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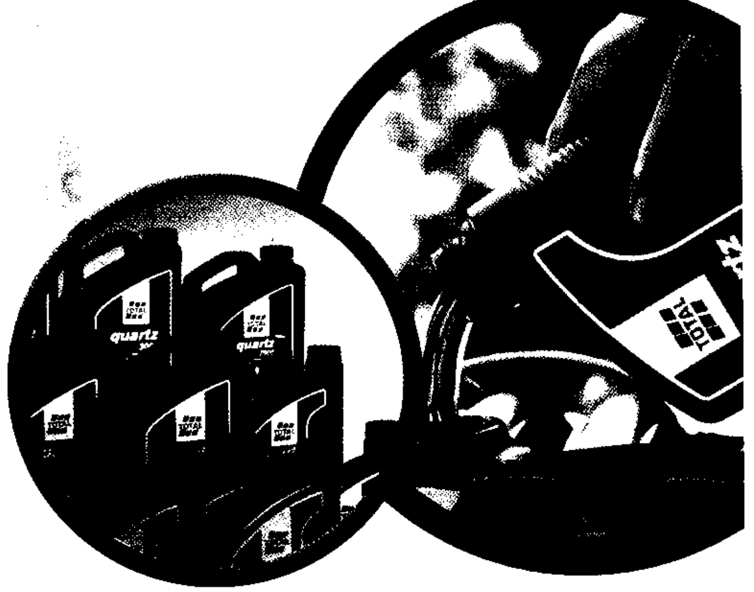


Notice of Annual General Meeting

Notice is hereby given that the 49th Annual General Meeting of the Company will be held at the French Cultural Centre, Auditorium, Nairobi on Tuesday, 29 April 2003 at 3.00 p.m. to transact the following business:

1. To confirm the minutes of the 48th Annual General Meeting held on 22 April 2002.

2. To receive and consider the Financial Statements for the year ended 31 December 2002 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.

3. To declare a dividend of KShs. 1.70 per share in respect of the financial year ended 31 December 2002

4. To approve the Directors' Fees for the year ended 31 December 2002 as recommended by the Directors.

5. To re-elect directors:

   i) Mr. M Nguer retires in accordance with article 97 of the Company's Articles of Association and, being eligible, offers himself for re-election

   ii) Mr. V Meary retires in accordance with article 97 of the Company's Articles of Association and, being eligible, offers himself for re-election

6. To note that Deloitte & Touche continue in office as the Auditors by virtue of Section 159 (2) of the Companies Act (cap 486) and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

7. **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

To consider and, if thought fit, to pass the following special resolutions:

"That the Articles of Association of the Company be and are hereby amended by inserting after Article 15 the following two articles 15 (A) and 15 (B)

15 (A) Notwithstanding any article herein, the provisions of the Central Depository Act 2000 (CD Act) as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company are part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the CD Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these articles that are inconsistent with the CD Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, immobilisation and dematerialisation shall be constructed in the same way as they are constructed in the CD Act.

2007/1057

Notice of Annual General Meeting *Cont'*

15 (B) Where any securities of the Company are forfeited pursuant to these Articles of Association after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the Directors for this purpose."

BY ORDER OF THE BOARD

J L G MAONGA
SECRETARY
NAIROBI
DATE: 17 March 2003

NOTE: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy, which is provided with this report, must be duly completed by the member and must be lodged at the Registered Office of the Company, Chai House, Koinange street, P.O.Box 30736-00100 Nairobi or posted in time to reach not later than 3.00pm on 27 April 2003.

Directors

Momar Nguer*	Chairman
Lamine Kane**	Managing (Also alternate to Momar Nguer as Chairman)
Alain Champeaux*	
Vincent Meary*	
Michael Karanja	
Lawrence Kinyanjui	(Alternate to Alain Champeaux)
Eric Le Bouvier*	(Alternate to Lamine Kane)
Stephane Dumas*	(Alternate to Vincent Meary)

* French
** Mauritanian

Secretary

J L G Maonga
P.O Box 30029
Nairobi
Kenya

Head Office and Registered Office

Chai House
Koinange Street
P O Box 30736-00100
Nairobi
Kenya

Auditors

Deloitte & Touche
"Kirungii", Ring Road, Westlands,
P O Box 40092-00100
Nairobi
Kenya

Advocates

Njoroge Regeru and Company
P O Box 46856
Nairobi
Kenya

Bankers

Citibank NA
P O Box 30711-00200
Nairobi
Kenya

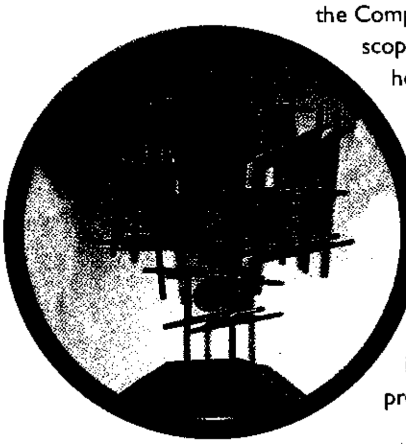
Our Vision, Our Mission

To be a leader in the quality of staff, products and services.
To be a leader in the profitability and returns to our shareholders.
To be the most responsible and preferred company in the region.

The purpose of TOTAL KENYA Limited is to market quality petroleum products and service its customers responsibly and profitably in an innovative way to ensure that the public will continue to come to TOTAL BY CHOICE.

QUALITY

Total Kenya Limited was awarded the FIRST POSITION in the Kenya Quality Awards, a national competition run by the Kenya Bureau of Standards. The Company won First Prize in the Large Organisations, service category.
Total Kenya limited was the first oil company in Kenya to achieve the coveted ISO 9002 certification for its service stations network. This certifies that Total service stations operate at high international standards and that the Company is committed to Quality. The company is in the process of upgrading to ISO 9001: 2000, which sets out the requirements for a quality management system that the Company aims to implement. The scope of the ISO 9001: 2000 helps to demonstrate the ability to provide consistent product that meets customer and regulatory requirements. It also addresses customer satisfaction through the effective application of the system for continual improvement and the prevention of non-conformity.



TOP SERVICE

Total Kenya has implemented the Top Service program within its service stations network. The program monitors the level of service given to customers at the stations and helps the dealers to maintain high standards.

INNOVATION

Total Kenya got the Petroleum Institute of East Africa "INNOVATION AWARD" for being the first to launch the "Smart" card technology in the country with the introduction of the revolutionary Bon Voyage fuel card. The card has two options pre-paid and post invoiced. It can be programmed with various control features. Total Kenya continues to be a leader in innovations having been the first to introduce the MEKO gas concept followed by the MEKO PLUS gas cooker providing clean and safe products for domestic use.

SUSTAINABLE DEVELOPMENT ACTIVITIES

TOTAL ECO CHALLENGE

The TOTAL ECO CHALLENGE focuses on one of Kenya's greatest threats, which is deforestation. It aims at increasing the forest cover in Kenya, appreciating the fact that the Kenyan economy largely depends on agriculture and the main source of power is hydropower. Over the years, the Kenyan ecosystem has degenerated extensively resulting in only 1.7% of the land being forested vis-à-vis an ideal situation of 10%. To provide a sustainable solution to this problem, Total Kenya Limited, working with the people of Kenya has embarked on a massive reforestation campaign with an ultimate target of having five million trees planted in five years.

TOTAL ECO LUBE

In its commitment to protect the environment, Total Kenya Limited will launch the Eco lube Project, which entails collecting all the used oil generated by the Company in the Network stations and client premises and generate some revenue from it. The revenue will be donated for charitable projects.

Corporate governance is the process and structure used to direct and manage business affairs of the Company towards enhancing prosperity and corporate accounting with ultimate objective of realising shareholders long-term value while taking into account the interest of other stakeholders. We at Total Kenya value corporate governance as a way of promoting corporate fairness, transparency and accountability and as a structure through which our Company objectives are set and the means of attaining those objectives and monitoring performance are outlined.

There is commitment to high standards of corporate governance throughout the Group. The Board confirms that throughout the year ended December31, 2002, the Company has complied with the provisions set out in the Capital Markets Authority Act on corporate governance for public listed companies in Kenya. The only exception has been having a Nominating committee which is to be established.

Directors

The Board's primary responsibility is to oversee a well qualified chief executive officer who, together with the support of senior managers, conducts the day-to-day business of the Company. It however retains the responsibility for establishing and maintaining the Company's internal control of financial, operational and compliance issues and closely monitors performance on behalf of the shareholders.

The Board consists of a Chairman, Mr. M. Nguer, four non-executive directors and one executive director who is also the Managing Director, Mr. L. Kane. All the non-executive directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. The full Board meets at least twice a year and when issues necessitating a meeting arise.

Committees of the Board

The Board has appointed an Audit committee as a step towards reinforcing the internal controls of the Company.

Audit Committee

The Audit Committee has been established with the mandate of providing assistance to the Board in fulfilling its responsibility to the Company and to the shareholders relating to its oversight of management (internal audit) and its financial auditors (external audit). This is in regard to corporate accounting, financial reporting practices and the quality and integrity of the financial reports of the Company. It also includes the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, the performance of the Company's internal audit function and that of independent auditors, and the preparation of the reports as required by the rules of the Capital Markets Authority.

The Audit committee is chaired by Mr. M. Karanja, an independent and non-executive director and includes the Finance manager, Audit Manager and a representative of the external auditors. Other managers can attend upon request of the committee. Its other responsibilities include review of interim financial information before their submission to the board; advise to the Board on the appointment of external auditors and on their remuneration both for audit and non audit work and also discussing the nature and scope of the audit with the external auditors. This committee convenes quarterly and before every Board meeting.

Internal Controls

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The Company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. The systems in place are designed to ensure that authority for major transactions is obtained and that the Company complies with laws and regulations that govern sound financial management. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured so that appropriate segregation of duties is maintained.

