KENOLKOBIL LIMITED

KSHS 1,700,000,000

COMMERCIAL PAPER PROGRAMME

CREDIT RATING: A1

INFORMATION MEMORANDUM

6 June 2012

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 Securities 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 CFC Stanbic Bank 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 CFC Stanbic Bank 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 page 22 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 6 June 2012.

Potential Takeover by Puma Energy

On 8th May 2012, the Company published a Cautionary Announcement regarding a potential Takeover of the Company by Puma Energy, with the contemplated transaction being subject to due diligence, regulatory approvals and final price determination. The contemplated Takeover offer would be subject to approval by the Capital Markets Authority including both its structure and pricing whereby pricing would also be subject to an independent Fairness Opinion in accordance with the regulations of the Capital Markets Authority. In the view of the Company, a potential Takeover by Puma Energy would result in the strengthening of the Company's credit ratings and open more avenues for financing growth at even more competitive rates as well as stronger supply sources for products. As regards the current negotiations with Puma Energy, the Company would state the following:

- KenolKobil will continue to operate as a going concern in the ordinary course of business during the negotiations with Puma Energy. This applies to all its contracts and obligations including those regarding suppliers and creditors. The commercial paper ("CP") programme is no exception. There are no changes to the business profile or added risks to the financial condition of KenolKobil as it continues to trade, invest and grow across the greater Eastern Africa region for the benefit of all existing shareholders.
- As is customary with any agreement regarding a contemplated acquisition of a controlling interest by another company, the target company (e.g., KenolKobil) is not only expected to continue operations in the ordinary course of business, including meeting its obligations to suppliers and creditors as they come due, but the target company is also expected to give representations and warranties to the effect that it may not default on any such obligations during the negotiations leading to a possible transaction. The agreement with Puma Energy imposes strict covenants upon KenolKobil to perform and meets its obligations as a going concern until a transaction is determined. If Puma Energy succeeds in its acquisition of a controlling interest in KenolKobil, then Puma Energy would assume and, thus, ensure that KenolKobil continues as a going concern and to honour its existing contracts and obligations.
- The contemplated transaction with Puma Energy, whether it materializes or not, has no impact on KenolKobil's existing operations which must continue as is on a normal going concern basis. If anything, the Company believes that a change in KenolKobil's controlling shareholding to Puma Energy would probably enhance the creditworthiness of KenolKobil. That is, KenolKobil's credit rating would likely improve with Puma Energy as controlling shareholder. Puma Energy's current list of direct creditors includes several well-known "Tier 1" banks from the UK, France, Germany, Switzerland and South Africa.
- Puma Energy is a private company that is 80% owned by Trafigura, one of the world's largest commodity trading companies, based in Switzerland. Puma Energy is 20% owned by its African strategic partner Sonangol, the national oil company of Angola.

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 Securities 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 Billion Seven Hundred Million (Kshs 1,700,000,000).

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

CFC Stanbic Bank 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 Chairman on 07 April 2010
Pat Lai P O Box 44202, Nairobi	Group Finance Director Appointed on 03 February 2006
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
T.M. Davidson P O Box 40560, Nairobi	Non-Executive Director Resigned on 13 April 2010 and reappointed on 01 Jan 2011
D Ndonye Nairobi	Non-Executive Director Appointed on 6 April 2011

Secretary

Ms W Juma Livingstone Associates Deloitte Place Waiyaki Way, Muthangari P O Box 30029, 00100 Nairobi	Appointed on 1 January 2011

Registered Office

ICEA Building
Kenyatta Avenue
P O Box 44202, 00100
Nairobi

Bankers

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

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

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

NIC Bank
Masaba Road
P O Box 44599 - 00100
Nairobi

Standard Bank London Plc
20 Gresham Street
London EC2V 7JE

Commercial Bank of Africa Limited
Mara and Ragati Roads, Upper Hill
P O Box 30437 – 00100
Nairobi

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

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

PTA Bank Limited
23rd Flr NSSF Building
Bishop Road
P O 48596 - 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

CFC Stanbic Bank Limited
CFC Stanbic Centre Chiromo Road,
Westlands
P O Box 30550, 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 Securities Exchange ("NSE") in September 1959. The Company's shares are traded on the NSE.

In January 1986, KenolKobil 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 KenolKobil and Kobil to lower their operating costs and enhance their ability to jointly bid for large supply contracts.

In December 2007, KenolKobil 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 25 stations most of which are located in Dar es Salaam.

Kenol spread its interests to Southern part of Africa in 2002 when it acquired 100% interest in Jovenna Zambia Limited now Kobil Zambia Limited. With 28 service stations, Kobil Zambia remains a leading brand name in Zambia.

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. Since then, Kobil Rwanda has grown its network to 46 service stations. 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 64 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 on fuels. 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 16 stations spread across the country. The Group has confidence that the company will register a strong performance going forward.

KenolKobil opened an office in Zimbabwe in January 2011. This will consolidate the company's presence towards the Southern African region. This trading office performed well in 2011 and is expected to improve on this performance in 2012.

