accordance with the terms of his employment with Energizer, there are no and have not been any arrangements under which any other director has waived or agreed to waive future emoluments. The total emoluments receivable by the directors of Eveready will be not be varied as a consequence of the Offer.

6.1.4 Directors and managers loans

There are no outstanding loans due from any of the Company's current Directors or managers or any persons associated with the Directors or managers and the Company has not furnished any security for the benefit of any Director or manager or any associate of any Director or manager.

6.1.5 Criteria for appointment of Directors and suitability of Directors

The Company's Directors were appointed by the shareholders of Eveready in accordance with the Articles of Association and the Shareholders Agreement then in force.

None of the Directors has ever:

- had a petition under any bankruptcy laws pending or threatened against him;
- been involved in any criminal proceedings in which he was convicted with any criminal offence and no such proceedings are threatened against him in Kenya or elsewhere;
- been the subject of any ruling of a court of competent jurisdiction or any governmental body that permanently or temporarily prohibit such director from acting as an investment adviser or as a director or employee of a stockbroker, dealer or any financial service institution or engaging in any type of business practice or activity; and
- been declared bankrupt or has been a director, shareholder, or officer of an insolvent company and none of the directors are involved in any criminal proceedings.

6.2 Employee distribution

Employee changes over the past 5 years have mainly been in the plant and sales and marketing levels, due to production needs and promotional activities. Employee levels at other departments have remained fairly constant as indicated in the table below.

Table 6.1: Employee distribution

	2002	2003	2004	2005	2006
Plant	303	333	357	472	384
Distribution	20	23	23	21	17
Sales and Marketing	42	48	43	57	29
Finance & Administration	20	21	20	22	18
Total headcount	**385**	**425**	**443**	**572**	**448**

Source: Eveready

6.3 Senior management team and Company Secretary

A brief profile of the Company's senior management team and board secretary is as follows:

Mr. Abdel Fattah Bahig, Plant Manager (Egyptian)

Mr. Bahig holds a Bachelor of Mechanical Engineering (Power) degree from Assuit University. He has over 34 years of experience as an engineer and has worked for 26 years in the battery manufacturing industry. He joined Eveready in June 2005. He is 60 years old.

Shilpa Haria, Head of Finance (Kenyan)

Ms. Haria is a member of the Institute of Certified Public Accountants in Kenya and a Fellow of the Association of Chartered Certified Accountants. Ms. Haria has a wealth of experience in Auditing, Accounting, Financial Management and General Management spanning a period of over 20 years gained while working as an External Auditor and Senior Audit and Business Advisory Manager with PricewaterhouseCoopers, Financial Controller at the Aga Khan Hospital and Group Chief Finance Officer with the Kensta Group. She joined the Company in September 2005 as the Head of Finance. Ms. Haria is 45 years old.

Anthony Eulogius Muhindi, Head of Sales and Marketing (Kenyan)

Mr. Muhindi holds a Bachelor of Science degree from Moi University. He has over 10 years experience in Eveready in sales and marketing starting as a Territory Sales Supervisor and rising through the ranks to a managerial position. He has worked with Eveready since 2001 as the Sales and Marketing Manager. He is 37 years old.

Narmin Alnashir Kassam, Head of Human Resources and Administration (Kenyan)

Mrs. Kassam has approximately 30 years company service with Eveready. Starting as an Executive Secretary to the Managing Director, and providing personnel and administration services, she has risen through the ranks to a managerial position. She has worked as Head of Human Resources since 1992. She is 49 years old.

Mr. Issa Timamy, Company Secretary (Kenyan)

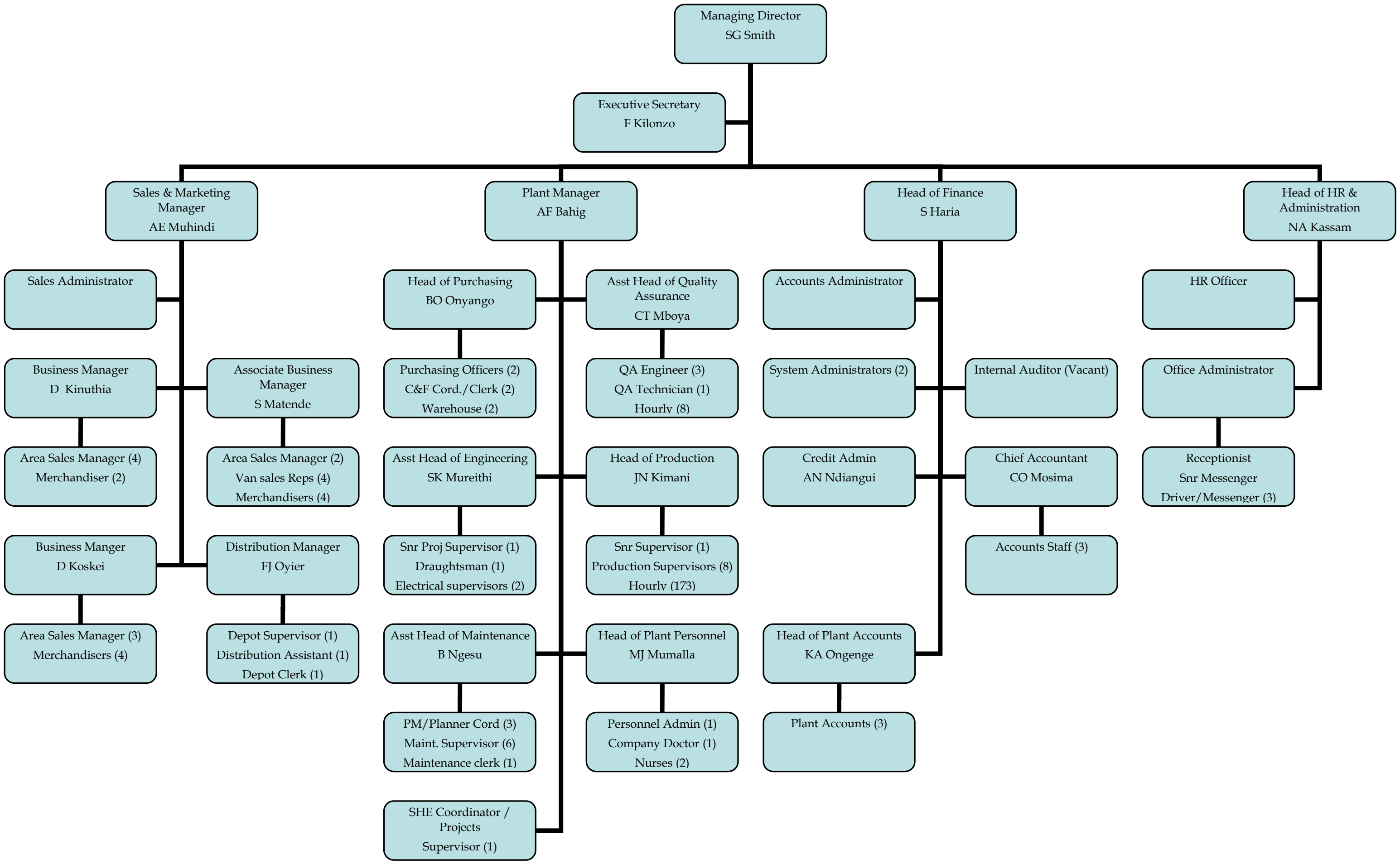
Mr I. A. Timamy has experience spanning over 18 years in Secretarial duties. He had undertaken secretarial work for Sasini Tea & Coffee Limited, Sameer Africa Limited and East Africa Cables Limited prior to his appointment as Company Secretary to Eveready in February 2006. Mr. Timamy who is a registered member of the Institute of Certified Public Secretaries of Kenya holds a Bachelor of Law degree from the University of Nairobi and is an advocate of the High Court of Kenya. Mr. Timamy is 46 years old.

None of the above managers has been declared bankrupt or has been a director, shareholder, or officer of an insolvent company and none of the above managers are involved in any criminal proceedings or have committed any serious offence that may be considered inappropriate for the management of a listed company.

No changes in the chief executive or senior management of Eveready have been planned or are expected within 24 months of the date of the Offer, unless such changes are required by and authorised by Eveready's Board or shareholders.

6.4 Organisation chart

The company's organisation chart is presented overleaf.



The organisation chart does not indicate the level within the organisation

7. FUTURE OUTLOOK

7.1 Industry

The Kenyan battery industry is relatively mature and growth is expected to come from a migration of consumers from the low to high-end market segments, in line with overall economic growth. Subsequently, growth is expected from the smaller alkaline market with marginal growth in the carbon zinc market.

Within the region, the Ugandan and Tanzanian markets still have capacity for growth given their relatively low penetration levels. Besides being driven by the economic growth in both countries, consumption levels will be driven by aggressive marketing and strong distribution networks, which are currently weak in both markets.

With improved regulatory policies and enhanced control of counterfeit products, it is expected that a level playing field will be created for all players. However, it is important to note that the manufacturers of imported brands are offered various subsidies, which enable them to aggressively price their products hence competition from these players is expected to remain high. Eveready is cognisant of this and intends to enhance its competitiveness by continuous reduction of production costs through focused investment in plant and equipment geared at improving production efficiencies.

7.2 Eveready

7.2.1 Cost cutting initiatives

Currently the Eveready plant is undergoing a major refurbishment. Refurbishment of machinery is a typical process carried out worldwide especially in Asia as it is cheaper than purchasing new machinery which is costly. Refurbishment typically will increase the life of the machinery by between 10-20 years depending on the type of machinery.

It is estimated that it will take about 3 years to complete the entire refurbishment exercise, which began in 2005. Following the refurbishment, the production efficiency is expected to increase, which will translate to reduced labour and maintenance costs.

7.2.2 Growth

Eveready has embarked on various strategies that will enable the Company retain and grow its share of the domestic and export markets. There is significant potential in the current export markets of Uganda and Tanzania with further opportunity to export to other regional countries such as Sudan, Rwanda and Ethiopia. The Company will leverage off its wide product base and strong brand name to sustain and grow its market share both domestically and regionally.

Given the expected continued economic growth in Kenya and the region, Eveready expects to fully leverage its market position to achieve volume growth as consumer spending power increases.

7.2.3 Working capital efficiency

The Company's working capital position is expected to improve through the implementation of stronger stock controls and negotiation of better terms of credit from its suppliers. Further, management plans to restructure part of the current overdraft facility into a term loan, which should improve the working capital position.

7.2.4 Distribution network

Eveready has a well-established network in Kenya, while regionally the Company is in the process of strengthening its distribution network. By working closely with the distributors and offering them various incentives, the Company will continue to ensure that its products are readily accessible to its consumers not only locally but also regionally.

8. RISK FACTORS

In addition to the other information contained in this Prospectus, the following risk factors and events require careful consideration in evaluating an investment in the Offer. These factors and events may have a material effect on the Company's business, operating results and financial position.

8.1.1 Economic Risk

As one of the leading suppliers of batteries in Kenya, Eveready's trading performance, along with other manufacturing entities is dependent upon a favourable economic environment and sustainable future economic growth. In the event that the Kenyan economy stagnates, the Company's profitability could be impacted negatively. In order to mitigate this risk, Eveready has broadened its geographic reach, and is focusing on growing its export market as this will enable it to withstand stagnation in any one market.

8.1.2 Political uncertainty

Kenya, like many developing countries is subject to certain political, economic and social events that may, individually or in combination, create risks for investors that may be more difficult to predict or measure than would be the case in certain developed economies.

The political situation in Kenya has changed over the past three years. The democratic gains made such as the peaceful transfer of power and acceptance of the referendum verdict in November 2005 provides a reasonable basis for a positive outlook.

8.1.3 Exchange rate risk

Exchange rate movement has an impact on the revenues from exports and the cost of imported raw materials. In the recent past, the Kenya Shilling has appreciated against most international currencies thereby reducing the cost of imported raw materials. When the shilling appreciates, exports suffer whereas the imports by the company become cheaper. Nonetheless, a strong shilling is more favourable to the Company as the larger portion of the Company's revenue is generated from its domestic market.

The Company manages exposure to currency risk by closely monitoring price fluctuations for Zinc which is its key raw material import on the London Metal Exchange and locking in prices when possible through futures contracts.

8.1.4 Raw material pricing

A key raw material is zinc, which is subject to price fluctuations and therefore can lead to high production costs eroding the Company's profitability. By purchasing most of its raw material through the centralized purchasing system, Eveready takes advantage of economies of scale hence lower pricing. In addition, the Company has developed hedging strategies to mitigate against increases in zinc prices.

8.1.5 Poorly enforced regulation

Counterfeits and cheap exports find their way into the market because of poorly enforced regulations, which enables these products to be priced cheaper and hence compete unfairly with Eveready products. Eveready works closely with all the stakeholders to address this issue and has made great strides in fighting off counterfeits.

On a long term basis, Eveready's strategy is to invest in the refurbishment of its plant and expand its use of lean production methods with a view to reducing unit production cost, which will continue to enhance its competitiveness in the face of increased competition from both legal and illegal imports. In addition, Eveready has introduced a full range of products that segment the market by performance and cost. This will allow the company to have products that consumers can use if price is the critical buying decision. The Company will also continue to work with governments in updating the legal framework to improve enforcement and will assist with the training of government officials in a manner that promotes enforcement of laws.