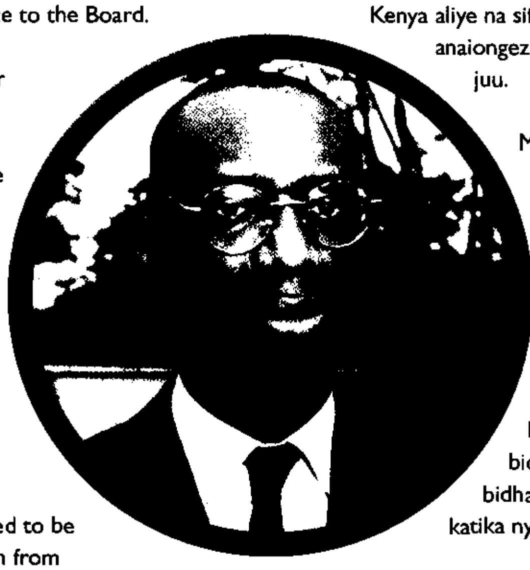
Communication

The company places a great deal of importance on communication with its shareholders. The Company publishes its financial statements on an interim and annual basis. The full report and accounts are distributed to all shareholders and on request to other parties who have an interest in the Company's performance. Shareholders also have direct access to the Company and we respond to all enquiries from shareholders and customers on a wide range of issues.

Chairman's Statement
Taarifa ya Mwenyekiti

It is my pleasure to welcome you to the 49th Annual General Meeting of Total Kenya Limited. I thank you for your continued interest and support in the Company.

Allow me to introduce the newest member of your Board. Following the resignation of Mr. Joseph W. Sitati, Mr. Michael Karanja has been appointed to the Board. Mr. Karanja is a well known Kenyan business personality with an excellent track record in management and he brings a wealth of much valued experience to the Board.



2002 was quite a difficult year for business across Kenya. The anticipation of the General Elections which took place at the end of the year created a high level of uncertainty within business circles and there was an overall slow-down in the economy. This reduced the level of demand, not only for our products and services, but for those of other industries as well.

The Petroleum industry continued to be characterised by stiff competition from the independent operators and from the other oil majors. The search for competitive advantage through pricing or product offering was intense and companies all came up with different initiatives.

With this background, your Company still managed to make some strides in various segments of its business in 2002.

Network activities: This segment of our business was characterised by strong and often unfair competition such as product dumping, product adulteration and low standard outlets.

Your company managed to resist this onslaught through provision of quality products and excellent service in its outlets. The fact that Total Kenya was the first to achieve ISO 9002 certification for its service stations in 2001 attests to the level of quality attained. The newly introduced internal programme for self-evaluation on quality in products and service known as Top Service enhanced the standards maintained and resulted in a definite upward trend in your Company's service record as compared to that of competitors.

Ni furaha yangu kuwakaribisha kwenye mkutano wa Arobaini na tisa (49) wa kila mwaka wa kampuni ya Total Kenya. Ninawashukuru kwa kuendelea kuwa na upendo na kuiunga mkono kampuni hii.

Naomba nafasi hii kumjulisha mwanachama mpya kabisa wa kamati. Kufuatia kujiuzulu kwa Bwana Joseph W. Sitati, Bwana Michael Karanja ameteuliwa kujiunga na kamati. Bwana Karanja ni mfanyi biashara mashuhuri hapa nchini Kenya aliye na sifa bora sana katika usimamizi na anaiongezea kamati ujuzi mwingi na wa hali ya juu.

Mwaka wa elfu mbili na mbili (2002) ulikuwa mwaka mgumu sana katika nyanja ya biashara kote nchini Kenya. Kutarajiwa kwa uchaguzi mkuu uliofanyika mwishoni mwa mwaka kulileta hali ya kutokuwa na uhakika katika nyanja za biashara na kulikuwa na kudidimia katika nyanja zote za uchumi. Hii ilishusha kiwango cha mahitaji, sio tu kwa bidhaa na huduma zetu, lakini pia kwa bidhaa na huduma za washirika wengine katika nyanja ya bishara.

Biashara ya mafuta iliendelea kupata ushindani kutoka kwa wauzaji mafuta wa kibinafsi na pia kutoka kwa wauzaji mafuta wengine wakuu. Kutafuta njia za kuwashinda washindani kwa kupitia sela ya bei au kutoa bidhaa tofauti kulizidi na Kampuni zilibuni mbinu tofauti.

Tukizingatia mambo hayo, Kampuni yenu hata hivyo ilifanikiwa kupiga hatua katika sehemu mbali mbali za biashara yake katika mwaka wa elfu mbili na mbili (2002).

Shughuli za mtandao: Sehemu hii ya biashara yetu ilipata ushindani mkubwa na mara nyingi usiokuwa wa haki kama vile kurundikwa kwa bidhaa mbovu, kupunguza ubora wa bidhaa kwa kuchanganya na vitu mbali mbali, na viwango vya chini vya vituo vya kuuzia bidhaa.

Kampuni yenu iliweza kuhimili mashindano hayo kwa kutoa bidhaa bora na huduma za kiwango cha juu. Hali ya kuwa Kampuni ya Total Kenya ilikuwa ya kwanza kupata hakikisho la ISO 9002 kwa vituo vya kuuzia mafuta katika mwaka wa elfu mbili na moja (2001), ni ishara ya kudumishwa kwa kiwango cha ubora. Utaratibu wa ndani ulioanzishwa hivi majuzi wa kupima ubora wa bidhaa na huduma unaojulikana kama "Top Service" au "Huduma Bora" ulizidisha nguvu viwango vya ubora vilivyodumiswha na unaonyesha mwelekeo wa kuendelea

Diversification continued to be a priority for the network in order to fight the competition and improve on the financial performance of the stations.These efforts will be reinforced in the years to come.

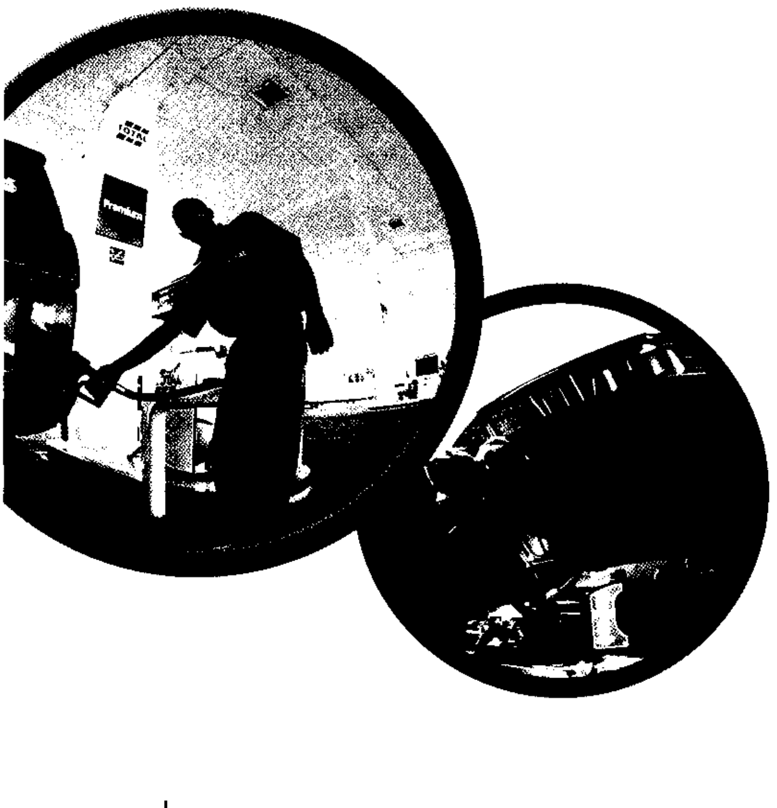
General Trade: Due to the adverse economic environment and the difficult market, efforts initiated in 2001 were continued in 2002 to improve this segment's profitability and reinforce credit control. Combined with the restructuring of the Marketing teams, these efforts brought about an improvement in results for the segment.

Aviation:Your Company opened up a new aviation depot in Lokichoggio in May 2002 paving way for new business from the airport that serves mainly United Nations and relief agencies flying to southern Sudan.

Logistics: In 2002, the rationalisation of the company's relations with transporters begun in earnest.The focus of this exercise is the establishment of new procedures in safety and environment.This action has already started to bear fruit with significant results expectations this year.

In 2002, your Company lived up to its' reputation for leadership in Innovation.This was visible in two areas.

Liquified Petroleum Gas (LPG): In December 2002, the new Meko Plus LPG product was launched.This was in line with your company's efforts to be the "Gas Company



kupanda kwa huduma za Kampuni yenu ikilinganishwa na hali ya washindani wetu.

Kubuni bidhaa tofauti kuliendelea kupewa nafasi ya kwanza katika mtandao ili kukabiliana na ushindani na kuendeleza utendaji kazi wa kifedha katika vituo. Juhudi hizi zitazidi kuongezewa katika miaka ijayo.

Biashara ya kawaida: Kutokana na mazingira mabaya ya kiuchumi na hali ngumu ya masoko, juhudi zilianzishwa mwaka wa elfu mbili na moja (2001) na kuendelezwa katika mwaka wa elfu mbili na mbili (2002) kuimarisha faida kwa mteja na kuzidisha usimamizi wa madeni. Zikijumuishwa na marekebisho katika timu za Uuzaji wa Bidhaa, juhudi hizi zilileta kuimarishwa kwa mapato katika nyanja hii.

