KENYA OIL COMPANY LIMITED

KSHS 1,000,000,000

COMMERCIAL PAPER PROGRAMME

CREDIT RATING: A1+

INFORMATION MEMORANDUM

1 February 2005

Placing Agents

Kestrel Capital (E.A.) Ltd

CONTENTS

KENOL COMMERCIAL PAPER PROGRAMME

Important Notice

Kenya Oil Company Limited ("Kenol" or "the Company") wishes to raise funds from time to time by the issue and sale of its Commercial Paper ("Notes" or "CP"). The Notes will have tenors of one year or less from the date of issuance, as elected by Kenya Oil Company Limited. The Notes will be offered for sale through Kestrel Capital (East Africa) Limited ("Placing Agents") as may be appointed by Kenol to selected financial institutions and corporate investors as may be approved by Kenol.

This Information Memorandum does not constitute an offer or invitation to any person to subscribe for or acquire any such Notes.

This Information Memorandum has been prepared solely for the information of the persons to whom it is transmitted by Kestrel Capital (East Africa) Limited and Barclays Bank of Kenya Limited. This Memorandum shall not be reproduced in any form, nor shall it be transmitted to or discussed with any other person.

This Information Memorandum does not constitute an offer or invitation to any person to purchase any Notes and is not to be considered as a recommendation by Kenol or Kestrel Capital or Barclays Bank of Kenya Limited that any person should purchase any Notes.

No representation or warranty, express or implied, is made by Kestrel Capital (East Africa) Limited or Barclays Bank of Kenya Limited with respect to the completeness or accuracy of the information in this Memorandum relating to Kenol.

Any investor wishing to purchase Notes should determine for himself the relevance of the information contained in this Memorandum and conduct such other research and/or inquiries, as the investor deems necessary before purchasing any Notes and any decision to purchase any Notes is based upon such independent investigation.

The Directors of Kenol, whose names appear on page 6 of the Information Memorandum, 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 this is the case, the information contained in this document is in accordance with facts and does not omit anything likely to affect the significance of such information.

The Capital Markets Authority ("CMA") has approved the issue of the Notes by Kenol pursuant to the Capital Markets (Securities), (Public Offers, Listing and Disclosure) Regulations, 2002. A copy of this Information Memorandum has been delivered to the Registrar.

As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Information Memorandum. Approval of the issue is not to be taken as an indication of the merits of the issuer or of the securities.

The Date of this Information Memorandum is 1 February, 2005.

DESCRIPTION OF THE COMMERCIAL PAPER PROGRAMME

Issuer

Kenya Oil Company Limited ("Kenol")
I.C.E.A. Building
Kenyatta Avenue
P O Box 44202
Nairobi

Instrument

Commercial Paper ("Notes") being promissory notes, which constitute legally binding, unsecured obligations of Kenol.

Security

The Notes are unsecured and will rank pari passu with all unsecured debt of Kenol.

Transferability

Commercial Papers are not transferable or to be listed on the Nairobi Stock Exchange.

Purpose

The Commercial Paper Programme is intended to be used by Kenol as a revolving short term financing facility to diversify and supplement its current working capital financing. By allowing Kenol to select the timing and size of the issue of the Notes, the programme will enable the Company to achieve greater financial flexibility and reduce its cost of financing.

Amount

The maximum face value of Notes outstanding at any one time will not exceed Kenya Shillings One Billion (Kshs 1,000,000,000).

Interest Rate

For Kenya Shilling denominated Notes, to be fixed over or below the 92-day or 182-day Government of Kenya Treasury Bill yield rate as announced from time to time. For US Dollar denominated Notes, to be fixed over or below the 60-day or 90-day LIBOR.

Discount and Pricing

To be determined from time to time by Kenol under advice from the Placing Agents, and quoted as a percentage per annum of face value.

Notes will be issued at a fixed discount to face value. The discount rate will vary from time to time and may differ between individual Notes according to their time of issue and respective value and tenor. The applicable discount rates will be those, which Kenol selects and agrees from prior bids obtained by the Placing Agents from Investors.

Denomination

The Notes are to be issued in denominations of Kenya Shillings One Million (Kshs 1,000,000) face value or US Dollar equivalent or such other increased amount as elected by Kenol.

Tenor

Notes will have tenors of one year or less but typically 30, 60, 90, 180, 270 or 360 days, as elected by Kenol.

Arranger

Kestrel Capital (East Africa) Limited.

Placing Agents

Kestrel Capital (East Africa) Limited.

Issuing and Paying Agent

Barclays Bank of Kenya Limited.

Investors

Institutional, corporate and high net worth individual investors as approved by Kenol.

Governing Laws

The Notes will be governed by the Laws of Kenya.

Redemption

On presentation to the Issuing and Paying Agent at their maturity, Notes will be redeemed by Kenol at their full face value through the Issuing and Paying Agent.

Withholding Tax

Withholding tax will be deducted as required by law.

Issuance and Custody of Notes

Notes will be delivered by the Issuing and Paying Agent and, unless otherwise requested by the holder, will be held by the Issuing and Paying Agent. Where the Issuing and Paying Agent acts as custodian for the holder of any Note, it will arrange for the Note to be presented for payment on behalf of the holder. If a Note holder takes physical delivery of a Note, he will be responsible for making physical presentation of the Note on the maturity date, as specified on the face of the Note, to the Issuing and Paying Agent. A claim against the Issuer for any payment(s) under the Note Programme is void unless such claim is made within 7 years from the date such payment(s) became payable.

CORPORATE INFORMATION

BOARD OF DIRECTORS

S Esmail, MBS P O Box 10200, Nairobi	Chairperson
Charles Field-Marsham P O Box 40005, Nairobi	Non Executive Director
JI Segman P O Box 44202, Nairobi	Group Managing Director
KP Wong P O Box 44202, Nairobi	Group Finance Director

SECRETARY
Chunga Associates
Rahimtulla Trust Building
Upper Hill Road
P O Box 41968
Nairobi

REGISTERED OFFICE
I.C.E.A. Building
Kenyatta Avenue
P O Box 44202
Nairobi

BANKERS
Middle East Bank Kenya Limited
Mebank Towers
Milimani Road
P O Box 52386
Nairobi

Banque Belgolaise - Brussels
Cantersteen 1
B - 1000 Brussels
Belgium

Barclays Bank of Kenya Limited
Barclays Plaza
Loita Street
P O Box 30120
Nairobi

BNP Paribas
21, place du Marché Saint-Honoré
75031 Paris Cedex 01
France

Stanbic Bank Kenya Limited
Kimathi Street
P O Box 30550
Nairobi

AUDITORS
PricewaterhouseCoopers
Rahimtulla Trust Building
Upper Hill Road
P O Box 43963
Nairobi

ADVOCATES
Esmail & Esmail
Mebank Towers
Milimani Road
P O Box 10200
Nairobi

Field Marsham & Co Advocates
4th Floor, Yaya Centre
P O Box 76563
Nairobi

ARRANGERS
Kestrel Capital (East Africa) Limited
Hughes Building 7th Floor
P O Box 40005
Nairobi

PLACING AGENTS
Kestrel Capital (East Africa) Limited
Hughes Building 7th Floor
P O Box 40005
Nairobi

ISSUING AND PAYING AGENT
Barclays Bank of Kenya Limited
Barclays Plaza
Loita Street
P O Box 30120
Nairobi

THE COMPANY

History and Business

Kenol was founded by Mr R S Alexander and was incorporated as a Private Limited Company in Kenya on 13 May 1959. The Company started its operations as a wholesaler selling packaged Kerosene, by the brand name "SAFI". A few years later, Kenol began investing in service stations. Kenol became a public company quoted on the Nairobi Stock Exchange (NSE) in September 1959. The Company's shares are traded at the NSE.