In 2011, the Group completed acquisition of a 4,000m3 depot in Lumbumbasi, DRC. Upgrade of the depot into a modern facility is ongoing, and the Group will soon commence marketing activities.

KenolKobil/Kobil Relationship

KenolKobil previously operated in Kenya 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 other.

KenolKobil acquired 100% of the shares in Kobil Petroleum ('Kobil') in December 2007, after KenolKobil's 2007 financial year. The transaction involved KenolKobil 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 combined stronger balance sheet continues to enable a better negotiating platform with oil suppliers as well as give the group improved borrowing terms with financiers, thus resulting in improved earnings.

Management & Staff

KenolKobil and Kobil currently have a combined workforce of 551 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$ 211 million (Kshs 17.51 billion) as at 10 April 2012.
As at 31 January 2012, KenolKobil had 8,099 shareholders with Wells Petroleum Holdings Limited, being the largest shareholder. The table below summarizes the Company's shareholding structure as at 31 January 2012:

	Name of shareholder	Number of shares	% Shareholding
1	Wells Petroleum Holdings Limited	366,614,280	24.91%
2	Petroholdings Limited	255,211,080	17.34%
3	Highfield Limited	183,350,000	12.46%
4	Chery Holding Limited	116,080,400	7.89%
5	Energy Resources Capital Limited	88,185,720	5.99%
6	CFC Stanbic Nominees Kenya Ltd (A/c NR13302)	42,233,302	2.87%
7	Standard Chartered Nominees Non Resd A/c 9867	22,168,000	1.51%
8	Standard Chartered Nominees Non Resd A/c KE 10036	10,653,200	0.72%
9	KenolKobil Ltd Employee Share Ownership Plan	9,000,000	0.61%
10	CFC Stanbic Nominees Ltd (A/c R48703)	8,362,700	0.57%
Sub-Total		**1,101,858,682**	**74.87%**
Others		369,902,518	25.13%
Total		**1,471,761,200**	**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/Kobil has an extensive distribution network currently operating 158 service in Kenya. In addition it has 240 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 20 years in developing its network:

Network Growth	**Number of Stations**												
Sales Area	**1991**	**1995**	**2000**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Kenya	41	48	73	82	65	68	69	64	69	160	155	155	158
Uganda	-	-	26	42	52	52	58	60	61	61	61	61	61
Tanzania	-	-	-	11	15	15	15	18	18	19	23	25	25
Zambia	-	-	-	11	14	15	16	20	20	24	28	28	28
Rwanda	-	-	-	1	1	1	18	38	38	43	46	46	46
Ethiopia	-	-	-	-	-	-	1	1	50	59	64	64	64
Burundi	-	-	-	-	-	-	-	-	-	-	4	14	16
Total	**41**	**48**	**99**	**147**	**147**	**151**	**177**	**201**	**256**	**366**	**381**	**393**	**398**

Market Share & Growth

The table below details the Company's market share in Kenya between 1994 and 2011:

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
2010	18.30
2011	25.00

Source: ***1994 - 2001[1]:*** ***Murdock McCrae & Smith***
2002 - 2010[2]: ***Pipeline Co-ordinator (Oil Industry Secretariat Pipeline Co-ordinator – Ministry of Energy)***
2011: ***Petroleum Institute of East Africa (PIEA)***

[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.*

KenolKobil's 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 1,050,683 m^3 in 2011, achieved in a very competitive environment. Key to this 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
2010	557,538
2011	1,050,683

Source: 1994 - 2001: Murdock McCrae & Smith
2002 - 2011: 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 and processing, industrial and marine 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 lubricants market research ,product design and development, formulations to conform to approved international standards in line with the Original Equipment Manufacturer's specifications. It procures all required inputs including and not limited to Base Oils and Additives, blends, packs and supplies , all the three Brands to meet the customer needs and demands in Kenya, KenolKobil subsidiaries (Uganda,Tanzania,Zambia,Rwanda, Burundi,Ethiopia), and within East and Central Africa Region. It now accounts for 15%[3] of market share of the total lubricants sold in the Kenyan market and is gradually capturing a sizeable share within the Region.

In 2001,KenolKobil launched its own brand of lubricants which are now available countrywide and in its subsidiaries. The Kobil brand is a re-brand of Kenol and is marketed in subsidiaries and other export markets while Kenol and Castrol Brands are marketed in Kenya. The Castrol Brand is blended in Kenya under license from Castrol International –UK

KenolKobil is among the few major oil companies to be awarded the ISO 9001: 2000 certification for its lubricants business segment. This line of business was recertified under an upgrade of ISO Standard 9001:2008 effective 20th May 2010 .