Shughuli za Ndege: Kampuni yenu ilianzisha kituo kipya cha mafuta ya ndege huko Lokichoggio katika mwezi wa mei, mwaka wa elfu mbili na mbili (mei, 2002) na kuleta fursa mpya ya biashara kutoka kwa uwanja wa ndege wenye shughuli nyingi unaohudumia kwa kiwango kikubwa Umoja wa Mataifa na mashirika mengine yanayotoa misaada na yanayofanya safari za kwenda huko kusini mwa Sudan.

Makadirio: Katika mwaka wa elfu mbili na mbili, kulainishwa kwa uhusiano baina ya Kampuni na wasafirishaji wa bidhaa ulianza kwa bidii. Kiini cha shughuli hii ilikuwa ni kuanzisha taratibu mpya katika usalama na mazingira. Matunda ya shughuli hii yataonekana katika miaka ijayo.

Katika mwaka wa elfu mbili na mbili, Kampuni yenu ilionyesha sifa yake ya kuwa kiongozi katika ubunifu. Hii ilijitokeza katika sehemu mbili.

Gesi ya Petroli: Katika mwezi wa Disemba, mwaka wa elfu mbili na mbili (Disemba 2002), bidhaa mpya ya Meko Plus LPG ilianzishwa. Hii ilikuwa ni kuambatana na Juhudi za "Kampuni yenu za kuwa Kampuni ya Gesi ya Kenya". Masoko yaliipokea vyema bidhaa hiyo na kulikuwa na mauzo mema yaliyopatikana katika mwezi huo na inaonekana kuwa bidhaa itakayokuwa na mauzo makubwa.

Kadi ya Mafuta: Kampuni yenu iliendelea kuongoza katika ubunifu katika mwaka wa elfu mbili na mbili (2002) kwa kuanzisha kadi ya mafuta ya uzindushi ya "Bon Voyage" au "Safari Njema". Kuanzishwa kwa kadi hii kuliifanya Kampuni kupewa tuzo linalotamaniwa sana la Taasisi ya Petroli ya Afrika Mashariki ya Ubora katika Ubunifu katika mwezi wa Novemba mwaka wa elfu mbili na mbili (Novemba, 2002). Hata hivyo, ushindani ulianza kwa haraka na nyanja hii kwa sasa ni yenye ushindani mkubwa.

of Kenya". The market immediately took to the product with good sales realised in the month and it promises to be a big seller.

Fuel card: Your Company continued to lead in innovation in 2002 with the launch of the revolutionary 'Bon Voyage' fuel card. This launch saw the Company awarded the coveted Petroleum Institute of East Africa Award for Excellence in Innovation in November 2002. The competition quickly followed suit and the segment is now very competitive.

In terms of the financial results for 2002, your Company realised a positive improvement in the gross profit of Kshs 1,897 million compared to Kshs 1,380 million in 2001 bearing in mind the business climate that existed in 2002. Operating profits rose by 185% from Kshs 249 million in 2001 to Kshs 710 million in 2002 and the financial costs reduced from Kshs 568 million in 2001 to Kshs 89 million in 2002.

Actions taken to tighten customer credit control and optimise the level of stocks added to the contribution from the Rights Issue resulted in a reduction in the financial debt. I would like to thank all the shareholders who took advantage of the offer of the Rights Issue and demonstrated their confidence in your Company.

In the year ahead, your Company will focus heavily on safety and the environment and will increase investments in this area. The Company undertook projects directed at Sustainable Development to balance business objectives while improving the lives of its staff and of the people in the community in which it operates.

In this regard, your Company has embarked on a major environmental campaign aimed at reforestation. This is a tree planting campaign known as the Total Eco Challenge which intends to inspire Kenyans of all walks of life to plant trees and nurture them. A competition will be run to reward those who do a good job. It is a big campaign and it demonstrates your Company's commitment to working with the community to improve the quality of life.

The outlook for 2003 is quite optimistic. With the election of a new government, there is hope for a dynamic, vibrant economy with better enforcement of the Law to create an improved competitive market place. It is hoped that the high international prices for oil will reduce

Katika matokeo ya kifedha ya mwaka wa elfu mbili na mbili (2002), Kampuni yenu ilipata ongezeko katika faida kwa jumla ya shilingi millioni elfu moja, mia nane tisini na saba (Kshs. 1,897 milioni) ikilinganishwa na milioni elfu moja, mia tatu na themanini (Kshs. 1,380 milioni) katika mwaka wa elfu mbili na moja (2001) kwa kuzingatia mazingira ya kibiashara yaliyokuweko katika mwaka wa elfu mbili na mbili (2002). Faidha ya utendaji kazi iliongezeka kwa kiwango cha asili mia moja na themanini na tano (185%) kutoka shilingi millioni mia mbili na arobaini na tisa (Kshs. 249 milioni) katika mwaka wa elfu mbili na moja (2001) hadi shilingi milioni mia saba na kumi (Kshs. 710 milioni)katika mwaka wa elfu mbili na mbili (2002) na gharama ya kifedha kupungua kutoka shillingi milioni mia tano na sitini na nane (Kshs.568 milioni) katika mwaka wa elfu mbili na moja (2001) hadi shilingi themanini na tisa milioni (Kshs. 89 milioni) kufikia mwaka wa mia mbili nambili (2002).

Usimamizi wa karibu wa madeni ya wateja, kuweka idadi kubwa ya bidhaa na mchango kutoka kwa Swala la Haki kuliwezesha kupunguka kwa deni la kifedha. Ningependa kuwashukuru wenye hisa wote waliochukua nafasi hiyo ya toleo la Swala la Haki na kuonyesha imani yao katika Kampuni.

Katika mwaka ujao, Kampuni yenu itazingatia hasa usalama na mazingira na itaongezea uekezaji katika nyanja hii. Kampuni ilianzisha miradi inayoelekezwa kwenye maendeleo ya kudumu ili kushawazisha malengo ya kibiashara huku ikiimarisha maisha ya wafanyi kazi wake na maisha ya watu walio katika Jamii inapoendesha shughuli za kazi.

Kwa kuzingatia haya, Kampuni yenu imeanzisha Kampeni kubwa ya kimazingira inayoelekezwa katika kupanda miti ilikurudisha sehemu ya misitu iliyoharibiwa. Hii ni Kampeni ya upandaji wa miti inayojulikana kama "Total ECO Challenge" ambayo inatarajia kuwatia moyo wakenya wa ngazi zote za maisha kupanda miti na kuitunza. Shindano litaanzishwa ili kuwapa zawadi wale ambao watafanya kazi nzuri.

Mwaka wa elfu mbili na tatu (2003)unaonekana kuwa mwaka wa matumainio makubwa. Kwa kuchaguliwa kwa serikali mpya, kuna matumaini ya uchumi unaoendelea na kukua kutokana na kutekelezwa kwa sheria kwa njia ifaayo ilikuleta hali ya soko iliyoimarika na yenye ushindani. Kuna matumaini kuwa bei za juu za bei ya mafuta katika masoko ya kimataifa zitapunguka kufuatia kufikia kikomo kwa hali

if the crisis in the Middle East ends and this will see pump prices reduce in the market thereby helping the economy to grow.

It is my belief that the actions taken in 2002 will be enhanced through 2003 and your Company is ready to take advantage of the opportunities available in the market. In that context, I wish to propose a dividend of KShs.1.70 per share.

On behalf of the Board of Directors, I would like to thank the Management and staff of Total Kenya Limited for their hard work. Their efforts in 2002 have borne fruit and we have every confidence in the future of your Company.

M. Nguer
Chairman
Nairobi, 14 March 2003

ya wasi wasi baina ya Marekani na Iraq na hii itafanya bei za mafuta katika vituo vya kuuzia kupungua na kuwezesha uchumi kukua.

Nina imani ya kuwa hatua zilizochukuliwa katika mwaka wa elfu mbili na mbili (2002) zitaimarishwa katika mwaka wa elfu mbili na tatu (2003) na Kampuni yenu iko tayari kujinufaisha kwa fursa za kibiashara zilizoko katika masoko. Kwa kuzingatia hayo, ningependa kupendekeza bakshishi ya shillingi moja senti sabini (Kshs. 1.70) kwa kila hisa.

Kwa niaba ya kamati ya wakurugenzi,ningependa kuwashukuru wasimamizi wa wafanyi kazi wa Kampuni ya Total Kenya kwa bidii katika kazi yao. Juhudi zao katika mwaka wa elfu mbili na mbili (2002) zimezaa matunda na tuna imani katika siku za usoni za Kampuni yenu.

M. Nguer
Mwenyekiti
Nairobi, Machi 14, 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

ACTIVITY

The principal activity of the group is the sale of petroleum products.

RESULTS

The group results for the year are as follows:

	Shs'000
Profit before taxation	604,776
Taxation	(244,575)
Net profit for the year transferred to revenue reserve	360,201

RESERVES

The reserves of the group are shown on page 22.

RIGHTS ISSUE OF SHARES

The Company made a rights issue to qualifying shareholders on the basis of 2 new shares for every 3 existing shares held in the books at 31 December 2001. The issue price was Kshs 18 per share representing 9.72% discount on a 20 day simple average price prior to 14 December 2001 of Kshs 19.94 per share.The rights issue commenced on 14 January 2002 with the latest time and date for acceptance and payment for new shares being 7 February 2002.

The rights issue was underwritten by Elf Oil Kenya Limited. As a result of the underwriting agreement, Elf Oil Kenya Limited had to take up 19,144,300 ordinary shares of Kshs 5 each for a consideration of Kshs 344,597,400 (at Kshs 18 each).

DIRECTORS

The present membership of the Board is set out on page 4.

Joel Navaron resigned as Managing Director and alternate director to Momar Nguer on 26 July 2002 and was replaced by Lamine Kane.

Joseph Sitati resigned as director on 26 July 2002 and was replaced by Michael Karanja.
Eric Le Bouvier was appointed alternate director to Lamine Kane on 26 July 2002.