In January 1986 Kenol and Kobil Petroleum Limited (Kobil) entered into a joint operations and management agreement. This arrangement resulted in the sharing of a wide range of costs, including depots and managerial services thus enabling both Kenol and Kobil to lower their operating costs and enhance their ability to jointly bid for large supply contracts.

The Group's vision is to be a major African player in the downstream petroleum business. In line with this, Kenol has been expanding its geographical presence in various parts of Africa, which will result in improved depth and breadth of its earnings sources in the coming years.

In May 1999, Kenol set up Kobil Petroleum (Uganda) Limited as a wholly owned subsidiary. In June 2000, the Group acquired 100% stake in Galana Oil Uganda Limited (renamed Kobil Uganda Limited). Assets of Kobil Petroleum (Uganda) Limited were subsequently transferred to Kobil Uganda Limited. Kobil Uganda Limited operations have grown from 19 service stations in 1999 to 52 stations in 2004 with prospects of increased growth in 2005.

Further, in May 2001, Kenol set up Kobil Tanzania Limited as a wholly owned subsidiary in Tanzania. Kobil Tanzania now operates 14 service stations.

To cover the Southern African market, in March 2002 Kenol delved into the Zambian market and acquired a 100% interest in Jovenna Zambia Limited. This has now been rebranded as Kobil Zambia Limited. Kobil Zambia has established a strong brand name and currently controls 8.5% market share in Zambia.

The latest addition to the Kenol Group was the incorporation in May 2002 of Kobil Rwanda SARL. In a little over two years, Kobil Rwanda has already captured over 30% share of the wholesale fuel market in the country.

Kenol also entered the resellers market in 2003 with the establishment of a new section within the Company. The resellers market provides a conduit through which extra stock can be disposed off. This section continues to grow steadily with increasingly bright prospects for the future.

Company Profile

Kenol sells petroleum, lubricant and associated fuel products, at wholesale and retail level. The company is listed on the Nairobi Stock Exchange and had a market capitilisation of US$ 79m (Kshs 6.4 billion) as at November 2004. Presently, Kenol has 865 shareholders with Petroholdings Limited, a Kenyan private company, being the largest shareholder. The table below summarises the Company's shareholding structure as of 18 November, 2004:

	Shareholder	**No. of Shares**	**(%)**
1	Petroholdings Limited	85,310,640	84.64%
2	Mulchand Narshi Shah	1,071,185	1.19%
3	Kanasingh K Babla & Sandip K Babla	509,110	0.51%
4	Stanbic Nominees K Ltd	476,130	0.47%
5	Celestian Distributors Ltd	430,440	0.43%
6	Premchand D Fulchand Shah & Mrs PD Shah	380,370	0.38%
7	Vithaldas Narshibhai Morjaria	376,000	0.37%
8	Mushtaq Gulamhusein	344,550	0.34%
9	Pulin M Gandhi	325,110	0.32%
10	Ali Mohamed Adam	318,990	0.32%
	Sub-Total	***89,542,525***	***88.97%***
	Others	11,253,595	11.03%
	Total	**100,796,120**	**100.00%**

Kenol has an agreement with the Kenya Pipeline Company (KPC) for storage and transportation of petroleum products to various parts of Kenya. As with the other petroleum distributors, Kenol uses the Kenya Petroleum Refinery Limited (KPRL) for the refining of its imported crude. All the oil companies are required to process 70% of their Crude requirements through KPRL.

Kenol has an extensive distribution network currently operating 68 service stations in Kenya, a total of 83 service stations outside Kenya and plans to open 17 more stations in 2005 in pursuit of its strategic regional expansion plans in Africa. The company's impressive regional growth has resulted in significant increased revenues and profits.

The table below summarizes the Company's progress over the last 14 years in developing its network:

Network Growth	**Number of Stations**					
Sales Area	**1991**	**1995**	**2000**	**2002**	**2003**	**2004**
Kenya	41	48	73	82	65	68
Uganda	-	-	26	42	52	52
Tanzania	-	-	-	11	15	15
Zambia	-	-	-	11	14	15
Rwanda	-	-	-	1	1	1
TOTAL	**41**	**48**	**99**	**147**	**147**	**151**

In 2003, Kenol had an average market share of 8.74%, 7.76% and 8.80% in the Kenyan retail, commercial and inland market sectors respectively. In the 9 months to 30 September 2004, these market shares figures had moved to 6.20%, 9.92% and 9.20% respectively. The reduction in the retail market share is attributable to the temporary closure of some petrol stations in 2003 in response to difficult trading conditions. Kenol has however significantly improved its market share in the commercial sector after winning several tenders during the year.

The table below details the Company's market share in Kenya between 1994 and 2004:

	Retail (%)	***Commercial (%)***	***Total Inland (%)***
1994	4.49	3.41	4.01
1995	4.68	5.90	5.21
1996	4.10	5.14	4.53
1997	4.57	8.23	6.09
1998	7.07	5.72	6.53
1999	9.01	3.38	6.55
2000	8.78	5.89	7.48
2001	11.72	3.96	8.51
2002	13.20	5.11	9.00
2003	8.74	7.76	8.80
2004 (9 months)	6.20	9.92	9.20

Source: 1994- 2001: Murdock McCrae & Smith
2002 – 2004: Company estimates

The following table demonstrates that Kenol's strategy of improving its market position by increasing the number of service stations has been successful, having increased its volume from 75,000 cubic meters (M^3) in 1994 to 134,000 M^3 for the 9 months ended 30 September 2004. This represents a 79% growth, achieved in a very competitive environment.

Volumes in M^3 (000 Litres)

	Retail (M^3)	***Commercial (M^3)***	***Total Inland (M^3)***
1994	46,957	27,982	74,939
1995	54,600	52,540	107,140
1996	52,326	46,659	98,985
1997	57,913	74,076	131,989
1998	93,834	51,618	145,452
1999	118,162	34,467	152,629
2000	118,423	65,478	183,901
2001	148,419	33,805	182,724
2002	145,861	38,660	184,521
2003	88,882	48,586	137,468
2004 (9 months)	82,704	51,077	133,781

Source: 1994- 2001: Murdock McCrae & Smith
2002 – 2004: Company estimates

Murdock McCrae & Smith is part of Deloitte Touche Tohmatsu International. Murdock McCrae merged with Deloitte and Touche in 1991 and conducts business as Deloitte and Touche International.

Kenol is active in the major sectors of the economy, such as transport, energy, agriculture, tourism, construction, aviation and marine. The Company markets a wide range of petroleum products, such as Gasoline, Diesel, Kerosene, Jet A1, all Bitumen products, fuel oil products, industrial diesel oil and liquefied petroleum gas. The Company also markets lubricants covering a wide range of activities such as motoring, manufacturing, and marine.

In December 2001, Kenol launched its own brand of lubricants, which are now available countrywide. In response to the growing volumes, Kenol established a lubricants division in July 2003 to cater to this market. The division is responsible for the development, supply and sale of the Kenol brand of lubricants that now account for 11.2% of market share of the total lubricants sold in the Kenyan market. The lubricants are also sold in neighbouring countries through the Kenol subsidiaries. Kenol lubricants are blended locally to meet lubrication needs in the automotive, industrial, marine, and aviation segments, conforming to American Petroleum Institute (API) standards and exceeding the performance levels required by original equipment manufacturers. Kenol is among the few oil companies to be awarded the ISO 9001: 2000 certification for its lubricants business segment.

K-Gas is Kenol Group's Liquified Petroleum Gas ('LPG') brand and was launched in 2002. The growth of K-gas can be attributed to its focus on consumer needs. Before K-gas was launched, extensive consumer research was conducted both locally and internationally. This research showed that consumers worldwide had three basic desires when using Liquefied Petroleum Gas: safety, availability and value for money. K-gas addressed these issues and as a result has posted impressive growth figures. K-gas now has over 100,000 cylinders with the end consumer. It also boasts of a 10% retail market share, all achieved in less than two years. Plans are now underway to get ISO 9001:2000 certification for the LPG business line. The International Standards Organisation (ISO) is an internationally renowned agency that establishes quality benchmarks for a wide range of products and services.