KenolKobil has launched lubricants blending in Tanzania under the Kobil Brand name. 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 East,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. Over the period, the brand has become one of the leading cylinder brands in Kenya, Uganda, Rwanda and lately Burundi. The growth can be attributed to its focus on consumer needs, availability due to the wide retail network and distribution through the major supermarket chains. Before K-gas was launched, extensive consumer research was conducted both locally and internationally. The research revealed that domestic LPG consumers worldwide had three basic needs 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 ten years, K-gas has sold over 900,000 cylinders to end users across the country. The brand commands a market share of 30% in retail, 5.0% in commercial and an overall market share of 12%, all achieved in ten 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. KenolKobil is planning to construct a LPG filling plant in Kisumu in 2012 to tap into the growing LPG market in that region.

With the introduction 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.

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

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, in Rwanda in early 2005, in Burundi in 2010 and in Ethiopia in 2011. These markets have great potential but growth has been limited by capacity and logistic constraints. KenolKobil invested in a filling plant in Rwanda in 2010 and in Uganda in 2012. Plans are underway to construct filling plants in Zambia and Tanzania.

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 in 2010 was re-certified ISO 9001:2008 from ISO 9001:2000 for the following activities: refining, blending, storage, distribution and marketing of petroleum products, lubricants, LPG and specialties.

Non-Fuel Business

Since 2001, the Company has expanded its business portfolio outside of fuel business and has continued to establish Banking Halls, convenience stores, restaurants, tyre centers and garages, stoic centers, pharmacies, insurance offices, phone business, beauty shops and Designer clothing stores godowns, plus many other non-fuel businesses in its strategic petrol stations. These businesses are operated and managed by independent third parties, freeing up KenolKobil's resources and management time, while enhancing income through rents and revenue sharing agreements. Additionally, the Company charges license fees to dealers for the service stations and other activities carried out on these establishments.

Some of the of the flagship restaurants operating in KenolKobil outlets are those under the brand names Innscor International, Shareware, Maggies, Kula Corner, Circles, Rafikis and Java Coffee Houses.

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 and Kirengeti for mineral water, Voltmaster for automotive batteries and Sameer Africa for Tyres, tubes and Tyre Centres.

The Company has also entered into a partnership agreement with Major Banks, which have rented Banking halls and have also put up ATMs (Automatic Teller Machines) at KenolKobil stations. Currently there are 4 (four) banking halls and 36 outlets where ATMs have been installed with many more planned in 2012 and beyond.

The Company is one of the biggest distributors of Safaricom products such as mobile phones, connection services, and scratch cards plus M-pesa services. In addition ,it is also in business with both Airtel and Telkom Orange products. All these products and services are available through KenolKobil's service stations. In Uganda, there is a similar arrangement with mobile phone provider MTN.

Similar successful partnerships, as above, have been entered into across the subsidiaries.

Trading Desk

In 2002 the Company formally established a Trading Desk 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 about 40% of the combined crude and refined product oil requirements in 2011 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 African region where there is a lot of business potential. In line with this, Trading Desks were established in Zimbabwe and Tanzania in 2011.

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 is expected to continue performing well.

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.

In 2011, Kobil Uganda acquired all assets of Phoneix Uganda Petroleum Limited. The assets included a 1,800m3 fuel terminal in Jinja, a modern office block and three service stations in Kampala. The depot will enhance distribution capability in Eastern Uganda as well as providing much needs additional storage capacity.

Kobil Tanzania Limited

Kobil Tanzania started operations in May 2001 and its retail network has grown to 25 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.

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 es Salaam. Kobil Tanzania now has eight stations outside Dar es Salaam; five in Morogoro Region, one in Bagamoyo, one in Arusha and one in Mwanza.

In July 2011, Kobil Tanzania took effective control and management of a modern fuel terminal from World Oil on a 25 year lease. The terminal has 33,000m3 storage capacity. This acquisition is in line with the Group strategy to make Dar es Salaam a regional hub for storage and trading purposes. An African trading desk was established at the terminal within the year. The terminal also creates a platform for servicing our regional subsidiaries as well as supporting in participation in the open tender system (OTS), that has been recently introduced.

Kobil Zambia Limited

KenolKobil 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.

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.

In late 2011, Kobil commenced an upgrade of its depot in Lusaka to a modern terminal through construction of 6,000m3 storage tanks with state of the art loading and offloading equipment. The terminal will enhance Kobil Zambia's competitiveness, both within the country and in the neighbouring regions. In addition, a LPG plant will be constructed at the same site. This will place Kobil Zambia in a strategic position to help in the government's efforts in promoting use of LPG as a clean source of energy in Zambia.

Kobil Petroleum Rwanda Limited

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 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 providing LPG needs to Rwanda, Burundi and Eastern Congo DR.

Kobil Ethiopia Limited

Kobil Ethiopia was established in 2005. It is KenolKobil Group's first major acquisition towards the North African region. 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, lubricants, LPG and petrochemicals.

In 2011, Kobil Ethiopia started marketing of LPG, targeting both retail and commercial clients. The product is expected to further enhance performance of the company.

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[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.*

Kobil Burundi SA

On October 6 2009, KenolKobil acquired Oil Burundi S.A (Kobil Burundi S.A) from Engen International Holdings (Mauritius) Limited,

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

In February 2011, Kobil Burundi acquired a sizeable depot complex in Bujumbura. In order to maximize its usage, construction has commenced at the site of a 4,850m3 storage terminal. The terminal is being constructed to the latest international standards on fuel storage and handling. The terminal will provide a platform in the near future for a LPG storage and filling plant.