DIVIDEND

The directors recommend a dividend of Kshs 1.70 per share in respect of the year. No dividend was declared in the previous year.

AUDITORS

Deloitte & Touche continue in office in accordance with Section 159(2) of the Companies Act (Cap 486).

BY ORDER OF THE BOARD

J L G Maonga
Secretary
Nairobi
14 March 2003

Lamine Kane
Managing Director

Eric Le Bouvier
Finance Manager

Joseph Mbugua
Network Sales Manager

John Ngea
Logistics Manager

Joseph Adewa
General Trade Manager

Lillian Kageenu
Human Resource & General Administration Manager

Stephan Dumas
E.A Exports Manager

Maurice K'Anjejo
Corporate Affairs Manager

James N Kamau
Health, Safety, Environment & Quality Manager

Olivier Van Parys
E.A Lubes Manager

Habakuk Mboya
Procurement Manager

Tom Maganga
Planning & Supply Manager

Lawrence Kinyanjui
Legal Manager

Joseph Kouame
Technical & Engineering Manager

Management Report & Analysis

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following report has been prepared by the Management using the Company's audited financial information. The report and analysis should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2002, prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Committee (IASC) of the International Federation of Accountants (IFAC). The terms "we", "our", "Total Kenya", "Total" and "the Company" used in this report refer to Total Kenya Limited and its subsidiary Elf Oil Kenya Limited.

Business segments

Total Kenya operates in the three main business segments in the oil industry: Network, General Trade and Aviation.

The Network's principal activity is the distribution of petroleum products through 101 service stations located all over the country. Total is the first Company in Kenya to have received the ISO 9002 certification for its Network (July 2001). The Company seeks to provide an extended range of high quality products and value-added services to its customers from fuel and lubricants to Pit stops, Car wash and tyre centers. Some of our sites offer extra facilities such as convenience shops, ATM and restaurants. Total Kenya is also the leading provider of liquefied petroleum gas ("LPG") in the Network segment and markets reputable and popular products such as the "Meko" gas range.

In the General Trade segment, the Company offers a broad range of products to all sizes of corporates. Sales to large corporates and parastatals are generally conducted through long-term supply contracts. Comprehensive solutions are provided to customers in industries such as agricultural, food and beverage, chemicals, mineral, building, public works, power generation, transport and tourism, among others. Total Kenya holds a major position in the market with respect to a range of value-added products such as lubricants, LPG and bitumen products.

Aviation segment comprises of sales of turbine kerosene and aviation gasoline to local and international air carriers, the majority of which are being supplied on contract. The Company is present in the country's main airports and holds a major position in this segment.

Apart from these inland business segments, Total Kenya has also developed a significant export activity in the Eastern Africa region where it supplies other TotalFinaElf Group companies and a portfolio of non-group corporates. It also sells on spot basis bulk products to other oil companies.

Consolidated Results of operations

In 2002, each of the Company's business segments brought a significant contribution to global volumes sold and turnover. Net sales per segment were as tabulated below:

Net sales by segment
Kenya shilling (in millions)

	2001	2002
Network	4,192	3,871
General Trade	5,448	2,713
Aviation	2,173	2,304
Export and Bulk sales	2,460	3,776
Total net sales	**14,273**	**12,664**

Consolidated net sales declined by 11% from Kshs 14,273 million in 2001 to Kshs 12,664 million in 2002. This decline resulted from combined factors, notably reduced international market prices from January to September 2002 compared to the same period in 2001, which translated into lower prices on the Kenyan market, and a decrease in the volumes sold through the General Trade segment.

Network activities continued to be affected by the global economic environment, unfavorable market conditions and stiff competition. Offsetting this gloomy context, the Company's Quality and Innovation programs largely contributed to the 1% increase in the volumes sold in the year 2002 compared to 2001. This can be considered a good performance after the decline in volumes sold recorded in 2001 in a similar environment. The Company particularly benefited from its efforts of quality service to customers (ISO certification), its *Top Service* Program and the launch of its revolutionary *Bon Voyage* fuel card. While volumes increased, the turnover decreased by 8% from Kshs 4,192 million in 2001 to Kshs 3,871 million in 2002, due to the international price trends from January to September 2002, to which the market prices posted in Kenya are closely correlated.

General Trade activities were also affected by the unfavorable economic environment in 2002. The downturn in the economy and/or unfavorable specific market conditions affected our customers' businesses in several economic sectors such as tourism, agriculture, manufacturing, building and construction. Volumes sold through the General Trade segment dropped by 53%. This decrease is mainly attributable to the end of the emergency power plants supply contract in mid-2001 which represented very significant volumes in 2001. The other factor, with a lower impact, is the strategic choice made by the Company to reduce its portfolio of clients. Decisions to reduce our exposure in some sectors were based on profitability and financial risk analysis. The Company however maintained its position for a range of high added-value products such as lubricants and LPG. As a result of the decrease in the volumes sold, sales in value were down by 50% from Kshs 5,448 million in 2001 to Kshs 2,713 million in 2002.

The Aviation segment recorded an 8% increase in volume sold in 2002 and a 6% increase in turnover from Kshs 2,173 million in 2001 to Kshs 2,304 million in 2002. This upward trend, obtained in the post terrorist attacks context, resulted from the Company's efforts to increase its customer base and can be considered a good performance.

Export and bulk sales of crude and refined products to competitors have significantly increased. Volumes sold globally rose by 32% in 2002 compared to 2001. This is mainly due to increased sales to TotalFinaElf Group affiliates in East Africa, notably in Uganda where Total Kenya has become a major provider for the local sister Company. The turnover generated by these activities increased by 54% from Kshs 2,460 million in 2001 to Kshs 3,776 million in 2002.

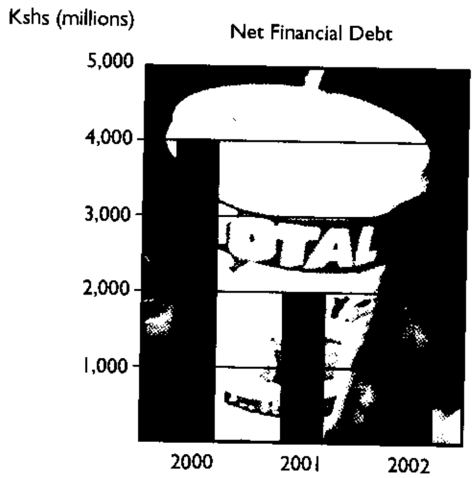
Consolidated Operating profit rose by 185% from Kshs 249 million in 2001 to Kshs 710 million in 2002. This is in line with the increase in the gross margin from Kshs 1,380 million to Kshs 1,896 million (+37%), which all the business segments contributed to. Quality and Innovation programs coupled with a better monitoring of pricing and costing contributed to the increase in the Network segment's gross margin by 8% in 2002 as compared to 2001. Although the General Trade segment recorded a significant drop in sales (-50% in 2002 as compared to 2001), its contribution to the gross margin was reduced by only 8%. The Company's efforts in risk management and profitability analysis resulted in the reduction of high risk credit customers and unprofitable sales. The Aviation and Export segments which contributed poorly to the gross margin in 2001 recorded a significantly higher result in 2002. As such, all the business segments benefited from optimised stock management and each of them brought a significant contribution to the gross margin.

The consolidated profit before taxation rose to Kshs 605 million in 2002 from a loss of Kshs 319 million in 2001. Apart from the increase in the operating income, it is also due to a major reduction (-84%) in our financial costs from Kshs 568 million in 2001 to Kshs 89 million in 2002 attributable to the decline in the net financial debt, lower market interest rates on both the Kenya shilling and the United States dollar borrowings in 2002 compared to 2001 and a debt management strategy that sought to take advantage of the opportunities offered by the financial markets during the year 2002 in terms of instruments, maturities and currencies.

The consolidated net income (after amortisation of goodwill) rose to Kshs 360 million in 2002 from a loss of Kshs 222 million in 2001, and the cash flow from operations before working capital changes increased by 106% from Kshs 456 million in 2001 to Kshs 939 million in 2002. The return on equity reached 11.7% in 2002 and the earning per share Kshs 2.41 shillings.

Financial position

The Financial position of the Company continued to significantly improve in 2002. The reduction in the net financial debt from Kshs 1,918 million as at December 31, 2001 to Kshs 846 million as at December 31, 2002 is attributable to the cash flow generated from operations, the actions taken by the Company to optimise the level of its stocks and better control its credit to customers, and the support received from its shareholders who participated in the Rights issue that took place in February 2002. The Rights issue allowed Total Kenya Limited



to issue 70,019,706 new shares and raise Kshs 1,257 million, out of which Kshs 344 million was underwritten by Elf Oil Kenya, a subsidiary of Total Kenya Limited, for later sale to the public. The main shareholders of Total Kenya (Total Outre-Mer and Elf Oil Africa), took up their entire entitlement, demonstrating their confidence in the Company.

The net-debt-to-equity ratio came down to 28% at as December 31, 2002 from 89% at year-end 2001 (241% at year-end 2000). The equity-to-total-assets ratio rose to 56% as at December 31, 2002 from 30% at year-end 2001 (16% at year-end 2000) and equity-to-long-term-asset ratio from 83% to 144% over the same period.

Investments remained high at Kshs 192 million, though slightly below 2001 figure of Kshs 211 million (-9%). In a very competitive environment, the Company continued to invest in its Network: station remodeling, diversification, safety and security equipments and environment remained among the priorities. In Lokichoggio, the Company opened an aviation depot and a service station, both commissioned in early 2002. It continued to upgrade its safety equipment at its various depots. The upgrade of Information technology equipment also continued in 2002. Disinvestments at market rates (Kshs 26 million) comprised mainly of sales of a plot and road equipment. The free cash flow remained stood at Kshs 160 million.