8.1.6 Reliance on domestic market

The domestic market has historically contributed approximately 85% of the Company's net revenue hence significant exposure to the Kenyan economic and political risks. Eveready, as mentioned earlier, is aggressively pursuing export markets to diversify its market reach and this will help mitigate the risk of reliance on the performance of a single economy.

8.1.7 Labour relations

Eveready has a high labour force as the plant is labour intensive and majority of these belong to the Union hence exposing the Company to the risk of labour unrest. Eveready has always been on amicable terms with the Kenya Chemical and Allied Workers' Union and has just recently signed a new Collective Bargaining Agreement.

8.1.8 Competition

Eveready is well positioned to deal with consumer changing device needs with its wide range of products. Eveready offers carbon zinc, alkaline, lithium and rechargeable batteries, thereby presenting the consumer a wide choice of products to choose from.

In addition, the Company has competitively priced high quality products that serve both the low and high end consumer markets. The products meet all international standards and comply with all safety, health and environmental requirements.

8.1.9 Occupational hazards

Eveready meets all the safety, health and environmental standards as defined by the Kenya government. Annual audits of operations are conducted to ensure that the Company's systems and employees understand and comply with safety, health and environmental regulations. In addition, the Company carries acceptable insurance coverage for any potential claims that may arise.

There are systems in place to handle emergency situation such as fire. Routine fire drills are carried out in addition to training employees on the use of fire equipment as well as the installation of additional water supplies on site.

8.1.10 Technological changes

EBC provides a complete line of battery systems to meet the changing needs of the consumer.

The Company currently uses equipment that is best suited for the East African battery market as defined by consumer demand for the "D" batteries, which represent over 75% of all battery sales in the region. However, with continuous tracking of consumer needs and patterns, the Company is able to plan for any future need for changes in technology.

In addition, EBC has undertaken to provide Eveready with all the information and technology relating to the latest best known production improvements and practices, in line with the OATS Agreement. The Company can also draw on EBC technology in the event of a shift in consumer needs and patterns.

8.1.11 Interest rate risk

The company's average overdraft utilization during the period ended 30 September 2005 was KShs 210 million. At 31 August 2006, the net indebtedness to the banks was KShs 154 million, being an amount within the agreed overdraft facility of KShs 250 million. To mitigate interest rate risk, management has instituted stronger controls over inventory and extension of better credit terms with suppliers resulting in a more favourable cash operating cycle. Furthermore, management plans to restructure some of the existing facilities into terms loans to match long term assets with long term finance

9. OTHER INFORMATION

9.1 General Extract from the Memorandum and Articles of Association

9.1.1 **Number of directors**

Article 90

Unless and until otherwise from time to time determined by an ordinary resolution of the Company, the number of Directors (excluding alternates) shall not be less than Three (3) nor more than Nine (9) in number. If at any time the number of Directors falls below the minimum number fixed by or in accordance with these Articles, the remaining Directors may act for the purpose of convening a general meeting or for the purpose of bringing the number of Directors to such minimum, and for no other purpose.

9.1.2 **Retirement and rotation of Directors**

Article 91

At the first Annual General Meeting of the Company following the adoption of these Articles and at the Annual General Meeting in every subsequent year one third of the Directors other than the Managing Director and any other Director being at the time in the employment of the Company or any of its Subsidiaries for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than one third shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day, those to retire shall (unless otherwise agreed amongst themselves) be determined by lot.

Article 92

Notwithstanding the provision of Article 91 above any Director who retires from office shall be eligible for re-election.

9.1.3 **Remuneration of Directors**

Article 95

The Directors shall be paid out of the funds of the Company by way of remuneration for their services such sums as the Company may from time to time by ordinary resolution determine and such remuneration shall be divided among them in such proportion and manner as the Directors may determine and, in default of such determination within a reasonable period, equally. Subject as aforesaid, a Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration. The Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board, or of committees of the Board, or general meeting, or which they may otherwise properly incur in or about the business of the Company.

Article 96

Any Director who by request performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.

9.1.4 **Share Qualification**

Article 97

Directors shall not be required to hold any share qualification but shall be entitled to receive notice of and to attend and speak at all General Meetings of the Company or at any separate meeting of the holders of any class of Shares of the Company.

9.1.5 **Powers And Duties Of Directors**

Article 103

The business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting the Company, and may exercise all such powers of the Company as are not, by the Act or by these Articles, required to be exercised by the Company in general meeting, and the exercise of the said powers shall be subject also to the control and regulation of any general meeting of the Company, but no resolution of the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been passed.

9.1.6 **Borrowing Powers**

Article 105

The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures, debenture stock, legal and equitable mortgages and charges and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

9.1.7 **Directors Interests in Contracts**

Article 109

a) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 200 of the Act.

b) A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser, or otherwise, or from being interested whether directly or indirectly in any contract or arrangement proposed to be entered into or in fact entered into by or on behalf of the Company; nor shall any such contract or arrangement in which any Director shall be so interested be avoided, nor shall any Director so contracting, or being interested, be liable to account to the Company for any profit realised by him from such contract or arrangement in which he shall be so interested by reason of such Director holding that office or the fiduciary relation thereby established.

c) A Director may vote as a Director in respect of any contract or arrangement in which he is interested (and if he shall do so, his vote shall be counted) and he may be counted for the purpose of any resolution regarding the same in the quorum present at the meeting.

d) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.

e) Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as Auditor to the Company.

f) A general notice given to the Directors by any Director to the effect that he is a member of any specified Company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made but no such notice shall be of effect unless either it is given at a meeting of the Directors or the Director takes reasonable steps to secure that it is brought up and read at the next meeting of the Directors after it is given.

Article 110

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

9.1.8 **Disqualification of Directors**

Article 113

The office of Director shall be vacated if the Director:

a) ceases to be or is prohibited from being a Director by virtue of any provision of the Act; or

b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or

c) becomes incapable by reason of mental disorder of exercising his functions as Director; or

d) resigns his office by notice in writing to the Company; or

e) is absent either in person or by his alternate, without the previous sanction of the Directors, for a period of more than Six months from meetings of the Directors held during such period and the Directors resolve that his office be vacated accordingly; or

f) is absent either in person or by his alternate for three consecutive meetings of the Directors

9.1.9 **Casual Vacancies**

Article 114

The Directors shall have power at any time, and from time to time, to appoint a person as an additional Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not exceed the maximum authorised by these Articles; but any person so appointed shall retire from office at the next following ordinary general meeting, but shall be eligible for election by the Company at that meeting as an additional Director but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

9.1.10 **Change in number of directors**

Article 115

The Company may from time to time by ordinary resolution increase or reduce the number of Directors.

9.1.11 **Removal of Directors**

Article 116

The Company may by ordinary resolution, remove any Director before the expiration of his period of office, and, without prejudice to the powers of the Directors under Article 114 hereof, may by an ordinary resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. Such power of removal may be exercised notwithstanding anything in these Articles or in any agreement between the Company and such Director but without prejudice to any claim such Director may have for damages for breach of contract of service between him and the Company.

9.2 General Extracts from the Articles of Association

9.2.1 Voting

Article 73

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

a) the chairman of the Meeting or

b) by any five Members present in person or by proxy or

c) by any member or members, present in person or by proxy and representing not, less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

Unless a poll is so demanded, a declaration by the chairman of the Meeting that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn at any time.

Article 74

If a poll is duly demanded, it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Article 75

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

Article 76

A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the Chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

Article 77

Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy or being a corporation, by a representative approved in accordance with Article 88, shall have one vote for each share of which he is the holder.

Article 78

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register.

Article 79

A member incapable by reason of mental disorder of managing and administering his property and affairs may vote, whether on a show of hands or on a poll, by his receiver, or other person authorised by any Court of competent jurisdiction to act on his behalf, and such person may on a poll vote by proxy.

Article 80

No member shall be entitled to be present at any General Meeting or to vote on any question either personally or by proxy or by a representative appointed in accordance with Article 88, at any General Meeting or on a poll or to be reckoned in a quorum whilst any l call or other sum shall be due and payable to the Company in respect of any of the shares held by him, whether alone or jointly with any other person

Article 81

No objection shall be raised to the qualification of any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

Article 82

On a poll votes may be given either personally or by proxy or by attorney or by a representative of a corporation appointed in accordance with Article 88.

Article 83

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a Corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company.

Article 84

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office or at such other place within Kenya as is specified for that purpose in the notice convening the meeting, not less than Forty-eight hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than Twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Article 85

An instrument appointing a proxy shall be in the following form, or in any other form of which the Directors shall approve:-

EVEREADY EAST AFRICA LIMITED

I/We,.., of ...., being a member/members of the above-named Company, hereby appoint ...., of.................... ...., or failing him ...., of ...., as my/our proxy to vote for me/us on my/our behalf at the Annual (or Extraordinary, as the case may be) General Meeting of the Company to be held on the ....day of ...., 20..., and at any adjournment thereof.

As witness my/our hand this..........day of ...., 20....

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

**Strike out whichever is not desired.*

Article 86

The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

<u>Article 87</u>

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or incapacity of the principal, revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, incapacity, revocation or transfer as aforesaid shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the proxy is used.

9.2.2 **Untraced Members**

<u>Article 89</u>

a) The Company may sell (in such manner and for such price as the Directors think fit) any shares or stock of a member or any share or stock to which a person is entitled by transmission if:

i. for a period of 6 years no cheque or warrant sent by the Company in the manner authorized by these Articles has been cashed and

ii. no communication has been received by the Company from the member, or any other person entitled, and during such period at least 3 dividends in respect of the shares or stock in question have been declared payable by the Company

iii. the Company has at the expiration of the said period of 6 years by advertisement in a newspaper having national circulation given notice of its intention to sell such share or stocks; and

iv. the Company has not during the period of 6 years preceding and 6 months after the advertisement received any information reasonably satisfactory to the Directors as to either of the actual whereabouts or of the actual existence of the member or entitled person; and

v. the company (if being then listed on a Securities Exchange) has given notice to the Security Exchange on which it is listed of its intention to make the sale.

b) To give effect to any such sale the Directors may appoint any person to execute as transferor an instrument of transfer of such shares or stock.

i. The instrument of transfer shall be as effective as if it had been executed by the registered holder of, or the person entitled by transmission to such shares or stock and the title of the transferee shall not be affected by any irregularity or invalidity of the proceedings.

ii. The net proceeds of the sale shall belong to the Company which shall be obliged to account to the member or other person entitled for an amount equal to the net proceeds (after deducting the expenses of the advertisement and transaction costs of the Company properly incurred) and the Company shall enter the name of the former member or other person in the books of the Company as a creditor for that amount.

iii. No trust shall be created in respect of the debt, no interest shall accrue or be payable in respect of it and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments as the Directors think fit.

iv. If after a further period of three years from the date of the instrument of transfer referred to above no claim has been made by the former member or person previously entitled to the net proceeds, the net proceeds shall become the absolute property of the Company and no person shall have any claim whatsoever against the company arising there from.

9.2.3 **Shares**

<u>Article 7</u>

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any shares except an absolute right to the entirety thereof in the registered holder.

Article 8

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine.

Article 9

The Company may by special resolution create and sanction the issue of Preference shares which are, or at the option of the Company are to be, liable to be redeemed, subject to and in accordance with the provisions of Section 60 of the Act. The special resolution sanctioning any such issue shall also specify by way of an addition to these Articles the terms in which and the manner in which any such Preference shares shall be redeemed.

Article 10

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed after a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be Two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or in the case of a corporation by a representative appointed in accordance with Article 88 may demand a poll.

Article 11

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

Article 12

Unless otherwise authorised by the Members in a General Meeting whenever the Directors propose to issue any Shares they shall offer them in the first instance to Members (other than preference shareholders not specifically entitled to them under the terms of issue of their preference Shares) in proportion as nearly as may be to the number of existing Shares held by them. Such offer shall be made by notice specifying the number of Shares to which the Member is entitled and limiting a time (not less than twenty-one days) within which the offer, if not accepted, will be deemed to be declined and, after the expiration of that time (if the offer is not accepted) or on the earlier receipt of an intimation from the Member to whom the offer is made that he declines to accept the Shares offered, the Directors shall offer such Shares to the other Members of the Company who have taken up the Shares originally offered to them in their entirety in proportion as nearly as may be to the number of existing Shares held by them and thereafter in the same manner to the Members who may desire to subscribe for Shares. The Directors may allot or dispose of, to such persons and upon such terms as they may decide, any Shares which have not been taken up by the existing Members at the end of such process and such Shares which by reason of the ratio which the number of Shares offered bears to the total number of existing issued Shares, cannot in the opinion of the Directors be conveniently offered under this Article.

Members shall only be entitled to receive, pursuant to the foregoing provision, shares of the same class as the class of shares then held by them immediately before such offer.

9.2.4 General Meetings

Article 61

The Company shall in each Year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the matter as such in the notices calling it. Not more than

Fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Annual and extraordinary general meetings shall be held at such times and places within Kenya as the Directors shall, from time to time, appoint.

Article 62

All general meetings other than annual general meetings shall be called extraordinary general meetings.

Article 63

The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitions, as provided by Section 132 of the Act. If at any time there are not within Kenya sufficient Directors capable of acting to form a quorum, any Director or any two members of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

9.2.5 Notice of General Meetings

Article 64

Every general meeting shall be called by Twenty-one days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from the Company.

Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called if it is so agreed:

a) in the case of a meeting called as the annual general meeting, by all members entitled to attend and vote thereat and otherwise in accordance with the provisions of Section 133(3) of the Act; and

b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than Ninety-five per cent (95%) in nominal value of the shares giving that right.

c) Provided always that if the Company shall then be listed on the Nairobi Stock Exchange a copy of such notice be sent to the Nairobi Stock Exchange at the same time as notices are sent to the shareholders.

Article 65

In every notice, calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead and that a proxy need not be a member.

Article 66

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

9.2.6 Proceedings at General Meetings

Article 67

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of declaring a dividend, sanctioning of dividends, the consideration of the accounts, balance sheets and the reports of the Directors and Auditors, the election of Directors in the place of those retiring (if any), and the appointment and the fixing of the remuneration of the Auditors.

Article 68

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; save as herein otherwise provided, Three members present in person or by proxy or represented in accordance with Article 88, together holding in aggregate not less than 40% of the issued share capital of the Company shall be a quorum. Provided that one Member holding the proxies of two or more Members shall not constitute a quorum.

Article 69

If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the meeting shall be dissolved.

Article 70

The Chairman, if any, or in his absence, the Deputy Chairman, if any of the Board of Directors shall preside as Chairman at every general meeting of the Company.

Article 71

If there is no such Chairman (or Deputy-Chairman) or if at any meeting, neither is not present within Fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as a Chairman, the Directors present shall choose someone of their number to be Chairman. If no Director is willing to act as Chairman or no Director is present within Fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their number to be Chairman of the meeting.

Article 72

The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for Thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

9.2.7 **Unclaimed dividends**

Article 141

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 6 years after having been declared or become due for payment shall (if the Directors so resolve) be forfeited and shall cease to remain owing by the Company.

9.3 Executive Director's service contract

The table below shows the details of executive directors' service contracts.

Name of Director	Name of Employing Entity	Date of Contract	Term	Notice Period	Benefits	Other details
Steven George Smith,	Eveready East Africa Limited	8 June 2006	Indefinite unless terminated by either party after giving sufficient notice	6 months	Usual benefits, including car, medical insurance, housing and pension.	There are no commission or profit sharing arrangements. There is no compensation payable on early termination.

All other directors of Eveready are non-executive directors and do not have any service contracts.

9.4 Directors and senior management business interest

ICDC and ICDCI, both directors of Eveready, own 52,227,000 shares and 21,259,000 shares respectively in Eveready.

Mr Naushad Noorali Merali and Mr Akif Butt are directors of East Africa Batteries Limited, which owns 107,124,000 shares in Eveready.

Mr N Radhakrishan is an employee of Energizer International Inc, which owns 29,390,000 shares in Eveready.

Mr. Steven G. Smith holds shares in EHI.

There has been no change in the above interests between 30th September 2005 and the date of publication of the prospectus save for the splitting of ordinary shares in the Company as set out in Section 2.5.1 above.

No other directors or senior managers of Eveready directly or indirectly own any beneficial interest in Eveready shares at the date of this Prospectus.

A list of other directorships and relevant business interests of each of the directors is attached under Schedule I of this prospectus.

None of the directors of Eveready have had any unusual or non-arms length dealings with Eveready during the current year or the preceding financial years.

9.5 Property and material assets acquired and disposed in the past 5 years

9.5.1 Properties owned by the Company

The following is a brief summary of the properties that the Company owns:

a) **<u>Title Number Nakuru/Municipality/Block 7/554</u>**

Tenure: Leasehold from the Government of Kenya for 99 years from 1st June 1967

User: Industrial Purposes

Area: 7.507 ha

There is a lease dated 7th April 2004 in favour of Celtel Kenya Limited (formerly Kencell Communications Limited), over a portion of this land, particulars of which are as follows:

Premises let: 22,692 sq. ft.

Term: 1st November 2000 to 31st October 2015

Rent: Initial - KShs 86,349/- monthly for the first year

Subsequent - 4% increase in the annual rent each year

Payment mode - annually in advance

b) Title Number Nakuru Municipality/Block 18/27

Tenure: Leasehold from the Government of Kenya for 99 years from 1st May 1977

Area: 0.2595 ha

This property is currently let to Parkman Kenya Limited (with furniture), for a term of 3 years from 2nd June 2004 at a monthly rent of KShs 30,265/-.

c) L.R. No. 214/329 - Muthaiga

Area: 1.20 acres

Tenure: Freehold

d) Nakuru Municipality/Block 11/46 (formerly L.R. 451/122/XXXV)

Tenure: Leasehold from the Government of Kenya for 99 years from 1st March 1951

Area: 0.7511 acres

e) Lease of Office Premises

The office premises of Eveready situated on the 5th Floor of Standard Building, Nairobi. Eveready occupies the head office by virtue of a signed letter of offer in respect of the premises dated 10th November 2004. Eveready is entitled to utilise the premises for a term of 5 years and 3 months from 1st December 2004 (now past). A formal lease is to be entered into on the terms set out in the letter of offer.

9.5.2 **Material assets acquired and disposed in the past 5 years**

Eveready has not acquired nor disposed any material asset within the past five years except for the following:

(a) sale of property Title Number Nairobi/Block 92/46 for Kenya Shillings Eighteen Million Four Hundred Thousand (KShs. 18,400,000.00) which sale was concluded in September 2006; and

(b) purchase of a motor vehicle for Kenya Shillings 12.9 million which was concluded in May 2006.

Although investing cash flows have been significant over the past 5 years, these largely represent consolidated cash flows for several asset acquisitions and disposals. With the exception of the above, most individual asset acquisitions and disposals during the period are below our threshold for materiality which is defined as KShs 5 million for a single item.

9.6 Material Agreements

9.6.1 Onerous covenants and default

Eveready has no material contracts with third parties, which have any onerous covenants. Eveready is not in default of any terms of any material contracts listed below.

9.6.2 Summary of material contracts

Eveready has not entered into any material contracts other than in the normal course of business

9.6.3 Summary of contracts with Related Parties

a) Trademark Licence Agreement dated 8th June 2006

Parties and execution

The Agreement is made between EBC and Eveready and is duly executed.

Licence

Under this Agreement, EBC has granted to Eveready the right to use the following specific trademarks: Eveready, Cat Device and Pakapower in relation to its products in Kenya, Tanzania (including Zanzibar), Uganda, Rwanda and Burundi.

The Agreement also allows for Eveready to purchase from EBC products manufactured by or on behalf of EBC for sale in the above territories.

Term and termination

The Agreement is for a period of 5 years renewable automatically for successive periods of 5 years unless 6 months notice of termination is given at the end of any one period.

EBC is also entitled to terminate the Agreement forthwith by notice if:-

- Eveready fails to make payment of any of its debts when due (unless such debts are genuinely disputed by Eveready) or if Eveready becomes insolvent;
- the Operational, Administrative and Technical Services Agreement between EBC and Eveready is terminated;
- Energizer, its holding company or any of its subsidiaries ceases to be a shareholder in Eveready; or

The other circumstances in which the Agreement may be terminated are:

a) any time after the first two years of the term, if any competitor with respect to any of the Eveready products designates or appoints a member to Eveready's Board of Directors or otherwise becomes involved in Eveready's business or either directly or indirectly acquires any degree or management or ownership control of Eveready, EBC may terminate the Agreement by giving not less than 6 months notice;

b) if the Government of Kenya should at any time restrain the remittance of fees or interest (in US$) either party may terminate the Agreement by giving to the other 120 days notice of termination; and

c) if either party has made a default under the Agreement, the other party may give notice of such default and if such default continues for a period of 90 days from the date of the notice, then the notifying party may terminate the Agreement by notice to the defaulting party

Fees

Pursuant to the provisions of this Agreement, Eveready is to pay EBC a licence fee of 1% of the net sales.

Governing Law

This Agreement is governed by the Laws of England.

b) Operational, Administrative and Technical Service Agreement dated 8th June 2006

Parties and Execution

This Agreement is entered into with EBC and is duly executed.

EBC's obligations

Under the terms of the Agreement EBC provides Eveready with the following:-

- Recruiting of Personnel
  - EBC is required to recommend to Eveready personnel for the positions of the Managing Director or if none the Chief Executive Officer, Plant Manager, head of quality control and Marketing Manager. It is provided that such personnel shall be subject to the prior approval of Eveready's Board of Directors and the approval is not to be unreasonably withheld. The seconded employees will be deemed to be employees of Eveready and shall report to the directors of Eveready. Their employment will be subject to the policies and directives of Eveready in the performance of their duties.
  - Eveready is required to pay the seconded personnel salaries and reimburse EBC for expenses and allowances including housing, utilities, schooling, airline tickets and relocation costs in accordance with EBC's conditions for its internationally employed personnel.
  - Eveready has a right to terminate the employment of any seconded employee if the seconded employee is not suitably qualified or is not conducting his duties properly.
  - EBC has undertaken to indemnify Eveready for any damages or losses arising directly from any wilful act or omission of gross negligence or misconduct by any seconded personnel except that resulting from any direction given by a third party other than EBC.
- Technical Services

  EBC is required to assist Eveready in the purchase of all machinery, equipment, spare parts, supplies and raw materials from foreign sources. EBC undertakes vendor qualification in respect of the quality and ability, arranges shipping at lowest costs and fastest services, provides follow-up services for special machinery and spares, provides emergency purchasing services and sources alternative suppliers in case of supply interruption.
- Training

  EBC is required to provide technical, engineering and managerial training for a reasonable number of employees of Eveready. The training may be provided abroad or locally.
- Information and Technology

  EBC has undertaken to provide Eveready with all information and technology (including patents and know-how) to enable it to manufacture and sell the products in the territory. The information and technology, including any patents and know-how are to remain the exclusive property of EBC. Eveready on its part is required to notify EBC and grant it free of charge a licence on all new developments and improvements relating to the patents or know-how and other information and technology furnished by EBC to Eveready.

Fees

Eveready is required to pay monthly, to EBC an aggregate fee of 5% of net manufactured sales for services in respect of the technical services.

Term

The Agreement is provided to run for five (5) year-periods, which are automatically renewed for periods of five (5) years unless at least six (6) months notice of termination is given at the end of any one period. EBC is also entitled to terminate the Agreement forthwith by notice if:-

- if Eveready fails to make payment of any of its debts when due (unless such debts are genuinely disputed by Eveready) or if Eveready becomes insolvent;
- the Trademark Licence Agreement between EBC and Eveready is terminated;
- if Energizer or any of EBC's subsidiaries ceases to be a shareholder in Eveready; or

The other circumstances in which the Agreement may be terminated are:

a) any time after the first two years of the term, if any competitor with respect to any of the Eveready products designates or appoints a member to Eveready's Board of Directors or otherwise becomes involved in Eveready's business or either directly or indirectly acquires any degree or management or ownership control of Eveready, EBC may terminate the Agreement by giving not less than 6 months notice;

b) if the Government of Kenya should at any time restrain the remittance of fees or interest (in US$) either party may terminate the Agreement by giving to the other 120 days notice of termination; and

c) if either party has made a default under the agreement, the other party may give notice of such default and if such default continues for a period of 90 days from the date of the notice, then the notifying party may terminate the Agreement by notice to the defaulting party.

<u>Product Liability and indemnity</u>

The Agreement provides that EBC will indemnify Eveready against all claims related to defective products manufactured by Eveready arising directly out of any wilful act or omission of gross negligence or misconduct of EBC. Eveready is however required to maintain product liability insurance for an amount equivalent to US$ 3 million, which is currently in place.

<u>Governing Law and jurisdiction</u>

The Agreement provides that any dispute resolution shall be by way of arbitration in London, England under the International Arbitration Rules of the London Court of Arbitration. Apart from this, the Agreement is governed by the Laws of Kenya.

c) <u>Banking Facilities with Commercial Bank of Africa Limited.</u>

Eveready has been availed banking facilities by Commercial Bank of Africa Limited as more particularly set out in section 5.7.5.2.

9.7 Material Litigation

Following are details of material litigation in which the Company is involved in.

9.7.1 Claims in relation to occupational health

A number of claims have been filed against Eveready by former employees claiming that they suffered various forms of ailments in the course of their employment.

a) Nakuru High Court Civil Case Number 244 of 2002 (Now Court of Appeal - Civil Appeal Number 281 of 2004) - Simon Kinyua –v- Eveready

<u>Material Facts</u>

The plaintiff claims to have contracted Upper respiratory hypersensitivity among other illnesses as a result of exposure to chemical fumes and dust at Eveready's factory. The plaintiff is claiming special damages for past and future medical expenses, general damages, costs and interest.

The court delivered its judgment on the 6th April 2004 awarding the plaintiff Kenya shillings 4,327,872/- in damages, costs and interest at court rates. The court found Eveready 100% liable for injures sustained by the plaintiff for failing to provide the plaintiff with protective garments while engaged at the factory.

Eveready's has lodged an appeal which is to be fixed for hearing in February 2007.

The claim is being met in full by the insurers of Eveready who have already provided a bank guarantee for the full decretal sum plus all attendant costs.

b) Nakuru High Court Civil Case Number 143 of 2003 - Juma Lukale Olutali -v- Eveready

Material Facts

The plaintiff claims to have been employed by Eveready and retired from his employment on medical grounds in February 2003.