KenolKobil Congo SPRL

In October 2011, KenolKobil acquired a 4,000m3 terminal in Lubumbashi from World Oil Congo SPRL. This acquisition represents an important step in the group's vision of growth in Africa. It will enhance KenolKobil's business in the DRC, where it was already one of the largest exporters of petroleum products into the country.

KenolKobil has embarked on a full facelift and upgrading project at the terminal in order to bring it to par with the latest international standards. Marketing business will soon commence after completion of the upgrade.

Summary of KenolKobil's Subsidiaries

	Kobil Uganda Ltd	Kobil Tanzania Ltd	Kobil Zambia Ltd	Kobil Petroleum Rwanda Ltd	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 2011	61	25	28	46	64	16

DIRECTORS

Mr J Segman - Chairman & Group Managing Director

Mr. Segman has over 30 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/Kobil team in 1990. Prior to his appointment as the Managing Director, Mr. Segman worked as the Deputy Managing Director and General Manager, Marketing and Operations. He holds a BA Degree in Economics from Israel University and an MBA from USIU. He is also a director of Kobil Petroleum Ltd. Mr. Segman was appointed the Company's Chairman on April 7, 2010.

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 1999-2003, as a Non Executive Director of Telkom Kenya Ltd.

Mr P N V Jakobsson - Non-Executive Director

Mr. Jakobsson has for the last 8 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 J Mathenge - Non-Executive Director

Mr 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.

Mr D Ndonye - Non-Executive Director

Mr Daniel Ndonye was appointed as non-executive director on April 6, 2011. He is a career auditor, having worked with Deloitte and Touche for over 37 years where he rose through the ranks to become the managing partner for East Africa, a position which he served for 20 years before being appointed the Chairman of the Deloitte Africa board for two (2) years. He has also had various leadership positions including Chairman of the Institute of Certified Public Accountants of Kenya (ICPAK) and was also Chairman of the Registration of Accountants Board (RAB) for 20 years. He was also Chairman of the Board of Trustees of the Kenya Wildlife Service for three (3) years. He currently also holds board director positions in several institutions.

GROUP MANAGEMENT

Mr J I Segman (Israeli) – Chairman and Group Managing Director - 57 years

As described above

Ms P Lai (South African) - Group Finance Director - 54 years

As described above

Mr G N Mwangi (Kenyan) - Group Export & Regional Support Manager - 64 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 - 47 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 NJD 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 - 44 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. J J Kariuki (Kenyan) – International Finance Manager - 42 Years

Mr Kariuki joined the Company in 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 continues 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 - 43 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 – 55 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 – 46 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.

Mr W Wambugu (Kenyan) – Head of Operations and Projects Development -45 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 (38)

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.

Ms E Kariuki (Kenyan) – Head of Marketing and Fuel Business Development - 47 years

Ms Kariuki joined the Company in 1990. Prior to her appointment to her current position in 2011, she was the company's Marketing 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.

Ms R Uku (Kenyan) – Retail Manager - 41 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. In 2010, she assumed her current position of Retail Manager within the Marketing Department. 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. B Nduulu (Kenyan) – Commercial Manager (41 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 Operations Manager and Maintenance Manager prior to his current appointment in May 2011. He holds a Bachelor of Science Degree in Mechanical Engineering.

Mr M Kamenju (Kenyan) - Supply Manager - 30 years

Mr. Martin Kamenju joined the Company in May 2006 as a Credit Control Analyst. In August 2008 he was promoted to the position of Supply Associate, a position he held until his current appointment in November 2011. He holds a Bachelor of Arts Degree in Business Administartion from Kenyatta University.

Mr P Kariuki (Kenyan) – Administration Manager - 43 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 (40 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.

Mrs. Roseline Gatigi (Kenyan) – Human Resources Manager (30 Years)

Mrs. Roseline Gatigi joined the company in January 2004 as a Marketing Accounts Assistant. In October 2005 she was promoted to the position of Marketing Analyst and thereafter had a short stint in the Administration department, prior to her current appointment in October 2010. She holds a Bachelor of Science Degree in International Business Administration from USIU and a Masters degree in Business Administration from the same university.

GROUP MANAGEMENT TEAM - SUBSIDIARIES

Werner Griessel (South African) – General Manager – 45

Werner Griessel holds a Master Degree in Business Management, an Honors Degree in Industrial Relations and a Bachelors Degree of Commerce in Accounting. He has 21 years working experience in Financial and General Management roles and has for the past 14 years worked in East and Southern Africa including Uganda, Kenya, Ethiopia, Malawi, Mozambique and Zimbabwe. He joined the Group Management Team of KenolKobil in July 2011 and took over as General Manager of Kobil Uganda in October 2011.