Kenol was the first oil company to introduce low sulphur diesel to the Kenyan market. Low sulphur diesel has half the sulphur content of regular diesel. It is far more environmentally friendly than regular diesel. By reducing the sulphur levels, this brand of fuel increases a vehicle's engine life as well as its efficiency. Indeed, Toyota Kenya have recommended low sulphur diesel for its diesel engines. Further, unlike the unleaded fuel that is also in the market, low sulphur diesel is compatible with all diesel engines without any need for customisation. Currently low sulphur diesel is available in Mombasa, Nairobi, Naivasha, Nakuru, Eldoret, Kericho, Kapsabet and Kisumu. Low sulphur diesel comprises 30% of Kenol's diesel sales. With increased market awareness and more distribution points, this figure is set to rise rapidly. Plans are already underway to further reduce the level of sulphur in the low sulphur diesel. Kenol also plans to introduce new products in the near future.

Kenol has a depot at Sagana in the Mt. Kenya region. The Company also works with KPC and other oil companies in Mombasa, Nakuru, Eldoret, Kisumu and Nairobi. A dry goods storage depot is located at Ruaraka in Nairobi. The Aviation sector consumers are served through the Nairobi Refueling Services and Mombasa Refueling Services.

The group has currently obtained ISO 9001:2000 certification for the following activities: refining, blending, storage, distribution and marketing of petroleum products, lubricants and specialties.

Over the last few years, the Company has developed and financed convenience stores, restaurants and other non-fuel businesses as part of its network. These businesses are managed by independent third parties, freeing up Kenol's resources and management time while enhancing income through revenue sharing agreements. In addition, the Company charges license fees to Dealers for the service stations and other activities carried out on the premises.

The Company has entered into a partnership agreement with Java House Ltd which specializes in high quality coffee. Under the partnership agreement, Java House Ltd. pays license fees to Kobil for the use of its premises, other ancillary facilities and parking space. In return, the coffee house has granted exclusive rights to Kenol/Kobil meaning that Java House Ltd cannot enter into a similar arrangement with another oil company. There are further plans to open a new store within the Central Business District.

In addition to this, there is a similar agreement with the Kengele's restaurant group. As the two establishments have different market niches, there is no conflict between Kengeles & Java Coffee House.

In line with management's strategy of increasing its non-fuel based business, Kenol has also entered into a partnership with Triple A pharmacy. Currently there are two pharmacies at Kenol premises: at Gigiri and on Thika Road with plans to introduce one more in 2005.

The Company has also signed a Distribution Agreement with Safaricom to distribute products such as mobile phones, connection services, and scratch cards. These products and services are available through Kenol's service stations. In Uganda, there is a similar arrangement with mobile provider MTN.

In addition to the above, Kenol has a Distribution Agreement with Holt Lloyd International (UK) to market and distribute Car Care and Fuel additive products in East Africa.

Kenol also implemented a Group Employee Share Ownership Plan (ESOP) in 2003 thereby becoming the first indigenous African oil company outside of South Africa to introduce the ESOP concept. The ESOP, which was approved by the Capital Markets Authority, has as its objective the retention, motivation and reward of Kenol's high quality staff. In total, 872,470 shares have been granted thus far with further tranches becoming available for the year 2004.

DIRECTORS

Mrs S Esmail MBS (Kenyan) – Chairperson (79 years)

Mrs Esmail is a lawyer by profession with extensive experience in commercial law and is the Company's Chairperson. She is also a director of AKES Management Ltd.

Mr Charles Field-Marsham (Canadian) – Non-Executive Director (36 years)

Mr Field-Marsham is the Non-Executive Director and founder of Kestrel Capital (EA) Limited. He holds a Bachelors degree in Economics from McGill University in Canada. He is also a director of Kenya Flourspar Co. Ltd., Kestrel Capital (EA) Ltd., Kobil Petroleum Ltd., Transnational Bank Ltd., Yaya Towers Ltd., Panafrican Trucks and Equipment (EA) Ltd. and FMD Lima Ltd.

Mr J I Segman (Israeli) – Group Managing Director (50 years)

Mr Segman has over 26 years experience in the oil industry, having worked for various companies in Israel, Iran and Kenya. He has been central to the expansion of Kenol since he joined the Kenol/Kobil team in 1990. Prior to his appointment as the Managing Director, Mr Segman worked as the Deputy Managing Director and General Manager – Marketing and Operations. He holds a BA Degree in Economics from Israel University and an MBA from USIU. He is also a director of Kobil Petroleum Ltd.

Mr K P Wong (Malaysian) – Group Finance Director (51 years)

Mr Wong was appointed as Kenol's Finance Director in January 2001. He has over 20 years experience at senior management level in accounting and finance, having worked in South Africa, USA, Russia, Malaysia and Singapore. Mr Wong is a Fellow member of the Association of Chartered Certified Accountants, UK (FCCA). He is also a director of Kobil Petroleum Ltd.

MANAGEMENT

Mr J I Segman (Israeli) – Group Managing Director (50 years)

Mr Segman has over 26 years experience in the oil industry, having worked for various companies in Israel, Iran and Kenya. He has been central to the expansion of Kenol since he joined the Kenol/Kobil team in 1990. Prior to his appointment as the Managing Director, Mr Segman worked as the Deputy Managing Director and General Manager – Marketing and Operations. He holds a BA Degree in Economics from Israel University and an MBA from USIU. He is also a director of Kobil Petroleum Ltd.

Mr K P Wong (Malaysian) – Group Finance Director (51 years)

Mr Wong was appointed as Kenol's Finance Director in January 2001. He has over 20 years experience at senior management level in accounting and finance, having worked in South Africa, USA, Russia, Malaysia and Singapore. Mr Wong is a Fellow member of the Association of Chartered Certified Accountants, UK (FCCA). He is also a director of Kobil Petroleum Ltd.

Mr G N Mwangi - Assistant Group Managing Director (Kenyan) – (58 years)

Mr Mwangi joined the Company in 1976 and served as the Operations Manager for five years. In 1996, he was promoted to the position of Marketing Manager before being appointed the Assistant Managing Director in July, 2001. In 2004, Mr Mwangi became the Country Manager for Kenya in addition to being the Assistant MD. Mr Mwangi has attended several marketing courses in Israel, Canada and the USA.

Mr K Mugenda (Kenyan) – Group Chief Accountant (41 years)

Mr Mugenda joined the Company in 1989 and grew through the rank and file, accumulating experience from various areas within the accounting department. He is a qualified accountant, CPA (K) and holds a BSc Degree in International Business Administration from USIU.

Mr F Di Caro (Italian) – Administration Manager (66 years)

Mr Di Caro has been with the Company since 1988. He is responsible for the human resource and administrative functions of the company. He has extensive experience in design, engineering, construction and administration. He is trained in the oil industry and is currently pursuing the CPA qualification.

Mr Isaac Gachura (Kenyan) – Marketing Manager (49 years)

Mr Isaac Gachuria joined Kenol in 1988 and is now responsible for the sales and marketing activities of the Company. Prior to his present appointment, he was the Commercial Manager and the Assistant Marketing Manager. He holds a BSc Degree from the University of Nairobi.

Ms E Kariuki (Kenyan) – Retail Manager (41 years)

Ms Kariuki joined the Company in 1990. Prior to her present appointment, she was the company's Credit Controller. She holds a BCom Degree and has been trained in Israel.

