

28 February 2012

The Chief Executive,
Nairobi Stock Exchange,
Kimathi Street,
Nation Centre
Nairobi

Attention: Mr. Peter Mwangi

Dear Sir,

RE: KenolKobil Ltd - Financial Results for the Year ended 31st December 2011

Please find attached the audited results for KenolKobil Limited for the full year period ended 31st December 2011.

We would appreciate acknowledgement of this by signing the attached copy of the letter.

Yours Sincerely,



J. I. SEGMAN
CHAIRMAN & GROUP MANAGING DIRECTOR

KENOLKOBIL LIMITED

ANNOUNCEMENT OF AUDITED GROUP RESULTS

The Board of Directors is pleased to announce the Group's results for the year ended 31 December 2011.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	2011 Shs'000	Restated 2010 Shs'000
Net sales	222,440,715	101,649,560
Cost of sales	(210,107,493)	(94,052,548)
Gross profit	12,333,222	7,597,012
Other income	281,028	103,861
Distribution costs	(1,202,978)	(1,043,432)
Administrative expenses	(3,949,176)	(2,647,044)
Net foreign exchange losses	(1,155,478)	(573,059)
EBITDA	6,306,618	3,437,338
Depreciation and amortisation	(226,321)	(204,540)
Interest income	262,883	146,697
Interest expense	(1,412,563)	(544,195)
Share of profit in Associate	3,166	928
Profit before income tax	4,933,782	2,836,228
Income tax	(1,659,952)	(921,183)
Profit for the year	3,273,831	1,915,045
Basic earnings (Shs per share)	2.22	1.21
Diluted earnings (Shs per share)	2.21	1.20

DIVIDENDS

Interim dividends-shs 0.57 per share (2010- nil)	838,904	-
Proposed final for the year – -Shs 0.43 per share (2010 – Shs 0.52)	632,857	765,316

2010 comparative income statement has been restated following a change in the Group accounting policy of valuation of fixed assets from revaluation values to historical costs. The net effect of which is a decrease in depreciation by Ksh 139m.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	2011	Restated 2010
	Shs'000	Shs'000
Profit for the year	3,273,830	1,915,456
Other comprehensive income for the year, net of tax;		
Movement in hedge reserve	(1,461,538)	(14,993)
Currency translation differences	(58,104)	(118,453)
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<i>Total comprehensive income for the year</i>	1,754,189	1,782,010
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Attributable to:		
<i>Equity holders of the Company</i>	1,754,189	1,782,010
Non controlling interest	-	-
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	1,754,189	1,782,010
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER	2011	Restated 2010	Restated 2009
	Shs'000	Shs'000	Shs'000
CAPITAL EMPLOYED			
Share capital	73,588	73,588	73,588
Share premium	5,166,350	5,166,350	5,166,350
Retained earnings	7,144,141	5,301,831	4,299,182
Other reserves	(1,366,475)	(98,966)	(53,025)
Proposed dividend	632,857	765,316	478,322
Shareholders' funds	11,650,461	11,208,119	9,964,417
NON-CURRENT LIABILITIES			
Deferred tax	-	190,409	101,804
Borrowings	1,529,666	94,975	75,929
Total non-current liabilities	1,529,666	285,383	177,733
	13,180,127	11,493,503	10,142,150
REPRESENTED BY			
NON-CURRENT ASSETS			
Property, plant and equipment	3,778,098	2,935,354	2,839,736
Prepaid operating lease rentals	654,652	539,086	599,622
Intangible assets	891,249	867,069	855,229
Deferred tax asset	481,414	-	-
Available for sale investment	2,448	-	-
Investment in Associate	20,581	17,920	16,686
	5,828,442	4,359,429	4,311,273
CURRENT ASSETS			
Inventories	24,007,999	12,750,781	13,172,275
Receivables and prepayments	12,831,260	11,074,321	8,018,281
Derivative financial asset	-	-	14,993
Current income tax	34,867	55,288	112,060
Restricted cash	-	-	128,558
Cash and cash equivalents	3,271,736	2,133,091	3,677,897
	40,145,862	26,013,481	25,124,064
CURRENT LIABILITIES			
Payables and accrued expenses	12,171,394	4,744,344	14,787,916
Current income tax	797,893	403,501	245,259
Borrowings	17,375,238	13,677,675	4,204,867
Derivative financial liability	2,374,288	-	-
Dividend payable	75,364	53,887	55,145
	32,794,177	18,879,408	19,293,187
Net current assets	7,351,685	7,134,073	5,830,877
	13,180,127	11,493,503	10,142,150

**CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER**

	2011	Restated 2010
	Shs'000	Shs'000
OPERATING ACTIVITIES		
Cash (absorbed in)/generated from operations	1,542,966	(8,667,031)
Interest received	262,883	146,697
Interest paid	(1,412,563)	(544,195)
Tax paid	(1,244,807)	(634,410)
Net cash (absorbed in) from operating activities	<u>(851,521)</u>	<u>(9,698,939)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,174,432)	(565,234)
Purchase of intangible asset	(31,353)	(20,417)
Purchase of investment	(2,448)	-
Payments for operating leases	(525,910)	(312,182)
Proceeds from disposal of property, plant and equipment	162,599	729
Proceeds from disposal of prepaid operating leases	-	1,500
Net cash used in investing activities	<u>(1,571,544)</u>	<u>(895,603)</u>
FINANCING ACTIVITIES		
Net proceeds/(repayments) of borrowings	5,132,254	9,491,853
Dividends paid	(1,582,743)	(479,580)
Net cash generated from/(absorbed by) financing activities	<u>3,549,511</u>	<u>9,012,273</u>
(Decrease)/Increase in cash & cash equivalents	<u>1,126,446</u>	<u>(1,582,269)</u>
MOVEMENT IN CASH & CASH EQUIVALENTS		
At start of year	2,133,091	3,677,897
(Decrease)/increase	1,126,446	(1,582,269)
Effect of exchange rate movements on cash & cash equivalents	12,199	37,597
At end of year	<u>3,271,736</u>	<u>2,133,091</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Retained earnings	Proposed dividends	Total equity
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2011						
At start of the year	73,588	5,166,350	244,494	6,455,764	765,316	12,705,512
Reversal of revaluation reserve	-	-	(382,800)	(1,113,693)	-	1,496,493
As restated	73,588	5,166,350	(138,306)	5,342,071	765,316	11,209,019
Comprehensive income for the year						
Profit for the year	-	-	-	3,273,831	-	3,273,831
Other comprehensive income:						
Movement in hedge reserve (net of tax)	-	-	(1,461,538)	-	-	(1,461,538)
Currency translation differences (net of tax)	-	-	(58,104)	-	-	(58,104)
Total other comprehensive income	-	-	(1,519,457)	-	-	(1,519,457)
Total comprehensive income	-	-	(1,519,457)	3,273,831	-	1,754,374
Transactions with owners						
Movement in ESOP reserve (net of tax)	-	-	291,288	-	-	291,288
Dividends:						
- Final for 2010 paid	-	-	-	(838,904)	(765,316)	(765,316)
- Paid interim 2011	-	-	-	(632,857)	-	(838,904)
- Proposed for 2011	-	-	-	-	632,857	-
Total transactions with owners	-	-	291,288	(1,471,761)	(132,459)	(1,312,932)
At end of year	73,588	5,166,350	(1,366,475)	7,144,141	632,857	11,650,461

COMMENTS FROM MANAGEMENT

The Group's performance for the full year 2011 is reported, for the first time in USD as well and presents yet again, a strong improvement over 2010, despite challenges in the Oil Industry, particularly in Kenya.

Net Sales went up by 119%, whilst cost of sales was up by 123%. Gross profit went up by 62% to K.Shs. 12.3B (US \$139m) in 2011 from K.Shs.7.6B (US \$96m) in 2010, representing 6% of Net sales compared to 7% in 2010. The Gross margin has gone up, mainly due to stronger contribution coming from sectors as Trading, Resell, L.P.G, Export, Lubricants, Fuel Oil, Non-Fuels and Aviation. Total sales volume for the first time ever, surpassed the 3 million M3.

The Group EBITDA (Earning Before Interest, Tax, Depreciation & Amortization) gone up by 83% from K.Shs. 3.4B (US \$44m) in 2010 to K.Shs. 6.3B (US \$70.9m) in 2011. Fixed assets have now been restated to historical values upon change of the group policy from revaluation of fixed assets.