The plaintiff claims to have contracted allergic rhinitis and sinusitis, obstructive lung disease among other illnesses as a result of exposure to chemical fumes and dust at Eveready's factory.

The hearing has commenced.

The suit is being defended by the insurers of Eveready as they are liable to indemnify the claim fully should any award be made ultimately.

c) Nakuru High Court Civil Case Number 185 of 2002 - Benjamin Romoka -v- Eveready

Material Facts

The plaintiff claims that he contracted Bronchitis, total blindness and brain damage due to exposure to depolarized chemical fumes, vapours and excessive heat.

The claim is for special damages of KShs 188,000 together with general damages, costs and interest.

The plaintiff's employment record reveals that the plaintiff was not employed in an area where he could have been exposed to the chemicals as alleged.

The hearing has commenced.

The suit is being defended by the insurers of Eveready as they are liable to indemnify the claim fully should any award be made ultimately.

d) Nakuru Chief Magistrate's Civil Case Number 1958 of 2002 - Dickson Asena Kibitu -v- Eveready

Material Facts

The plaintiff claims to have been exposed to fumes, chemical vapours and dust as a result of which he contacted occupational bronchitis.

The plaintiff retired on 30/10/02 and was paid his dues of KShs 155,124. He signed a discharge in full and final settlement of all claims against Eveready.

The hearing has commenced.

The suit is being defended by the insurers of Eveready as they are liable to indemnify the claim fully should any award be made ultimately.

e) Nakuru High Court Civil Case Number 253 of 2002 - Jane Julieta Wangechi Mugo on behalf of James Nyaga Mwangi -v- Eveready

Material Facts

It is claimed that the plaintiff was employed at Eveready's factory and suffered from occupational Bronchitis resulting to his death.

The hearing has commenced.

The suit is being defended by the insurers of Eveready as they are liable to indemnify the claim fully should any award be made ultimately.

Considering that Eveready is involved in the manufacturing industry it is expected that claims of this nature will arise from time to time. However, the Company has always endeavoured to make the working environment safe for its employees. The Company has an industrial hygiene monitoring programme which audits various areas to ensure the safety of its employees.

In addition, the Company has in place an Employers liability insurance policy which covers liability for injury to employees arising out of or in the course of employment. The limit of liability for any one employee is KShs. 4,000,000. The maximum annual payout is limited to KShs 100 million.

The lawyers for Eveready have advised that in their opinion, Eveready has a good chance of success in most of the claims and accordingly, no contingent liability has been set aside for the claims.

9.7.2 Employment Claims

a) High Court Civil Case Number 255 of 2002 - Festus Mutua and 51 others -v- Eveready

The plaintiffs claim that Eveready failed to remit the NSSF and NHIF deduction to the respective statutory bodies and that their employment was unlawfully terminated in January 2002 and further that they were not paid 1 month's salary in lieu of notice and leave allowance.

The plaintiffs are seeking general damages for breach of contract and the costs of the suit. The claim for special damages is quantified as KShs 56,928,743.30

The hearing of the matter has commenced

The defence taken by Eveready is that the plaintiffs were employed on casual basis and therefore not entitled to the relief sought. Eveready's lawyers are of the opinion that the plaintiffs are unlikely to succeed in their claim for the following reasons:-

i) the Plaintiffs do not have sufficient documentary evidence to support their claims;

ii) the Plaintiffs cannot sue for statutory deductions such as NHIF and NSSF in any event; and

iii) the claim is considerably weakened as the passage of time compromises the Plaintiffs ability to present cogent evidence particularly documentary evidence, which they appear not to have had in the first place.

b) Nakuru High Court Civil Case Number 98 of 1995 - Lawrence Mokaya and 30 others –v- Eveready

The plaintiffs' claim is for non payment of terminal benefits amounting to Kenya Shillings 79.5 million against Eveready together with provident fund payments.

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Eveready's lawyers are of the opinion that the plaintiffs are unlikely to succeed in their claim for the following reasons:-

i) Eveready's provident fund is administered by the Trustees of the fund and who have not been joined as a party to the suit;

ii) there is evidence that the provident fund monies were paid to the plaintiffs;

iii) in part they are claiming a wage increase effected in 1995, two years after their voluntary retirement; and

iv) they have failed to state their claim in the Plaint which fact alone is sufficient to dispose of the suit as a non-starter.

c) Simon Hinga and 49 others

A demand was made on Eveready on 4th June 2004 by the claimants who claim to have been employees of Eveready and they claim unpaid salary and other benefits which amount to Kenya Shillings 26,166,453.48/- .

Eveready claims that the claimants were employed on casual basis and are not entitled to the claims made.

Nothing has been heard from the claimants' advocates and it is doubtful if the claim will be pursued.

As the lawyers for Eveready have advised that in their opinion, these claims will be dismissed by the courts and accordingly, no contingent liability has been set aside for these claims.

9.7.3 **Miscellaneous commercial claims**

a) Nairobi High Court Civil Case Number 579 of 2002 - Mechanical Assembly Systems Limited V Eveready

The plaintiff filed suit to restrain Eveready from infringing its utility model to be used for the manufacture of batteries, for a mandatory injunction to compel Eveready to deliver up the labelling machine and general damages for the infringement.

The injunction application was dismissed by the court on the basis that the plaintiff did not establish that it had registered the invention under the Industrial Property Act.

An application has been made to have the suit dismissed as the plaintiff has failed to take any further action since 25th March 2003.

b) High Court Civil Case Number 852 of 2004 - Eveready –v- Kamba Wholesalers Distributors Limited

Eveready has filed suit against the partners of Kamba Wholesalers Distributors Limited on the basis of a distributorship agreement dated the 2nd October 1987 for the price of goods delivered to the defendant and which have not been paid. The claim is for Kenya Shillings 5,981,774/- together with interest and costs of the suit.

Judgement has been given against one partner and judgment is being pursued against the other partners.

c) Bankruptcy Cause No. 17 of 2002 – In the matter of Robert N. Muruthi and Bankruptcy Cause No. 18 of 2002 - In the matter of David Thuita Muruthi

Eveready filed suit against Robert N. Muruthi and David Thuita Muruthi for a sum of KShs 7,720,000/-.

The debtors' advocates had given an undertaking to pay this amount in full but they have failed to honour their undertaking. The parties are negotiating a settlement failing which the advocates' professional undertaking will be enforced.

Apart from the case listed under a), the other two involve claims by Eveready for monies due to it from its customers. Eveready has fully provided for the said two claims though it has now started receiving some payment towards settlement of the said claims.

9.8 General information

- There are no founders' management or deferred shares in the capital of the Company.
- The share capital of the Company is not divided into different classes of shares and all shares carry equal rights.
- There is no un-issued share or loan capital of the Company under option or agreed conditionally or unconditionally to be put under option.
- No share or loan capital of the Company has been issued to the public or otherwise within the period since incorporation of the Company or is now proposed to be issued, fully or partly paid for consideration other than cash.
- No commission, discount, brokerage or other special terms have been granted by the Company within the periods since incorporation in connection with the issue or sale of any share or loan capital.
- Currently, there are no un-issued shares in the Company.
- There is no contractual arrangement with any controlling shareholder.
- There is no power enabling the Directors, in the absence of an independent quorum, to vote remuneration to themselves.
- The Company does not intend to carry on any other businesses in future save for the current business.
- Except as disclosed in section 9.6.3 of this prospectus, there is no inter-company finance.
- Save for salaries and benefits received by the Directors of the Company under Service contracts, no amount of benefit has been paid or given within the two preceding years, nor is intended to be paid or given to any promoter.
- Except as disclosed in section 9.7 of this prospectus, there is no material litigation nor claims of material importance pending or threatened against the Company.
- PricewaterhouseCoopers have been the Company's Auditors during the past two years.

9.9 Expenses of the offer

The costs of the Listing and Offer are estimated at KShs 42 million, on the assumption of the Offer Price and full subscription of the Offer. A summary of these costs is provided below.

Cost component	Company	Vendors	Total
Approval and listing fees	2,160,000		2,160,000
Transaction team advisory fee	5,000,000	5,000,000	10,000,000
Legal fee	1,000,000		1,000,000
Stockbrokerage fees	-	4,020,000	4,020,000
Placement fees	-	6,300,000	6,300,000
Agency fees	-	1,800,000	1,800,000
Advertising and marketing	-	8,000,000	8,000,000
Share registration services	2,420,775	-	2,420,775
Printing and distribution of prospectus	2,000,000	2,000,000	4,000,000
Sub-total	**12,580,775**	**27,120,000**	**39,700,775**
Disbursement and contingency	629,039	1,356,000	1,985,039
Total	**13,209,814**	**28,476,000**	41,685,814

The Company will only be responsible for approximately KShs 13 million of the total Offer and Listing costs.

9.10 Documents available for inspection

For a period of not less than five working days from the date of the Prospectus, or for the duration of the Offer to which the Prospectus relates, if longer, the following documents, or copies thereof, will be available for inspection, during normal business hours, at Eveready's registered office, 5th Floor, Standard Building, Standard Street, Nairobi:

- The memorandum and articles of association of Eveready
- Copies of any special or ordinary resolutions amending the memorandum and articles of association or the company's share capital within the last five years;
- Copies of the material contracts set out in section 9.6.2, above;
- Directors' service contracts and letters of appointment of senior managers;
- The audited accounts (including all notes, reports or information required by the Companies Act) for the Company for the year ended 30th September 2005 and for the preceding 4 years;
- The audited interim accounts for the Company for the period ending 31 March 2006;
- The property, plant and equipment valuations as at 31 March 2006;
- The written consent of the reporting accountants to the publication of their reports dated 3 October 2006, the texts of which are included in Section 12, and references thereto, in the form and context in which they appear in the prospectus;
- The legal opinion, which is included in Section 13;
- The written statement, signed by the reporting accountants as required by Section 42 of the Companies Act;
- The written consents of the transaction advisers, legal advisers, reporting accountants and joint-lead sponsoring stockbrokers named in this prospectus to act in those capacities;
- The approval of the CMA relating to the offer and the listing; and
- The admission by the NSE relating to the listing.

10. DIRECTORS' DECLARATION

The Directors of Eveready, whose names appear on section 6.1 of the Prospectus, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with facts and does not omit anything that is likely to affect the import of such information.

11. PROSPECTIVE FINANCIAL INFORMATION

03 October 2006

The Directors
Eveready East Africa Limited
P O Box 44765 00100
Nairobi

Dear Sirs,

PROSPECTIVE FINANCIAL INFORMATION FOR THE TWO YEARS ENDED 30 SEPTEMBER 2006 TO 30 SEPTEMBER 2007

We have examined the projections on pages 1 to 6 for the years ending 30 September 2006 and 30 September 2007 in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information. Management is responsible for the projections including the assumptions set out in Note E on which it is based.

The projections have been prepared for purposes of the proposed Initial Public Offering of shares of Eveready Limited. The projections have been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that the projections may not be appropriate for purposes other than that described above.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the projections, assuming that the hypothetical assumptions referred to on page 5 to 6 do occur. Further, in our opinion the projections are properly prepared on the basis of the assumptions and are presented in accordance with International Financial Reporting Standards.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projections since other anticipated events frequently do not occur as expected and the variation may be material.

Yours faithfully,

EVEREADY EAST AFRICA LIMITED

A PROFIT FORECAST FOR YEARS ENDING 30 SEPTEMBER 2006 AND 2007

	2006 (6 Months to March 2006) (Actual) Shs'000	2006 (12 Months) (Projected) Shs'000	2007 (12 Months) (Forecast) Shs'000
SALES	991,401	2,063,482	2,720,425
Cost of sales	(690,753)	(1,499,996)	(2,006,450)
GROSS PROFIT	300,648	563,486	713,975
Other operating income	3,080	21,664	4,130
Selling expenses	(59,649)	(107,800)	(138,202)
Administrative expenses	(133,256)	(244,883)	(298,823)
OPERATING PROFIT	110,823	232,467	281,080
Finance (cost)/expense	(7,055)	(19,964)	(29,376)
PROFIT BEFORE INCOME TAX	103,768	212,503	251,704
Income tax expense	(32,208)	(65,663)	(76,712)
Net profit for the period/year	71,560	146,840	174,992

EVEREADY EAST AFRICA LIMITED

B PROSPECTIVE BALANCE SHEET FOR YEARS TO 30 SEPTEMBER 2007

	2006 (6 Months to March 2006) (**Actual**)	2006 (12 Months) **(Projected)**	2007 (12 Months) **(Forecast)**
	Shs'000	Shs'000	Shs'000
CAPITAL EMPLOYED			
Share capital	210,000	210,000	210,000
Retained earnings	138,671	103,821	147,569
Shareholder's funds	348,671	313,821	357,569
Non-current liabilities	108,177	100,018	118,026
	456,848	413,839	475,595
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	108,869	150,405	186,913
Prepaid operating lease	369	366	359
Deferred tax	32,912	27,618	22,818
Retirement benefit asset	11,774	11,774	11,774
	153,924	190,163	221,864
Current Assets			
Inventories	526,320	528,697	642,513
Receivables	126,151	216,604	250,861
Tax	16,019		-
Cash and bank balances	3,151	2,500	2,500
	671,641	747,801	895,874
Current Liabilities			
Payables and accrued expenses	145,594	228,527	273,658
Current income tax	-		5,140
Dividends	-	110,130	131,244
Borrowings	223,123	185,468	232,101
	368,717	524,125	642,143
Net current Assets	309,924	223,676	253,731
	456,848	413,839	475,595