Mr F Ezavi (Israeli/French) - Managing Director, Kobil Tanzania Ltd - 46 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 M Mbugua (Kenyan) – Marketing Manager, Kobil Tanzania Ltd – 45 years

Mbugua joined the company in 1995 in the Accounts and Finance department as an Accounts assistant. He moved up the ranks in the department before transferring to the Marketing department in 2005 as a supervisor in the retail, company run stations and marketing finance section. In 2009 he joined the Credit control section as the credit control manager, from where he was transferred to Tanzania to assume the position of the Marketing Manager in 2010, a position he holds to date. Mbugua holds a Bachelor of Education degree from Kenyatta University and CPA(part 2).

Mr J K Thomas (Indian) - Managing Director, Kobil Zambia Ltd - 46 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. Elias Kamundi (Kenyan) – Marketing & Operations Manager (39 Years)

Mr. Elias Kamundi joined the Company in May 2001 as a Management Trainee. Between 2001 and 2011 he held different position within the Operations Department, rising to the position of Mombasa Joint Terminal Manager in October 2003 and in September 2009 was promoted to the position of Nairobi Joint Depot Pool Manager, prior to his current appointment in May 2011. He holds a Bachelor of Science Degree in Mechanical Engineering from Nairobi University.

Mr P K Ngugi (Kenyan) – Country Manager, Kobil Petroleum Rwanda Ltd - 40 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. In 2010 he was transferred on promotion to Rwanda to his current position as the Country Manager. He is a graduate of the University of Nairobi with a BSc Mechanical engineering degree and also holds an MBA from ESAMI.

Mr Sehmi (Indian) - Head of Marketing & Operations, Kobil Petroleum Rwanda Ltd- 45 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 – 47 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 F Mwangi (Kenyan) - Country Manager, Kobil Burundi SA - 37 years

Mr Mwangi joined the company in 1999 in Kenya and worked in various capacities and locations including in retail sales management. He was the Non-Fuel business Manager in Kenya prior to joining Kobil Zambia Limited in 2006. In 2010, he was transferred to Burundi on promotion to his present position as Country Manager. 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.

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 and 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.

The company continues to monitor the international oil prices and continued depreciation of regional currencies 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 re-introduced the petroleum pump prices cap formula in December 2010. 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 recent acquisition in Lumbubashi bodes 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, 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/Kobil, Total, Libya Oil and National Oil Corporation of Kenya (NOCK). There are other smaller oil companies operating in Kenya, such as 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 Libya Oil. 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. Shell, on their part, are in the final stages of divesture from Kenya and several African countries. 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, Libya Oil 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 ten 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; and
- 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.
- Decision to change the KPRL Processing Regime from Toll Refining to Merchant Refining w.e.f. 01.01.2012. The implementation however deferred till 01.07.2012.

Oil Prices

2011 saw a consistent and gradual rise in the international oil prices. The annual average ADNOC price for Murban Crude Oil in 2011 was posted at US$110.60/bbl and was an increase of 40% from US$79.16/bbl in 2010.

The freight costs in 2011 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 continued to pose challenges for the local oil importing companies in 2011 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 Government introduced the Petroleum Pump prices cap formula in December 2010. KRA's Simba System introduced in August 2005 continues to be enhanced and has significantly reduced the dumping and alderteration of products thus enhancing fair competition.

The total inland market share for the five major players for 2002 to 2011 is summarized in the table below:

	Total Inland Market Share %									
Company	**2011***	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
KenolKobil	25.0	18.3	21.9	26.12	23.63	27.09	24.29	21.67	16.39	18.1
Shell/BP/Agip	17.8	16.9	17.2	27.82	25.33	25.21	21.31	22.96	21.47	29.1
Total Kenya	23.3	27.1	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/Libya Oil	8.8	12.6	9.9	11.4	11.42	10.39	9.97	14.38	13.9	11.3
NOCK	5.6	4.4	8.4							
Subtotal	**80.5**	**79.3**	**81**	**100**	**100**	**100**	**100**	**100**	**82**	**88.8**
Others *	19.5	20.7	19						18	11.2
Total	**100**	**100**	**100**						**100**	**100**

Pipeline Coordinator (Oil Industry Secretariat Pipeline Co-ordination - Ministry of Energy)
**Petroleum Institute off East Africa (PIEA)*

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. This resulted in the following:

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

The Kenyan Government thus sought to correct these undesirable situations. Under the OTS, each petroleum company's monthly crude processing requirement is computed in accordance with a formula set by KPRL. Tenders are then invited from the oil companies to bid for the supply. The company with the lowest bid is awarded the tender. The winner will import the crude and have it

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

discharged into KPRL tanks in Mombasa. Title to the crude is then transferred after the buyer has prepaid the tender price to the Importer.

