KENOLKOBIL LIMITED

KSHS 1,500,000,000

COMMERCIAL PAPER PROGRAMME

CREDIT RATING: A1

INFORMATION MEMORANDUM

01 June 2010

Placing Agents

Kestrel Capital (E.A.) Ltd

CONTENTS

DEFINITIONS AND ABBREVIATIONS

CMA	Capital Markets Authority established by the Capital Markets Act (Cap 485A)
Kshs	Kenya Shillings
CP	Commercial Paper
Commercial Paper	Commercial Paper is an unsecured, short-term loan issued by a corporation, typically for financing working capital. It is usually issued at a discount, reflecting current market interest rates.
Directors or Board	The persons named herein as Directors of the Company
Employee	Employees of KenolKobil Limited
ESOP	Employee Share Ownership Plan
GCR	Global Credit Rating Company
NSE	Nairobi Stock Exchange
Company	KenolKobil Limited
KenolKobil	KenolKobil Limited
KPC	Kenya Pipeline Company
KRA	Kenya Revenue Authority
KPRL	Kenya Petroleum Refinery Limited
LIBOR	London Interbank Offered Rate
LPG	Liquefied Petroleum Gas
OTS	Open Tender System
SEP	Single Entry Point

IMPORTANT NOTICE

KenolKobil Limited ("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 KenolKobil. The Notes will be offered for sale through Kestrel Capital (East Africa) Limited ("Kestrel" or "Placing Agents") as may be appointed by KenolKobil to selected financial institutions, corporate investors and high net worth individuals as may be approved by KenolKobil.

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 and Barclays Bank of Kenya Limited. This Information Memorandum shall not be reproduced in any form, nor shall it be transmitted to or discussed with any other person.

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

The Directors of KenolKobil, whose names appear on pages 20 and 21 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 KenolKobil 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 of Companies.

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 23 April 2010.

DESCRIPTION OF THE COMMERCIAL PAPER PROGRAMME

Issuer

KenolKobil Limited
10th Floor, ICEA Building
Kenyatta Avenue
P O Box 44202 - 00100
Nairobi

Instrument

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

Security

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

Transferability

These Commercial Papers are not transferable nor can be listed on the Nairobi Stock Exchange.

Purpose

The Commercial Paper Programme is intended to be used by KenolKobil as a revolving short term financing facility to diversify and supplement its current working capital financing. By allowing KenolKobil 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 and a Half Billion (Kshs 1,500,000,000).

Interest Rate

For Kenya Shilling denominated Notes, to be fixed over the relevant CBK rate, 91-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 30-day, 60-day or 90-day LIBOR.

Discount and Pricing

To be determined from time to time by KenolKobil 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 KenolKobil 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 KenolKobil.

Tenor

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

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 KenolKobil.

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 KenolKobil 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

J I Segman P O Box 44202, Nairobi	Chairman and Group Managing Director Appointed Acting Chairman on 24 January 2006
Pat Lai P O Box 44202, Nairobi	Group Finance Director Appointed on 03 February 2006
C Field-Marsham P O Box 40005, Nairobi	Non-Executive Director Appointed on 28 September 2001
D Oyatsi P O Box 40286, Nairobi	Non-Executive Director Appointed on 10 August 2007
P N V Jakobsson P O Box 44202, Nairobi	Non-Executive Director Appointed on 10 August 2007
J Mathenge P O Box 40612, Nairobi	Non-Executive Director Appointed on 1 December 2008

Secretary

Ms C Munene Livingstone Associates Ring Road, Westlands P O Box 30029, 00100 Nairobi	Appointed on 24 January 2006

Registered Office

ICEA Building
Kenyatta Avenue
P O Box 44202, 00100
Nairobi

Bankers

Kenya Commercial Bank Limited
6th Floor, Kencom House
Moi Avenue
P O Box 48400 - 00200
Nairobi

Bank of Africa Kenya
Reinsurance Plaza, Taifa Road
P O Box 69562 - 00400
Nairobi

Barclays Bank of Kenya Limited
Barclays Plaza
Loita Street
P O Box 30120 - 00100
Nairobi

NIC Bank
NIC House Branch
Masaba Road
P O Box 44599 - 00100
Nairobi

CFCStanbic Bank Kenya Limited
Stanbic Centre, Museum Hill
Chiromo Road
P O Box 30550 - 00100
Nairobi

BNP Paribas
Palais Du Hanovre
16 rue de Hanovre
75002 Paris
France

Ecobank Kenya Limited
Ecobank Towers
Muindi Mbingu Street
P.O. Box 49584 – 00100
Nairobi

Auditors

PricewaterhouseCoopers
Rahimtulla Trust Building
Upper Hill Road
P O Box 43963, 00100
Nairobi

Advocates

Karimbux-Effendy & Co.
4th Floor, Yaya Centre
P O Box 43356 - 00100
Nairobi

Shapley Barret & Co.
Prudential Assurance Building
P O Box 40286 - 00100
Nairobi

Arrangers

Kestrel Capital (East Africa) Limited
5th Floor, ICEA Building
P O Box 40005, 00100
Nairobi

Placing Agents

Kestrel Capital (East Africa) Limited
5th Floor, ICEA Building
P O Box 40005, 00100
Nairobi

Issuing & Paying Agent

Barclays Bank of Kenya Limited
Barclays Plaza
Loita Street
P O Box 30120, 00100
Nairobi

COMPANY OVERVIEW

History

KenolKobil 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, KenolKobil began investing in service stations. KenolKobil became a public company quoted on the Nairobi Stock Exchange ("NSE") in September 1959. The Company's shares are traded on 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.

In December 2007, Kenol acquired the entire issued share capital of Kobil in exchange for an allotment of new shares in KenolKobil to the shareholders of Kobil. As a result Kobil became a wholly-owned subsidiary of KenolKobil.

The Group's vision is to be the leading brand in all markets we operate in and a major player in Africa. In line with this, KenolKobil 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 and spread of country risk.

Geographical Diversification

Until 1999, Kenol's operations were restricted to Kenya. In Kenya, Kenol and Kobil brands operated under the same management through a joint management agreement. At the time, the Uganda market provided the main export market for Kenol products and natural market for overseas expansion.

Kenol set up Kobil Petroleum (Uganda) Limited as a wholly owned subsidiary. The following year, in June 2000, the Group acquired a 100% stake in Galana Oil Uganda Limited (renamed Kobil Uganda Limited). Thereafter, the two companies merged and the assets of Kobil Petroleum (Uganda) Limited subsequently transferred to Kobil Uganda Limited. Since then, Kobil Uganda Limited's operations have grown substantially from the 19 service stations to the current 61.

In 2001, Kenol set up Kobil Tanzania Limited as a wholly owned subsidiary in Tanzania. Kobil Tanzania has since increased its Retail Network to 23 stations most of which are located in Dar es Salaam.

KenolKobil spread its interests to Southern part of Africa in 2002 when it acquired 100% interest in Jovenna Zambia Limited now Kobil Zambia Limited. With 27 service stations, Kobil Zambia remains a leading brand name in Zambia. In 2008 Kobil Zambia in line with its growth strategy commenced doing business with the copper mines supplying both fuels and the Kobil brand of lubricants.

In February 2006, Kenol acquired Shell Rwanda SARL as a going concern commencing operations immediately thereafter. This acquisition brought along 17 Service Stations and a 16,000 m^3 fuel terminal, the largest in Rwanda. One year later in February 2007, Kenol also acquired KLSS Rwanda which has a retail network of 20 service stations followed by another 6 Stations from Stippag Sarl in 2008. Kenol has designated Rwanda as the platform for further expansions in Central Africa. Kobil Rwanda leads the Rwanda market both in terms of infrastructure investment and volume sales.

Kobil Ethiopia office was opened in March 2005. In 2007, the company signed an agreement with Shell Ethiopia Ltd, a member of Shell International Group in which it acquired a retail network of 63 Service Stations and a terminal in the Addis Ababa City Centre with a storage capacity of 3,230 m^3.

The Group has major plans for Ethiopia which it intends to use as a frontier into the North African market. The market remains a challenging market with price regulation and very thin margins. Despite this, Kobil Ethiopia continues to perform within expectations.

In October 2009, the Group acquired Oil Burundi as a going concern from Engen. The company has since made several acquisitions of strategically located services stations. It currently has a network of 14 stations spread across the country. The Group has confidence that the company will register a strong performance going forward.

In 2009 the Group entered into partnership with Engen to acquire operations of Shell and BP in Zimbabwe. The deal has since encountered roadblocks arising from regulations in the National Indigenization and Economic Empowerment Act. The Group continues to formulate proposals that will secure approval for investment in Zimbabwe.

KenolKobil Relationship

KenolKobil previously operated in Kenya as Kenol under a joint management arrangement with Kobil Petroleum where the two shared profits and expenses in certain areas of business whilst sharing assets, facilities and infrastructure of each other.

Kenol acquired 100% of the shares in Kobil Petroleum ('Kobil') in December 2007, after Kenol's 2007 financial year. The transaction involved Kenol allotting 45.5 million shares in exchange for 100% of the issued shares of Kobil which has strategic assets including important storage depot facilities across Kenya. The acquisition of Kobil is expected to give synergies to reduce administrative and overhead costs currently being shared by both companies. The combined stronger balance sheet should also enable a better negotiating platform with oil suppliers as well as give the group improved borrowing terms with financiers, thus resulting in improved earnings going forward.

Management & Staff

KenolKobil currently has combined workforce of 467 employees spread across Kenya and the regional subsidiaries.