EVEREADY EAST AFRICA LIMITED

C CASH FLOW FORECAST FOR YEARS ENDED 30 SEPTEMBER 2007

	2006	2006	2007
	(6 Months to March 2006)	(12 Months)	(12 Months)
	(Actual)	**(Projected)**	**(Forecast)**
	Shs'000	Shs'000	Shs'000
Operating activities			
Cash generated from operations	136,541	231,817	220,616
Interest received	18	54	24
Interest paid	(12,562)	(24,052)	(24,000)
Income tax paid	(56,863)	(69,,005)	(66,772)
Net cash generated from operating activities	67,134	138,814	129,868
Investing activities			
Purchase of property & equipment	(25,809)	(84,060)	(68,921)
Proceeds on disposal of property	2,402	25,977	2,550
Net cash used in investing activities	(23,407)	(58,083)	(66,371)
Financing activities			
Dividends paid	-	-	(110,130)
Net cash used in financing activities	-	-	(110,130)
(Decrease)/increase in cash and cash equivalents	43,727	80,731	(46,633)
Movement in cash & cash equivalents			
At start of year/period	(263,699)	(263,699)	(182,968)
(Decrease)/increase	43,727	80,731	(46,633)
At end of year	(219,972)	(182,968)	(229,601)

D STATEMENT OF PROJECTED CHANGES IN EQUITY

FOR YEARS ENDED 30 SEPTEMBER 2007

	Notes	Share capital Shs'000	Retained Earnings Shs'000	Total Shs'000
2006				
At start of period		210,000	67,111	277,111
Net profit for the period		-	146,840	146,840
Dividends proposed			(110,130)	(110,130)
At end of period		210,000	103,821	313,821
		=======	=======	========
2007				
At start of period		210,000	103,821	313,821
Net profit for the period		-	174,992	174,992
Dividend proposed		-	(131,244)	(131,244)
At end of period		210,000	147,569	357,569
		=======	=======	========

E KEY ASSUMPTIONS UNDERLYING THE FORECAST FOR YEARS ENDING 30 SEPTEMBER 2006 AND 2007

E1 HYPOTHETICAL ASSUMPTIONS

E1.1 The Kenya Shilling exchange rate has remained relatively stable over the past six months averaging at around KShs 73 to the US Dollar and is likely to remain at this level for 2006. We expect the rate to depreciate by 2% in 2007 to KShs 75 to the US Dollar.

E1.2 Price of zinc, which constitutes a significant component of the product cost, is not expected to exceed US$ 3,542 per metric tonne. This is based on the London Metal Exchange projections.

E1.3 The current level of economic growth will continue, with the GDP growth rate expected to exceed population growth.

E1.4 Corporation tax will be paid at the rate of 30%.

E2 MANAGEMENT ASSUMPTIONS

E2.1 Sales volumes for 2006 for the Company's main product will be at 81% of 2005 volumes (143,650,000), 71% of which had been achieved in the 11 month-period to 31 August 2006. The decline in volumes was occasioned by the drought, which had a negative impact on consumer purchasing power. The drought occurred in the first quarter of the Company's financial year, which is, historically, the peak period in the sales cycle.

2007 is expected to be a year of recovery for the Company's main product, with volumes almost at 2005 levels. This recovery in volumes is based on the assumption that the 2006 exceptional events will not recur. In addition, there will be a price increase to counter the effects of inflation and increase in input costs.

E2.2 Gross margins are expected to decline slightly at 27.3% for 2006 (2005: 28.7%) and the gross margin for 2007 is expected to further decline to 26.2%. The decline in both years is due to the increase in all the major raw material prices, in particular, zinc. The decrease however, is offset to an extent by production efficiencies at the plant which are being achieved by containing costs as well as the continued refurbishment of plant machinery and equipment.

E2.3 Expenses as a proportion of sales are estimated at 17.1% in 2006 (2005: 16.4%) and 16.1% in 2007. The significant increase in 2006 is as a consequence of one off expenses including; environment project costs of KShs 9 million in relation to the closure of the soak pits and costs related to this offer for sale amounting to KShs 8.5 million. 2007 includes expenses related to this offer for sale amounting to KShs 6.5million and expenses associated with being a public company amounting to KShs 7.5million.

E2.4 Dividend payout is intended to be at 75% of net profit after tax.

E2.5 The projected capital expenditure is KShs 84 million and KShs 68 million for 2006 and 2007 respectively. The expenditure largely goes towards the refurbishment of the plant machinery and equipment and replacement of the sales and distribution fleet. The refurbishment of plant and equipment is expected to deliver enhanced production efficiencies that will enable Eveready maintain its gross margins in a competitive environment where prices increases are not commensurate with increases in raw material prices.

E2.6 Continuous management of working capital through management interventions such as:

- Hedging against prices increases for certain raw materials by holding hedging stocks, or increasing frequency of orders and reducing reorder quantities in times of declining raw material prices;
- Shortening lead times for raw materials through better sourcing (South Africa as opposed to South East Asia); and

- Negotiating better terms with suppliers; open account terms as opposed to L/C at sight and payment against documents.

Statement of Fact

We have received representations from management that the big rise in other income on the Profit and Loss statement for year 2006 relates to the confirmed sale of the company property. Management represents that the agreed sale price is for a sum of KShs 18.5 million and KShs 16.65 million has already been received

12. REPORTING ACCOUNTANT'S REPORT

03 October 2006

The Board of Directors
Eveready East Africa Limited
P O Box 44765, 00100
Nairobi

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON EVEREADY EAST AFRICA LIMITED
(formerly, EVEREADY BATTERIES KENYA LIMITED)

We report hereunder on the results of Eveready East Africa Limited in respect of each of the five and a half financial years ended 31 March 2006 and on the assets and liabilities at 31 March 2006 being the date to which the last audited financial statements were prepared.

PricewaterhouseCoopers acted as auditors of the company for the five and a half year period to 31 March 2006.

Other than as stated in our Accountants' Report, we have not audited any other information relating to Eveready East Africa Limited.

During the year ended 30 September 2004, the company changed its name from Eveready Batteries Kenya Limited to Eveready East Africa Limited. The change of name was certified by the Registrar of Companies on 30 September 2004.

During period ended 30 September 2001 the company changed its year end from 31 August to 30 September. Consequently, the results for the period ended 30 September 2001 cover a 13 month period.

A INTRODUCTION

The financial information set out in this report is compiled by reference to the audited financial statements of Eveready East Africa Limited for the five and a half years ended 31 March 2006. The annual financial statements of Eveready East Africa Limited have received unqualified audit reports throughout the period covered by this report. Where necessary, prior years' figures have been adjusted to conform to changes in presentation in 2006.

B COUNTRY OF INCORPORATION AND PRINCIPAL ACTIVITIES

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
P O Box 44765, 00100
Nairobi, Kenya

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

C CURRENCY

The financial statements are expressed in Kenya Shillings Thousands (KShs '000).

D DIRECTORS' RESPONSIBILITY

The directors of Eveready East Africa Limited are responsible for the preparation of the prospectus to be issued on …………… 2006 and all information contained therein and for the financial statements and financial information to which this Accountants' report relates and from which it has been prepared. Our responsibility is to complete the financial information set out in our report from the audited financial statements.

E ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standard (IFRS). The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Adoption of new and revised standards

In 2005 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; and
- IAS 24 (revised 2003) has affected the identification of related parties and other related party disclosures.

b) Revenue recognition

Sales are recognized upon delivery of products, and are stated net of Value Added Tax (VAT) and discounts.

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

c) Foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at the rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the balance sheet date. The resulting differences from conversion and translation are dealt with in the income statement in the year in which they arise.

d) Income tax

Current income tax is the amount of income tax payable on the 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.

E ACCOUNTING POLICIES (continued)

e) Dividends

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

f) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

g) Depreciation

Depreciation is calculated on the straight line basis at annual rates estimated to write down the cost of each asset to their residual values over their estimated useful life as follows:

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

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

h) Accounting for leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and are stated at historical cost less accumulated amortisation and impairment losses. Annual amortisation is charged on a straight line basis, over the remaining period of the lease.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis for raw materials and imported finished goods and on a First-In, First-Out (FIFO) method for manufactured finished goods and work in progress. The cost of manufactured finished goods and work in progress comprises raw materials, director 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. Provision is made for obsolete, slow moving and defective inventories.

j) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company has become party to the contractual provisions of the instrument. Specific accounting policies adopted by the group for its financial instruments outstanding at the balance sheet date are set out as follows:

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 income statement.

E ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Payables

Payables are carried at cost, which is measured at the fair or contractual value to be paid in respect of goods or services supplied to the company, whether billed or not.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are recognised in the income statement in the period in which they are incurred.

k) 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 11.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. These rates used are set out in Section E part(g) 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.

l) Employee entitlements

(i) Retirement benefit obligations

The company operates a defined benefit scheme for its employees. The assets of the scheme are held in a separate trustee administered fund, which is 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 income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses are recognised over the average remaining service lives of the employees.

(ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

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

E ACCOUNTING POLICIES (continued)

m) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its financial assets, tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount. Impairment gains that represent reversal of losses previously recognized in relation to a certain asset are captured as income. All other gains are not recognized.

Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the market reassessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

EVEREADY EAST AFRICA LIMITED
(formerly, EVEREADY BATTERIES KENYA LIMITED)

F INCOME STATEMENTS FOR THE FIVE YEARS ENDED 30 SEPTEMBER 2005 AND SIX MONTHS TO 31 MARCH 2006

	Note	2006 (6 months) Sh'000	2005 (12 months) Shs'000	2004 (12 months) Shs'000	2003 (12 months) Shs'000	2002 (12 months) Shs'000	2001 (13 months) Shs'000
SALES		991,401	2,244,635	1,917,445	1,583,291	1,785,888	2,007,476
Cost of sales		(690,753)	(1,600,365)	(1,322,349)	(1,041,190)	(1,090,831)	(1,239,482)
GROSS PROFIT		300,648	644,270	595,096	542,101	695,057	767,994
Other operating income/(expenses)		3,080	2,668	2,564	4,843	2,146	(926)
Selling expenses		(59,649)	(137,391)	(117,502)	(145,089)	(166,961)	(185,039)
Administrative expenses		(133,256)	(229,895)	(206,191)	(182,695)	(203,722)	(206,220)
OPERATING PROFIT	1	110,823	279,652	273,967	219,160	326,520	375,809
Finance (costs)/income	3	(7,055)	(10,289)	(7,579)	(10,582)	2,001	12,238
PROFIT BEFORE INCOME TAX		103,768	269,363	266,388	208,578	328,521	388,047
Income tax expense	4	(32,208)	(82,428)	(76,553)	(65,826)	(127,918)	(119,948)
Net profit for the period/year		71,560	186,935	189,835	142,752	200,603	268,099
EARNINGS PER SHARE							
Basic and diluted	5	341	890	904	680	955	1,277
DIVIDENDS PER SHARE	5	-	739	884	644	3,055	1,691

G BALANCE SHEETS

	Note	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
CAPITAL EMPLOYED							
Share capital	6	210,000	210,000	210,000	210,000	210,000	210,000
Retained earnings		138,671	67,111	35,366	31,171	23,659	464,606
Shareholders' funds		348,671	277,111	245,366	241,171	233,659	674,606
Non-current liabilities							
Provision for liabilities	7	108,177	100,018	81,909	70,670	53,275	49,054
		456,848	377,129	327,275	311,841	286,934	723,660
REPRESENTED BY:							
Non-current assets							
Property, plant and equipment	8	108,869	94,545	87,898	97,368	102,585	126,336
Prepaid operating lease rentals	9	369	373	380	388	396	404
Deferred income tax asset	10	32,912	32,900	27,849	21,979	13,399	11,666
Retirement benefit asset	11	11,774	11,774	10,703	8,332	8,789	9,277
		153,924	139,592	126,830	128,067	125,169	147,683
Current assets							
Inventories	12	526,320	515,630	440,043	391,700	324,953	488,488
Receivables and prepayments	13	126,151	160,490	129,859	94,021	122,821	110,144
Short term bank deposits	14	-	-	-	-	-	45,000
Current income tax		16,019	-	-	-	-	-
Cash and bank balances		3,151	2,455	1,684	25,417	82,083	52,584
		671,641	678,575	571,586	511,138	529,857	696,216
Current liabilities							
Payables and accrued expenses	15	145,594	166,260	160,210	93,076	138,273	117,223
Current income tax		-	8,624	8,615	14,288	14,819	3,016
Borrowings	16	223,123	266,154	202,316	220,000	215,000	-
		368,717	441,038	371,141	327,364	368,092	120,239
Net current assets		302,924	237,537	200,445	183,774	161,765	575,977
		456,848	377,129	327,275	311,841	286,934	723,660