Mr Wilson Wambugu (Kenyan) – Operations Manager (37 years)

Mr Wambugu joined the company in 1991 as a Bulk Supervisor in the Operations Department. He worked in various depots around the country, rising to the position of Depot Manager. In 2000, he was promoted to the position of Depots and Distribution Manager. In the same year he was promoted to Country Manager for Kobil Tanzania Limited, a subsidiary of Kenol. He held this position until August 2004 when he became Operations Manager. He holds a BSc Degree in Survey from the University of Nairobi.

Mr D Ohana (Israeli) – Head of Operations & Non-Fuel Business Development (36 years)

Mr Ohana joined Kenol in 2002 in his present position. He has more than 10 years experience in the oil industry having worked at the Israel Pipeline Company. Mr Ohana holds a BA Degree in Business Administration.

Mr S W Muthuma (Kenyan) – Supply & Trading Manager (38 years)

Mr Muthuma joined the Company in 1992 as a Planning and Supply Analyst prior to his promotion to Supply Manager in 1998. In 2002 he became the Trading Manager and played a key role in setting up the Trading Desk, then a new business line for Kenol. He was promoted to Supply and Trading Manager in 2003. Mr. Muthuma holds a BA Degree in Economics from the University of Nairobi.

Mr E Kinyua (Kenyan) – Human Resources & Public Relations Manager (39 years)

Mr Kinyua joined the Company in 1994 as Sales Representative prior to his transfer to the Public Relations Department, which he pioneered in 1998. In 2000, he was assigned additional responsibilities in Human Resource Management. Mr Kinyua holds a BCom in Business Administration from the University of Nairobi and a Diploma in Marketing from the Chartered Institute of Marketing, UK. He has also attended numerous training courses both locally and internationally.

Mr J M Gituara (Kenyan) – Head of Lubricants Business (54 years)

Mr Gituara was promoted to the Head of Lubricants in 2003 after it became a separate department from the Marketing Department. Prior to joining Kenol in 1992 as the Technical Manager for the lubricants section, Mr Gituara already had more than ten years experience in the oil industry as a sales engineer. He was responsible for the growth in the lubricants business and was instrumental in obtaining the ISO 9001 certification for this business. He is a Chemical Engineer and has trained locally and abroad in the areas of lubricant formulation and production.

KENOL/KOBIL RELATIONSHIP

Kenol and Kobil are two separate legal entities, have separate brands, and trade separately. Further, the two companies transport their products through Kenya Pipeline Company separately. Each of the two Companies has its own retail outlets, consumer base and other fixed assets. However, the businesses have been jointly managed as one operation since January 1986, sharing the same depots, head office and management. The working arrangement between Kenol and Kobil has resulted in economies of scale, cost savings, efficiency and increased market share.

Management & Staff

Kenol and Kobil currently have a combined workforce of 400 employees spread across Kenya and the regional subsidiaries. The staff work jointly for both companies. Overhead costs are shared pro-rata based on the size of the respective business. Under the terms of the Operating Agreement, Kenol currently accounts for 42.5% of the combined costs while Kobil accounts for the remaining 57.5%.

Kenol/Kobil's management structure is organised into eight departments: General Management, Accounting & Finance, Information Technology, Marketing, Operations, Supply & Trading, Lubricants, International Sales and Administration.

During 1997, the organisation went through an intensive re-engineering programme that resulted in a more efficient and effective workforce. The reorganisation has created profit centres along business lines that will ensure sustainable growth and attainment of the Company's overall goals and objectives.

OVERVIEW OF THE KENYAN OIL INDUSTRY

The Oil Industry in Kenya which was de-regulated in October 1994 is classified into seven main sectors:

- Inland: this encompasses the retail sector which includes all service stations and distribution by dealers and the commercial sector which includes all bulk sales to industries and certain end users;
- Aviation: this includes sales of petroleum and related products to the aviation sector;
- Trading: involves sale of petroleum products from one oil company to another oil company;
- Exports to neighbouring countries;
- Liquefied petroleum gas;
- Lubricants; and
- Non-fuel.

It is currently dominated by the following multinational oil companies: Shell/BP, Kenol/Kobil, Caltex, Total and Mobil. There are other smaller oil companies operating in Kenya, such as National Oil Corporation of Kenya (NOCK), Engen, Dalbit, Fuelex, Gapco, Galana, Triton, Petrooil, Mafuta, Metro and Somkem. There is also a network of independent service station dealers that operate under the umbrella of the Independent Petroleum Dealers of Kenya.

Imported Crude is processed at the Kenya Petroleum Refineries Limited (KPRL) and transported via pipeline (Kenya Pipeline Company) to upcountry depots. From the storage depots, it is distributed to service stations and other consumer locations.

In the last five years, the following major changes have taken place:

- Increase in registered marketers;
- Increase in independent dealers;
- Rise of the distributor segment;
- Increased price competition;
- Introduction of unleaded gasoline;
- Introduction of low sulphur diesel;
- Implementation of the Open Tender System (OTS) for the supply of crude and refined fuel to the Kenyan market; and
- Introduction of a Single Entry Point (SEP) for the importation of refined products.

The year 2004 was a difficult year for the oil industry, posing tough challenges on several fronts. As a result of the Iraqi war and the continued efforts of the United States government's war on terror, oil prices have remained increasingly volatile. Crude oil prices rose steadily from $25 to $30 per barrel in 2003 before touching an all time high of $55 per barrel in October 2004. Prices have declined marginally since but there is still no clear indication as to where it may settle.

The fluctuation of oil prices makes trading conditions difficult due to the difficulty of timing the importation of crude oil and refined products. With the implementation of the Open Tender System (OTS), the difficulties posed by the fluctuating oil prices will be somewhat mitigated as all the players in the Kenyan oil industry will now be sourcing crude oil at the same prices and thus operating on the basis of similar importation costs. This will increase price homogeneity across the oil distribution sector.

Further, the implementation of the Single Entry Point (SEP) requires that all refined oil products enter the Kenyan market at one point. With the OTS and the SEP now in place, Kenol expects a more level playing field will develop in Kenya leading to improved trading conditions.

The total inland market share for the five major players for 2002 and 2003 and the 9-month period to September 2004 is summarised in the table below:

	Total Inland Market Share (%)		
Company	***2004***	***2003***	***2002***
Shell/BP/Agip	18.33%	21.47%	29.10%
Kenol/Kobil	19.02%	16.39%	18.10%
Total Kenya	20.31%	15.18%	14.20%
Caltex Oil	11.97%	15.06%	16.10%
Mobil Oil	14.47%	13.90%	11.30%
Subtotal	**84.10%**	**82.00%**	**88.80%**
Others	15.90%	18.00%	11.20%
Total	**100.00%**	**100.00%**	**100.00%**

Company estimates

SUBSIDIARIES & NEW ACTIVITIES

a. Kobil Uganda Limited

Although trading under the Kobil brand, Kenol owns 100% shares in Kobil Uganda Ltd. After five years of operations in Uganda, the Company already has fifty two (52) service stations and a depot in Kampala. The Company's operations account for an estimated 12% of the local market share. Kobil Uganda sales are mainly in the retail sector. The business has been profitable and is expected to expand in the next financial year with a view to opening eight additional retail outlets in 2005.

b. Kobil Tanzania Limited

Kobil Tanzania Limited (KTL) is also a wholly owned subsidiary of Kenol. KTL started operations in May 2001 and currently operates 15 services stations in Tanzania and is well poised for growth. There are plans to open another three service stations in 2005. Kobil Tanzania currently controls a 5.6% share of the local market. The Company is currently selling large quantities of both fuel and lubricants. The Tanzanian petroleum industry, though very competitive, is a strategic market place for the Group as it is the fastest growing economy in East Africa.

c. Kobil Zambia Limited (formerly Jovenna Zambia Ltd)

Kenol acquired a 100% interest in Jovenna Zambia in March 2002 before renaming it as Kobil Zambia in 2003. Kobil Zambia has been operating in Zambia for two years and currently has depot facilities in Lusaka and Ndola. The company has a network of 15 service stations having opened a new one in 2004. In line with the impressive growth here, plans are underway to open three more stations in 2005. Management expects to increase the Company's market share to over 10% in 2005 from the current 8%. The market, which is dominated by multinational companies, is stable, profitable and well organized due to government supervision.

d. Kobil Rwanda SARL

Kobil Rwanda is the latest addition to the Kenol Group. This subsidiary, which is 100% owned by Kenol, was incorporated in May 2002 with the aim of covering the eastern part of central African markets of Rwanda, Burundi and Eastern Congo. The Company has already established one service station and within two years gained an impressive 30% market share of the wholesale fuel market in the country. On the back of this phenomenal growth, Kobil Rwanda plans to expand its presence in Rwanda in 2005. Kobil Rwanda also sells lubricants, fuel oil and bitumen in the region. With the petroleum industry being well regulated, the operating environment in Rwanda is expected to remain stable.