Organizational Structure

KenolKobil Group implemented a new organizational structure in January 2009 in order to meet the needs of the Group's expansion plans and to enable the organization to adapt well to the changing business environment. The reorganization entailed a Group Management structure with KenolKobil Kenya being managed as an autonomous operation.

The management structure in Kenya is organized into seven key departments: General Management, Accounting & Finance, Marketing & Fuel Business Development, Operations & Projects Development, Supply department, Human Resources and Administration.

The subsidiaries, exports, supply and trading optimization, internal audit and group functions are managed under a separate group structure. The reorganization of the Group aims to improve support of all companies within the group to maximize return to shareholders.

Employee Share Ownership Plan ('ESOP')

KenolKobil also implemented a Group 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 KenolKobil's high performance staff.

Shareholder's Profile

KenolKobil sells petroleum, lubricant and associated fuel products, at wholesale and retail level. The company is listed on the NSE and had a market capitalization of US$ 142 million (Kshs 10.96 billion) as at 10 March 2010.

As at 10 March 2010, KenolKobil had 2,634 shareholders with Wells Petroleum Holdings Limited, being the largest shareholder. The table below summarizes the Company's shareholding structure as at 10 March 2010:

	Name of shareholder	Number of shares	% Shareholding
1	Wells Petroleum Holdings Limited	36,661,428	24.91%
2	Petroholdings Limited	25,521,108	17.34%
3	Highfield Limited	18,335,000	12.46%
4	Chery Holding Limited	16,785,000	11.40%
5	Energy Resources Capital Limited	8,818,572	5.99%
6	Barclays (Kenya) Nominees Ltd Non-Red (A/c 9203 AM)	5,506,540	3.74%
7	CFC Stanbic Nominees Kenya Ltd (A/c NR13302)	1,711,500	1.16%
8	Kenol employees share ownership plan- JI Segman and C Field-Marsham acting as Trustees	900,000	0.61%
9	Kenya Commercial Bank Nominees Ltd (A/c 769G)	860,361	0.58%
10	Kestrel Capital Nominees	856,560	0.58%
Sub-Total		**115,956,069**	**78.79%**
Others		31,220,051	21.21%
Total		**147,176,120**	**100.00%**

Refining and Transportation

KenolKobil 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, KenolKobil uses the Kenya Petroleum Refinery Limited ("KPRL") for the refining of its imported crude. All oil companies in Kenya are required to process 70% of their total product requirements through KPRL.

Network

KenolKobil has an extensive distribution network currently operating 155 service stations in Kenya. In addition it has 222 service stations outside Kenya. 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 18 years in developing its network:

Network Growth	Number of Stations										
Sales Area	**1991**	**1995**	**2000**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Kenya	41	48	73	82	65	68	69	64	69	160	155
Uganda	-	-	26	42	52	52	58	60	61	61	61
Tanzania	-	-	-	11	15	15	15	18	18	19	23
Zambia	-	-	-	11	14	15	16	20	20	24	28
Rwanda	-	-	-	1	1	1	18	38	38	43	46
Ethiopia	-	-	-	-	-	-	1	1	50	59	64
Burundi	-	-	-	-	-	-	-	-	-	-	4
Total	**41**	**48**	**99**	**147**	**147**	**151**	**177**	**201**	**256**	**366**	**381**

Market Share & Growth

The table below details the Company's market share in Kenya between 1994 and 2009:

Year	Total Inland (%)
1994	4.01
1995	5.21
1996	4.53
1997	6.09
1998	6.53
1999	6.55
2000	7.48
2001	8.51
2002	9.00
2003	8.80
2004	9.93
2005	10.36
2006	12.23
2007	10.72
2008	26.12
2009	21.90

Source:** 1994 - 2001[1]: **Murdock McCrae & Smith
*2002 - 2009[2]: **Pipeline Co-ordinator (Oil Industry Secretariat Pipeline Co-ordinator – Ministry of Energy)***

KenolKobil has continued with its strategy of improving its market position by increasing the number of service stations and commercial clientele resulting in an increase of volumes from 74,939 cubic meters (m^3) in 1994 to 570,308 m^3 in 2009, achieved in a very competitive environment. Key to this

[1] *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.*
[2] *All oil companies have to send their sale volumes at the beginning of every month to the Ministry of Energy who will in turn forward this data to Pipeline Co-ordinator (PipeCor). PipeCor can then be accessed for this market information.*

has been the strategic acquisition of Kobil in December 2007. The following table demonstrates the trend:

Volumes in m^3 (000 Litres)

Year	Total Inland (m^3)
1994	74,939
1995	107,140
1996	98,985
1997	131,989
1998	145,452
1999	152,629
2000	183,901
2001	182,724
2002	184,521
2003	137,468
2004	175,828
2005	208,499
2006	233,175
2007	236,318
2008	589,033
2009	570,308

Source: 1994 - 2001: Murdock McCrae & Smith
2002 - 2009: Pipeline Co-ordinator (Oil Industry Secretariat Pipeline Co-ordinator – Ministry of Energy)

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

KenolKobil is active in the major sectors of the economy, such as transport, energy, agriculture, tourism, construction, manufacturing, aviation and marine. The Company markets a wide range of petroleum products, such as gasoline, diesel, kerosene, Jet A1, 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, aviation and marine.

SEGMENT INFORMATION

Lubricants

The Company markets three lubricants brands namely Castrol, Kenol and Kobil covering a wide range of applications in the automotive, manufacturing, marine and aviation sectors. In response to the growing volumes and customer demands, KenolKobil established a lubricants division in July 2003 to handle and focus on all aspects of the lubricants business. The division is responsible for the development, supply and sale of the three brands of lubricants marketed in Kenya and subsidiaries. It now accounts for 13.5%[3] of market share of the total lubricants sold in the Kenyan market and is gradually capturing a sizeable share at the subsidiaries.

KenolKobil launched its own Kenol brand of lubricants in 2001, which are now available countrywide. The Kobil brand is a re-brand of the Kenol brand and is marketed in subsidiaries and other export markets. The lubricants are blended to meet lubrication needs in the automotive, industrial, marine, and aviation segments, conforming to international standards and exceeding the performance levels required by most original equipment manufacturers. The Castrol brand is blended locally under license from Castrol International of UK.

KenolKobil is among the few oil companies to be awarded the ISO 9001: 2000 certification for its lubricants business segment. This ISO Standard is currently being upgraded to ISO 9001:2008 effective June 2010 and KenolKobil has been audited for the transition period. KenolKobil has launched lubricants blending in Tanzania under the Kobil brand and markets the Kobil brand in Uganda, Zambia, Rwanda and Ethiopia. In 2008, Kobil Zambia purchased 15% shareholding in Lublend Limited from Total Zambia Limited and a further 10.5% shareholding from Chevron in 2009. This has enhanced the Groups' blending capacity as well as creating a stable platform for penetration of the brand into Central and Southern Africa.

K-Gas

K-Gas is KenolKobil Group's Liquefied Petroleum Gas ('LPG') brand and was introduced in the market in September 2002 and officially launched in February 2003. 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 all these concerns, and as a result has posted impressive growth figures.

Over the past eight years, K-Gas has sold over 500,000 cylinders to end users across the country. The brand commands a market share of 21.2% in retail, 5.5% in commercial and an overall market share of 10.15%, all achieved in less than eight years. To guarantee constant supply of K-Gas, KenolKobil invested in a modern LPG plant that cost US$ 1.5 million, which started operations in February 2006. The plant has enabled KenolKobil to penetrate the growing domestic market as well as facilitated enhanced penetration into the commercial segment.

With the gazetting of the LPG cylinder exchange pool, which enables users to exchange same capacity cylinders across the marketing companies, K-Gas cylinder sales are expected to increase due KenolKobil's expansive retail network and the strong brand.

The LPG business line is ISO 9001 - 2000 certified. The International Standards Organization (ISO) is an internationally renowned agency that establishes quality benchmarks for a wide range of products and services.

K-Gas was launched in Uganda in mid 2004 and in Rwanda in early 2005. These markets have great potential but growth has been limited by capacity and logistic constraints. KenolKobil has invested ina filling plant in Rwanda in 2010 and in the process of investment in another plant in Uganda. When the plants are completed, market growth of about 50% is anticipated.

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[3] *Pipeline Coordinator (Oil Industry Secretariat Pipeline Co-ordination – Ministry of Energy)*

Storage

As a result of the acquisition of Kobil, KenolKobil now has depots in Kisumu and Eldoret in addition to the already existing depot at Sagana in the Mt. Kenya region. The Company also works with Kenya Pipeline Company 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.

ISO Certification

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

Non-Fuel Business

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 restaurants operating in Kenol outlets including Innscor, Maggies, Kula Corner, Rafikis, Kenchic , Discovery and Java House and generates rental income from the same.

In line with management's strategy of increasing its non-fuel based business, KenolKobil has also entered into a partnership with other companies namely Kenital for Solar, Blue Shield for insurance shops, White Rose for dry cleaning, Aquamist for mineral water, Voltmaster for automotive batteries and Sameer Africa for Tyre Centres.

The Company has also entered into a partnership agreement with Pesa Point, which specializes in ATM (Automatic Teller Machine) installations. Currently there are 41 outlets where ATM’s are installed with many more planned to come. Other agreements have been entered into with Banks among them Cooperative Bank Kenya Limited, NIC, Barclays Bank of Kenya Limited, Kenya Commercial Bank Limited, Equity Bank, Standard Chartered Bank, CFC Stanbic Bank , Ecobank Kenya and Family Bank for provision of ATM spaces in the retail Network.