Company Total Kenya Limited accounts

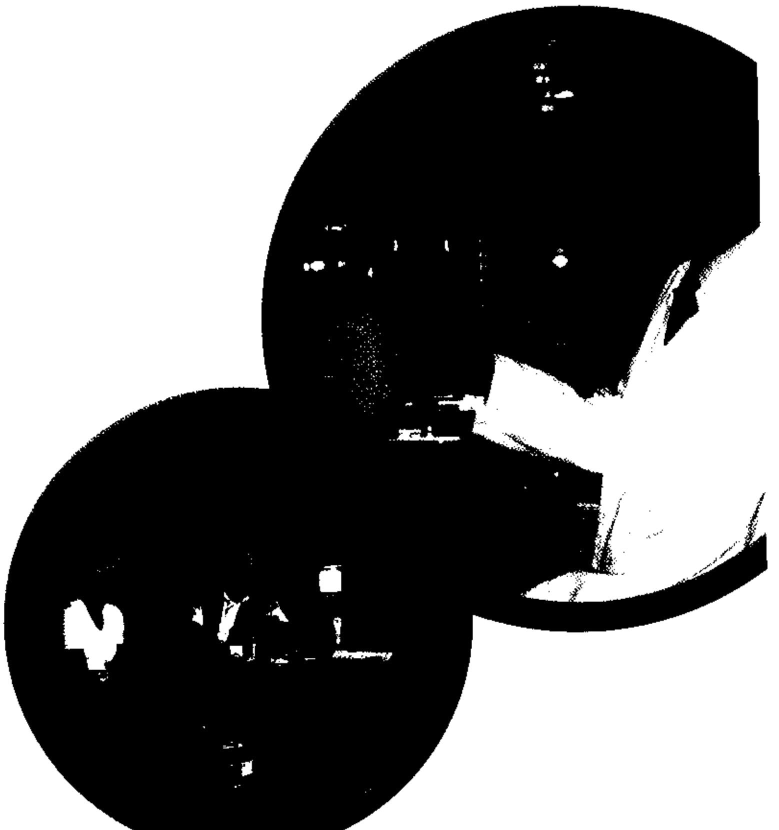
The Company Total Kenya Limited reported a net income of Kshs 407 million as compared to a loss of Kshs 175 million in 2001, a return on equity of 10.5% and an earning per share 2.49 shillings. The net-debt-to-equity ratio of the Company decreased to 13% at as December 31, 2002 from 88% at year-end 2001. The equity-to-total-assets ratio more than doubled to 63% as at December 31, 2002 from 31% at year-end 2001, while the equity-to-long-term-asset ratio increased from 93% to 171% over the same period.

Outlook

Since the start of the year, oil prices have remained at high levels, due to the uncertainties related to the events in the Middle East. This has translated into higher pump prices, which in the long run would reduce consumption. Prices are expected to decrease if the international crisis eases.

In Kenya, the year 2003 has started with a new political environment. The Management expects that changes towards a more dynamic economy and in favor of fair competition in the oil sector will occur this year and that the Company will be able to benefit from them.

In that context, Total Kenya plans to continue to improve its performance in 2003. Growth is expected in the various segments of our industry, notably in the General Trade. The Company intends to maintain an investment program and implement a plan of actions that will give priority to quality, safety and environment to ultimately achieve ambitious profitability targets. A good result in 2002, a financial debt significantly reduced and restored financial ratios together with the actions taken and in progress in the various areas mentioned in the Chairman's statement, should put the Company in a position to take all the opportunities available in the market.



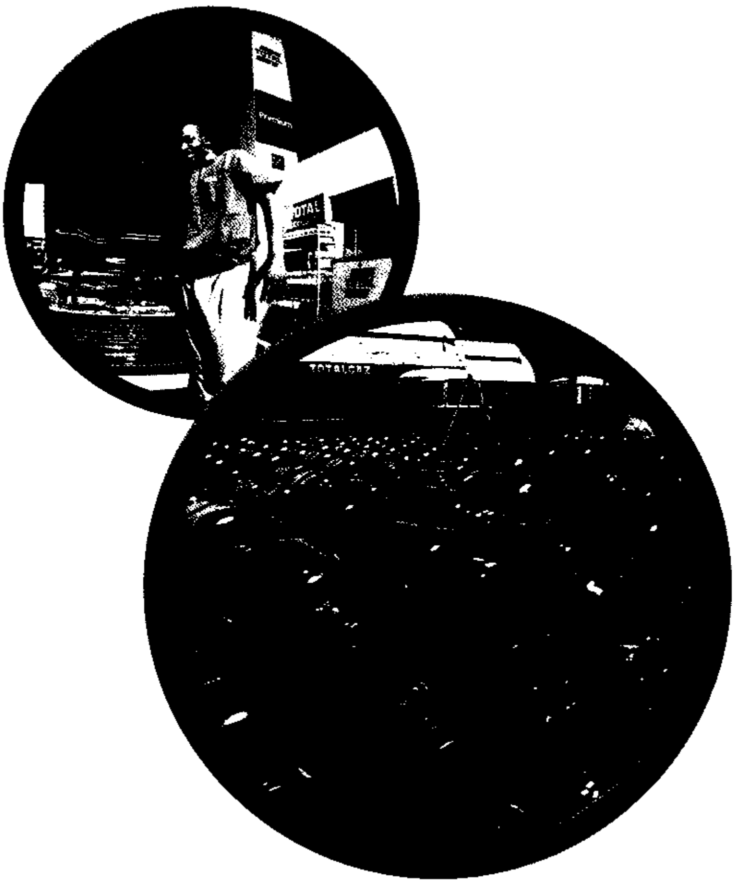
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the group as at the end of the financial year and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each Company in the group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

L Kane
Director
14 March 2003

M Karanja
Director
14 March 2003



Report of the Auditors

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**Deloitte
& Touche**

We have audited the financial statements on pages 18 to 42 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 16, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion;

(a) proper books of account have been kept by the Company and the Company's balance sheet is in agreement therewith;

(b) the financial statements give a true and fair view of the state of affairs of the Company and of the group at 31 December 2002 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act.

**Deloitte
& Touche**

14 March 2003

**Deloitte
Touche
Tohmatsu**

Partners:
D.M. Ndonye V.M. Allen* S.O. Onyango H. Gadhoke* J.W. Wangai G.K. Fonderson**
British* Liberian**

Consolidated Income Statement

	Notes	2002 Shs'000	2001 Shs'000
TURNOVER			
Gross		16,291,258	17,925,997
Indirect taxes and duties		(3,627,670)	(3,652,668)
Net	2	12,663,588	14,273,329
COST OF SALES		(10,767,030)	(12,893,153)
GROSS PROFIT		1,896,558	1,380,176
OTHER OPERATING INCOME		171,314	96,805
ADMINISTRATIVE EXPENSES	3	(973,882)	(902,390)
OTHER OPERATING EXPENSES	4	(383,491)	(325,758)
OPERATING PROFIT		710,499	248,833
FINANCE COSTS - NET	5	(88,989)	(567,732)
PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEM AND TAXATION		621,510	(318,899)
EXCEPTIONAL ITEM	11	(16,734)	-
PROFIT/(LOSS) BEFORE TAXATION		604,776	(318,899)
TAXATION (CHARGE)/CREDIT	7	(244,575)	96,798
NET PROFIT/(LOSS) FOR THE YEAR		360,201	(222,101)
EARNINGS/(LOSS) PER SHARE – Basic & Diluted	9	2.41	(2.23)
DIVIDEND PER SHARE		1.70	-

Company Income Statement

	Notes	2002 Shs'000	2001 Shs'000
TURNOVER			
Gross		16,239,994	17,962,544
Indirect taxes and duties		(3,627,670)	(3,652,668)
Net		12,612,324	14,309,876
COST OF SALES		(10,767,030)	(12,893,153)
GROSS PROFIT		1,845,294	1,416,723
OTHER OPERATING INCOME		165,884	83,329
ADMINISTRATIVE EXPENSES		(916,969)	(880,118)
OTHER OPERATING EXPENSES		(379,306)	(320,159)
OPERATING PROFIT		714,903	299,775
FINANCE COSTS - NET		(66,434)	(568,095)
PROFIT/(LOSS) BEFORE TAXATION		648,469	(268,320)
TAXATION (EXPENSE)/CREDIT		(241,077)	92,467
NET PROFIT/(LOSS) FOR THE YEAR	8	407,392	(175,853)
EARNINGS/(LOSS) PER SHARE	9	2.49	(1.76)
DIVIDEND PER SHARE		1.70	-

Consolidated Balance Sheet

	Notes	2002 Shs'000	2001 (restated) Shs'000
ASSETS			
Non current assets			
Property, plant & equipment	10(a)	1,474,326	1,526,795
Prepaid operating leases	11	406,160	432,673
Goodwill	12	396,444	426,364
Intangible assets	13	15,385	18,431
Deferred taxation	15	74,655	165,993
		2,366,970	2,570,256
Current assets			
Inventories	16	1,267,917	2,165,474
Trade and other receivables	17	1,915,483	1,985,921
Amounts due from related companies		324,056	217,610
Taxation recoverable	7	-	83,763
Bank and cash balances		234,498	107,154
		3,741,954	4,559,922
Total assets		**6,108,924**	**7,130,178**
EQUITY AND LIABILITIES			
Capital and reserves		1,559,208K	
Share capital	18	779,604	525,225
Share premium		1,348,226	690,318
Revaluation surplus		-	6,373
Revenue reserve		994,682	922,987
Proposed dividends – gross		297,610	-
		3,420,122	2,144,903
Current liabilities			
Trade and other payables	19	1,231,899	2,002,907
Amounts due to holding company		303,741	955,082
Amounts due to related companies		6,189	1,526
Taxation payable	7	66,180	-
Borrowings	20	1,080,793	2,025,760
		2,688,802	4,985,275
Total equity and liabilities		**6,108,924**	**7,130,178**