H STATEMENT OF CHANGES IN EQUITY FOR THE FIVE YEARS ENDED 30 SEPTEMBER 2005 AND SIX MONTHS TO 31 MARCH 2006

	Notes	Share capital Shs'000	Retained earnings Shs'000	Total Shs'000
2001				
At start of period		210,000	551,617	761,617
Net profit for the period		-	268,099	268,099
Dividends paid in the period	5	-	(355,110)	(355,110)
At end of period		210,000	464,606	674,606
2002				
At start of year		210,000	464,606	674,606
Net profit for the year		-	200,603	200,603
Dividend paid in the year	5	-	(641,550)	(641,550)
At end of year		210,000	23,659	233,659
2003				
At start of year		210,000	23,659	233,659
Net profit for the year		-	142,752	142,752
Dividend paid in the year	5	-	(135,240)	(135,240)
At end of year		210,000	31,171	241,171
2004				
At start of the year		210,000	31,171	241,171
Net profit for the year		-	189,835	189,835
Dividends paid in the year	5	-	(185,640)	(185,640)
At end of year		210,000	35,366	245,366
2005				
At start of year		210,000	35,366	245,366
Net profit for the year		-	186,935	186,935
Dividends paid in the year	5	-	(155,190)	(155,190)
At end of year		210,000	67,111	277,111
2006				
At start of the period		210,000	67,111	277,111
Net profit for the period		-	71,560	71,560
At end of the period		210,000	138,671	348,671

I CASH FLOW STATEMENTS FOR THE FIVE YEARS ENDED 30 SEPTEMBER 2005 AND SIX MONTHS TO 31 MARCH 2006

	Note	2006	2005	2004	2003	2002	2001
		(6 months)	(12 months)	(12 months)	(12 months)	(12 months)	(13 months)
	Note	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Operating activities							
Cash generated from operations	17	136,541	227,737	289,457	181,585	538,782	436,223
Interest received		18	78	57	666	3,618	9,910
Interest paid		(12,562)	(21,752)	(8,915)	(16,160)	(6,761)	(3,303)
Income tax paid		(56,863)	(87,470)	(88,096)	(74,937)	(117,848)	(129,040)
Net cash generated from operating activities		67,134	118,593	192,503	91,154	417,791	313,790
Investing activities							
Purchase of property, plant and equipment		(25,809)	(27,679)	(14,502)	(21,025)	(7,673)	(33,848)
Proceeds from disposal of property, plant and equipment		2,402	1,209	1,590	3,445	931	8,809
Net cash used in investing activities		(23,407)	(26,470)	(12,912)	(17,580)	(6,742)	(25,039)
Financing activities							
Dividends paid		-	(155,190)	(185,640)	(135,240)	(641,550)	(355,110)
Net cash used in financing activities		-	(155,190)	(185,640)	(135,240)	(641,550)	(355,110)
(Increase)/decrease in cash and cash equivalents		43,727	(63,067)	(6,049)	(61,666)	(230,501)	(66,359)
Cash and cash equivalents at start of year/period		(263,699)	(200,632)	(194,583)	(132,917)	97,584	163,943
At end of period/year	18	(219,972)	(263,699)	(200,632)	(194,583)	(132,917)	97,584
		=======	=======	=======	=======	=======	=======

EVEREADY EAST AFRICA LIMITED
(formerly, EVEREADY BATTERIES KENYA LIMITED)

J NOTES TO THE FINANCIAL STATEMENTS

1. OPERATING PROFIT

The following items have been charged/(credited) in arriving at operating profit:

	2006 (6 months) Shs'000	2005 (12 months) Shs'000	2004 (12 months) Shs'000	2003 (12 months) Shs'000	2002 (12 months) Shs'000	2001 (13 months) Shs'000
Depreciation of property, plant and equipment (note 8)	11,386	21,032	23,680	26,235	31,307	37,277
Operating lease rentals – buildings	1,617	3,215	3,254	3,265	3,240	3,483
Amortisation of prepaid operating lease rental (Note 9)	4	7	8	8	8	8
Trade receivables – impairment charge/ (credit) for bad and doubtful debts	-	-	705	11,493	17,555	-
Staff costs (Note 2)	182,825	376,710	322,190	275,290	233,451	243,332
Auditors' remuneration	625	790	750	750	700	670
Directors' remuneration						
- fees	2,055	3,814	3,814	3,814	3,814	3,557
- other	14,244	25,813	24,299	22,965	21,364	23,428
Profit/(loss) on disposal of property, plant and equipment	(2,303)	(1,209)	(1,298)	(3,438)	(814)	1,745
	=======	=======	=======	=======	=======	=======

2. STAFF COSTS

The following items are included within staff costs:

Retirement benefit costs:

- Defined contribution scheme	552	926	1,516	3,754	2,822	2,431
- Defined benefit scheme (Note 11(c))	2,826	5,514	5,750	4,616	3,597	2,392
	=======	=======	======	======	======	=======

3. FINANCE (COSTS)/INCOME

Interest income	18	78	57	666	3,618	9,910
Net foreign exchange gains	5,489	11,385	1,279	4,912	5,144	5,631
Interest expense	(12,562)	(21,752)	(8,915)	(16,160)	(6,761)	(3,303)
	(7,055)	(10,289)	(7,579)	(10,582)	2,001	12,238
	=======	=======	=======	=======	=======	=======

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. INCOME TAX EXPENSE

	2006 (6 months) Shs'000	2005 (12 months) Shs'000	2004 (12 months) Shs'000	2003 (12 months) Shs'000	2002 (12 months) Shs'000	2001 (13 months) Shs'000
Current income tax	32,220	88,600	88,500	73,384	105,916	125,485
(Over)/under provision of current income tax in the prior years	-	(1,121)	(6,077)	1,022	23,735	-
	32,220	87,479	82,423	74,406	129,651	125,485
Deferred income tax charge\credit	(12)	(5,051)	(5,870)	(8,580)	(1,733)	(5,537)
Underprovision of deferred tax in prior years	-	-	-	-	-	-
Total (Note 10)	(12)	(5,051)	5,870	(8,580)	(1,733)	(5,537)
	32,208	82,428	76,553	65,826	127,918	119,948

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	2005	2004	2003	2002	2001
Profit before income tax	103,768	269,363	266,388	208,578	328,521	388,047
Tax calculated at a statutory income tax rate of 30%	31,130	80,809	79,916	62,573	98,556	116,414
Tax effect of:						
Income not subject to tax	(216)	(76)	(236)	(74)	(115)	(357)
Expenses not deductible for tax purposes	1,250	2,816	3,392	2,305	5,742	7,441
(Over)/under provision of current tax in the prior year	-	(1,121)	(6,077)	1,022	23,735	-
Under/(over) provision of deferred tax in the prior year	44	-	(442)	-	-	(3,550)
Income tax expense	32,208	82,428	76,553	65,826	127,918	119,948

5. DIVIDENDS AND EARNINGS PER SHARE

Earnings per share

Earnings per share are calculated based on the profit after taxation and 210,000 ordinary shares in issue during the year.

	2006 (6 months) Shs'000	2005 (12 months) Shs'000	2004 (12 months) Shs'000	2003 (12 months) Shs'000	2002 (12 months) Shs'000	2001 (13 months) Shs'000
Net profit for the year/period	71,560	186,935	189,835	142,752	200,603	268,099
Issued shares	210,000	210,000	210,000	210,000	210,000	210,000
Earnings per share (basic/diluted)	341	890	904	680	955	1,277

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 DIVIDENDS AND EARNINGS PER SHARE (continued)

	2006 (6 months)	2005 (12 months)	2004 (12 months)	2003 (12 months)	2002 (12 months)	2001 (13 months)
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Dividends per share						
Dividends paid	-	155,190	185,640	135,240	641,550	355,110
	=======	=======	=======	========	=======	=======
Number of issued shares	210,000	210,000	210,000	210,000	210,000	210,000
	=======	=======	=======	========	=======	=======
Dividends per share	-	739	884	644	3,055	1,691
	=======	=======	=======	========	=======	=======

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

	31 March 2006	30 Sept. 2005	30 Sept. 2004	30 Sept. 2003	30 Sept. 2002	30 Sept. 2001
	Sh'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
6. SHARE CAPITAL						
Authorised, issued and fully paid						
210,000 ordinary shares						
of Shs 1,000 each	210,000	210,000	210,000	210,000	210,000	210,000
	========	=======	=======	=======	=======	=======
7. PROVISION FOR LIABILITIES						
Service gratuity						
At start of year/period	100,018	81,909	70,670	53,275	49,054	33,354
Charge to income statement	8,159	18,109	11,239	17,395	4,221	15,700
At end of year/period	108,177	100,018	81,909	70,670	53,275	49,054
	========	========	========	========	========	========
8. PROPERTY, PLANT AND EQUIPMENT						
COST						
Freehold land and buildings	31,685	31,685	31,685	31,685	31,685	31,685
Plant and machinery	220,011	199,213	187,277	183,499	181,289	179,744
Motor vehicles and equipment	169,955	173,094	164,720	162,998	157,771	157,556
	421,651	403,992	383,682	378,182	370,745	368,985
DEPRECIATION						
Freehold land and buildings	22,111	21,585	20,530	19,460	18,390	17,318
Plant and machinery	148,661	145,508	140,008	130,989	120,925	111,069
Motor vehicles and equipment	142,010	142,354	135,246	130,365	128,845	114,262
	312,782	309,447	295,784	280,814	268,160	242,649
NET BOOK VALUES						
Freehold land and buildings	9,574	10,100	11,155	12,225	13,295	14,367
Plant and machinery	71,350	53,705	47,269	52,510	60,364	68,675
Motor vehicles and equipment	27,945	30,740	29,474	32,633	28,926	43,294
	108,869	94,545	87,898	97,368	102,585	126,336
	========	=========	========	========	========	=========

In the opinion of the directors, there is no impairment of property, plant and equipment.

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PREPAID OPERATING LEASE RENTALS

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
At start of year/period	373	380	388	396	404	412
Amortisation for the year	(4)	(7)	(8)	(8)	(8)	(8)
At end of year/period	369	373	380	388	396	404

10. DEFERRED INCOME TAX ASSET

Deferred income tax is calculated, in full, on all temporary differences under the liability method using the enacted tax rate of 30%. The movement on the deferred tax account is as follows:

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
At start of year/period	32,900	27,849	21,979	13,399	11,666	6,129
(Charge)/credit to income statement (Note 4)	12	5,051	5,870	8,580	1,733	5,537
At end year/period	32,912	32,900	27,849	21,979	13,399	11,666

The deferred income tax assets and deferred income tax credit in the income statements is attributable to the following items:

Deferred income tax liabilities						
Property, plant and equipment	3,724	433	-	1,035	3,388	8,874
Unrealised exchange gains	144	245	-	-	-	-
	3,868	678	-	1,035	3,388	8,874
Deferred income tax assets						
Property, plant and equipment	-	-	(17)	-	-	-
Provisions	(36,780)	(33,578)	(27,617)	(22,868)	(16,729)	(20,531)
Unrealised exchange losses	-	-	(215)	(146)	(58)	(9)
	(36,780)	(33,578)	(27,849)	(23,014)	(16,787)	(20,540)
Net deferred income tax asset	(32,912)	(32,900)	(27,849)	(21,979)	(13,399)	(11,666)

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. RETIREMENT BENEFIT ASSET

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

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
Fair value of scheme assets	103,749	103,749	110,172	106,401	98,339	100,684
Present value of funded obligations	(118,622)	(118,622)	(125,126)	(118,697)	(105,340)	(97,500)
Net (under)/over funding	(14,873)	(14,873)	(14,954)	(12,296)	(7,001)	3,184
Unrecognised actuarial loss	26,647	26,647	25,657	20,628	15,790	9,277
Less: amount not recognised due to the limit under IAS 19	-	-	-	-	-	(3,184)
Assets in the balance sheet	11,774	11,774	10,703	8,332	8,789	9,277

b) Movement in the asset recognised in the balance sheet:

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
As start of period/year	11,774	10,703	8,332	8,789	9,277	5,151
Charge to income statement as below	(2,826)	(5,514)	(5,750)	(4,616)	(3,597)	(2,392)
Employer contributions	2,737	6,585	5,575	4,159	6,926	5,840
Net actuarial loss recognised in year	-	-	-	-	(7,001)	(3,184)
Unrecognised amount in the prior year	89	-	2,546	-	3,184	3,862
At end of period/year	11,774	11,774	10,703	8,332	8,789	9,277

c) The amounts recognised in the income statement for the period/year are as follows:

	2006 (6 months) Shs'000	2005 (12 months) Shs'000	2004 (12 months) Shs'000	2003 (12 months) Shs'000	2002 (12 months) Shs'000	2001 (13 months) Shs'000
Current service cost, net of employee contributions	1,586	3,335	4,448	3,641	3,830	2,914
Interest cost	4,123	11,201	10,371	9,675	9,074	7,511
Expected return on scheme assets	(3,431)	(9,935)	(9,544)	(9,021)	(9,307)	(8,033)
Net actuarial losses recognised in the year	548	913	475	321	-	-
Net charge for the year included in staff costs (Note 2)	2,826	5,514	5,750	4,616	3,597	2,392
The actual return on scheme assets during the period/year was	4,293	4,757	7,016	3,744	9,276	8,021

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. RETIREMENT BENEFIT ASSET (Continued)

d) The principal actuarial assumptions used were as follows:

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
Discount rate	10.0%	9.5%	9%	9%	9%	9%
Expected return on plan assets	10.0%	9.5%	9%	9%	9%	9%
Future salary increases	7.0%	7.5%	7%	7%	7%	7%
	=====	=====	=====	=====	=====	=====

e) The company also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute and are shared between the employer and employee.