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

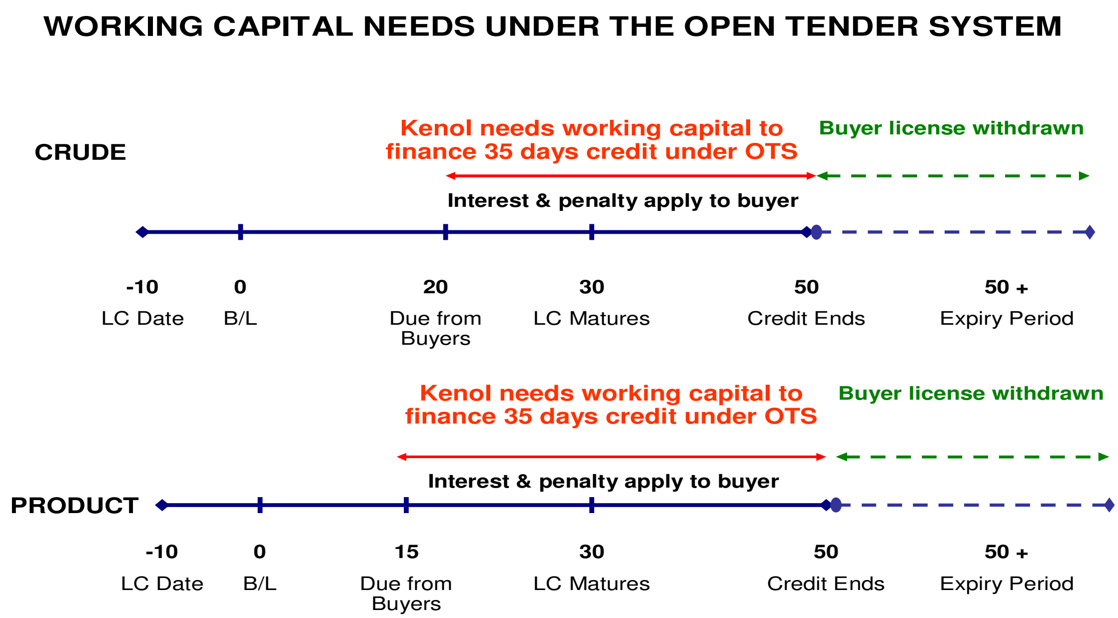
Payment for OTS crude is due 20 days from the Bill of Lading (B/L) date. Heavy interest is payable after the 20th day. A buyer is declared to be in default after the 50th day.

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 taking into consideration the competitive factors in the industry and 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**: Price controls were re-introduced in Kenya at the close of 2010. The industry had been operating in a de-regulated environment since October 1994. This has on occassions resulted in reduced margins when 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. Under the regulated pricing environment, KenolKobil continues to mitigate these risks through competitive sourcing of products and lobbying fair computation of the regulated prices.

- **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, Rwanda and Burundi, 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 current state of the global economy. The global recession is impacting on other industries (e.g. horticulture, tourism, etc) which also have an effect on the oil industry. KenolKobil's management is constantly 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 past 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 seven 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 222 billion in 2011. 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:

	2011	**2010**	**2009**	**2008 (15 mths)**	**2007**	**2006**	**2005**
	Kshs (000)	**Kshs (000)**	**Kshs (000)**	**Kshs (000)**	**Kshs (000)**	**Kshs (000)**	**Kshs (000)**
Net sales	**222,440,715**	**101,649,560**	**96,692,834**	**134,518,341**	**51,621,436**	**46,381,292**	**37,536,818**
Net current assets	7,351,685	7,182,661	5,877,470	4,809,638	2,282,793	2,080,793	1,861,485
External funding:							
Commercial paper	1,214,059	983,719	-	944,000	1,501,000	1,498,476	1,186,966
Overdraft facilities	16,156,991	12,689,816	4,201,110	5,516,753	3,822,409	4,223,937	700,023
Finance Leases	4,188	4,140	3,757	4,064	6,856	3,725	-
Total operating capital	**25,940,983**	**20,860,336**	**10,082,337**	**11,274,455**	**7,613,058**	**7,806,931**	**3,748,474**

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 11.65 billion as at 31 December 2011. 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, 2009, 2010 and 2011 has been 29%, 43%, 91%, 121%, 78%, 52%, 86% and 143% respectively. This has remained well below the maximum 400% set by the CMA;

- 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 2011 on results to December 2010 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 2011

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 2011 are summarized below. Consolidated results for 2010 and 2011 include results of Kobil Petroleum Ltd which is now a subsidiary of KenolKobil:

- The net sales increased from Kshs 102 billion in 2010 to Kshs 222 billion in 2011 as a result of market prices and diversification of business lines
- Sales volumes increased by 52%.This was mainly driven by a drop in Aviation, Export and Trading volumes.
- The Group's gross profit increased to Kshs12.3billion in the year 2011 from Kshs 7.6 billion in 2010, an increase of 62%. Margins continued to be under pressure but we were able to register positive results due to strong performance by all group companies, focused inventory management and expansion to the other non-fuel sales

- The Group's basic earnings per share increased by 70.7% to Kshs 2.22 in 2011 compared to Kshs 1.30 in 2010.

- Administrative and operating costs increased by 54% from Kshs 2,295 million in 2010 to Kshs 3,540 million in 2011 in line with a wider network of operation.