The Company is one of the biggest distributors of Safaricom products such as mobile phones, connection services, and scratch cards and M-pesa services. These products and services are available through Kenol's service stations. In Uganda, there is a similar arrangement with mobile phone provider MTN.

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 Kenya, Tanzania and Mozambique amongst others, 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 Kenya, Mozambique, 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.

Despite the intense competition, the trading desk delivered 50% of the combined crude and refined product oil requirements in 2009 into Kenya under the OTS.

Future developments involve expansion plans, which are in line with our growth and expansion strategies. Consideration is being given to extending trading activities outside of Kenya and setting up a trading desk in Southern Africa to support the Group activities and service the inland markets of the Southern Africa region where there is a lot of business potential.

SUBSIDIARIES & NEW ACTIVITIES

Kobil Uganda Limited

Kobil Uganda was the first Kenol subsidiary and has been very successful since its inception in 1999. Kobil Uganda's performance has been good despite the very competitive market that has very many small players. Kobil joined the Association of Petroleum Marketers Professionals (APMP) and through this organization Kobil Uganda together with the members who include Shell, Chevron and Total the Industry is cooperating with the Government to enhance standards in the Industry. The company 61service stations and is expected to continue performing well.

Kobil Uganda is planning to restructure its storage and distribution systems with a depot in Eastern Uganda to take full advantage of the Kenyan product importation route. This will enhance its distribution capability and competitiveness in Eastern Uganda.

This year Kobil Uganda is in the process of installing a modern state of the art LPG Filling Plant with sufficient capacity to cover its requirements and to offer hospitality to others.

Kobil Uganda remains a leading provider of bitumen and bituminous products in Uganda and specializing in providing these products to the rural areas and to the small and medium enterprises.

Kobil Tanzania Limited

Kobil Tanzania started operations in May 2001 and its retail network has grown to 23 service stations. With the constraints in Kenya arising from the overstretched Kenya Pipeline System, Kobil Tanzania has become the alternative supply route for the Uganda, Rwanda and Burundi markets. This is in addition to supplying Zambia, Malawi and Southern Congo DR (Lumbumbashi). Indeed, Tanzania continues to be a strategic market place for the Group as it is one of the fastest growing economies in East Africa.

Tanzania has fully implemented the Orpak state of the art automated fuelling system which is the first of its kind in Tanzania. The system is expected to assist realize a tremendous growth in the commercial sector especially with fleet owners.

In order to enhance the supply system, plans are underway to enhance the storage facilities in Dar es Salaam in order to take full advantage of the emerging opportunities in Tanzania and in the Region.

Previously, our retail network was restricted to Dar es Salaam. With the improving government regulation framework through the Energy and Water Utilities Regulatory Authority (EWURA), the company has extended its reach beyond Dar. Kobil Tanzania now has eight stations outside Dar: five in Morogoro Region, one in Bagamoyo, one in Arusha and one in Mwanzia.

Kobil Zambia Limited

Kenol acquired a 100% interest in Jovenna Zambia in March 2002. Since then Kobil Zambia has undergone tremendous growth. Kobil Zambia continued to invest in the retail network which has grown to 28 service stations. Kobil Zambia's strategy continues to be continued expansion into the lucrative retail network in the country especially in the Capital City Lusaka, the Copperbelt and in the upcoming urban centres countrywide.

Kobil Zambia has made major inroads into the mining Sector. This Sector contributed to growth in volume of over 40% in 2008.

In 2008, Kobil Zambia acquired a 15% shareholding in the Lublend Limited, the only blending Plant in Zambia. In 2009, Kobil shareholding was increased by 10.5% giving it additional representation on the board and hence more say in the management and direction of Lublend. Since investing in Lublend Kobil Zambia has seen its lubricants market grow by about 50%. It is expected that this trend will continue.

In addition to its own storage facilities in Lusaka and Ndola, Kobil has increased storage capacity substantially by entering into hospitality agreements, making it possible to procure and store sufficient volumes to satisfy its growing market.

Kobil Petroleum Rwanda SARL

Kobil Rwanda was incorporated in May 2002 starting with one service station at inception and focusing on the reseller market. In February 2006, the Group acquired the entire shareholding of Shell Rwanda SARL, which had 17 stations, from Shell Overseas Holdings Limited taking effective control of the company as a going concern and renamed the company Kobil Petroleum Rwanda SARL. The company has since then grown and has become the biggest oil company in Rwanda with a market share of over 30%[4]. In this acquisition, it also assumed management of the largest depot facility in Kigali with a capacity of over 16,000 m^3. In total, the Group has 46 service stations.

In 2007, Kobil Petroleum Rwanda acquired the entire retail network of KLSS Rwanda followed by another acquisition of stations from Stippag in 2008, thus increasing its footprint in the retail sector. In early 2009 Kobil Rwanda enhanced its network by acquiring three stations from competition. This re-affirmed the company as the leading investor in the Oil Industry in Rwanda

In January 2010, Kobil Rwanda launched the I-Fuel card. This fuel card greatly enhances management of fleet accounts and should positively impact sales to fleets customers.

In February 2010, Kobil Rwanda commissioned a new modern state of the art filling Plant in Rwanda which plant will be used for proving LPG needs to Rwanda, Burundi and Eastern Congo DR.

Kobil Ethiopia Limited

Kobil Ethiopia was established in 2005. In 2007, the company signed an agreement to acquire 81 service stations spread all over the country, including the capital city Addis Ababa and two Terminals (one in Addis) from Shell Ethiopia Ltd (a member of Shell International Group). 64 stations and one depot have since been handed over having met the criteria set out in the agreement. Together with other takeover stations since, Kobil Ethiopia has 59 operational stations spread allover the country with others still to come online after rehabilitation.

Given the low margins on fuels in the Ethiopia market, Kobil Ethiopia plans to continue enhancing its businesses in other sectors including bitumen and LPG.

Kobil Ethiopia is the KenolKobil Group's first major acquisition towards the North African region.

Oil Burundi SA (name to change to Kobil Burundi SA)

In October 6, 2009 Kenol acquired Oil Burundi S.A (Kobil Burundi SA) from Engen International Holdings (Mauritius) Limited,

[4] *No central body exists to collate all the market information. However, the market is import controlled and hence all information is cross checked with Custom records.*

With this acquisition, Kobil Burundi is now focusing on growing its network in the retail market, and other investment opportunities in order to increase its impact and visibility in the market.

Kobil acquired all the three Sonitra service stations in Burundi in 2009, two of which are in the capital city, Bujumbura.

In March 2010 Kobil took control of another 10 service station from Societe d'Importation et de Commercialisation de Produits Petroliers (SICOPP) in Burundi. With the newly acquired stations, which are spread across the country, including the three major towns of Bujumbura, Gitega and Ngozi, Kobil Burundi's service stations count has grown to 14. The new stations have some non-fuel facilities to be developed, which is an untapped market segment in Burundi, but which is a major and growing revenue centre across the KenolKobil Group

Summary of KenolKobil's Subsidiaries

	Kobil Uganda Ltd	Kobil Tanzania Ltd	Kobil Zambia Ltd	Kobil Petroleum Rwanda Sarl	Kobil Ethiopia Ltd	Kobil Burundi SA
Country of incorporation	Uganda	Tanzania	Zambia	Rwanda	Ethiopia	Burundi
Registered office and address	4 Wankulukuku Rd, Nalukolongo	Mafuta Rd,Kurasini	1630 Malambo Rd	Byumba Road, Gatsata	Debre – zeit Road	Quarter Industriel Avenue Ruvyironza
	P.O. Box 27478	P.O. Box 2238	P.O.Box 320089	B. P. 6074	P.O. Box 2868, Code 1250	B.P. 466
	Kampala	Dar es Salaam	Lusaka	Kigali	Addis Ababa	Bujumbura
Year of incorporation/ acquisition	1999	2001	2002	2002/ 2006	2005	2009
KenolKobil's shareholding	100%	100%	100%	100%	100%	100%
No of service stations as at Dec 2009	61	23	28	46	64	4

DIRECTORS

Mr. J Segman - Acting Chairman & Group Managing Director

Mr. Segman has over 29 years experience in the oil industry, having worked for various companies in Israel, Iran and Kenya. He has been central to the expansion of KenolKobil since he joined the KenolKobil 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. Segman was appointed the Company's Chairman on April 7, 2010 after being the Acting Chairman from January 24, 2006.

Mr. D Oyatsi - Non-Executive Director

Mr. Oyatsi was appointed a non-executive Director on August 10, 2007. Mr. Oyatsi is an Advocate of the High Court of Kenya, and Managing Partner of Shapley, Barret & Co., Advocates. Mr. Oyatsi's main practice is Commercial Law. He is currently a Commissioner of Kenya Law Reform Commission and Non Executive Director of Metropolitan Life Insurance Kenya Ltd. During 1999-2002, he acted as a Non Executive Director of Capital Market Authority and between 1999 and 2003, as a Non Executive Director of Telkom Kenya Ltd.

Mr. T M Davidson - Non-Executive Director

Mr. Davidson was appointed a Non-Executive Director on September 25, 2007. He is an experienced career banker, having successfully served as the Chief Executive Officer of the Kenya Commercial Bank for four and half years until he took an early retirement early this year. He has also served for over 30 years in senior capacities within the Citibank Group in London including Managing Citibank in Kenya and in South Africa being the Regional HO.A Kenyan by birth; Mr. Davidson is a Council Member of the University of Nairobi, and a member of the Board of several leading enterprises including the Deposit Protection Fund. He has also served as the Chairman of the Kenya Bankers' Association on two occasions, and has previously served in the Board of the Federation of Kenya Employers. Mr. Davidson resigned from the Board on 13 April 2010.