The company's NSSF contributions were as follows:

	2006 (6 months) Shs'000	2005 (12 months) Shs'000	2004 (12 months) Shs'000	2003 (12 months) Shs'000	2002 (12 months) Shs'000	2001 (13 months) Shs'000
Statutory contributions charged to income statement	551	926	856	837	639	343
	======	======	======	======	======	======

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
12. INVENTORIES						
Raw materials	244,179	262,869	205,885	198,547	169,539	210,743
Finished goods	171,242	143,890	144,926	118,301	82,026	174,435
Maintenance stocks	55,138	52,545	45,631	39,943	41,842	44,646
Work in progress	55,761	56,326	43,601	34,909	31,546	58,664
	526,320	515,630	440,043	391,700	324,953	488,488
	=======	========	========	========	=========	========
13. RECEIVABLES AND PREPAYMENTS						
Trade receivables	117,424	157,385	131,477	100,376	133,538	119,906
Less: impairment charge for bad and doubtful debts	(6,572)	(6,572)	(10,737)	(11,493)	(17,555)	(17,806)
	110,852	150,813	120,740	88,883	115,983	102,100
Prepayments	11,412	7,841	6,671	3,324	2,929	1,767
Other receivables	3,887	1,836	2,448	1,814	3,909	6,277
	126,151	160,490	129,859	94,021	122,821	110,144
	=======	=======	=======	========	========	=======

14. SHORT TERM BANK DEPOSITS

The weighted average effective interest rate on the short term deposits at 30 September 2002 was 7% (2001 – 9.9%). The deposits matured within 3 months of the balance sheet date.

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
15. PAYABLES AND ACCRUED EXPENSES						
Trade payables	62,003	50,243	38,460	39,146	53,547	34,618
Other payables	7,161	26,297	7,965	10,966	33,480	13,812
Accrued expenses	38,376	52,201	32,135	28,036	33,505	48,405
Due to related parties (note 21)	38,054	37,519	81,650	14,928	17,741	20,388
	145,594	166,260	160,210	93,076	138,273	117,223
16. BORROWINGS						
Short term bank loans	145,000	145,000	175,000	220,000	215,000	-
Bank overdrafts	78,123	121,154	27,316	-	-	-
	223,123	266,154	202,316	220,000	215,000	-

Borrowings are secured by a floating debenture over all the assets of the company and are designated in Kenya Shillings.

The weighted average effective interest rate on borrowings at the year/period end was:

	31 March 2006 Sh'000 %	30 Sept. 2005 Shs'000 %	30 Sept. 2004 Shs'000 %	30 Sept. 2003 Shs'000 %	30 Sept. 2002 Shs'000 %	30 Sept. 2001 Shs'000 %
Borrowings	10.8	10.9	5.0	7.1	14.0	-

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

17. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations

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	2006 (6 months) Shs'000	2005 (12 months) Shs'000	2004 (12 months) Shs'000	2003 (12 months) Shs'000	2002 (12 months) Shs'000	2001 (13 months) Shs'000
Profit before income tax	103,768	269,363	266,388	208,578	328,521	388,047
Adjustments for:						
Depreciation of property, plant and equipment (Note 8)	11,386	21,032	23,680	26,235	31,307	37,277
Amortisation of prepaid operating lease rentals	4	7	8	8	8	8
(Profit)/loss on disposal of property, plant and equipment	(2,303)	(1,209)	(1,298)	(3,438)	(814)	1,745
Interest income (Note 3)	(18)	(78)	(57)	(666)	(3,618)	(9,910)
Interest expense (Note 3)	12,562	21,752	8,915	16,160	6,761	3,303
Decrease/(increase) in retirement benefit asset	-	(1,071)	(2,371)	457	488	(4,126)
Changes in working capital						
- inventories	(10,690)	(75,587)	(48,343)	(66,747)	163,535	57,091
- receivables and prepayments	34,339	(30,631)	(35,838)	28,800	(12,677)	(505)
- payables and accrued expenses	(20,666)	6,050	67,134	(45,197)	21,050	(52,407)
- provision for liabilities (Note 7)	8,159	18,109	11,239	17,395	4,221	15,700
Cash generated from operations	136,541	227,737	289,457	181,585	538,782	436,223

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, short term bank deposits net of bank overdrafts and short term loans. In the balance sheet, bank overdrafts are included under borrowings in current liabilities. The year/period end cash and cash equivalents comprise the following:

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
Cash and bank balances	3,151	2,455	1,684	25,417	82,083	52,584
Bank overdraft and short-term bank loans (Note 16)	(223,123)	(266,154)	(202,316)	(220,000)	(215,000)	-
Short term bank deposits	-	-	-	-	-	45,000
	(219,972)	(263,699)	(200,632)	(194,583)	(132,917)	97,584

19. CONTINGENT LIABILITIES

For the years ended 30 September 2005, 2004, 2003, 2002 and the period ended 30 September 2001 and 31 March 2006, the company had pending litigations in the High Court. The directors, having taken appropriate legal advice, believe that no liability or significant loss that will arise from the pending litigations against the company.

At 30 September 2003, 2002 and 2001 the company had issued bank guarantees in favour of third parties amounting to KShs 13,331,000.

20. COMMITMENTS

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
Not later than 1 year	3,374	3,339	617	3,700	3,700	3,240
Later than 1 year and not later than 5 years	10,564	11,975	-	617	4,317	13,977
	13,938	15,314	617	4,317	8,017	17,217

Capital commitments

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

	31 March 2006 Sh'000	30 Sept. 2005 Shs'000	30 Sept. 2004 Shs'000	30 Sept. 2003 Shs'000	30 Sept. 2002 Shs'000	30 Sept. 2001 Shs'000
Property, plant and equipment	101,025	-	-	-	-	-

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

The company's immediate parent company is East Africa Batteries Limited incorporated in Kenya. The company has other related parties by virtue of common directorship or common shareholding.

The following transactions were carried out with related parties:

(a) 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 financial year ended 30 September 2005 by Commercial Bank of Africa Limited and ceased to exist).

	2006 (6 months)	2005 (12 months)	2004 (12 months)	2003 (12 months)	2002 (12 months)	2001 (13 months)
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
(b) Purchase of goods and services	156,316	360,271	387,749	275,548	205,486	300,633
	=======	=======	======	=======	=======	=======

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

(c) Technical services and trademark fees

The company has a technical service and trademark agreement with Eveready Battery Company Inc, USA which is related to the company by virtue of the management and technical service agreement entered into with that party. Technical service and trademark fees are based on sales of Eveready branded products during the year/period.

	2006 (6 months)	2005 (12 months)	2004 (12 months)	2003 (12 months)	2002 (12 months)	2001 (13 months)
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Technical fees	41,607	95,893	82,101	68,702	78,477	87,510
Trademark fees	8,322	19,179	16,420	13,740	15,695	17,502
	49,929	115,072	98,521	82,442	94,172	105,012
	=======	========	=======	========	========	=======

(d) Management fees

Sameer Management Limited, a company related by common directorships, charges management fees for financial, legal and marketing services provided to Eveready East Africa Limited. Commissions were also charged by Sameer Management Limited for importation of finished goods for resale. The management fee and commissions charged are as follows:

	2006 (6 months)	2005 (12 months)	2004 (12 months)	2003 (12 months)	2002 (12 months)	2001 (13 months)
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Management fees	4,350	8,700	8,700	8,700	9,764	-
Commissions	-	-	-	-	-	13,434
	========	=======	=======	=======	=======	======

(e) Outstanding balances arising from purchase of goods and services management fees and commissions

	31 March 2006	30 Sept. 2005	30 Sept. 2004	30 Sept. 2003	30 Sept. 2002	30 Sept. 2001
	Sh'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Payables to related Parties	38,054	37,519	81,650	14,928	17,741	20,388
	=======	=======	=======	=======	=======	=======

J NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 RELATED PARTY TRANSACTIONS (continued)

	2006 (6 months)	2005 (12 months)	2004 (12 months)	2003 (12 months)	2002 (12 months)	2001 (13 months)
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
(f) Directors' remuneration						
- fees	2,055	3,814	3,814	3,814	3,814	3,557
- other	14,244	25,813	24,299	22,965	21,364	23,428
	=======	=======	=======	========	=======	=======

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND RISKS

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 minimise 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.

K CONSENT

We consent to the inclusion of this report in the prospectus to be issued on …………. 2006 in the form and context in which it appears.

L OPINION

In our opinion, the financial information set out in this Accountants' Report gives, for the purposes of the prospectus to be issued on …………. 2006, a true and fair view of the state of affairs of the company as at the dates stated and of the results for the years/periods then ended.

Yours faithfully

Deloitte & Touche

CERTIFIED PUBLIC ACCOUNTANTS (KENYA)

13. LEGAL OPINION

Date: [ ]

The Directors
Eveready East Africa Limited ("Eveready")
Standard Building
Wabera Street
Post Office Box Number 44765-00100
NAIROBI

Dear Sirs

PUBLIC OFFERING OF 63,000,000 ORDINARY SHARES OF KSHS 1.00 EACH IN THE SHARE CAPITAL OF EVEREADY EAST AFRICA LIMITED

We have acted as legal advisors to the existing shareholders of Eveready in relation to the offer for sale of 63,000,000 ordinary shares of KShs 1.00 each in Eveready.

We, Hamilton Harrison & Mathews, are Advocates of the High Court of Kenya, practicing and qualified as such to practice in Kenya, and to advise upon the laws of Kenya.

Unless otherwise stated or the context otherwise requires, words and terms defined in the Prospectus ("the Prospectus") dated [ ] in relation to the Offer bear the same meaning in this Opinion.

1. DOCUMENTS

For this Opinion, we have examined originals or copies certified to our satisfaction of the following documents:

1.1 the certificate of incorporation of Eveready, and its memorandum and articles of association in force as at the date of the Prospectus;

1.2 a resolution of Eveready in General Meeting dated 30 October 2006 inter alia, approving adoption of new articles of association and sub-division of each of the ordinary shares of KShs 1000/= in the present capital of the Company (both issued and unissued) into 210,000,000 shares of KShs 1.00 each.;

1.3 the Prospectus; and

1.4 such other records and documents as we have considered necessary and appropriate for the purposes of this Opinion.

2. ASSUMPTIONS

For the purposes of this opinion, we have assumed:

2.1 Accuracy of information supplied
All written information supplied to us by Eveready and by its officers and advisors is true, accurate and up to date.

2.2 Authenticity of copies
The authenticity of documents submitted as originals, the conformity with the original documents of all documents submitted as copies and the authenticity of the originals of such latter documents.

2.3 Signatures
The genuineness of all signatures on all documents.

2.4 Due execution by other parties
All agreements and other relevant documents have been duly authorised, executed and delivered by the parties to those documents other than Eveready.

2.5 Factual matters
With respect to matters of fact, we have relied on the representations of Eveready and its officers and advisors.

3. OPINIONS

In our opinion, based on the information made available to us by Eveready and subject to (i) the foregoing; (ii) section 2 of this Opinion; (iii) any matters set out in the Prospectus; (iv) the reservations set out below; and (v) any matters not disclosed to us:

3.1 Eveready is a company limited by shares, duly incorporated in Kenya pursuant to the provisions of the Companies Act (Chapter 486 of the Laws of Kenya), with power to execute, deliver and exercise its rights and perform its obligations pursuant to the Offer, and such execution, delivery and performance have been duly authorised by appropriate corporate action;

3.2 all rights and obligations of Eveready and the Shareholders contemplated by the Offer constitute valid and binding rights and obligations enforceable according to their terms;

3.3 the existing share capital of Eveready has been authorized and issued in conformity with all applicable laws and has received all necessary authorizations;

3.4 the transactions contemplated by the Offer and the performance by the Shareholders and Eveready of their respective obligations thereunder will not violate any laws of Kenya;

3.5 all authorisations, approvals, consents, licences, exemptions, filings or registrations of or with any governmental or public bodies or authorities of or in Kenya required in connection with the Offer have been obtained in proper form and are in full force and effect;

3.6 Eveready continues to maintain its statutory books at its registered office;

3.7 with regard to immoveable properties owned by Eveready, Eveready is the legal and beneficial owner of all the immoveable property set out in the Prospectus;

3.8 save for the contracts disclosed in the Prospectus at section 9.6, Eveready has not entered into any material contracts (within the meaning set out in paragraph 14 of the Third Schedule to the Companies Act i.e. contracts not entered into in the ordinary course of business carried on by Eveready) and there is no other agreement or arrangement concerning the offer;

3.9 Save for the claims disclosed in section 9.7 of the prospectus, there is no material litigation or arbitration, prosecution or other civil or criminal legal action in which Eveready or its Directors as Directors of Eveready, are involved or any other material claims against Eveready that could result in a dispute to be resolved by arbitration or litigation; and

3.10 there are no other material items not mentioned in the Prospectus of which we are aware with regard to the legal status of Eveready and the Offer.