- The Group's EBITDA increased from Kshs 3,789 million in 2010 to Kshs 6,716 million in 2011 representing 77.2% increase over the previous year;

- The Group registered a net finance cost of Kshs 2,305 million compared to a net finance cost of Kshs 971 million in 2010. This was mainly as a result of a weaker Ksh and other regional currencies in the better part of the year that resulted in high foreign exchange losses and higher interest rates on borrowings in most of the countries the Group operates in.

CONSOLIDATED INCOME STATEMENTS (In Kshs millions)

Period/Year ended	31-Dec-11 (Audited)	31-Dec-10 Restated (Audited)	31-Dec-2009 Audited)	31-Dec-2008 (12 months Unaudited)	31-Dec-2008 (15 months Audited)	30-Sep-2007 (Audited)
Gross sales	**235,698**	**112,375**	**106,898**	**126,385**	**145,229**	**56,715**
Indirect taxes	(13,257)	(10,725)	(10,205)	(9,338)	(10,711)	(5,094)
Net sales	222,441	101,650	96,693	117,047	134,518	51,621
Cost of sales	(210,107)	(94,053)	(90,655)	(110,238)	(126,910)	(48,956)
Gross profit	**12,333**	**7,597**	**6,038**	**6,809**	**7,609**	**2,665**
Other operating income	281	104	307	(2)	(2)	-
Distribution costs	(1,203)	(1,043)	(1,082)	(966)	(953)	(226)
Admin and operating expenses	(3,540)	(2,295)	(2,204)	(2,218)	(2,468)	(1,000)
Net foreign exchange losses	(1,155)	(574)	(135)	(945)	(981)	8
EBITDA	**6,716**	**3,789**	**2,924**	**2,678**	**3,205**	**1,447**
Depreciation and amortization	(635)	(557)	(673)	(595)	(745)	(328)
Financing costs	(1,150)	(397)	(319)	(637)	(581)	(243)
Share of profit in Associate	3	1	1			
Profit before tax	**4,934**	**2,836**	**1,933**	**1,446**	**1,879**	**876**
Tax	(1,660)	(921)	(638)	(564)	(724)	(283)
Minority interest						
Net profit after tax	**3,274**	**1,915**	**1,295**	**882**	**1,155**	**593**
Earnings per share (basic) Kshs per share	**2.22**	**1.3**	**0.88**	**5.99**	**8.37**	**5.83**

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 19 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 STATEMENT OF FINANCIAL POSITION (In Kshs millions)

As at	31-Dec-11 (Audited)	31-Dec-10 Restated (Audited)	31-Dec-2009 Restated (Audited)
Non-current Assets:			
Property, plant and equipment	3,778	2,935	2,840
Goodwill arising on consolidation	891	867	855
Available for sale investment	2	-	-
Investment in Associate	21	18	17
Prepaid operating rentals	655	539	600
Deferred income tax asset	481	-	-
Total	**5,828**	**4,359**	**4,311**
Current Assets:			
Inventories	24,008	12,751	13,172
Trade receivables	12,831	11,074	8,018
Loan to related party	-	-	-
Derivative financial asset	-	-	15
Cash and cash equivalents	3,272	2,133	3,806
Tax recoverable	35	55	112
Total	**40,146**	**26,013**	**25,124**
Current Liabilities:			
Trade and other payables	12,171	4,744	14,788
Borrowings	17,375	13,678	4,205
Current tax	798	404	245
Derivative Financial Liability	2,374	-	-
Dividends payable	75	54	55
Total	**32,794**	**18,879**	**19,293**
Net Current Assets	**7,352**	**7,134**	**5,831**
Total Assets	**13,180**	**11,494**	**10,142**
Non Current Liabilities:			
Deferred tax	-	189	248
Long term loan	1,530	95	76
Financed By:			
Share capital	74	74	74
Share premium	5,166	5,166	5,166
Revaluation and other reserves	(1,451)	(223)	(177)
Fair value reserve	85	85	85
Translation reserves	-	-	-
Hedge reserve	-	-	-
Retained earnings	7,144	5,342	4,192
Proposed dividends - ordinary and millennium	633	765	478
Long term Liabilities & Shareholders' Funds	**13,180**	**11,494**	**10,142**

CONSOLIDATED STATEMENT OF CASH FLOWS(In Kshs millions)

