



The Commissioner
Customs Services Department
Kenya Revenue Authority
Times Tower Building
Haile Selassie Avenue
NAIROBI

5th November 2008

Attn: Mr. S. A. Hadi

Dear Sir,

BIDCO OIL REFINERIES LIMITED (BIDCO)

We acknowledge receipt of your letter reference no **HQ/PCA/FA/060/2007** dated **23rd October 2008** that was hand delivered to us in Thika on 30th October 2008. This letter is a **Demand Notice for Kshs 703,170,384/=** following post clearance customs audit in relation to years of income 2004 to 2008.

We are amazed at this demand notice that has been sent to us as the very basis of computation of the taxes due has no foundation and lacks a total understanding of the Business practices in international trade in Vegetable Oils. We therefore do not agree with the demand notice for the following reasons:

(1) UNDER VALUATION

Contractual terms with our suppliers M/s. **JOSOVINA COMMODITIES PTE LTD. SINGAPORE** are hereby attached for your perusal. Clause No 9 clearly spells out the terms of the Full Out-turn Guarantee and it's implications as to the reason for the debit notes and credit notes at the 110% value. These commercial terms do not lead to any under declarations.

- Payments made to Josovina – All payments made to Josovina are based on the Invoice Values and these are consistent with the provisions of Section 122 of the East African Community Customs Management Act. 2004 and the Fourth Schedule to the aforesaid Act.
- All this information was provided to the audit team.

We trust the above facts will lead to KRA vacating the demand notice.

BIDCO OIL REFINERIES LIMITED

(2) REVIEW OF TARIFF DECLARATIONS

Tariff classification

We refer you to a letter from KRA dated June 12th 2007 of your Ref: SR/PCA/329/2007 attached herewith proving beyond doubt that Sodium Aluminium Sulphate does fit under tariff number 2833.20.00 the duty under this tariff number is ZERO rated for all items under this chapter 28.33. Your assessment that there has been a wrongly declared tariff that has revenue implications on Sodium Aluminium Sulphate (Food Grade) tariff no 2833.22.00 (this is the tariff number under which we are importing the product) or 2833.19.00 as claimed by you which you are assessing to be incorrect is also refuted as this is a raw material and not a finished detergent and does rightfully fit under the classification of the Chapter 28.33 which is to do with Sodium Sulphate and we are ready to prove this beyond doubt that this is the correct Chapter for this and not Chapter 34.02.90.00 as claimed by yourselves.

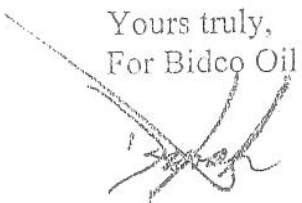
Therefore we hope we have clarified to you adequately and beyond any doubt that this is proper. We hope you will now also vacate this demand notice too and in case you need any further clarifications we are ready to provide all the evidence.

CONCLUSION

Bidco is a Kenyan Company with Kenyan roots and a good investor in Kenya. It is a show case to may foreign investors, government organisations, NGOs and other bodies. **Bidco** is here to promote happy healthy living and work together with the Kenya Government to see Kenya grow and prosper. **Bidco** is a law abiding corporate company and pays the right amount of taxes to ensure it contributes to the growth of the Kenyan economy.

We pray that you will consider our case positively and look forward to KRA vacating the demand notice. In case of any queries, please do not hesitate to contact us.

Yours truly,
For Bidco Oil Refineries Limited



DIPAK SHAH
DIRECTOR