Summary of Kenol's Subsidiaries

	Kobil Uganda Ltd	Kobil Tanzania Ltd	Kobil Zambia Ltd	Kobil Rwanda SARL
Country of incorporation	Uganda	Tanzania	Zambia	Rwanda
Registered office and address	4, Wankulukuku Rd, Nalukolongo Kampala, Uganda	Bandari Rd, Kurasini P O Box 2238 Dar es Salaam, Tanzania	1630 Malambo Rd Lusaka, Zambia	B. P. 2992 Kigali, Rwanda
Year of incorporation/ acquisition	1999	2001	2002	2002
Kenol's shareholding	100%	100%	100%	100%
Market share 2004	12%	5.6%	8%	30%
No of service stations	52	15	15	1

TRADING DESK

In 2002 the Company formally established a Trading Desk jointly with Kobil charged with developing new markets in African countries, especially those that have no refining facilities for petroleum products. To date, the Trading Desk has won tenders to supply petroleum products to Mozambique and has successfully completed the contracts to the satisfaction of the clients. The Trading Desk is actively participating in tenders to supply petroleum products to Malawi, Sudan, Ethiopia Mauritius and other countries in the region. Businesses in this market are denominated in US Dollars and are generally guaranteed and/or confirmed by letters of credit issued by reputable international banks, which reduces both foreign exchange and credit risk. In 2004, the Trading Desk won 70% of the crude and 45% of the products imported into Kenya under the OTS.

THE KENYAN OPEN TENDER SYSTEM

In January 2004, the Kenyan Ministry of Energy implemented the OTS to streamline and regulate the importation of crude and refined petroleum products for Kenya use. It came about because of the desire to achieve a level playing field for all petroleum companies in Kenya. OTS was put forward to create an orderly market place with a hope to reduce energy costs to Kenya through the economies of scale.

Crude

Kenya's current crude requirement is about 160,000 Metric Tonnes ('MT') per month – about two cargoes of 80,000 MT each. Kenyan law requires that every petroleum company in Kenya shall import crude for processing by Kenya Petroleum Refineries Ltd (KPRL) in Mombasa.

Before the OTS, each oil company imported its own crude. This resulted in the following:

- Smaller petroleum companies did not have the capacity to import one full shipment of crude and they had to purchase their crude from other oil companies in Kenya. This resulted in higher cost for them;
- As different oil companies imported their crude in different months, the cost for their crude varied according to the month in which the crude was imported. Companies that had imported expensive crude found it difficult to compete with those which had imported their crude in a cheaper month. When an oil company judged that the crude price was high during the month it scheduled to import crude, it resorted to default and tried to delay the crude importation. This resulted in KPRL temporarily shutting down its operation, and in some cases a fuel shortage in Kenya, which had a negative impact on its economic activities.

The Kenyan Government thus sought to correct these undesirable situations. Under the OTS, each petroleum company's monthly crude processing requirement is computed in accordance with a formula set by KPRL. Tenders are then invited from the oil companies to bid for the supply. The company with the lowest bid automatically wins the tender. The winner will import the crude and have it discharged into KPRL tanks in Mombasa. Title to the crude is then transferred after the Buyer has prepaid the tender price to the Importer.

A heavy penalty is imposed on a buyer who defaults on payment: its oil trading license will be cancelled and it will not be allowed to participate in future OTS tenders. As a result, the buyer's default rate is expected to be low.

Payment for OTS crude is due 20 days from the Bill of Lading (B/L) date. Heavy interest is payable after the 20^{th} day. A buyer is declared to be in default after the 50^{th} day.

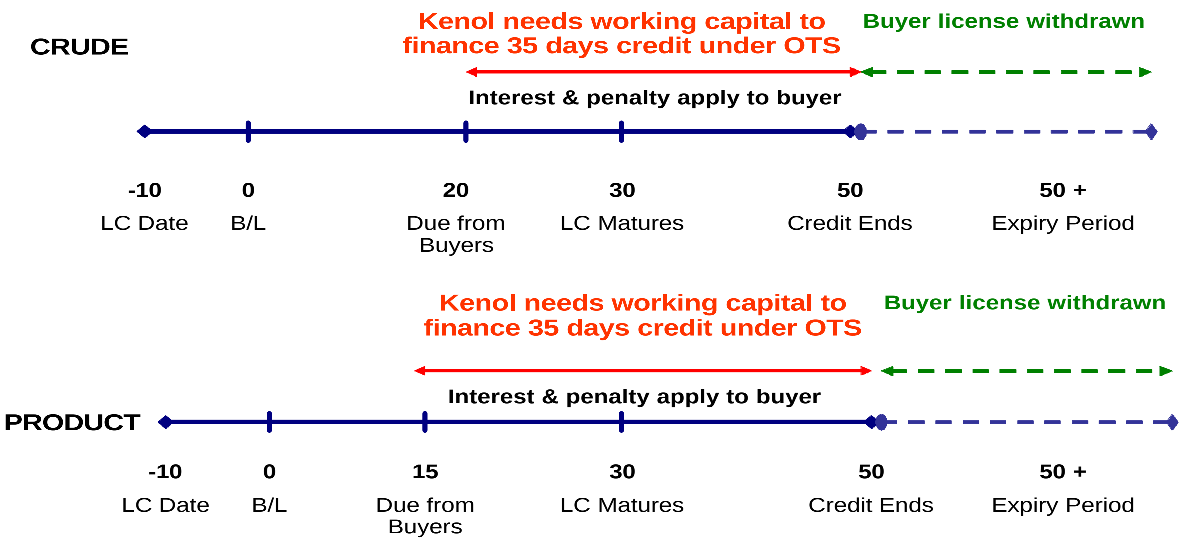
Refined Products

KPRL does not produce all the fuel required by Kenya. The shortfalls are imported in the form of refined products.

The modus operandi of the OTS for refined products is similar to that for Crude except that payment is due 15 days from the Bill of Lading date.

The following timeline illustrates graphically how the working capital needs under the OTS are met:

WORKING CAPITAL NEEDS UNDER THE OPEN TENDER SYSTEM



INDUSTRY RISKS

The following are some of the risks associated with the oil industry in Kenya and the other countries where Kenol has its operations:

- **Fluctuation of oil prices**: As a leading oil company in Kenya, Kenol is subject to the vagaries of fluctuating crude prices. Consequently, changing international crude prices, which are affected by various factors beyond a local company's control, present significant risks. Kenol mitigates this risk by adjusting its retail prices taking into consideration the competitive factors in the industry and by carefully managing its inventories and sales.

- **Exchange rate volatility**: The Group's major cost inputs are US Dollar denominated and are therefore exposed to currency risk. This risk is mitigated by the management's efforts to increase its US Dollar sales and frequently monitoring of the foreign exchange market in order to find ways of lowering the currency risk. Kenol also reduces the exchange risk by adjusting its retail prices, timely conversion of local currencies into US dollars, and careful management of inventories.