Mr P N V Jakobsson - Non-Executive Director

Mr. Jakobsson has for the last 7 years been the Managing Director of a Property company and Investment company active in Stockholm, founded by his grandfather in 1938. Apart from being experienced in Property Development and Management, Mr. Jakobsson has vast experience in the Downstream Oil Industry in Africa.

Mr C Field-Marsham - Non-Executive Director

Mr. Field-Marsham is the Founder and an Executive Director of both Kestrel Capital (East Africa), a licensed investment bank in Kenya, and Panafrican Truck & Equipment, the distributor in Kenya and Tanzania for Komatsu construction and mining equipment. He is also an Executive Director of Kenya Fluorspar, a mining company in Kenya. He is a Director of AMREF Canada. AMREF is the leading African health development organization, headquartered in Kenya with operations across Africa.

Mr J Mathenge - Non-Executive Director

Mar James Mathenge was appointed as non-executive director on December 1, 2008. His experience includes past position of managing director of Magadi Soda Company Limited and is also a Director and Chairman of several corporate organizations and professional bodies. Mr Mathenge possesses a vast wealth of experience in the oil industry. He served as Managing Director and Country Chairman of Caltex Oil Kenya Limited between 1998 and 2003. His entry into the oil industry in 1979 has given him extensive experience in the regional oil market as well, having worked at the Caltex

Petroleum Regional co-ordination office for East and North Africa region based in Dallas, Texas, USA. He holds Bachelors and Masters Degrees in Economics from the University of Nairobi.

Ms P Lai – Group Finance Director

Ms Lai was appointed KenolKobil's Finance Director in February 2006. She has experience at senior management level in accounting and finance, having previously worked in South Africa. Ms Lai is a Chartered Accountant and holds a Bachelor of Commerce and Bachelor of Accountancy degree from the University of Witwatersrand, South Africa.

As at the date of the application and for a period of at least two years prior to the date of the application, no director of the KenolKobil has:

- Any petition under bankruptcy laws pending or threatened against the director (for individuals), or any winding-up petition pending or threatened against it (for corporate bodies);

- Any criminal proceedings in which the director was convicted of fraud or any criminal offence, or be named subject of pending criminal proceeding, or any other offence or action either within or outside Kenya; or

- Been the subject of any ruling of a court of competent jurisdiction or any governmental body that permanently or temporarily prohibits such director from acting as an investment adviser or as a director or employee of a stockbroker, dealer or any financial institution or engaging in any type or business practice or activity.

GROUP MANAGEMENT

Mr J I Segman (Israeli) – Chairman and Group Managing Director - 55 years

As described above

Ms P Lai (South African) - Group Finance Director - 52 years

As described above

Mr G N Mwangi (Kenyan) - Group Export & Regional Support Manager - 62 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 Group MD. Mr Mwangi has attended several marketing courses in Israel, Canada and the USA.

Mr P Kondo (Kenyan) – Group M&A and Regional Support Manager - 45 years

Mr Patrick Kondo joined the company in 1990 as a Management Trainee. In 1991 he became the Terminal Manager at Mombasa. In 1994 he became the Nairobi Joint Depot Manager running the joint depot operations in Nairobi. In 1998 he rose to the position of Depots Manager and thereafter Assistant Operations Manager. He moved to Zambia in 2001 as the General Manager of Kobil Zambia Limited. He returned to Kenya to take up the position of International Business Development Manager in 2003. In 2004 he was promoted to the position of Head of Aviation and International Sales. In 2009 he assumed his current position. He is a graduate of the University of Nairobi with a BSc Eng. (Surveying & Photogrammetry) Degree.

Mr S W Muthuma (Kenyan) – Group Trading & Supply Optimization Manager - 42 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 KenolKobil. He was promoted to Supply and Trading Manager in 2003. In 2009 he assumed his current position. Mr. Muthuma holds a BA Degree in Economics from the University of Nairobi and has been trained in Canada and the United Kingdom.

Mr K Mugenda (Kenyan) – Group Internal Audit Manager – 47 years

Mr Mugenda joined the Company in 1989 and grew through the rank and file, accumulating experience from various areas within the accounting and finance department. He is a qualified accountant, CPA (K) and holds a BSc Degree in International Business Administration from USIU and has had extensive training both locally and in Israel. He is currently pursuing an MBA (Finance) at the University of Nairobi

Mr. J J Kariuki (Kenyan) – International Finance Manager - 40 Years

Mr Kariuki joined the Company March 1993 in the Accounts and Finance Department as Accounts and Finance Clerk. He grew through the ranks in the department before promotion to the position of International Finance Controller, the position he held prior to his current appointment in January 2009 where he will continue to oversee the finance function of the subsidiaries. He is also the team secretary to the Group Management Team. He is a qualified accountant CPA (K) and holds a BSc degree in International Business Administration from USIU.

KENYA MANAGEMENT

Mr D Ohana (Israeli) – General Manager, Kenya - 41 years

Mr. Ohana joined KenolKobil in 2002 as the Head of Operations & Non-Fuel Business Development. Prior to his current appointment, he was the Head of Marketing & Fuel Business Development. He has more than 12 years experience in the oil industry having worked at the Israel Pipeline Company previously. Mr. Ohana holds a BA Degree in Economics' and Business Administration from the Ben Gurion University in the Negev in Israel.

Mr I Gachuria (Kenyan) – Assistant General Manager, Kenya – 53 years

Mr Isaac Gachuria joined KenolKobil in 1988. Prior to his current appointment he was the company's Marketing Manager. He holds a BSc Degree from the University of Nairobi and a Postgraduate Diploma in Petroleum Management from the Canadian Petroleum Institute.

Mr P Waithaka (Kenyan) – Head of Finance, Kenya – 44 years

Mr Waithaka joined the Company in 1992 in the Accounts and Finance Department. He has progressed through the ranks and was appointed to his current position in 2010 and has vast experience in his field. Prior to his appointment he was the Finance Manager, Kenya. He is a qualified accountant, CPA (K) and holds a Bachelor of Commerce Degree.

Ms R Uku (Kenyan) – Human Resource Manager - 39 years

Ms Rose Uku joined the company March 1998. She rose through the ranks in Marketing to the position of Credit Control Manager. In 2005 she was appointed Country Manager for Kobil Ethiopia Limited – a subsidiary of KenolKobil. 2006 saw her transferred back to the Head Office taking up the position of Human Recourses Manager. Ms. Uku holds a BSc Degree in Business Administration from USIU and a MCom Degree from the University of New South Wales in Australia. In addition she holds a Higher Diploma in Human Resources Management.

Mr W Wambugu (Kenyan) – Head of Operations and Projects Development -43 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 KenolKobil. He held this position until August 2004 when he became Operations Manager. In March 2009, he was promoted to his current position. He holds a BSc Degree in Survey from the University of Nairobi.

Mr. O Keidan – Operations Manager (36)

Mr. Keidan joined the Company in February 2010. Prior to this appointment he was the Vice Chairman of the Arkia Israeli Airline Ltd, a company based in Israel. Mr. Keidan has also previously worked with Paz Oil Company in Israel as a Senior Economist. He holds a Bachelors' Degree in Economics from the Gurion University and an MBA in Finance from the Ilan University.

Mr. B Nduulu (Kenyan) – Assistant Operations Manager (39 Years)

Mr. Ben Nduulu Joined the Company in May 1997 as a General Sales Representative. In February 2001 he was promoted to the position of Assistant Non – Fuels Manager. Between April 2003 and 2008 he has held various positions in Operations and Marketing departments, rising to the position of

Assistant Commercial Sales Manager prior to his current appointment in January 2009. He holds a Bachelor of Science Degree in Mechanical Engineering.

Mr.I D Day – Head of Marketing and Fuel Business Development (42)

Mr. Ilan joined the Company in February 2010. Prior to this appointment he was the Vice President of Sales and Operations of the Kliot Group in Israel. He has over 9 years' experience in Sales Management position in several Companies including Paz Oil, a leading Petroleum Company in Israel. Mr. Day holds a B.SC Degree in Economics and Business Management.

Ms E Kariuki (Kenyan) – Marketing Manager - 45 years

Ms Kariuki joined the Company in 1990. Prior to her present appointment, she was the company's Retail Manager. She holds a Bachelor of Commerce degree from the University of Nairobi and has had extensive training in the oil industry both in Israel and the United Kingdom.

Mr K Mutai (Kenyan) – Retail Manager – 44 years

Mr. Mutai joined the Company in July 1997 as an Administration Assistant in the Administration Department. He has worked in various positions in the Administration and Marketing departments over the years. Prior to his appointment in the current position in January 2009 he was the Credit Control Manager, a position he has held since February 2005. Mr. Mutai holds a Bachelor of Arts Degree form the University of Nairobi.

Mr P Muhato (Kenyan) - Supply Manager - 34 years

Mr. Muhato joined the Company in March 2001 as a Sales Representative. In September 2003, he was transferred to the Supply and Trading Department as a Supply Associate and promoted in December 2006 to Supply Manager, a position he holds to date. Mr. Muhato holds a Bachelor of Business Administration from the University of Eastern Africa – Baraton.

Mr P Kariuki (Kenyan) – Administration Manager - 41 years

Mr. Peter Kariuki joined the Company in May 1990 as a General Clerk in the Administration Department. Over the next 8 years he moved through the ranks in the department to the position of Assistant Purchasing Manager and in April 1998 was promoted to the position of Purchasing Manager. In August 2003 he assumed the position of Business Development Manager, which he held until his appointment to his current position on 1st January 2009. Mr. Kariuki has attended training in the Oil Industry in Mumbia India, Israel and Kenya.