Net Profit before Income Tax has gone up substantially by K.Shs. 2.1B. (US \$19m) from K.Shs. 2.8B. (US \$36m) in 2010 to K.Shs. 4.9B (US \$55m) in 2011, representing an increase of 74% in 2011.

Profit **after** Income Tax in 2011 is up 71% compared to 2010 and stood at K.Shs 3.27B or US \$ 37m. The Group effective Income Tax Rate in 2011 was 33.6% about the same as in 2010.

There was an increase in Exchange losses in 2011 by K.Shs. 582m over 2010, mainly arising from fluctuation of local currencies in most countries of operation. Due to the quick and steep Kenya Shilling fluctuation against the U.S. Dollar, Kenya operation suffered the highest exchanges loss in the year, of K.Shs. 982m, which included substantial Realised losses on forward positions taken on K.Shs/USD exchange, started in the month of December 2011 and spilled over into the subsequent Financial Year, of which effect, can be seen in Statement of Comprehensive income.



Interest expenses in 2011 was up 159% compared to 2010, while Interest Income, was up 79%. The Group Medium Term Borrowing is K.Shs. 1.5b borrowed during the year 2011, mainly by KenolKobil Head Office and some from previous years by Kobil Rwanda and Kobil Ethiopia for capital expenditure.

Balance Sheet

The Group's balance sheet has continued to grow in strength. The shareholders equity now stands at Ksh 11.6B (USD 137m) on the back of a strong performance and continued investment in the region. The total asset base grew by 51.4% in 2011 to Ksh 46B and the current ratio improved to 1.22:1 whilst debt to equity ratio was 1.6:1. The Group had changed its accounting Policy from revaluing Fixed Assets to reporting at Cost Value.

Future Prospects

Challenges in Downstream Business will always be there. It keeps Management on its toes, to always be creative in managing market volatility. KenolKobil's Management continued its strategy of Geographical expansion outside Kenya and focus on certain High margin Business lines coupled with development of new Business lines over the recent years, such as African Trading desk, Non-Fuels, LPG, Fuel Oil among others and this has proved itself as a winning strategy.

KenolKobil's Management intends to continue to play a responsible role in all markets, with special attention to the Kenyan Oil Industry with the view to bring about a positive change. Management strongly believes that the Group Performance prospects remain very strong and will continue to deliver strong growth in the coming years.

Management will continue to focus on positioning the Group, strongly in Downstream and Mid-stream, in all markets it operates-in and new markets, through organic and acquisitions growth.



Proposed Dividend.

The Directors are recommending for approval at the Annual General Meeting to be held on 27th April 2012, a final dividend of K.Shs. 0.43 (K.Shs. 43 cents) per share for the year ended 31st December 2011, subject to Withholding Tax where applicable in addition to the interim dividend of K.Shs. 0.57 (K.Shs. 57 cents).

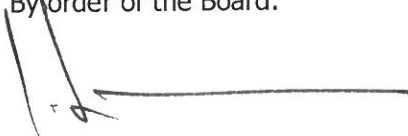
Annual General Meeting :

The 53rd Annual General Meeting of KenolKobil Ltd. will be held on 27th April 2012, 10.00 a.m. at the Hilton Hotel, Nairobi.

Closure of the Share Register.

Subject to Shareholders approval at the 53rd Annual General meeting, the share register will be closed from 30th April 2012 to 1st May 2012, for the purpose of dividend computation.

By order of the Board.



JACOB I. SEGMAN

Chairman & Group Managing Director

28th February 2012

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF KENOLKOBIL LIMITED

The accompanying summary Group financial statements, which comprise the summary consolidated statement of financial position at 31 December 2011, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and the summary consolidated statement of cash flows for the year then ended are derived from the audited financial statements of KenolKobil Limited for the year ended 31 December 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 29 February 2012. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those Group financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and in the manner required by the Kenyan Companies Act applied in preparation of the audited financial statements of KenolKobil Limited. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the KenolKobil Limited.

Directors' responsibility for the Summary Financial Statements

The directors are responsible for the preparation and fair presentation of the summary of the audited Group financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the summary Group financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary Group financial statements derived from the audited Group financial statements of KenolKobil Limited for the year ended 31 December 2011 are consistent, in all material respects, with those Group financial statements.