- **Fuel adulteration**: The sale and distribution of petroleum products that do not meet regulatory standards is a perennial problem facing the oil industry. This results in an unfair competitive advantage to those practicing this trade, which can be damaging to both the consumers and the industry in general. Kenol is at the forefront of public education to create awareness and assist the authorities in pointing out the dangers of such products.

- **Credit risk**: Credit sales increase default risk. In the circumstances, Kenol Group is addressing this risk by increasingly focusing on cash sales and maintaining strong credit control measures on outstanding credit balances.

COMPANY RISKS

- **Fluctuation of oil prices**: As outlined above, Kenol is subject to fluctuating crude prices. Consequently, changing international crude prices, which are affected by various factors beyond a local company's control, present significant risks. Kenol mitigates this risk by adjusting its retail prices taking into consideration the competitive factors in the industry and by carefully managing its inventories and sales.

- **Exchange rate volatility**: The Group's major cost inputs are US Dollar denominated and are therefore exposed to currency risk. This risk is mitigated by the management's efforts to increase its US Dollar sales and frequently monitoring of the foreign exchange market in order to find ways of lowering the currency risk. Kenol also reduces the exchange risk by adjusting its retail prices, timely conversion of local currencies into US dollars, and careful management of inventories.

- **Political risk:** The Group is subject to foreign investment risk associated with its subsidiaries in Uganda, Tanzania, Zambia and Rwanda.

USE OF PROCEEDS

Over the last ten years Kenol's policy has been to re-invest the majority of its profits for growth and expansion of its network. Further, the Company has also paid substantial dividends to shareholders in the last five years.

With expansion and growth comes the necessity to fund the Group's increased working capital requirements. The CP programme is meant to fulfill these needs.

GROUP WORKING CAPITAL REQUIREMENTS

The Group has achieved significant growth in recent years both through internal growth and acquisition of companies as discussed under "Subsidiaries and New Activities". With the establishment of a Trading Desk, the Group has begun tapping into new markets. As a result, the Group's net sales have grown from Kshs 8.7 billion in 2001 to Kshs 30.4 billion in 2004. Similarly, the Group's growth has resulted in the need for an increase in working capital requirements as shown in the table below.

Because of the Group's high growth, it has become necessary to fund this growth both in terms of long-term capital and short-term capital needs. While the internally generated funds are set aside to fund long-term capital investments (acquisitions and capital expenditure), the CP programme is designed to fund the Group's short-term capital needs.

The following table depicts growth in sales and short-term capital requirements for the Group for the last four years:

	2001	2002	2003	2004
	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)
Net sales	**8,658,153**	**9,756,808**	**12,572,138**	**30,414,739**
Working capital after external funding	476,664	421,460	588,471	1,305,974
External funding:				
Commercial paper	270,000	416,784	263,000	489,193
Overdraft facilities		-	130,000	558,125
Total working capital	**746,664**	**838,424**	**981,471**	**2,353,292**

The cash flow projection for 2005 shows that the Group needs to raise short-term funding of between Kshs 60 million and Kshs 880 million from month to month. These funds are needed to support the growing level of sales. Kenol intends to utilise the Kshs 1 billion Commercial Paper facility to meet these projected working capital needs and support the Group's vision of being a major player in Africa.

FUTURE PROSPECTS

Kenol's vision is to be the leading brand in Kenya and a major player in Africa. Its mission statement is "To develop, improve and increase quality and total value of its products and services; to become a market leader through continuous innovation, customer focus and to provide the highest products and services, and to maintain a highly motivated, well trained human resource base".

As one of the leading oil companies in Kenya, Kenol hopes to achieve its mission by continuously investing and enhancing its relationship with customers and stakeholders through its well-trained and motivated workforce. Further, the Group recently developed a Statement of Business Values, which outlines the standards of corporate behaviour that govern the way it does business and its interaction with people both internally and externally. These ethics apply to its employees as well. All employees are expected to practise and live up to these ethics, since it is the people in the organisation that set it apart from other organizations.

Kenol is determined to maintain its current market position by supplying consumers' energy needs through its retail network. The Company will further buttress its position by continuous investment in modern technology to meet increasing customers' expectations.

International oil prices have begun to recede to a more reasonable level and time will tell whether it is a long term trend. The implementation of the OTS and SEP for the importation of all refined products stabilized the Kenyan market somewhat, although challenges previously facing the oil industry in Kenya remain valid.

Subsidiaries will continue to grow. The Group will continue to seek growth through diversification, organic expansion and acquisition. Competition in 2005 is expected to become stronger though trading conditions are expected to remain similar to 2004 with probably lower average international oil prices.

FINANCIAL SUMMARY

- As shown in the balance sheet, shareholders' funds in the Group amounted to Kshs 3.4 billion as at 30 September 2004. This is significantly in excess of the minimum paid up share capital and reserves of Kshs 50 million, which is one of the requirements to qualify as an issuer of Commercial Paper by the CMA;

- The Group has been profitable throughout the last decade. In the last three years, the Group has not only increased its revenues but has also increased its profits as shown in the audited profit & loss statements on page 24 of this Information Memorandum;

- The Group's strategy is to use long-term capital to fund long-term investments and to fund working capital with short-term lines of credit. The Group has also effectively utilized its CP programme to fund its working capital requirement by the Kshs 489 million draw down of the facility as at September 30, 2004;

- The Group's gearing ratio for the years 2002, 2003 and 2004 has been 19%, 21% and 29% respectively. This has remained well below the maximum 400% set by the CMA;

- As shown in the cash flow statements on page 29, the Group has consistently generated positive cash flow from its operations, which has been utilized to fund its expansion programme. Consequently, the Group has to rely on short term funding for its working capital requirements, for which the CP programme plays a pivotal role;

  The Group's financial position continues to be strong and in good stead as indicated by the ratios in the Accountant's Report and the audited financial statements. This shows the Group will have no difficulty servicing the CP programme as the short-term obligations fall due. Kenol is pleased to report that it has *never* defaulted *nor* even delayed on a single payment to CP creditors since the inception of the CP program in 2001.

CREDIT RATING

Kenol was credit rated in November 2004 by the Global Credit Rating Company ('GCR') from South Africa. GCR is one of the leading rating agencies in Africa, rating more organisations than any other rating agency operating on the African continent. GCR is a credit rating agency approved by the CMA. To date, it has rated a good number of companies within Kenya.

GCR's expertise in the corporate sector spans across southern, eastern and western Africa and covers a diverse range of corporate entities, which include the industrial, resource, transportation, retail, telecommunications and information technology sectors.

GCR's rating methodology embraces those methodologies used by international rating agencies, incorporating key principles specific to emerging market entities. GCR's comparative advantage with regards to according ratings in emerging market economies results from its operational presence in all markets in which ratings are accorded, thereby facilitating an accurate evaluation of the relative credit risks within a particular market.

Kenol is pleased to announce its commercial paper issue received the highest possible rating of A1+ from GCR. This means the commercial paper issue carries the highest certainty of payment and its safety is just slightly below that of a risk-free treasury bill. The outlook for the CP issue remains stable for the coming future.

FINANCIAL ANALYSIS FOR THE PERIOD ENDED 30 SEPTEMBER 2004

The Group has continued to perform well, achieving impressive growth despite Kenya's stymied economic growth, highly competitive oil marketing business in markets in which the Group operates, and volatility in oil prices.