Mr. E Orete – IT Manager (38 Years)

Mr. Orete joined the Company as a Systems Analyst/Programmer in October 1998. He has risen to become the Assistant IT Manager in July 2001 before being promoted to his current position in 2008. Mr Orete is responsible for the IT systems and infrastructure at KenolKobil. He has 14 Years experience in the IT industry implementing various IT projects in the region. Mr. Orete holds a Bachelor of Arts Degree (Hons), Mathematics Major and holds Oracle certifications. He is currently pursuing an MSc in Information Sciences at the University of Nairobi.

Mr. C Njogu – Public Relations Manager (37 Years)

Mr. Njogu joined the company in August 2001 in the position of Assistant Public Relations Officer. He grew through the ranks before his appointment to his current position on January 1, 2009. Mr. Njogu holds a Bachelor of Arts Degree (Literature Major) from the University of Nairobi and a Postgraduate Diploma in Mass Communication from the same university. He is currently pursuing a Masters in Communication degree from the University of Nairobi.

GROUP MANAGEMENT TEAM - SUBSIDIARIES

Mr D Segal (Israeli) - General Manager, Kobil Uganda Ltd - 41 years

Mr Segal joined the Company in 2003 as Head of Marketing & Fuel Business Development in KenolKobil/ Kobil Kenya. In November 2004 he was appointed as the General Manager of Kobil Uganda Ltd a position he is currently holding. He has 14 years experience in the oil industry having previously worked in various positions for 8 years in Caribbean Petroleum Corporation in Puerto Rico. Mr. Segal holds a BSc degree in Chemistry from the Technion, Israel Institute of Technology.

Mr P O Ochieng' - (Kenyan) Marketing & Operations Manager, Kobil Uganda Ltd - 35 years

Mr Ochieng' joined the company in 1997 as a Sales Representative in Kenya. In February 2001, he was promoted to be the Manager in charge of the new Non-Fuel Business Development Section. After successfully developing this section, he was in November 2005 transferred to the position of Human Resources Manager for Kenya. In August 2006, he was transferred Kobil Uganda to the position of Marketing & Operations Manager. He holds a BSc. (Mechanical Engineering) degree from the University of Nairobi.

Mr F Ezavi (Israeli/French) - Managing Director, Kobil Tanzania Ltd - 44 years

Fabrice joined the company in November 2003 as General Manager Kobil Tanzania. In 2004 he was promoted to the position of Managing Director for Kobil Tanzania. Prior to joining the Company he worked in Eastern Europe in the oil industry with Total Oil and in the Engineering field for other companies in France, Hungary, and Israel. Fabrice Ezavi holds a degree in Architecture from the National School of Architecture of Toulouse in France.

Mr P K Ngugi (Kenyan) - Marketing Manager, Kobil Tanzania Ltd - 38 years

Mr Ngugi joined the company in 1996 as a Technical Sales Representative. In 2001 he was temporarily transferred to Kobil Tanzania to initiate the launch of Castrol Lubricants in this new KenolKobil subsidiary. Later, in 2003, Mr. Ngugi was permanently transferred to Kobil Tanzania to the position of the Marketing Manager which he holds up to now. He is a graduate of the University of Nairobi with a BSc Mechanical engineering degree and also holds an MBA from ESAMI.

Mr J K Thomas (Indian) - Managing Director, Kobil Zambia Ltd - 44 years

Mr Thomas joined the Company in 1998 as the Managing Director of Kobil Uganda which he helped to start up. He has 20 years of diverse experience in downstream Oil industry and in the telecom industry. He has lived and worked in Kuwait, India, Uganda and Zambia. He has worked very successfully in start-ups as well as mature companies across industries, geographic locations and in culturally diverse teams. He holds a PGDM (MBA) with specialization in Finance and Marketing from the Xavier Institute of Management, India and a Bachelors Degree in Civil Engineering from Kerala University, India.

Mr F Mwangi (Kenyan) - Marketing & Operations Manager, Kobil Zambia Ltd - 35 years

Mr Mwangi joined the company over 9 years ago in Kenya and worked in various capacities, locations including in retail sales management. He was the Non-Fuel business Manager in Kenya prior to joining Kobil Zambia Limited in 2006. He is a Mechanical Engineer and has attended several training programs in Kenya, Israel and Zambia on marketing & sales management, customer care, and debt management amongst others.

Mr I Granatstein (Israeli) - General Manager, Kobil Petroleum Rwanda Sarl - 36 years

Mr Granatstein joined the KenolKobil group in October 2006 as the General Manager of Kobil Petroleum Rwanda Sarl. Previously, he has worked in Belgium at the cargo aviation industry performing various managerial duties. He holds a Masters Degree in International Business Studies from the University of Maastricht, The Netherlands.

Mr Sehmi (Indian) - Head of Marketing & Operations, Kobil Petroleum Rwanda Sarl- 43 years

Mr Sehmi joined KenolKobil in June,2008 after having served various East & Central Africa based Companies including Petroleum companies with a total experience of 14 years in Managerial Positions. He holds B.Sc. degree in addition to Law and Management qualification.

Mr Avraham (Avi) Wolmark (Israeli) - General Manager, Kobil Ethiopia Ltd – 45 years

Avi joined the company in October 2008 as the General Manager of Kobil Ethiopia.
He has more then 12 years experience in the oil industry, and worked for major petrol companies in Israel as the operation manager. Avi's last job was as the V.P. Operation & Logistic of one of these companies. During the years, Avi educated in universal professional courses in regard the oil industry in French, U.S.A and Russia. Mr. Wolmark graduate practical industrial engineer and holds a B.A in Business Administration from Academic Center in Israel.

Mr T Girma (Ethiopian) - Operations Manager, Kobil Ethiopia Ltd - 53 years

Mr Girma has over 27 years experience in the oil industry in Ethiopia, both in the state owned Petroleum Corporation and the private sector in senior management positions. Mr. Girma joined KenolKobil in March 2005 as Assistant Country Manager. In February 2007 with the acquisition by Kobil Ethiopia of Assets from Shell Ethiopia Limited, he was appointed as the Operations Manager. He holds a BSC degree in Electrical Engineering from Addis Ababa University (Faculty of Technology) and an MBA from the Open University (UK).

To the knowledge of the KenolKobil, none of key management has committed any serious offence that may be considered inappropriate for the management of the company.

FUTURE PROSPECTS

KenolKobil's vision is to be the leading brand in all markets they operate in 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 quality products and services, to maintain a highly motivated, well trained human resource base, and to deliver highest Shareholder Value”.

As one of the leading oil companies in Kenya, KenolKobil is set 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 has a Statement of Business Values, which outlines the standards of corporate behavior that govern the way it does business and its interaction with people both internally and externally. All employees are expected to practise and live up to these ethics, since it is the people in the organization that set it apart from other organizations.

KenolKobil’s strategy is to maintain its current market position by supplying consumers’ energy needs through its retail network, commercial sector and reseller segment. The Company will further buttress its position by continuous investment in modern technology to meet increasing customers’ expectations.

International oil prices went up to levels never witnessed before during the first half of year 2008. The prices have been on a steady decline since August 2008 but benefits have been eroded by high financing costs and heavy depreciation of all the local currencies. The company continues to monitor the trends for the two components very closely. The implementation of the OTS (q.v.) and SEP (q.v.) for the importation of all refined products stabilized the Kenyan market somewhat, although challenges previously facing the oil industry in Kenya remain valid.

The Kenya Government has intentions to re-introduce price controls in the market. There are challenges in effective implementation of this and the oil marketers in the industry with the Petroleum Institute of East Africa (PIEA) are actively involved in ongoing consultations on the same.

Subsidiaries will continue to grow organically with higher volumes and the growth in the retail network. The Group will continue to seek growth through diversification, organic expansion and acquisition in fulfillment of its vision “to be the leading brand in all markets they operate in and a major player in Africa”. The acquisitions in both Rwanda and Ethiopia bode very well for expansion into the greater lakes region and also into Africa. However, whilst implementing the Group’s vision, this strategy is preceded by a careful assessment of risks versus potential opportunities of growth.

The Company wishes that operating conditions can be more business friendly for the oil industry in all the countries particularly Kenya, and that supplies to neighboring countries using Kenya Pipeline will be more dependable.

OVERVIEW OF THE KENYAN OIL INDUSTRY

Sector Classification

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

- Inland encompassing the retail sector which includes all service stations, resellers and the commercial sector which includes all bulk sales to industries and certain end users;
- Aviation which includes sales of petroleum and related products to the aviation sector;
- Trading which involves the sale of bulk petroleum products from one oil company to another oil company;
- Exports to neighboring countries;
- Liquefied petroleum gas;
- Lubricants
- Bitumen; and
- Non-fuel.

Major Players

It is currently dominated by the following multinational oil companies: Shell, KenolKobil, Total and OilLibya. There are other smaller oil companies operating in Kenya, such as National Oil Corporation of Kenya (NOCK), Engen, Dalbit, Gapco, Galana, Petro Oil, Fossil, Oilcom, Hashi Empex, Hass, Global, Addax, Bakri, MGS, Metro, Gulf Oil and others.

There is also a network of independent service station dealers that operate under the umbrella of the Independent Petroleum Dealers of Kenya.