Certified Public Accountants
Nairobi
29 February 2012

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 53rd Annual General Meeting of the Company will be held at the Hilton Hotel, Nairobi, Kenya on Friday, 27 April 2012 at 11.00 a.m.

AGENDA

ORDINARY BUSINESS

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To receive the audited Financial Statements for the year ended 31 December 2011 together with the reports of the Chairman and Group Managing Director, Directors' and Auditor's thereon.
4. Dividend:
 - a) To confirm an interim dividend of Kshs 0.57 per share which was paid during the year in respect of the financial year ended 31 December 2011.
 - b) To consider and approve a final dividend of Kshs 0.43 per share for the year ended 31 December 2011 payable on or about 14 May 2012 to the shareholders on the Register of Members at the close of business on 1 May 2012 and to approve the closure of the Register of Members from the close of business on 30 April 2012 to the close of business on 1 May 2012 (both days inclusive) for the purpose of processing the dividend.
5. To approve the Directors' remuneration as indicated in the Financial Statements for the year ended 31 December 2011.
6. Re-election of directors:
 - a) To re-elect Mr P N V Jakobsson, a director retiring by rotation in accordance with the Company's Articles of Association and the Capital Markets Authority Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya and, being eligible, offers himself for re-election.
 - b) To re-elect Mr J G Mathenge, a director retiring by rotation in accordance with the Company's Articles of Association and the Capital Markets Authority Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya and, being eligible, offers himself for re-election.
7. To note that Messrs PricewaterhouseCoopers continue in office as Auditors by virtue of Section 159 (2) of the Companies Act (Cap. 486) and to authorise the Directors to fix their remuneration for the ensuing financial year.

BY ORDER OF THE BOARD

WINNIEFRED JUMBA
COMPANY SECRETARY

Date: 28 February 2012

Note:

1. In accordance with Section 136 (2) of the Companies Act (Cap 486), every member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his or her behalf and a proxy need not be a member of the Company. A form of proxy may be obtained from the Company's website www.kenolkobil.com or from the Registered Office of the Company, ICEA Building, 10th Floor, Kenyatta Avenue, Nairobi.

In the case of a member being a limited Company, the proxy form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.

2. All proxies must be duly completed by the member and must be lodged with the Company Secretary, Livingstone Associates, P O Box 30029, 00100 Nairobi, or posted in time to reach not later than 11.00 am on Monday, 23 April 2012. Alternatively, duly signed proxies can be scanned and emailed to wjumba@deloitte.com in PDF format.
3. In accordance with Article 134 of the Companies Articles of Association a copy of the entire Annual Report and Accounts may be viewed on and obtained from the Company's website www.kenolkobil.com or from the Registered Office of the Company, ICEA Building, 10th Floor, Kenyatta Avenue, Nairobi, from 14 March 2012. An abridged set of the Statement of Financial Position, Comprehensive Income Statement, Statement of Changes in Equity and Cashflow Statement for year ended 31st December 2011 have been published in two daily newspapers with nationwide circulation.

ABRIDGED CONSOLIDATED INCOME STATEMENT (US\$)

		Restated
For the year ended 31 December	2011	2010
	US\$000	US\$000
<i>Rate of exchange: Kes/US \$</i>		
<i>(average)</i>	88.90	78.85
Net Sales	2,502,145	1,289,233
Gross Profit	138,731	96,354
Other (expenses)/income	3,161	1,317
Distribution & administrative expenses	(70,951)	(54,075)
EBITDA	70,941	43,596
Depreciation & Amortisation	(2,546)	(2,594)
Net finance costs	(12,933)	(5,042)
Share of profit in associate	36	12
Profit before Tax	55,498	35,972
Profit after Tax	36,826	24,289
Basic earnings per share	0.03	0.02

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (US\$)

		Restated
As at 31 December	2011	2010
	US\$000	US\$000
<i>Rate of exchange: Kes/US \$</i>		
	85.05	80.85
Equity	136,984	155,846
Non-current Liabilities	22,654	7,813
	159,638	163,659

Represented by:

Non-Current assets	73,198	76,123
Current assets	472,019	321,048
Current liabilities	385,579	233,512
Net current assets	86,440	87,536
	159,638	163,659