The financial highlights are summarised below:

- The net sales grew phenomenally from Kshs 12.6 billion in 2003 to Kshs 30.4 billion in the current year. The 241% growth was largely attributed to management's strategy of continued expansion of the Group's operations within the COMESA region and the company's success under the newly implemented OTS procurement procedures;

- The Group's gross profit rose to Kshs 2.3 billion in the year 2004 from Kshs 1.8 billion in 2003, an increase of 27.8% over the previous year;

- The Group's basic earnings per share increased by a massive 79% from Kshs 4.65 in 2003 to Kshs 8.32 in 2004;

- The distribution costs rose from Kshs 123 million in 2003 to Kshs 160 million in 2004. This was due to increased sales volumes within the subsidiaries;

- Administrative and operating costs registered a 7.6% increase from Kshs 948 million in 2003 to Kshs 1 billion in 2004. These costs accounted for 7.5% and 3.4% of net sales in the year 2003 and 2004 respectively;

- The Group's net profits increased from Kshs 469 million in 2003 to Kshs 838 million in 2004 representing 79% increase over the previous year;

- The Group registered a net finance income of Kshs 8 million compared to a net finance cost of Kshs 64 million in 2003. This was principally due to a net realized foreign currency exchange gain and lower interest rates in 2004.

CONSOLIDATED PROFIT & LOSS ACCOUNTS (In Kshs millions)

Year end - 30 September	**2004** (Audited)	**2003** (Audited)	**2002** (Audited)	**2001** (Audited)
Gross sales	**34,479**	**16,658**	**13,318**	**10,959**
Indirect taxes	(4,064)	(4,086)	(3,561)	(2,301)
Net sales	30,415	12,572	9,757	8,658
Cost of sales	(28,090)	(10,799)	(8,148)	(7,219)
Gross profit	**2,325**	**1,773**	**1,609**	**1,439**
Other operating income	40	71	28	18
Distribution costs	(160)	(123)	(97)	(68)
Admin and operating expenses	(1,020)	(947)	(816)	(788)
Operating profit	**1,185**	**774**	**724**	**601**
Financing costs	8	(64)	(42)	(6)
Profit before tax and unrealised exchange loss	1,193	710	682	
Unrealised exchange losses	**8**	**(80)**	**(3)**	-
Profit before tax	**1,201**	**630**	**679**	**595**
Tax	(362)	(163)	(226)	(210)
Minority interest	-	(2)	(12)	(10)
Net profit after tax	**838**	**469**	**441**	**375**

The income statement shown above plus the balance sheet and cash flow statement on the following pages have been prepared on a Group basis incorporating all the subsidiaries listed on page 17. The consolidation principles used in preparing these audited financial statements are stated below:

Consolidation principles applied are as follows:
Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal.

The income statements of subsidiaries are translated at average exchange rates for the year and the balance sheets at the year-end rates. The resulting differences upon translation are dealt with in reserves.

All intercompany transactions, balances, and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

CONSOLIDATED BALANCE SHEETS (In Kshs millions)

Year end - 30 September	2004 (Audited)	2003 (Audited)	2002 (Audited)	2001 (Audited)
Non-current Assets:				
Property, plant and equipment	1,794	1,440	1,426	1,114
Goodwill arising on consolidation	26	31	37	42
Negative goodwill on consolidation			(3)	(3)
Prepaid operating rentals	556	573	560	356
Total	**2,376**	**2,044**	**2,020**	**1,509**
Current Assets:				
Inventories	314	259	285	213
Trade receivables	2,126	1,226	1,122	1,119
Loan to related party	558			
Cash and cash equivalents	858	1,033	878	714
Tax recoverable	3	25	23	1
Total	**3,859**	**2,543**	**2,308**	**2,048**
Current Liabilities:				
Trade and other payables	1,352	1,543	1,457	1,240
Borrowings	1,088	393	417	270
Current tax	108	15	10	58
Dividends payable	5	4	3	3
Total Current Liabilities	**2,553**	**1,954**	**1,887**	**1,571**
Net Current Assets	**1,306**	**589**	**421**	**477**
Total Assets	**3,682**	**2,633**	**2,441**	**1,986**
Non Current Liabilities:				
Deferred tax	213	134	195	211
Long term loan	77	100	67	-
Minority interest	-	-	79	68
Financed By:				
Share capital	50	50	50	50
Revaluation and other reserves	376	270	303	401
Fair value reserve	85	85	85	-
Translation reserves	37	(34)	(11)	(1)
Retained earnings	2,642	1,972	1,575	1,183
Proposed dividends - ordinary and millennium	202	55	96	76
Long term Liabilities & Shareholders' Funds	**3,682**	**2,633**	**2,441**	**1,986**

CONSOLIDATED CASH FLOW STATEMENTS (In Kshs millions)

Year end - 30 September	2004 (Audited)	2003* (Audited)	2002 (Audited)	2001 (Audited)
Profit before tax	1,201	630	679	595
Depreciation	133	128	144	88
Deficit on revaluation	15	-	-	-
(Profit) / Loss on sale of assets	(1)	-	17	19
Interest Income	(16)		(10)	(23)
Interest expense	53	53	24	32
Leasehold land amortisation	89	62	64	-
Goodwill amortisation	5	5	5	5
Dividend Income		(10)		
Profit on disposal of Mid Oil		(17)		
Changes in working capital:				
Receivables and prepayments	(900)	(109)	9	(686)
Inventories	(55)	20	(68)	(115)
Trade and other payables & provisions	(191)	90	125	622
Working capital from subsidiary				
Cash (utilized by) / generated from operations	**333**	**842**	**989**	**537**
Interest received	16	9	10	23
Interest paid	(53)	54	(24)	(32)
Tax paid	(238)	(220)	(300)	(136)
Cash from operating activities	**57**	**578**	**675**	**392**
Investing activities:				
Acquisition of subsidiaries	-	-	1	-
Takeover of loan on acquisition	-	-	(87)	-
Purchase of property, plant and equipment	(216)	(267)	(446)	(338)
Payment for operating leases	(49)	(122)	(131)	-
Proceeds from disposal of property, plant and equipment	1	15	3	9
Dividends received	-	10	-	-
Disposal of subsidiary net of cash disposed	-	46	-	-
Cash (utilized in) / from investing activities	**(264)**	**(318)**	**(660)**	**(329)**
Financing activities				
(Payment) / Proceeds from commercial paper	226	(154)	147	270
Loan to related party	(558)			
Net proceeds from long term borrowings	18	32	67	-
Net proceeds from short term borrowings	428	130		
Dividends paid	(55)	(146)	(75)	(43)
Dividends paid to minority shareholders		(10)		
Cash from financing activities	**59**	**(147)**	**139**	**227**
(Decrease) / Increase in cash	**(148)**	**(113)**	**154**	**290**
Movement in cash and cash equivalents				
Opening cash as at 1 October	**1,033**	**878**	**714**	**424**
(Decrease) / Increase	**(148)**	**113**	**154**	**290**
Effects of exchange gain / (loss) difference	**(27)**	**42**	**10**	**-**
Closing cash as at 30 September	**858**	**1,033**	**878**	**714**

** Restated*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (In Kshs '000)

Year ended 30 September 2003	Share Capital	Revaluation reserves	Fair Value reserve	Translation reserve	Retained earnings	Proposed dividends	Total
As at 1 October 2002	50,398	303,386	85,445	(11,438)	1,575,630	95,756	2,099,177
Transfer of excess depreciation to retained earnings	-	(42,041)	-	-	42,041	-	-
Deferred tax on transfer	-	12,612	-	-	(12,612)	-	-
Translation loss	-	-	-	(22,833)	-	-	(22,833)
Net gains/(losses) not recognized in income statement	**-**	**(29,429)**	**-**	**(22,833)**	**29,429**	**-**	**(22,833)**
Net profit	-	-	-	-	468,745	-	468,745
On disposal of subsidiary:							
-revaluation surplus realised	-	(4,364)	-	-	4,364	-	-
Dividends:							
- Final for 2002 paid	-	-	-	-	-	(95,756)	(95,756)
- Special dividend for 2003 paid	-	-	-	-	(50,398)	-	(50,398)
- Proposed final for 2003	-	-	-	-	(55,438)	55,438	-
At 30 September 2003	**50,398**	**269,593**	**85,445**	**(34,271)**	**1,972,332**	**55,438**	**2,398,935**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (In Kshs '000)