Chevron recently divested and sold its stake in Kenya to Total. Mobil divested from 14 countries across the African continent, with the Kenyan business sold to OilLibya. BP also pulled out of Kenya citing thin margins and sold to Shell. Not too long ago, Agip pulled out of Kenya, selling its entire stake to Shell Kenya. It would appear that Multinationals (MNCs) do not have the critical mass required to service country wide operations in countries across Africa. The additional costs associated with setting up stations to international standards and the hiring of expensive expatriates cannot sustain such operations. KenolKobil leverages off its local expertise trained to international standards and its knowledge of the local market to garner a foothold and succeed in African markets.

Further, small retail markets are generally not considered 'core business' for the large global oil companies, which are mainly involved in exploration and refining business. KenolKobil's core business is oil marketing. It therefore plans to continue benefiting from the exit of MNCs from this region. As western multinationals exit Africa, there are moves by governments to attract other players into the industry. In Kenya, OilLibya of Libya recently bought the Mobil retail chain of petrol stations. Reliance Petroleum of India, which is particularly strong in refining, has also entered into the Kenyan market through Gapco.

The main impact of new entrants is expected to be felt mainly in the aviation sector. Entry into the retail market requires a substantial presence of outlets which may be expensive to purchase. In addition, after entry, the new players would still have to grapple with the challenges facing current players.

Changes in the Industry

Imported Crude Oil 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, neighboring export markets and other consumer locations. The industry has however had to seek alternative means of product distribution due to capacity constraints experienced by the pipeline.

Stringent requirements from KRA, high financing costs and margin pressures, as well as a preference by consumers to buy fuel from branded outlets, continues to enhance market consolidation for large players such as KenolKobil. The trend is towards a more orderly market thereby contributing to better margins.

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

- Increase in registered marketers;
- 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;
- Introduction of a Single Entry Point ('SEP') for the importation of refined products;
- Phasing out of leaded fuel
- The implementation of a new tax regime by the Kenya Revenue Authority.
- Change in Shareholding of the Kenya Petroleum Refineries Ltd.
- Exit of some major Multinational Oil Companies.

Oil Prices

2009 was a more stable in comparison to 2008 for the oil industry. Though erratic and volatile throughout the year, the International oil prices did not get to the peaks or lows witnessed in 2008. The annual average price for Murban Adnoc crude oil price in 2009 dropped 35.34% to US$63.28/bbl compared to US$97.86/bbl in 2008.

The freight costs in 2009 however remained high mainly due to the piracy menace, necessitating significant voyage deviation costs and higher insurance premiums.

The Kenyan Open Tender System ('OTS')

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. The OTS continues to work well.

The fluctuation of oil prices has made trading conditions challenging. The OTS has somewhat mitigated the difficulties posed by the fluctuating oil prices as all the players in the Kenyan Oil Industry are sourcing crude oil and most refined oil products at the same prices and thus operating on the basis of similar importation costs. This has increased price homogeneity across the oil distribution sector.

Although the government allowed limited imports through Shimazi Oil Terminal (SOT), it has implemented the Single Entry Point ('SEP') that requires that all refined oil products enter the Kenyan market through one point. This has somewhat helped to level the playing field for the oil marketers in

Kenya. However, ullage constraints for refined product imports into KOSF ('Kipevu Oil Storage Facility') through the SEP have posed significant challenges for the local oil importing companies in 2009 due to the significant delays and demurrages incurred on the discharge of these shipments into KOSF. The Government however, in liaison with the Oil Industry, is working on mechanisms to alleviate this problem. In addition, the introduction of the new KRA tax regime from 01 August 2005 (Simba System) has significantly reduced the dumping of products thus enhancing fair competition.

The total inland market share for the five major players for 2002 to 2009 is summarized in the table below:

		Total Inland Market Share %						
Company	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Shell/BP/Agip	17.2	27.82	25.33	25.21	21.31	22.96	21.47	29.1
KenolKobil	21.9	26.12	23.63	27.09	24.29	21.67	16.39	18.1
Total Kenya	23.6	20.44	24.22	19.85	25.64	25.14	15.18	14.2
Chevron		14.22	15.4	17.46	18.79	15.85	15.06	16.1
Mobil/OilLibya	9.9	11.4	11.42	10.39	9.97	14.38	13.9	11.3
NOCK	8.4							
Subtotal	**81**	**100**	**100**	**100**	**100**	**100**	**82**	**88.8**
Others	19						18	11.2
Total	**100**						**100**	**100**

Pipeline Coordinator (Oil Industry Secretariat Pipeline Co-ordination - Ministry of Energy)

Crude

Kenya's current crude requirement is about 160,000 Metric Tonnes[5] ('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 oil. 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 costs 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 is awarded 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.

5 Pipeline Coordinator (Oil Industry Secretariat Pipeline Co-ordination - Ministry of Energy).

A heavy penalty is imposed on a buyer who defaults on payment: its oil-trading license will be withdrawn 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.

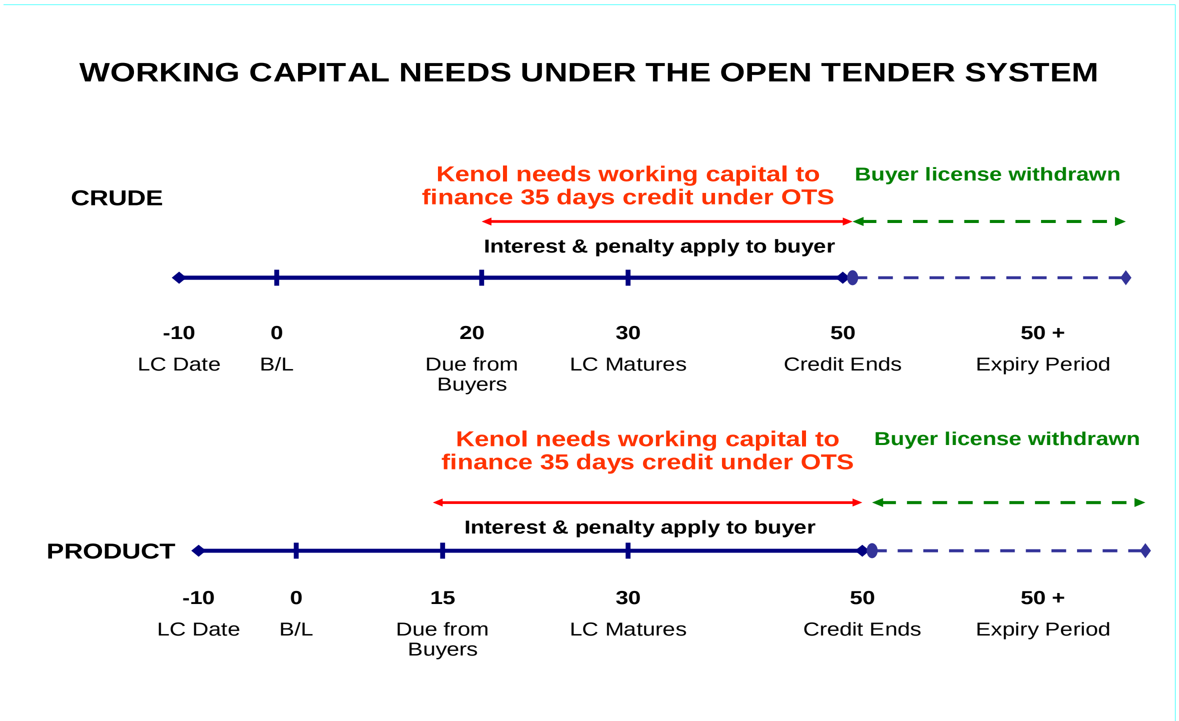
Payment for OTS crude is due 20 days from the Bill of Lading (B/L) date. Heavy interest is payable after the 20th day. A buyer is declared to be in default after the 50th day.

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

Timeline

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



RISK FACTORS – LOCAL & REGIONAL

Industry Risks

- **Fluctuation of international oil prices**: As a leading oil company in Kenya, KenolKobil is subject to the vagaries of fluctuating crude and refined oil prices. Consequently, changing international crude prices, which are affected by various factors beyond a local company's control, present significant risks. KenolKobil 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.

- **Piracy:** This has affected vessel routes and vessel owners are charging premiums to come to East Africa. This has impacted on the cost of product.

- **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. KenolKobil 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. KenolKobil 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, KenolKobil Group is addressing this risk by increasingly focusing on cash sales and maintaining strong credit control measures on outstanding credit balances.

- **Price Controls**: The industry is facing the possibility of re-introduction of price controls. The industry has been operating in a de-regulated environment since October 1994. This may result in reduced margins if inefficiencies in the government and concerned parastatals are not properly addressed, such as ullage and pumping capacity problems. KenolKobil is actively involved through the Petroleum Institute of East Africa (PIEA) in consultations with the Government to ensure fair implementation of these regulations.

- **Competition:** The current market environment is extremely competitive especially with independent dealers making forays into the trading and retail business. The KenolKobil Group seeks to address this risk through competitive pricing and better service delivery.

Company Risks

- **Fluctuation of oil prices:** As outlined above, KenolKobil 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. KenolKobil 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

- **Tax regime difficulties:** The oil industry is presently encountering huge pressures on cash flows and on operations resulting from difficult tax regimes. This is stifling operations in Kenya and inhibiting supplies to neighboring countries. Operational efficiencies and effective cash management and borrowings are reliant on tax procedures and refunds being duly adhered to by Industry and the tax authorities. Ongoing lobbying by industry players and consistent dialogue with the Kenya Revenue Authority to ensure a reliable tax system is put into place has shown progress. Tax refunds are beginning to flow back.

- **Political risk:** The Group is subject to foreign investment risk associated with its subsidiaries in Uganda, Tanzania, Zambia, Ethiopia and Rwanda, as well as the conditions in Kenya. Ongoing dialogue with the respective government regulatory bodies aims to minimize any potential risk by sensitizing government to the needs of the industry.