4. FURTHER OPINIONS

Based upon and subject as aforesaid, and without prejudice to the generality of the foregoing, we are also of the opinion that:

4.1 the Prospectus has been dated in accordance with section 43(4) of the Companies Act;

4.2 a copy of the Prospectus, together with the documents required under Section 43 of the Companies Act, have been delivered to the Registrar of Companies at Nairobi for registration in accordance with section 43(a) of the Companies Act, duly signed by every person named in the Prospectus as a director of Eveready or by his agent duly authorized in writing, and a statement to such effect appears on the face of the Prospectus in accordance with section 43 (3) of the Companies Act;

4.3 this Prospectus contained statements made by Messrs Deloitte & Touche Certified Public Accountants and by ourselves, all of whom are experts for the purposes of Section 42(1) of the Companies Act. In accordance with Section 42(1) of the Companies Act, Deloitte & Touche and we have given, and have not before the delivery of this Prospectus for registration withdrawn, our consent to the issue of the Prospectus with the statements by us included in the form and context in which they are included;

4.4 the Offer Shares shall rank pari passu in all respects with the existing Ordinary Shares in the issued share capital of Eveready, including the right to participate in full in all dividends and/or other distributions declared in respect of such share capital with effect from the financial year of Eveready commencing on 1st October 2005;

4.5 application has been duly made to, and permission duly granted by, the Capital Markets Authority in respect of the Offer pursuant to the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations 2002 and the First Schedule thereto;

4.6 in addition to the information required to be included by the Companies Act, the Prospectus includes such information as investors would reasonably require and reasonably expect to find therein for the purpose of making an informed assessment of:-

a. the assets and liabilities financial position, profits and losses, and prospects of the issuer of the securities; and

b. the rights attaching to those securities.

Based on the foregoing, we are of the opinion that the Offer is in conformity with all applicable laws and has received all necessary authorisations.

5. RESERVATIONS

This letter and the opinions given in it are governed by Kenyan law and relate only to Kenyan law as applied by the Kenyan courts as at today's date. We express no opinion in this letter on the laws of any other jurisdiction.

We as the legal advisors confirm that we have given and have not, prior to the date of the Prospectus, withdrawn our written consent to the inclusion of the legal opinion in the form and context in which it appears.

Yours faithfully

HAMILTON, HARRISON & MATHEWS
ADVOCATES

SCHEDULE I LIST OF DIRECTORSHIPS

<u>MR. N. N. MERALI</u>

1. Sameer Investments Limited
2. Sameer Telkom Limited
3. Sameer ICT Limited
4. East Africa Batteries limited
5. Kenya Data Networks Limited
6. Yana Developers Limited
7. Yana Holdings Limited
8. Yana Trading Limited
9. Yana Towers Limited
10. Yana Oil Supplies Limited
11. Aristocrats Investments Limited
12. Transcontinental Telecommunications Limited
13. Legend Investments Limited
14. Zarnash Investments Limited
15. Affinity Holdings Limited
16. Zaigham Investments Limited
17. Zorain Investments Limited
18. Sameer Industrial Park Limited
19. Sameer EPZ Limited
20. Sameer Africa Limited
21. Bahati Properties Limited
22. Dignified Holdings Limited
23. Eveready East Africa Limited
24. Neptune Beach Hotel Limited
25. Sasini Tea and Coffee Limited
26. Celtel Kenya Limited

MR. S. G. Smith

1. Federation of Kenya Employers
2. Kenya Association of Manufacturers
3. American Chamber of Commerce of Kenya
4. Eastern African Association
5. National Aids Control Council of Kenya
6. National Environmental Council

MR. A. H. BUTT

1. Sameer Investments Limited
2. Sameer Management Limited
3. Sameer Telkom Limited
4. Sameer ICT Limited
5. East Africa Batteries limited
6. OEL SYSNET Limited
7. OEL SYSNET (T) Limited
8. ICL East Africa Limited
9. ICL Uganda Limited
10. ICLEA Tanzania Limited
11. Informatics Partners Africa limited
12. Swift Global (Kenya) Limited
13. Kenya Data Networks Limited
14. Value Added Telecommunication Services Limited
15. Yana Investments Limited
16. Yana Developers Limited
17. Yana Holdings Limited
18. Yana Towers Limited
19. Yana Trading Limited
20. Yana Sports Limited
21. Yana Oil Limited
22. Yana Oil Supplies Limited
23. Aristocrats Investments Limited
24. Aristocrats Developers Limited
25. Aristocrats Coffee & Tea Exporters Limited
26. Transcontinental Telecommunications Limited
27. Legend Investments Limited
28. Adroit Investments Limited
29. Zarnash Investments Limited
30. Ryce Services Limited
31. Yansam Motors (Tanzania) Limited
32. Yansam General Trading Limited
33. Kenlin Investments limited
34. Affinity Holdings Limited
35. Zaigham Investments Limited
36. Zorain Investments Limited
37. Equatorial Commercial Bank Limited
38. Sameer Media City Limited
39. Shailer Intertrade (Kenya) Limited
40. ATM Solutions East Africa Limited
41. Bahati Properties Limited
42. Dignified Holdings Limited
43. Sindbad Holdings Limited
44. Eveready East Africa Limited
45. Trustworthy Investments Limited
46. Thigiri Orchard Estates Limited
47. Spectrum Kenya Limited
48. Samburu Tented Lodge Limited
49. Sasini Tea and Coffee Limited
50. Kipkebe Limited
51. The Ark Limited
52. Kipkebe Estates Limited
53. Mweiga Estate Limited
54. Keritor Limited
55. Taqwa Trading Limited
56. Taqwa Commodities Limited
57. Neptune Holdings Limited
58. Safari Chai Limited

MR. M. H. DA GAMA –ROSE

1. Sameer Investments Limited
2. Sameer Management Limited
3. Sameer Telkom Limited
4. Sameer ICT Limited
5. Swift Global (Kenya) Limited
6. Value Added Telecommunication Services Limited
7. Yana Developers Limited
8. Yana Oil Limited
9. Yana Sports Limited
10. Aristocrats Developers Limited
11. Legend Investments Limited
12. Adroit Investments Limited
13. Kenlin Investments Limited
14. Affinity Holdings Limited
15. Zorain Investments Limited
16. Equatorial Commercial Bank Limited
17. Commercial Bank of Africa Limited
18. CBA Capital Limited
19. Syndicate Nominees Limited
20. Shailer Intertrade (Kenya) Limited
21. Eveready East Africa Limited
22. Trustworthy Investments Limited
23. Celtel Kenya Limited
24. Kipkebe Limited
25. Kipkebe Estates Limited
26. Keritor Limited
27. Taqwa Trading Limited
28. Taqwa Commodities Limited
29. Safari Chai Limited
30. Grange Limited
31. The First Assurance Company Limited
32. First Assurance Investments Limited
33. Pete Aviation & Electronics Limited
34. P. S. Rental & Electronics & Telecommunications Consultants (K) Limited
35. Samburu Tented Lodge Limited
36. Prestige Safaris Limited
37. Talek Limited
38. International Technology Systems Limited
39. Areandum Investments Limited
40. Busia Sugar Company Limited
41. Chriwa (Kenya) Limited
42. Prestige Hotels Limited
43. Powers & Deane Ransomes Limited
44. Westlands Investments Limited
45. Nairobi Stock Exchange Limited
46. Sukaritamu Investments Limited
47. Widespan Engineering Limited
48. Westmark Investment Limited
49. Avellino Limited
50. Samat Holdings Limited
51. Silvercrest Limited
52. Starnet Investments Limited
53. Selby Limited
54. Tern Investments Limited

SCHEDULE II: APPLICATION FORM

SCHEDULE III– LIST AND DETAILS OF AUTHORISED SELLING AGENTS

Licensed Investment Banks	
CBA Capital Limited Head Office Mara & Ragati Roads, Upper Hill P O Box 30437 00100 GPO Nairobi Tel: 2884000, 2734555 Mama Ngina Branch International Lifehouse Nairobi Tel: 228802 iqueries@cba.co.ke	**CFC Financial Services Limited** Head office 2nd Floor, CFC Centre, Chiromo Road P O Box 47198 00100, Nairobi Tel: 3755000 / 0721-371941 Downtown office 1st Floor, CFC Bank, Kimathi St, Tel: 221452 / 0274-253453 KCS Office 6th Floor KCS House, Mama Ngina Street Tel: 22555 / 3003460 Mombasa Office Ground Floor, TSS Towers, Nkrumah Road Tel: (041) 2228865 / 0723-528639 Naivasha Office 1st Floor, CFC Heritage house, Moi House Tel: (050) 2020500 / 0724-729577 Nakuru Office 2nd Floor, Riva Business Centre, Kenyatta Ave. Tel: (051) 2060993 / 0725-291887 Eldoret Office 1st Floor, National Bank House, Oloo Street Tel: (053) 2060993/ 0725-291887 Kisumu Office 3rd Floor, Block C, Mega Plaza, Oginga Odinga Road Tel: (057) 2020890/ 0726-294602 cfcfs@cfcgroup.co.ke
Dyer & Blair Investment Bank Ltd Nairobi Office 10th Floor, Loita House, Loita Street P O Box 45396 00100 Nairobi Tel: 3240000 Mombasa Office 1st Floor, Savani House, Meru Road Tel: (041) 2222184/5, 2315471 shares@dyerandblair.com	**Standard Investment Bank Limited** 17th Floor, Hazina Towers, Monrovia Street PO Box 13714 00100 Nairobi Tel: 220225 info@standardstocks.com
Suntra Investment Bank Limited 10th Floor, Nation Centre, Kimathi Street P O Box 74016 00200, Nairobi Tel: 337220 info@suntra.co.ke	**Kestrel Capital Investment Bank** 7th Floor, Hughes Building, Kenyatta Avenue P O Box 40005 00100, Nairobi Tel: 251758/ 251815 info@kestrelcapital.com

Licensed Investment Banks

Apex Africa Investment Bank Limited Head Office 4^{th} Floor, Rehani House, Koinange Street P O Box 43676 00100, Nairobi Tel: 242170, 253742/ 220517 Mombasa Branch office Office no. 29, 1^{st} Floor, Kadherbhoy Building Nkrumah Road Tel: (041) 2229996/ 22229319 Kirieni-Murang'a-Nyeri Branch Office 2^{nd} Floor, Murata Sacco Building, Kirieni Tel: (060) 51445 Tehra Africa Investment Services (Agent) Hyrax Complex, Office No. 22 Nakuru Tel: (051) 2213603/ 0724-844849/ 0733-373692 invest@apexafrica.com	**African Alliance (K) Securities Limited** Kenya Re Towers, 4^{th} Floor Upper Hill, off Ragati Road P O Box 27639 00100 Nairobi Tel: 2718720/ 2710749 enquiries@africanalliance.co.ke **Francis Drummond& Company Limited** 2^{nd} Floor, Hughes Building Kenyatta Avenue P O Box 45465 00100, Nairobi Tel: 318686 / 318690 / 213096 info@francisdrummond.com

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Licensed Stockbrokers

Ashbhu Securities Limited 13^{th} Floor, Finance House Loita Street P O Box 41684 00100, Nairobi Tel: 212989 ashbu@africaonline.co.ke	**Nyaga Stockbrokers Limited** 12^{th} Floor, Nation Centre, Kimathi Street P O Box 41868 Nairobi Tel: 332783 nyagastk@users.africaonline.co.ke
Crossfield Securities Limited 5^{th} Floor, IPS Building, Mama Ngina Street P O Box 70928 00200 Nairobi Tel: 246036/ 245971 crossfield@wananchi.com	**Ngenye Kariuki and Company Limited** 8^{th} Floor, Corner House, Kimathi Street P O Box 12185 00100 Nairobi Tel: 224333/ 220052 ngenyekani@yahoo.com
Discount Securities Limited 3^{rd} Floor, International House Mama Ngina Street P O Box 42489 00100, Nairobi Tel: 219552/ 219538 discount@dsl.co.ke	**Reliable Securities Limited** 6^{th} Floor, IPS Building, Kimathi Street P O Box 50338 00200, Nairobi Tel: 241350 info@reliablesecurities.co.ke
Faida Securities Limited 1^{st} Floor, Windsor House Muindi Mbingu Street P O Box 45236 00100 , Nairobi Tel: 243811-13 info@faidastocks.com	**Sterling Securities Limited** 11^{th} Floor, Finance House, Loita Street P O Box 45080 00100, Nairobi Tel: 213914/ 244077 / 315414 Info@sterlingstocks.com
Francis Thuo and Partners Limited 13^{th} Floor, International House Mama Ngina Street P O Box 46254 00100, Nairobi	**Solid Investment Securities Limited** 1^{ST} Floor, Kimathi House, Kimathi Street P O Box 63046 00200, Nairobi

Licensed Investment Banks	
Tel:226331-3 ftbrokers@wananchi.com	Tel: 244228 sisl@solidkenya.com

Commercial Banks
Kenya Commercial Bank (select branches as indicated) KCB Nairobi Kencom House, Moi Avenue PO Box 30081-00100 Nairobi KCB Eldoret KCB Building, Kenyatta Street P O Box 560 Eldoret KCB Kisumu KCB Building – Oginga Odinga Street P O Box 17 Kisumu KCB T/Square Branch Mombasa KCB Building, Nkrumah Road P O BOX 90254 Mombasa KCB Nakuru KCB Building – Kenyatta Avenue P O Box 18 Nakuru KCB Meru KCB Building – Njuri Ncheke Street P O Box 178 Meru