The financial statements on pages 18 to 42 were approved by the board of directors on 14 March 2003 and were signed on its behalf by:

L Kane
M Karanja } Directors

Company Balance Sheet

	Notes	2002 Shs'000	2001 (restated) Shs'000
ASSETS			
Non current assets			
Property, plant & equipment	10(b)	1,244,644	1,272,442
Prepaid operating leases	11	257,096	260,339
Intangible assets	13	15,385	18,131
Investment in a subsidiary company	14	729,981	729,981
Deferred taxation	15	-	76,604
		2,247,106	2,357,497
Current assets			
Inventories	16	1,267,917	2,151,345
Trade and other receivables	17	1,853,697	1,900,595
Due from related companies		299,899	217,255
Due from subsidiary company		227,783	361,205
Taxation recoverable		-	70,279
Bank and cash balances		219,225	99,065
		3,868,521	4,799,744
Total assets		**6,115,627**	**7,157,241**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	875,324	525,225
Share premium		1,597,306	690,318
Revaluation surplus		-	6,373
Revenue reserve		1,088,121	969,235
Proposed dividends – gross		297,610	-
		3,858,361	2,191,151
Non current liabilities			
Deferred taxation	15	11,236	-
Current liabilities			
Trade and other payables	19	1,136,271	1,986,204
Due to holding company		303,741	955,082
Due to related companies		4,356	-
Taxation payable		79,665	-
Borrowings	20	721,997	2,024,804
		2,246,030	4,966,090
Total equity and liabilities		**6,115,627**	**7,157,241**

The financial statements on pages 18 to 42 were approved by the board of directors on 14 March 2003 and were signed on its behalf by:

L Kane
M Karanja } Directors

GROUP

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Revenue reserve Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At 1 January 2001		280,000	30,487	11,117	1,313,386	-	1,634,990
Issue of shares	18	70,150	659,831	-	-	-	729,981
Bonus shares issued	18	175,075	-	-	(175,075)	-	-
Transfer of excess depreciation		-	-	(6,777)	6,777	-	-
Deferred taxation adjustment	7c	-	-	2,033	-	-	2,033
Net loss for the year		-	-	-	(222,101)	-	(222,101)
At 31 December 2001		525,225	690,318	6,373	922,987	-	2,144,903
At 1 January 2002		525,225	690,318	6,373	922,987	-	2,144,903
Rights share issue	18	254,379	657,908	-	-	-	912,287
Transfer of excess depreciation		-	-	(9,104)	9,104	-	-
Deferred taxation adjustment	7c	-	-	2,731	-	-	2,731
Net profit for the year		-	-	-	360,201	-	360,201
Proposed dividend		-	-	-	(297,610)	297,610	-
At 31 December 2002		779,604	1,348,226	-	994,682	297,610	3,420,122

COMPANY

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Revenue reserve Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At 1 January 2001		280,000	30,487	11,117	1,313,386	-	1,634,990
Bonus share issue	18	175,075	-	-	(175,075)	-	-
Issue of shares	18	70,150	659,831	-	-	-	729,981
Transfer of excess depreciation		-	-	(6,777)	6,777	-	-
Deferred taxation adjustment	7c	-	-	2,033	-	-	2,033
Net loss for the year		-	-	-	(175,853)	-	(175,853)
At 31 December 2001		525,225	690,318	6,373	969,235	-	2,191,151
At 1 January 2002		525,225	690,318	6,373	969,235	-	2,191,151
Rights share issue	18	350,099	906,988	-	-	-	1,257,087
Transfer of excess depreciation		-	-	(9,104)	9,104	-	-
Deferred taxation adjustment	7c	-	-	2,731	-	-	2,731
Net profit for the year		-	-	-	407,392	-	407,392
Proposed dividends		-	-	-	(297,610)	297,610	-
At 31 December 2002		875,324	1,597,306	-	1,088,121	297,610	3,858,361

Consolidated Cash Flow Statement

	Notes	2002 Shs'000	2001 Shs'000
OPERATING ACTIVITIES			
Cash generated from operations	21(a)	382,847	2,702,722
Interest paid		(60,095)	(533,629)
Interest received	5	4,060	6,772
Taxation paid	7(d)	(563)	(750)
Net cash from operating activities		326,249	2,175,115
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10(a)	(190,182)	(202,663)
Purchase of intangible assets	13	(2,378)	(8,677)
Proceeds on disposal of property, plant and equipment		26,335	24,449
Acquisition of subsidiary	14	-	39,015
Net cash used in investing activities		(166,225)	(147,876)
FINANCING ACTIVITIES			
Issue of shares		912,287	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,072,311	2,027,239
CASH AND CASH EQUIVALENTS AT 1 JANUARY		(1,918,606)	(3,945,845)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21(b)	(846,295)	(1,918,606)

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Committee (IASC) of the International Federation of Accountants (IFAC), interpretations issued by the Standing Interpretations Committee of the IASC and applicable requirements of the Companies Act.

The principal accounting policies adopted are set out below:

a. Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting, modified by the revaluation of certain property, plant and equipment. The financial statements are presented in Kenya Shillings (Shs million).

b. Consolidation

The consolidated financial statements incorporate the financial statements of Total Kenya Limited and its wholly owned subsidiary, Elf Oil Kenya Limited, both of which have been made up to 31 December 2002.

The financial statements for the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated and, where necessary, the accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by the group.

c. Revenue recognition

Turnover, which represents sales to external customers during the year, is recognised upon delivery of products and customer acceptance and is stated net of value added tax, returns and rebates.

Interest income is recognised when it accrues, by reference to the principal outstanding and the interest rate applicable. All other revenues are recognised at the time goods are supplied or services are provided.

d. Property, plant and equipment

Property, plant and equipment are stated at cost or as professionally valued less accumulated depreciation.

Depreciation is calculated to write off the cost or valuation of property, plant and equipment in equal annual instalments over their estimated useful lives. The annual rates generally in use are:

Freehold land	Nil
Buildings	2% - 15%
Plant, motor vehicles and other equipment	5% - 25%
Furniture, fittings and office equipment	10% - 33 1/3%

Additional depreciation, as a result of revaluation of property, plant and equipment over depreciation based on historical cost is transferred annually from revaluation reserve to revenue reserve.

1.ACCOUNTING POLICIES (Continued)

m. Operating leases

Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease. Any payment required to be made to the lessor by way of penalty, for termination of lease before the expiry of the lease period, is recognised in the year in which termination takes place.

n. Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred taxation is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unusual tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

o. Employee benefit costs

The group operates a defined contribution provident fund for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by payments from both the employees and the group. Benefits are paid to retiring staff in accordance with the scheme's rules.

The group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to a maximum of Shs 200 per employee per month.

Contributions by the group in respect of retirement benefit costs are charged to the income statement in the year to which they relate.

Employees' entitlements to annual leave are charged to the income statement as they fall due.

p. Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

q. Cash and cash equivalents

Cash on hand and in banks and short term deposits which are held to maturity are carried at cost plus interest earned but not yet received at the balance sheet date.

1. ACCOUNTING POLICIES (Continued)

e. Leasehold land

Payments to acquire leasehold interest on land are treated as prepaid operating lease rentals and amortised over the period of the lease.

f. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the group's share of the net assets of the acquired subsidiary as at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line method over its estimated economic life of 15 years.

The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

g. Intangible assets

Intangible assets represent computer software which is stated at cost less amortisation. Amortisation is calculated to write off the cost of the assets on a straight line basis over their estimated useful life of 3 years.

h. Investment in a subsidiary company

Investment in subsidiary company is stated at cost.

i. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred to bring the inventories to their present location and condition, together with refining costs as appropriate. For products refined locally, costs are allocated over the refinery output in proportion to the appropriate world market prices. Net realisable value is the estimate of the selling price in the ordinary course of business. Specific provision is made for obsolete, slow moving and defective inventories.

j. Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed.

k. Trade payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether billed or not.

l. Foreign currencies

Assets and liabilities denominated in foreign currency are translated into Kenya Shillings at the rates of exchange ruling at the balance Sheet date. Transactions during the year are translated into Kenya Shillings at the rates ruling on the transaction dates. Gains and losses on conversion and translation are dealt with in the income statement.

2. NET SALES

	2002 Shs'000	2001 Shs'000
Net work	3,871,249	4,192,500
General trade	2,712,662	5,448,217
Aviation	2,304,116	2,172,932
Export and bulk sales	3,775,561	2,459,680
	12,663,588	14,273,329

3. ADMINISTRATIVE EXPENSES

	2002 Shs'000	2001 Shs'000
Technical assistance	73,448	67,471
Rents	45,111	39,454
Repairs and maintenance	163,539	115,965
Commissions	26,388	31,278
Professional fees	20,350	49,036
Postal and telecommunications	46,331	45,475
Bank charges	12,410	16,386
Salaries and wages	336,424	308,096
Depreciation and amortisation expense	237,096	218,921
Directors' emoluments - fees	637	234
- other emoluments	9,148	7,074
Auditor's emoluments	3,000	3,000
	973,882	902,390

7. TAXATION

		2002 Shs'000	2001 Shs'000
(a)	Taxation (credit)/charge		
	Current taxation based on adjusted profit for the year at 30%	150,506	-
	Prior year overprovision	-	(8,459)
		150,506	(8,459)
	Deferred taxation charge/(credit) (note 15)	94,069	(88,339)
		244,575	(96,798)
(b)	Reconciliation of taxation charge/(credit) to expected tax based on accounting profit/(loss)		
	Accounting profit/(loss) before taxation	604,776	(318,899)
	Tax at the applicable rate of 30%	181,433	(95,670)
	Tax effect of expenses not deductible for tax	63,197	29,567
	Tax effect of income not subject to tax	(55)	(22,236)
	Prior year overprovision	-	(8,459)
	Taxation charge/(credit)	244,575	(96,798)
(c)	Deferred taxation relating to items charged to capital reserve		
	Deferred tax on transfer of excess depreciation to Revaluation reserves	2,731	2,033
(d)	Taxation (payable)/recoverable		
	Balance brought forward	83,763	61,074
	Prior year overprovision	-	21,939
	Charge for the year	(150,506)	-
	Payments during the year	563	750
	Balance at 31 December	(66,180)	83,763

8. PROFIT/(LOSS) AFTER TAXATION

A profit of Kshs 407,392,000 (2001-loss of Kshs 175,853,000) has been dealt with in the financial statements of Total Kenya Limited. Elf Oil Kenya Limited, the wholly owned subsidiary of Total Kenya Limited, incurred a loss of Kshs 17,271,000 (2001- loss of Kshs 35,025,000).