- **Global Recession:** KenolKobil is cognizant of the recent state of the global economy. The global recession has impacted on other industries (e.g. horticulture, tourism, etc) which also have an effect on the oil industry. KenolKobil's management has constantly been evaluating and re-evaluating the impact, of the various key factors of the recession on the company's business. The management is also critically focusing on cost containment and evaluation of new business lines that will go some way to mitigate against the effects of the recession.

FINANCIAL OVERVIEW

Use of Proceeds

Over the last eleven years, KenolKobil's policy has been to reinvest 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 six years. With expansion and growth comes the necessity to fund the Group's increased working capital requirements. The CP programme within our portfolio of financing is meant to cater for these needs.

Group Working Capital Requirements

The Group has achieved significant growth in recent years both through internal growth and through acquisition of companies as discussed under "Subsidiaries and New Activities". With the establishment of a Trading Desk, the Group has tapped into new markets. As a result, the Group's net sales have grown from Kshs 8.7 billion in 2001 to Kshs 96.7 billion in 2009. 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 cater for operational needs and 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 five years:

	2009	**2008 (15 mths)**	**2007**	**2006**	**2005**	**2004**
	Kshs (000)	**Kshs (000)**	**Kshs (000)**	**Kshs (000)**	**Kshs (000)**	**Kshs (000)**
Net sales	**96,692,834**	**134,518,341**	**51,621,436**	**46,381,292**	**37,536,818**	**30,414,739**
Net current assets	5,877,470	4,809,638	2,282,793	2,080,793	1,861,485	1,305,974
External funding:						
Commercial paper	-	944,000	1,501,000	1,498,476	1,186,966	489,193
Overdraft facilities	4,201,110	5,516,753	3,822,409	4,223,937	700,023	558,193
Finance Leases	3,757	4,064	6,856	3,725	-	-
Total operating capital	**10,082,337**	**11,274,455**	**7,613,058**	**7,806,931**	**3,748,474**	**2,353,360**

KenolKobil intends to utilise the Kshs 1.5 billion Commercial Paper facility to meet projected working capital needs and support the Group's vision of being a major player in Africa.

Financial Summary

- As shown in the balance sheet, shareholders' funds in the Group amounted to Kshs 11.5 billion as at 31 December 2009. This is significantly in excess of the minimum paid up share capital and reserves of Kshs 73 million, which is one of the requirements to qualify as an issuer of Commercial Paper by the CMA;

- In the last three years, the Group has increased its revenues as shown in the extracts of the audited Profit & Loss statements on page 38 of this Information Memorandum;

- The Group's strategy is to use medium and long-term capital to fund long-term investments and to fund working capital with short-term lines of credit.

- The Group's gearing ratio for the years 2004, 2005, 2006, 2007, 2008 and 2009 has been 29%, 43%, 91%, 121%, 78% and 49% respectively. This has remained well below the maximum 400% set by the CMA;

- As shown in the cash flow statements on page 40 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 and when the short-term obligations fall due. KenolKobil 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

KenolKobil was credit rated in June 2009 on results to December 2008 by the Global Credit Rating Company ('GCR') from South Africa. GCR is one of the leading rating agencies in Africa, rating more organizations 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.

KenolKobil is pleased to announce its commercial paper issue received a rating of A1 from GCR. This means the commercial paper issue carries a very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor. The outlook for the CP issue remains stable for the coming future.

Financial Analysis for the 12 month Period Ended 31 December 2009

The Group has continued to perform well, achieving impressive growth in sales. The company's borrowings continued to be adversely affected by prepaid taxes which increased working capital due to the slow pace of refunds. The depreciating local currencies against the USD impacted on financing costs. Kenya remains a highly competitive market for oil companies. High and volatile crude oil and product prices continue to present a challenging environment which the Group has continued to manage prudently.

The financial highlights for 2009 are summarized below. The 2008 comparative data covers a 12 month financial period which are unaudited figures, the published data covers a longer period of 15 months financial period. Consolidated results for 2008 and 2009 include results of Kobil Petroleum Ltd which is now a subsidiary of KenolKobil:

- The net sales decreased from Kshs134.5 billion in 2008 to Kshs 96.7 billion in 2009. Over the comparative 12 month period net sales decreased from Kshs 117.0 billion in 2008 to Kshs 96.7 billion in 2009. The 17.4 % drop was mainly as a result of a drop in oil prices.

- Sales volumes dropped by 4%. This was a result of the shorter reporting period in 2009 compared to 2008. Over the comparative 12 month period, volumes increased in 2009 by 15% mainly driven by improved volumes in Kenya.

- The Group's gross profit decreased to Kshs 6 billion in the year 2009 from Kshs 7.6 billion in 2008, a drop of 20.6%. In comparison with the 12 month financial period the Group's gross profit decreased to Kshs 6 billion from Kshs 6.8 billion. Margins continued to be under pressure but the Company was able to register positive results due to stronger performance by the subsidiaries and a focused inventory management.

- The Group's basic earnings per share increased by 5.14% to Kshs 8.80 in 2009 compared to Kshs 8.37 in 2008.

- The distribution costs increased from Kshs 953 million (Kshs 966 million – 12 month period) in 2008 to Kshs 1,082 million in 2009. This was due to the increased use of road transport for both local and export markets from the Mombasa terminals occasioned by inadequate pipeline throughput capacity. This resulted in much higher distribution costs and transit losses.

- Administrative and operating costs registered a 10.5% drop from Kshs 3,212 million in 2008 to Kshs 2,875 million in 2009 in line with a wider network of operation. Over the comparative 12 month period, administrative and operating costs increased by 2.2% to Kshs 2,875 million in 2009 from Kshs 2,813 million in 2008. These costs accounted for 2.4% and 3.0% of net sales in the year 2008 and 2009 respectively.

- The Group's operating profits decreased from Kshs 3,442 million in 2008 to Kshs 2,387 million in 2009 representing 30.6% drop over the previous year; over the comparative 12 month period, the Group's operating profit decreased to Kshs 2,387 million in 2009 from Kshs 3,028 million in 2008 representing 21.2% drop.

- The Group registered a net finance cost of Kshs 454 million compared to a net finance cost of Kshs 1,562 million (Kshs 1,582 million over the 12 month period) in 2008. This was mainly as a result of a stronger Kshs in the better part of the year. Delayed repayment of tax refunds and tax claims in Kenya as well as the higher oil costs continue to make demands on working capital financing.

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT & LOSS ACCOUNTS (In Kshs millions)

Period/Year ended	**31-Dec-2009** Audited)	**31-Dec-2008** (12 months Unaudited)	**31-Dec-2008** (15 months Audited)	**30-Sep-2007** (Audited)	**30-Sep-2006** (Audited)	**30-Sep-2005*** (Audited)	**30-Sep-2004** (Audited)
Gross sales	**106,898**	**126,385**	**145,229**	**56,715**	**50,587**	**41,745**	**34,479**
Indirect taxes	(10,205)	(9,338)	(10,711)	(5,094)	(4,206)	(4,208)	(4,064)
Net sales	96,693	117,047	134,518	51,621	46,381	37,537	30,415
Cost of sales	(90,655)	(110,238)	(126,910)	(48,956)	(43,920)	(34,724)	(28,090)
Gross profit	**6,038**	**6,809**	**7,609**	**2,665**	**2,462**	**2,812**	**2,325**
Other operating income	307	(2)	(2)	-	193	-	40
Distribution costs	(1,082)	(966)	(953)	(226)	(154)	(135)	(160)
Admin and operating expenses	(2,876)	(2,813)	(3,212)	(1,328)	(1,175)	(1,081)	(1,020)
Operating profit	**2,387**	**3,028**	**3,442**	**1,111**	**1,326**	**1,596**	**1,185**
Financing costs	(454)	(1,582)	(1,562)	(235)	(99)	(235)	16
Share of profit in Associate	1						
Profit before tax	**1,933**	**1,446**	**1,880**	**876**	**1,226**	**1,361**	**1,201**
Tax	(638)	(564)	(724)	(283)	(383)	(458)	(362)
Minority interest							-
Net profit after tax	**1,295**	**882**	**1,155**	**593**	**843**	**903**	**838**
Earnings per share (basic) Kshs per share	**8.80**	**5.99**	**8.37**	**5.83**	**8.35**	**8.96**	**8.32**

** restated*

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 pages 20 to 21. 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)