Period/Year ended	**Year Ended 31-Dec-2011** (Audited)	**Year Ended 31-Dec-2010** Restated (Audited)	**Year ended 31-Dec-2009** (Audited)
Profit before tax	4,934	2,836	2,114
Depreciation	226	205	187
(Profit) / Loss on sale of assets	(119)	(1)	(307)
Interest Income	(263)	(147)	(132)
Negative goodwill	-	-	-
Interest expense	1,413	544	451
Leasehold land amortization	401	343	293
Amortization of intangible assets	8	8	13
Loss on sale of prepaid operating leases	5	8	-
ESOP reserve movement recognized through P&L	291	88	(37)
Hedge reserve movement recognized through P&L	237	-	-
Share of profit in associate	(3)	(1)	(1)
Changes in working capital:			
Receivables and prepayments	(1,757)	(3,056)	(216)
Inventories	(11,257)	421	(2,356)
Trade and other payables & provisions	7,427	(10,044)	5,381
Movement in restricted cash	-	129	(129)
Kobil acquisition amounts	-	-	-
Cash (utilized by) / generated from operations	**1,543**	**(8,665)**	**5,263**
Interest received	263	147	132
Interest paid	(1,413)	(544)	(451)
Tax paid	(1,245)	(635)	(794)
Cash from operating activities	(852)	(9,697)	**4,150**
Investing activities:			
Purchase of property, plant and equipment	(1,174)	(565)	(352)
Purchase of intangible asset	(31)	(20)	-
Purchase of assets by Kobil Ethiopia	-	-	-
Purchase of investment-Kobil Petroleum Rwanda		-	-
Purchase of assets by Kobil Burundi	-	-	(16)
Purchase of available for sale investment	(2)	-	-
Purchase of associate - Lublend	-	-	(8)
Payment for operating leases	(526)	(312)	(307)
Proceeds from disposal of property, plant and equipment	163	1	403
Proceeds from disposal of prepaid operating leases	-	2	119
Cash (utilized in) / from investing activities	**(1,572)**	**(896)**	**(161)**
Financing activities			
(Payment) / Proceeds from commercial paper	-	-	-
Loan to related party	-	-	-
Repayment of loan by related party	-	-	-
Net proceeds from long term borrowings	5,132	9,492	(2,316)
Net proceeds from short term borrowings			
Repayments under finance lease	-	-	-
Dividends paid	(1,583)	(480)	(479)
Cash from financing activities	**3,550**	**9,012**	**(2,795)**
(Decrease) / Increase in cash	**1,126**	**(1,581)**	**1,194**
Movement in cash and cash equivalents			
Opening cash as at 1 January/ 1 October	**2,133**	**3,678**	**2,437**
On acquisition of Kobil Petroleum Ltd	**-**	**-**	**-**
On acquisition of KPRS	**-**	**-**	**-**
(Decrease) / Increase	**1,126**	**(1,581)**	**1,194**
Effects of exchange gain / (loss) difference	**12**	**36**	**46**
Closing cash at end of period	**3,272**	**2,133**	**3,678**

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

Period ended 31 December 2010	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	**73,588**	**5,166,350**	**316,649**	**5,419,719**	**478,322**	**11,454,628**
Release of Revaluation surplus	-	-	(408,842)	(1,227,375)		(1,636,217)
As Restated	**73,588**	**5,166,350**	**(92,193)**	**4,192,344**	**478,322**	**9,818,411**
Movement in ESOP reserve	-	-	87,502			87,502
Movement in hedge reserve	-	-	(14,993)			(14,993)
Currency translation differences	-	-	(118,439)			(118,439)
Net gains/ recognized directly in equity	-	-	(45,930)	-		(45,930)
						-
Profit for the twelve month period	-	-		1,915,045		1,915,045
Total recognized gains for 2010	-	-	(45,930)	1,915,045	-	1,869,115
Dividends:						
- Final for 2009 paid	-	-			(478,322)	(478,322)
- Proposed for 2010	-	-		(765,316)	765,316	-
At end of period	**73,588**	**5,166,350**	**(138,123)**	**5,342,073**	**765,316**	**11,209,204**

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

Period ended 31 December 2011	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	**73,588**	**5,166,350**	**244,494**	**6,455,764**	**765,316**	**12,705,512**
Release of Revaluation surplus	-	-	(382,617)	(1,113,691)		(1,496,308)
As Restated	**73,588**	**5,166,350**	**(138,123)**	**5,342,073**	**765,316**	**11,209,204**
Movement in ESOP reserve	-	-	291,288			291,288
Movement in hedge reserve	-	-	(1,461,538)			(1,461,538)
Currency translation differences	-	-	(58,104)			(58,104)
Net gains/ recognized directly in equity	-	-	(1,228,354)	-		(1,228,354)
						-
Profit for the twelve month period	-	-		3,273,831		3,273,831
Total recognized gains for 2011	-	-	(1,228,354)	3,273,831	-	2,045,477
Dividends:						
- Final for 2010 paid	-	-			(765,316)	(765,316)
- Interim for 2011 paid				(838,904)		(838,904)
- Proposed for 2011	-	-		(632,857)	632,857	-
At end of period	**73,588**	**5,166,350**	**(1,366,477)**	**7,144,143**	**632,857**	**11,650,461**

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 Securities 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**
2,000,000,000 ordinary shares of Kshs 0.50 each	1,471,761,200 ordinary shares
Kshs 100,000,000	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 2011, 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 2010. 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 Placing Agent is also responsible for paying from the Issuer's account funds to the Note holders upon the presentation of CP Notes by the holder thereof at maturity.

The Agreement with the Issuing and Paying Agent (CFC Stanbic Bank 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.