9. EARNINGS /(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year.

	GROUP		COMPANY	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
Profit/(Loss) after taxation (Shs'000)	360,201	(222,101)	407,392	(175,853)
Weighted average number of ordinary shares in issue (Thousands) – basic	149,651	99,784	163,395	99,784
Earnings/(loss) per share (Shs)	2.41	(2.23)	2.49	(1.76)

Diluted earnings per share

The 19,144,300 Total Kenya Ltd shares held by Elf Oil Kenya Ltd will be sold to the public at market price and are therefore assumed to be neither dilute nor anti-dilute. Consequently, the diluted earnings per share is the same as basic.

Rights issue adjustment

The rights issue price was not materially different from the market value of shares just prior to the issue and therefore, no adjustment to earnings per share is necessary.

10. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP

	Land & building Shs'000	Plant, motor vehicles & other equipment Shs'000	Furniture & fittings & office equipment Shs'000	work in progress Shs'000	Total Shs'000
COST OR VALUATION					
At 1 January 2002:					
As previously reported	1,150,018	1,486,541	174,285	81,931	2,892,775
Reclassification of leasehold land	(496,362)	-	-	-	(496,362)
As restated	653,656	1,486,541	174,285	81,931	2,396,413
Additions	11,337	89,180	30,778	58,887	190,182
Disposals	(45,801)	(37,757)	(21,731)	-	(105,289)
Transfer	1,110	21,335	-	(22,445)	-
31 December 2002	620,302	1,559,299	183,332	118,373	2,481,306
Analysed as:					
At cost	563,387	1,461,415	179,103	118,373	2,322,278
At valuation - 1986	56,915	97,884	4,229	-	159,028
	620,302	1,559,299	183,332	118,373	2,481,306
DEPRECIATION					
At 1 January 2002:					
As previously reported	176,303	605,991	151,013	-	933,307
Reclassification of leasehold land	(63,689)	-	-	-	(63,689)
As restated	112,614	605,991	151,013	-	869,618
Charge for the year	12,353	165,508	14,112	-	191,973
Disposals	(1,919)	(31,127)	(21,565)	-	(54,611)
31 December 2002	123,048	740,372	143,560	-	1,006,980
NET BOOK VALUE					
31 December 2002	497,254	818,927	39,772	118,373	1,474,326
31 December 2001 – as restated	541,042	880,550	23,272	81,931	1,526,795

Property, plant and equipment were last revalued as at 31 December 1986 by Lloyd Masika Limited, Registered Valuers, on the following basis:

-Property	-open market value;
-Plant and equipment	-depreciated replacement cost.

The resulting revaluation surplus was credited to the revaluation reserves.

At 31 December 2002, the net book value of property, plant and equipment based on original cost was Kshs 1,474,326,000 (2001 – Kshs 1,517,782,000). The revaluation reserve has been fully armotised. Property, plant and equipment with a cost of Kshs 360,741,356 (2001 – Kshs 235,815,067) were fully depreciated at 31 December 2002. The notional depreciation charge in respect of these property, plant and equipment amount to Kshs 50,780,435 (2001 – Kshs 30,429,853).

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) COMPANY

	Land & building Shs'000	Plant, motor vehicles & other equipment Shs'000	Furniture & fittings & office equipment Shs'000	Work in progress Shs'000	Total Shs'000
COST OR VALUATION					
At 1 January 2002:					
As previously reported	824,626	1,397,786	147,303	37,383	2,407,098
Reclassification of leasehold land	(303,892)	-	-	-	(303,892)
As restated	520,734	1,397,786	147,303	37,383	2,103,206
Additions	11,337	89,180	30,778	58,887	190,182
Disposals	(45,801)	(30,297)	(21,699)	-	(97,797)
Transfers	1,110	15,226	-	(16,336)	-
31 December 2002	487,380	1,471,895	156,382	79,934	2,195,591
Analysed as:					
At cost	430,465	1,374,011	152,153	79,934	2,036,563
At valuation - 1986	56,915	97,884	4,229	-	159,028
	487,380	1,471,895	156,382	79,934	2,195,591
DEPRECIATION					
At 1 January 2002:					
As previously reported	145,346	595,716	133,255	-	874,317
Reclassification of leasehold land	(43,553)	-	-	-	(43,553)
As restated	101,793	595,716	133,255	-	830,764
Charge for the year	10,273	152,982	10,659	-	173,914
Disposals	(1,919)	(30,255)	(21,557)	-	(53,731)
31 December 2002	110,147	718,443	122,357	-	950,947
NET BOOK VALUE					
31 December 2002	377,233	753,452	34,025	79,934	1,244,644
31 December 2001 – as restated	418,941	802,070	14,0483	7,383	1,272,442

Property, plant and equipment were last revalued as at 31 December 1986 by Lloyd Masika Limited, Registered Valuers, on the following basis:

-Property	-open market value;
-Plant and equipment	-depreciated replacement cost.

10. (b) PROPERTY, PLANT AND EQUIPMENT (Continued)
COMPANY

The resulting revaluation surplus was credited to the revaluation reserves.

At 31 December 2002, the net book value of property, plant and equipment based on original cost was Kshs1,244,644,000 (2001 – Kshs 1,263,429,000). The revaluation reserve has been fully armotised.

Property, plant and equipment with a cost of Kshs 360,741,356 (2001 – Kshs 235,815,067) were fully depreciated at 31 December 2002. The notional depreciation charge in respect of these property, plant and equipment amount to Kshs 50,780,435 (2001 - Kshs 30,429,853).

11. PREPAID OPERATING RENTALS

In accordance with guidance issued by the Institute of Certified Public Accountants of Kenya (ICPAK), the Company now reclassifies leasehold interest on land which was previously part of property, plant and equipment, as prepaid operating rentals.

The revaluation surplus relating to the leasehold land is nil and the net carrying value of leasehold land has been reclassified from property, plant and equipment to prepaid operating rentals. The movement in operating rentals is as follows:

	GROUP 2002 Shs'000	COMPANY 2001 Shs'000
COST		
Carrying value of leasehold land at 1 January	432,673	260,339
Land written off	(17,262)	-
At 31 December	415,411	260,339
AMORTISATION		
Amortisation for the year	9,779	3,243
Eliminated on write off	(528)	-
At 31 December	9,251	3,243
NET BOOK VALUE		
At 31 December	406,160	257,096

The land written-off relates to a plot of land owned by Elf Oil Kenya Limited which was alienated by the Commissioner of Lands for road construction. The commissioner gave a commitment to allocate the Company a similar plot of land but this has not been done to date. The group shall continue to carry the plot in its books at nil value.

The net effect of the write off is Kshs 16,734,000, which has been disclosed as an exceptional item in the income statement.

12. GOODWILL (GROUP)

	2002 Shs'000	2001 Shs'000
COST		
At 1 January (note 14)	448,804	448,804
AMORTISATION		
At 1 January	22,440	-
Amortisation for the year	29,920	22,440
At 31 December	52,360	22,440
NET BOOK VALUE		
At 31 December	396,444	426,364

The goodwill arose from the acquisition of a subsidiary, Elf Oil Kenya Limited in March 2001. The goodwill is to be amortised over a period of 15 years.

13. INTANGIBLE ASSETS

	GROUP Computer Software Shs'000	COMPANY Computer Software Shs'000
COST		
At 1 January 2002	25,949	24,754
Additions	2,378	2,378
At 31 December 2002	28,327	27,132
AMORTISATION		
At 1 January 2002	7,518	6,623
Amortisation for the year	5,424	5,124
At 31 December 2002	12,942	11,747
NET BOOK VALUE		
At 31 December 2002	15,385	15,385
At 31 December 2001	18,431	18,131

The intangible assets relate to accounting, payroll and other computer software acquired by the group.

14. INVESTMENT IN A SUBSIDIARY COMPANY

On 31 March 2001, the Company acquired 100% of the share capital of Elf Oil Kenya Limited for a consideration of Kshs 729,981,000 which was satisfied by the issue of 14,030,000 fully paid ordinary shares of Total Kenya Limited.

	Sh'000
Net assets acquired	
Bank and cash balances	39,015
Property, plant and equipment	447,213
Intangible assets	697
Net deferred tax asset	85,058
Inventories	2,188
Trade and other receivables	124,848
Taxation recoverable	13,480
Trade and other payables	(431,322)
Fair value of net assets	281,177
Goodwill	448,804
Total purchase consideration	729,981
Satisfied by issue of shares	729,981
Net cash inflow on acquisition:	
Bank and cash balances acquired	39,015

In the opinion of the directors, the value of the Company's investment in the subsidiary undertaking is not less than the amount which it is stated in the Company balance sheet.