As at	31-Dec-2009 (Audited)	31-Dec-2008 (Audited)	30-Sep-2007 (Audited)	30-Sep-2006 (Audited)	30-Sep-2005* (Audited)	30-Sep-2004 (Audited)
Non-current Assets:						
Property, plant and equipment	4,512	4,864	2,610	2,282	1,851	1,794
Goodwill arising on consolidation	855	856	58	43	26	26
Available for sale investment	-	9	-	-	-	-
Investment in Associate	17					
Prepaid operating rentals	734	869	553	534	552	556
Deferred income tax asset	-	-	64	133	-	-
Total	**6,118**	**6,597**	**3,286**	**2,992**	**2,429**	**2,376**
Current Assets:						
Inventories	13,172	10,816	1,340	909	1,204	314
Trade receivables	8,065	7,846	3,198	3,834	2,228	2,126
Loan to related party	-	-	3,364	4,224	250	558
Derivative financial asset	15					
Cash and cash equivalents	3,806	2,438	1,869	1,330	2,265	858
Tax recoverable	112	11	214	61	7	3
Total	**25,171**	**21,111**	**9,983**	**10,359**	**5,954**	**3,859**
Current Liabilities:						
Trade and other payables	14,788	9,407	2,306	2,503	2,089	1,352
Borrowings	4,205	6,465	5,330	5,726	1,887	1,088
Current tax	245	411	46	39	107	108
Dividends payable	55	19	19	10	10	5
Total	**19,293**	**16,302**	**7,701**	**8,278**	**4,086**	**2,553**
Net Current Assets	**5,877**	**4,810**	**2,283**	**2,081**	**1,858**	**1,306**
Total Assets	**11,996**	**11,407**	**5,569**	**5,072**	**4,287**	**3,682**
Non Current Liabilities:						
Deferred tax	465	359	176	186	171	213
Long term loan	76	132	408	213	100	77
	-	-	-	-	-	-
Financed By:						
Share capital	74	74	51	51	50	50
Share premium	5,166	5,166	17	13	-	-
Revaluation and other reserves	232	496	329	348	361	376
Fair value reserve	85	85	85	85	85	85
Translation reserves	-	-	(97)	(45)	(54)	37
Hedge reserve	-	-	(40)	-	-	-
Retained earnings	5,420	4,579	4,639	3,993	3,349	2,642
Proposed dividends - ordinary and millennium	478	515	-	228	227	202
Long term Liabilities & Shareholders' Funds	**11,996**	**11,407**	**5,569**	**5,072**	**4,287**	**3,682**

CONSOLIDATED CASH FLOW STATEMENTS (In Kshs millions)

Period/Year ended	**Year ended 31-Dec-2009** (Audited)	**15 Months period ended 31-Dec-2008** (Audited)	**Year ended 30-Sep-2007** (Audited)	**Year ended 30-Sep-2006** (Audited)	**Year ended 30-Sep-2005** (Audited)	**Year ended 30-Sep-2004** (Audited)
Profit before tax	1,933	1,880	876	1,226	1,361	1,201
Depreciation	368	375	178	168	147	133
Deficit on revaluation	-	-	-	-	-	15
(Profit) / Loss on sale of assets	(307)	2	(1)	7	3	(1)
Interest Income	(132)	(80)	(41)	(38)	(15)	(16)
Negative goodwill	-	-	-	(192)	-	-
Interest expense	451	661	284	175	111	53
Leasehold land amortization	293	343	139	125	111	89
Amortization of intangible assets	13	26	10	6	-	5
Loss on sale of prepaid operating leases	-	-	-	4	-	-
ESOP reserve movement recognized through P&L	(37)	(15)	-	-	-	-
Hedge reserve movement recognized through P&L	-	84	-	-	-	-
Share of profit in associate	(1)					
Changes in working capital:						
Receivables and prepayments	(216)	3,863	637	(1,593)	(87)	(900)
Inventories	(2,356)	(6,098)	(431)	309	(889)	(55)
Trade and other payables & provisions	5,381	1,934	(254)	389	737	(191)
Movement in restricted cash	(129)					
Kobil acquisition amounts	-	(840)	-	-	-	-
Cash (utilized by) / generated from operations	**5,263**	**2,134**	**1,397**	**586**	**1,478**	**333**
Interest received	132	80	41	39	15	16
Interest paid	(451)	(661)	(284)	(175)	(111)	(53)
Tax paid	(794)	(451)	(373)	(425)	(495)	(239)
Cash from operating activities	**4,150**	**1,101**	**782**	**24**	**887**	**57**
Investing activities:						
Purchase of property, plant and equipment	(352)	(474)	(318)	(387)	(215)	(216)
Purchase of intangible asset	-	(15)	(25)	(23)	-	-
Purchase of assets by Kobil Ethiopia	-	-	(265)	-	-	-
Purchase of investment-Kobil Petroleum Rwanda	-	-	-	(164)	-	-
Purchase of assets by Kobil Burundi	(16)	-	-	-	-	-
Purchase of available for sale investment	-	(9)	-	-	-	-
Purchase of associate - Lublend	(8)	-	-	-	-	-
Payment for operating leases	(307)	(391)	(177)	(116)	(144)	(49)
Proceeds from disposal of property, plant and equipment	403	11	3	1	2	1
Proceeds from disposal of prepaid operating leases	119	-	-	2	-	-
Cash (utilized in) / from investing activities	**(161)**	**(878)**	**(782)**	**(688)**	**(356)**	**(264)**
Financing activities						
(Payment) / Proceeds from commercial paper	-	-	3	311	698	226
Loan to related party	-	-	(3,364)	(4,224)	(250)	(558)
Repayment of loan by related party	-	-	4,224	250	558	-
Net proceeds from long term borrowings	(2,316)	708	198	14	(17)	18
Net proceeds from short term borrowings			(402)	3,608	142	428
Repayments under finance lease	-	-	-	1	-	-
Dividends paid	(479)	(748)	(219)	(227)	(196)	(55)
Cash from financing activities	**(2,795)**	**(40)**	**440**	**(268)**	**935**	**59**
(Decrease) / Increase in cash	**1,194**	**183**	**440**	**(931)**	**1,465**	**(148)**
Movement in cash and cash equivalents						
Opening cash as at 1 October	**2,437**	**1,869**	**1,330**	**2,265**	**858**	**1,033**
On acquisition of Kobil Petroleum Ltd	**-**	**480**	**-**	**-**	**-**	**-**
On acquisition of KPRS	**-**	**-**	**-**	**19**	**-**	**-**
(Decrease) / Increase	**1,194**	**183**	**440**	**(931)**	**1,455**	**(148)**
Effects of exchange gain / (loss) difference	**46**	**(94)**	**(98)**	**(23)**	**(48)**	**(27)**
Closing cash at end of period	**3,678**	**2,437**	**1,869**	**1,330**	**2,265**	**858**

** Restated*

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

Period ended 31 December 2008	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000
At start of the period	50,848	16,650	278,031	4,638,905	-	4,984,434
Issue of shares on acquisition of Kobil	22,740	5,149,700	-	-	-	5,172,440
Revaluation surplus	-	-	393,805	-	-	393,805
Deferred tax on revaluation surplus	-	-	(169,549)	-	-	(169,549)
Transfer of excess depreciation	-	-	(56,239)	56,239	-	-
Deferred tax on excess depreciation	-	-	18,286	(18,286)	-	-
Revaluation released on disposal	-	-	(16,577)	16,577)	-	-
Deferred tax on released revaluation	-	-	6,216	(6,216)	-	-
Movement in ESOP reserve	-	-	(15,283)	-	-	(15,283)
Movement in hedge reserve	-	-	83,648	-	-	83,648
Deferred tax on hedge reserve	-	-	(44,048)	-	-	(44,048)
Currency translation differences	-	-	103,701	-	-	103,701
Net gains/ recognised directly in equity	-	-	303,960	48,314	-	352,274
Profit for the fifteen month period	-	-	-	1,155,319	-	1,155,319
Total recognised gains for 2008	-	-	303,960	1,203,633	-	1,507,593
Dividends:						
- Interim for 2008 paid	-	-	-	(748,607)	-	(748,607)
- Proposed for 2008	-	-	-	(515,116)	515,116	-
At end of period	**73,588**	**5,166,350**	**581,991**	**4,578,815**	**515,116**	**10,915,860**

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

Period ended 31 December 2009	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Proposed dividends**	**Total equity**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At start of the period	73,588	5,166,350	581,991	4,578,815	515,116	10,915,860
Revaluation surplus	-	-	(18,443)	-	-	(18,443)
Deferred tax on revaluation surplus	-	-	5,533	-	-	5,533
Transfer of excess depreciation	-	-	(24,721)	24,721	-	-
Movement in ESOP reserve	-	-	(37,278)	-	-	(37,278)
Movement in hedge reserve	-	-	14,993	-	-	14,993
Currency translation differences	-	-	(205,426)	-	-	(205,426)
Net gains/ recognised directly in equity	-	-	(265,342)	24,721	-	(240,621)
Profit for the twelve month period	-	-	-	1,294,505	-	1,294,505
Total recognised gains for 2009	-	-	(265,342)	1,319,226	-	1,053,884
Dividends:						
- Final for 2008 paid	-	-	-	-	(515,116)	(515,116)
- Proposed for 2009	-	-	-	(478,322)	478,322	-
At end of period	**73,588**	**5,166,350**	**316,649**	**5,419,719**	**478,322**	**11,454,628**

COMPLIANCE WITH CMA REGULATIONS

Incorporation

KenolKobil Limited (Formerly Kenya Oil Company Limited) was incorporated in Nairobi, Kenya, on 13 May 1959 under the Companies Act as a Limited Liability Company, registration number 4399. In terms of its Memorandum of Association (Clause 3 (a)), the principal activity of KenolKobil 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 6159.

Authorization

The issue of the Commercial Paper Notes has been duly authorized by a resolution of the Board of Directors of the Company passed on 7 February 2006.

Pending Legal or Arbitration Proceedings

KenolKobil 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

KenolKobil 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 KenolKobil Group are 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 authorized, 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	147,176,120 ordinary shares
Kshs 75,000,000	Kshs 73,588,000

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

No KenolKobil director currently holds more than 3% of the issued share capital of KenolKobil. Between the end of the last financial year, December 2009, and the publication of this Information Memorandum, there has been no material change in the directors' interests in KenolKobil.

The KenolKobil 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 KenolKobil 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 KenolKobil 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 KenolKobil and the Issuing and Paying Agent and the Agreement between KenolKobil and the Placing and Arranging Agents.

Borrowing Powers

The KenolKobil 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 KenolKobil Group since December 2009. There have also been no material exceptional factors or material interruptions or material changes in KenolKobil 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 Paying 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.