Year ended 30 September 2004	Share Capital	Revaluation reserves	Fair Value reserve	Translation reserve	Retained earnings	Proposed dividends	Total
As at 1 October 2003	**50,398**	**269,593**	**85,445**	**(34,271)**	**1,972,332**	**55,438**	**2,398,935**
Revaluation surplus	-	202,385	-	-	-	-	**202,385**
Deferred tax on revaluation	-	(63,026)	-	-	-	-	**(63,026)**
Transfer of excess depreciation to retained earnings	-	(47,220)	-	-	47,220	-	**-**
Deferred tax on transfer	-	14,166	-	-	(14,166)	-	**-**
Translation gain	-	-	-	71,595	**-**	**-**	**71,595**
Net gains not recognized in income statement	**-**	**106,305**	**-**	**71,595**	**33,054**	**-**	**210,954**
Net profit	-	-	-	-	838,484	-	**838,484**
Dividends:							
- Final for 2003 paid	-	-	-	-	-	(55,438)	(55,438)
- Proposed special interim for 2004	-	-	-	-	(100,796)	100,796	-
- Proposed final for 2004	-	-	-	-	(100,796)	100,796	-
At 30 September 2004	**50,398**	**375,898**	**85,445**	**37,324**	**2,642,278**	**201,592**	**3,392,935**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (In Kshs '000)

Year ended 30 September 2003	Share Capital	Revaluation reserves	Fair Value reserve	Retained earnings	Proposed dividends	Total
As 1 October 2002	50,398	266,001	85,445	1,427,512	95,756	1,925,112
Transfer of excess depreciation to retained earnings	-	(42,041)	-	42,041	-	-
Deferred tax on transfer	-	12,612	-	(12,612)	-	-
Net gains not recognized in income statement	**-**	**(29,429)**	**-**	**29,429**	**-**	**-**
Net profit	-	-	-	308,711	-	**308,711**
Dividends:						
- Final for 2002 paid	-	-	-	-	(95,756)	(95,756)
- Special dividend for 2003 paid	-	-	-	(50,398)	-	(50,398)
- Proposed final for 2003	-	-	-	(55,438)	55,438	-
At 30 September 2002	**50,398**	**236,572**	**85,445**	**1,659,816**	**55,438**	**2,087,669**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (In Kshs '000)

Year ended 30 September 2004	Share Capital	Revaluation reserves	Fair Value reserve	Retained earnings	Proposed dividends	Total
As 1 October 2003	50,398	236,572	85,445	1,659,816	55,438	2,087,669
Revaluation surplus	-	79,014	-	-	-	79,014
Deferred tax on revaluation	-	(23,704)	-	-	-	(23,704)
Transfer of excess depreciation to retained earnings	-	(47,220)	-	47,220	-	-
Deferred tax on transfer	-	14,166	-	(14,166)	-	-
Net gains not recognized in income statement	**-**	**22,256**	**-**	**33,054**	**-**	**55,310**
Net profit	-	-	-	609,634	-	**609,634**
Dividends:						
- Final for 2003 paid	-	-	-	-	(55,438)	(55,438)
- Proposed special dividend for 2004	-	-	-	(100,796)	100,796	-
- Proposed final for 2004	-	-	-	(100,796)	100,796	-
At 30 September 2004	**50,398**	**258,828**	**85,445**	**2,100,912**	**201,592**	**2,697,175**

COMPLIANCE WITH CMA REGULATIONS

Incorporation

Kenol was incorporated in Nairobi, Kenya, on 13 May 1959 under the Companies Act as a Limited Company. In terms of its Memorandum of Association (Clause 3 (a)), the principal activity of Kenol is the production, refining, distilling, storing, supplying, importing and distribution of petroleum and petroleum products of all descriptions.

The Company was listed on the Nairobi Stock Exchange in September 1959. Its registration number is 4399.

Authorisation

The issue of the Commercial Paper Notes has been duly authorised by a resolution of the Board of Directors of the Company passed on November 26, 2002.

Pending legal or arbitration proceedings

Kenol is currently unaware of any legal or arbitration proceedings pending or threatened against it, which may have a significant influence on the group's financial position.

Material Contracts

Kenol Group has not entered into any material contracts outside the ordinary course of business within two years immediately preceding the publication of this Information Memorandum. The Group does not have any contractual arrangement with any controlling shareholder and carries on its business independently of all its shareholders.

Auditors

The auditors of Kenol Group are currently PricewaterhouseCoopers, Certified Public Accountants, P. O. Box 43963, Nairobi, Kenya, who have audited the Group's accounts and have reported without any qualification for the last five years.

Information on Share Capital, Directors' Interests, Major Shareholders and Related Party Transactions

The Company's authorised, issued and fully paid up share capital is as follows:

Authorized share capital	**Issued and fully paid up share capital**
150,000,000 ordinary shares of Kshs 0.50 each	100,796,120 ordinary shares
Kshs 75,000,000	Kshs 50,398,060

The Company has only one class of shares (ordinary shares) and all the shareholders have equal voting rights.

No Kenol director currently holds more than 3% of the issued share capital of Kenol. Between the end of last financial year; that is, September 2004, and the publication of this Information Memorandum, there has been no material change in the directors' interests in Kenol.

Petroholdings Limited, which is the only major shareholder in Kenol, held 85,310,640 shares or 84.64% of the Company's voting rights as at 18 November 2004. Its level of shareholding has not changed over the last three years.

The Kenol Group has not provided any loan(s) to:

a) Any individual(s) owning interests in the Group that gives such individual(s) significant influence over the Company;

b) Key management and personnel of the Group;

c) Enterprise(s) owned by director(s) or major shareholder(s) of the Group;

d) Enterprises that are under common control by the Kenol Group, except that transactions with related parties are carried out in the ordinary course of business and at arms length.

Documents Available for Inspection

Copies of the following documents are available for inspection at the registered office of the Company:

a) The Memorandum and Articles of Association of the Company;

b) The latest certified appraisals or valuations of movable and immovable property;

c) Audited consolidated accounts of Kenol and its subsidiaries for each of the last three years, including all notes, reports or information required under the Companies Act (Cap 486) of the Laws of Kenya;

d) The Reporting Accountants' report as reproduced in this Information Memorandum;

e) The Agreement between Kenol and the Issuing and Paying Agent and the Agreement between Kenol and the Placing and Arranging Agents.

Borrowing Powers

The Kenol Group Board of Directors has full borrowing powers and no exchange control or other restrictions apply on such powers. The Directors are entitled to borrow money and to mortgage or charge its undertaking, property and uncalled and unpaid capital or any part thereof and to issue debentures and other securities.

Material Changes

Save as disclosed herein and in this Information Memorandum, there have been no material changes in the trading and financial position of Kenol Group since September 2004. There have also been no material exceptional factors or material interruptions or material changes in Kenol Group's business in the last five years.

Summary of Terms of Agreement with the Issuing and Paying Agent

The duty of the Issuing and Paying Agent is to deliver completed and verified CP Notes to the Placing Agents or designated consignees, which delivery shall be against receipt of cleared funds for payment. The Issuing and Placing Agent is also responsible for paying from the Issuer's account funds to the Note holders upon the presentation of CP Notes by the holder thereof at maturity.

The Agreement with the Issuing and Paying Agent (Barclays Bank of Kenya Limited) may be terminated at any time by either party giving the other 30 days prior written notice, but such termination shall not affect the respective liabilities of the parties hereunder with respect to the CP Notes issued, authenticated and delivered prior to such termination, which shall survive until such CP Notes have been paid in full.