

NATIONAL OIL CORPORATION OF KENYA LIMITED



MINUTES OF THE BOARD OF DIRECTORS MEETING HELD ON 31ST JANUARY 2014 AT THE BOARDROOM, 5TH FLOOR, AON MINET HOUSE, NAIROBI AT 9.00AM

PRESENT

Mr. Peter Munga	Chairman of the Board
Eng. Stanley Kamau	Alt. Director/Principal Secretary, National Treasury
Mr. Timothy Mulaha	Alt. Director/Principal Secretary, Ministry of Energy & Petroleum
Ms. Fatuma Hassan	Director
Hon. Jaafar M. Sheikh	Director
Mr. Peter Gitonga	Director
Rev. Dr. Jessie Mutura	Director

ABSENT WITH APOLOGY

Prof. Bernard Njoroge	Director
Ms. Sumayya Athmani	Chief Executive Officer

IN ATTENDANCE

Mr. Kamau Mugenda	General Manager-Finance & Administration
Ms. Katherine N Kisila	Company Secretary

AGENDA

1. Preliminaries
2. Confirmation of the Minutes of the meetings held on 22nd November 2013 and 18th December 2013
3. Matters arising from the Minutes of the Meetings held on 22nd November 2013 and 18th December 2013
4. Approval of revised Corporate Budget for FY 2013/2014
5. Approval of Corporate Budget for FY 2014/2015

MIN/01/31/01/2014: Preliminaries

The Chairman called the meeting to order at 9.15am.

The meeting was confirmed as quorate.

The Chairman noted that the joint Board Committees of the Board had considered the revised Corporate Budget for FY 2013/2014 and the Corporate Budget for the FY 2014/2015 at a meeting held on 21st January 2014 and recommended the same to the Board for approval.

The Chairman and the Directors resolved that the meeting was convened by consensus specifically to deliberate upon items 4 and 5 of the Agenda within the prescribed time lines.

Items 2 and 3 of the Agenda were thus deferred to the next meeting.

MIN/02/31/01/2014: Approval of revised Corporate Budget for FY 2013/2014
(Board Paper No.2)

The General Manager Finance & Administration took the Board through the Income Statement for FY 2013/2014 whose highlights were as follows:-

	Initial Approved Budget 2013/2014	Revised Budget 2013/2014
	Ksh Million	Ksh Million
Sales Volume (Ltrs M3)	310,249	280,436
Total Revenue	33,011	30,922
Cost of Sales	(31,113)	(29,229)
Gross Profit	1,898	1,693
Other Income	161	173
Total Operating Expenses	(1,301)	(1,247)
Finance Cost	(457)	(316)
Net Earnings Before Tax	301	303

BOARD RESOLUTION

The Board approved the revised Corporate Budget on Income Statement for FY 2013/2014 as presented.

Revised Capital Expenditure Budget- 2013/14 FY

The General Manager Finance & Administration took the Board through the Revised Capital Expenditure for FY 2013/2014 whose highlights were as follows:-

Item Description	Initial Approved Budget 2013/14 Ksh Million	Revised Budget 2013/14 Ksh Million
ICT, (all ICT related capex)	34	33
Equipment (pump, oil centers, tanks,	104	104
LPG (NNT Plant, Skids, others)	52	417
Construction & Leasing of Service Stations	801	673
Fuel Oil Storage Facilities	60	-
Relocation of offices to Energy Centre	170	119
Joint Venture Stations	200	90
Commercial Invest – F. Study Ngong Rd	30	12
Motor Vehicles	16	16
SBM- Transaction Advisory Services	45	45
Total Upstream	235	235
Total	1,747	1,744

The following capital expenditure items were revised in 2013/14 FY;

- (i) Relocation to Energy Centre: Revised to cater for funds to be spent in 2013/14 FY amounting to Ksh 119 Million. The budget balance of Ksh 51 Million was transferred to 2014/15 FY.
- (ii) LPG and related capital expenditure: Ksh 344 Million to pay for LPG plant construction whose contract was approved and awarded in 2012/13 FY. Part payment is falling due in 2013/14 FY. Ksh 16 Million will cater for additional Skid planned in 2013/14 FY while Ksh 5 Million will cater for increase in Skid Cost.
- (iii) Fuel Oil storage cost of Ksh 60 Million was dropped in 2013/14 FY and a lower capacity tank factored in 2014/15 FY at a cost Kshs 6 million.
- (iv) Service Stations cost was reduced from Ksh 801 Million to Kshs 673 Million to cater for the LPG Plant.
 - a. The cost of Joint Venture (JV) stations was reduced from ksh 200 Million to Ksh 90 Million as the Corporation to cater for the LPG Plant

BOARD RESOLUTION

The Board approved the revised Corporate Budget on Capital Expenditure for FY 2013/2014 as presented.

MIN/03/31/01/2014: Approval of Corporate Budget for FY 2014/2015

(Board Paper No.3)

The GM, Finance & Administration took the Board through the Corporate Budget for FY 2014/2015 (annexed hereto)

The highlights of the Corporate Budget for FY 2014/2015 were as follows:-

	Revised Budget 2013/2014	Proposed Budget 2014/2015
	Ksh Million	Ksh Million
Sales Volume (Ltrs M3)	280,436	308,155
Total Revenue	30,922	35,548
Cost of Sales	(29,229)	(33,560)
Gross Profit	1,693	1,988
Other Income	173	250
Total Operating Expenses	(1,247)	(1,545)
Finance Cost	(316)	(359)
Net Earnings Before Tax	303	334

The sales volume in 2014/15 FY was budgeted to increase to 308.155M3 litres, a growth of 10% when compared with the revised budget volume of 280,436 m3 litres in 2013/14 FY. The Corporation expects to realize a Net Earnings before Tax of Ksh 334 Million in 2014/15 FY.

BOARD RESOLUTION

The Board approved the Corporate Budget for FY 2014/2015 as presented.

Capital Expenditure Budget- 2014/15 FY

Item Description	Revised Budget 2013/14 Ksh Million	Budget 2014/15 Ksh Million
ICT, (all ICT related capex)	33	94
Equipment (pump, oil centers, tanks,	104	180
LPG (NNT Plant, Skids, others)	417	150
Construction & Leasing of Service Stations	673	1,416
Fuel Oil Storage Facilities	-	6
Relocation of offices to Energy Centre	119	51
Joint Venture Stations	90	-
Commercial Invest – F. Study Ngong Rd	12	-
Motor Vehicles	16	12
Transaction Advisory Services	45	60
Furniture	-	7
Total Upstream	235	188
Total	1,744	2,164

The Transaction Advisory Services in 2014/15 FY relate to costs for consultancy services for the development of National Oil Transformation Plan.

BOARD RESOLUTION

The Board approved the Corporate Budget on Capital Expenditure for FY 2014/2015 as presented.

MIN/0/18/12/2014: AOB

There being no other business the meeting ended at 11.30 am.

Minutes confirmed as a true record on the day of

By: _____
CHAIRMAN

By: _____
COMPANY SECRETARY