15. DEFERRED TAXATION

	GROUP		COMPANY	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
The net deferred taxation (asset)/liability is made up as follows:				
Property, plant and equipment	21,418	27,793	20,283	24,960
Tax losses available for offset against future profits	(87,053)	(172,116)	-	(79,894)
Unrealised exchange differences	(1,175)	4,483	(1,175)	4,483
General provisions	(7,845)	(28,857)	(7,872)	(28,857)
Revaluation surplus	-	2,704	-	2,704
	(74,655)	(165,993)	11,236	(76,604)
Movement on the deferred tax account is as follows:				
At 1 January	(165,993)	9,437	(76,604)	9,437
Credited to revaluation surplus (note 7 c)	(2,731)	(2,033)	(2,731)	(2,033)
Income statement charge/ (credit) (note 7 a)	94,069	(88,339)	90,571	(84,008)
Acquisition of subsidiary (note 14)	-	(85,058)	-	-
At 31 December	(74,655)	(165,993)	11,236	(76,604)

Deferred taxation is estimated on all temporary differences under the liability method using the enacted rate of 30% (2001 - 30%).

Deferred taxation asset in respect of tax losses carried forward has been recognised in full as the directors are confident that the Company and its subsidiary will generate sufficient taxable profits in the foreseeable future to utilise the tax losses.

16. INVENTORIES

	GROUP 2002 Shs'000	GROUP 2001 Shs'000	COMPANY 2002 Shs'000	COMPANY 2001 Shs'000
Raw materials and crude oil	428,823	660,656	428,823	660,656
Refined products	468,005	1,134,772	468,005	1,126,207
Consumables and accessories	426,189	425,146	426,189	419,582
Provision for obsolete and defective stocks	(55,100)	(55,100)	(55,100)	(55,100)
	1,267,917	2,165,474	1,267,917	2,151,345

17. TRADE AND OTHER RECEIVABLES

	GROUP 2002 Shs'000	GROUP 2001 Shs'000	COMPANY 2002 Shs'000	COMPANY 2001 Shs'000
Trade receivables	2,339,316	2,206,695	2,178,983	2,015,022
Other receivables and prepayments	360,808	439,275	348,707	434,974
Provision for bad debts	(784,641)	(660,049)	(673,993)	(549,401)
	1,915,483	1,985,921	1,853,697	1,900,595

All the trade and other receivables are due within one year.

18. SHARE CAPITAL

	GROUP		COMPANY	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
Authorised share capital:				
181,630,000 ordinary shares of Shs 5 each	908,150	908,150	908,150	908,150
Issued and fully paid:				
At 1 January				
103,245,000 (2001 – 54,800,000) ordinary shares of Shs 5 each	516,225	274,000	516,225	274,000
1,800,000 (2001 – 1,200,000) Class 'A' ordinary shares of Shs 5 each	9,000	6,000	9,000	6,000
	525,225	280,000	525,225	280,000
Issued during the year				
69,768,306 (2001 – 48,445,000) ordinary shares Shs 5 each	348,842	242,225	348,842	242,225
251,400 (2001 – 600,000) Class 'A' ordinary shares of Shs 5 each	1,257	3,000	1,257	3,000
	875,324	525,225	875,324	525,225
Less: Treasury shares:				
19,144,300 ordinary shares of Shs 5 each	(95,720)	-	-	-
	779,604	525,225	875,324	525,225
At 31 December				
153,869,306 (Company-173,013,306) (2001 – 103,245,000) ordinary shares of Shs 5 each	769,347	516,225	865,067	516,225
2,051,400 (2001 – 1,800,000) Class 'A' ordinary shares of Shs 5 each	10,257	9,000	10,257	9,000
	779,604	525,225	875,324	525,225

The Company made a rights issue to qualifying shareholders on the basis of 2 new shares for every 3 existing shares held in the books at 31 December 2001. The issue price was Kshs 18 per share representing 9.72% discount on a 20 day simple average price prior to 14 December 2001 of Kshs 19.94 per share. The rights issue commenced on 14 January 2002 with the latest time and date for acceptance and payment for new shares being 7 February 2002.

The rights issue was underwritten by Elf Oil Kenya Limited. As a result of the underwriting agreement, Elf Oil Kenya Limited had to take up 19,144,300 ordinary shares of Kshs 5 each for a consideration of Kshs 344,597,400.

Class A ordinary shares relate to the shares held by the Employees of the Company and are not traded at the stock exchange.

18. SHARE CAPITAL (Continued)

Treasury shares relate to the shares held by Elf Oil Kenya Limited, a subsidiary Company, for onward sale to the public through the stock exchange. These shares have also been considered in the determination of dividend payable and will be sold cum-dividend. The shares arose as a result of the subsidiary underwriting the rights issue of shares made during the year.

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
Trade payables	499,329	1,066,303	411,248	1,053,822
Other payables and accruals	732,570	936,604	725,023	932,382
	1,231,899	2,002,907	1,136,271	1,986,204

All trade and other payables are due within one year.

20. BORROWINGS

	GROUP		COMPANY	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
Bank overdrafts	458,393	493,662	271,997	492,706
Short term loans	622,400	667,098	450,000	667,098
Short term loan notes	-	865,000	-	865,000
	1,080,793	2,025,760	721,997	2,024,804

The borrowings are repayable on demand or within three months and are unsecured. The weighted average interest rates paid on borrowings during the year were as follows:

	2002 %	2001 %
Bank overdrafts	6.64	15.91
Short term loans	6.59	2.88
Short term loan notes	-	11.66

21. NOTES TO THE CASH FLOW STATEMENT

		2002 Shs'000	2001 Shs'000
(a)	Reconciliation of group operating profit to cash generated from operations		
	Group operating profit	710,499	248,833
	Adjustments for:		
	Net (loss)/gain on foreign exchange	(32,954)	8,388
	Depreciation	191,973	192,887
	Amortisation - goodwill	29,920	22,440
	Amortisation – prepaid operating rentals	9,779	-
	Amortisation – intangible assets	5,424	3,594
	Loss/(profit) on disposal of property, plant and equipment	24,343	(20,555)
	Operating profit before working capital changes	938,984	455,587
	Decrease in inventories	897,557	1,170,741
	Decrease in trade and other receivables	70,438	1,796,959
	(Decrease)/increase in trade and other payables	(771,008)	161,969
	Decrease in amount due to holding Company	(651,341)	(1,441,494)
	Movement in balances with related companies	(101,783)	558,960
	Cash generated from operations	382,847	2,702,722
(b)	Analysis of the balances of cash and cash equivalents as shown in the balance Sheet		
	Bank and cash balances	234,498	107,154
	Bank overdrafts	(458,393)	(493,662)
	Short term loans	(622,400)	(667,098)
	Short term loan notes	-	(865,000)
		(846,295)	(1,918,606)

For the purposes of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months of maturity when acquired, less advances from the bank repayable within three months from the date of advance.

22. RELATED PARTY TRANSACTIONS

GROUP

During the year the group made purchases amounting to Kshs 2,262 million (2001 – Kshs 6,086 million) from the holding company and other companies related to it by virtue of common shareholding. The group also earned revenue of Kshs 2,861 million (2001 - Kshs 2,979 million) from related companies.

The group purchased plant and equipment amounting to Kshs 32.9 million (2001- Kshs 35 million) from the holding company.The Company also has a technical assistance agreement with the holding company for which it paid fees for the year amounting to Kshs 73 million (2001- Kshs 67 million).

COMPANY

During the year, the Company made sales amounting to Kshs 486 million (2001 –Kshs 331 million) to its subsidiary Company.These transactions were at arm's length and in the normal course of trading operations. Director's fees and emoluments are shown in note 3.

23. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
Authorised and contracted	92,453	149,429	92,453	149,429

These related to commitments for construction work and purchase of assets at the year end for which no provision has been made in these financial statements.

24. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
(i) Guarantees and bonds				
Guarantees and bonds	495,442	420,431	495,442	420,431

The guarantees and bonds are held in the ordinary course of business. No losses are anticipated in respect of these contingent liabilities.

(ii) Two legal claims have been made against the Company, one by a former employee and the other by a customer.The plaintiffs are suing for some specific and general damages which the Company has disputed. The cases are on going and the likely outcome is unknown. However, based on information currently available, the directors are of the opinion that the ultimate resolution of these cases would not have a material effect on the group's operations, financial position or liquidity.

25. FAIR VALUE

The directors consider that the fair values of financial assets and liabilities are not significantly different from their carrying values.

26. OPERATING LEASE COMMITMENTS

Amounts payable under operating lease commitments:

	2002 Shs'000	2001 Shs'000
Within one year	2,189	3,648
Over one year to five years	7,682	12,665
After five years	-	-
	9,871	16,313

All the commitments relate to future rent payable for the head office (Chai House) based on the existing contract.

27. SEGMENTAL REPORTING

The major part of the business of the Company falls under the category of sale of petroleum products with other income comprising less than 5% of total income. Sales by business channel are shown in note 2.

28. CURRENCY RISK

The Company and its subsidiary operate wholly within Kenya and its assets and liabilities are reported in the local currency. Although it maintains trade with other group companies and foreign affiliates, it held no significant foreign currency exposure at the end of the year.

29. INCORPORATION

The Company is incorporated in Kenya under the Companies Act. The ultimate holding company is TotalFinaElf S.A. which is incorporated in France.

30. CURRENCY

The financial statements are presented in Kenya Shillings thousands (Shs'000).

31. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Proxy Form

The Secretary
Total Kenya Ltd.
P O Box 30736-00100
Nairobi

I/We .... of address ....

being a member/members of Total Kenya Limited hereby appoint ....

of address .... whom failing ....

.... of address ....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29 April 2003 at the French Cultural Centre and at any adjournment thereof.

Signed .... this.. day of 2003

NOTE:

1. This proxy is to be delivered to the Company's registered office not later than 3.00pm on 27 April 2003 failing which it is invalid.

2. In case of a corporation, the proxy must be under its common seal.