1. Total Kenya Ltd -- Periodicals
2. Petroleum industry and Trade -- Kenya -- periodicals

notice of the annual general meeting

Notice is hereby given that the 52nd Annual General Meeting of the Company will be held at the French Cultural Centre, Theatre Room, Nairobi on 3rd May 2006 at 3.00pm to transact the following business:

1. To confirm the minutes of the 51st Annual General Meeting held on 11th April 2005.

2. To receive and consider the Financial Statements for the year ended 31st December 2005 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.

3. To declare a dividend of KShs 2.50 per share in respect of the financial year ended 31st December 2005.

4. To approve the Directors' fees for the year ended 31st December 2005.

5. To re-elect Director:-

   Mr Momar Nguer 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 Messrs 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 for the ensuing financial year.

BY ORDER OF THE BOARD

J L G MAONGA
SECRETARY

Date: 15th March 2006

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 1st May 2006.

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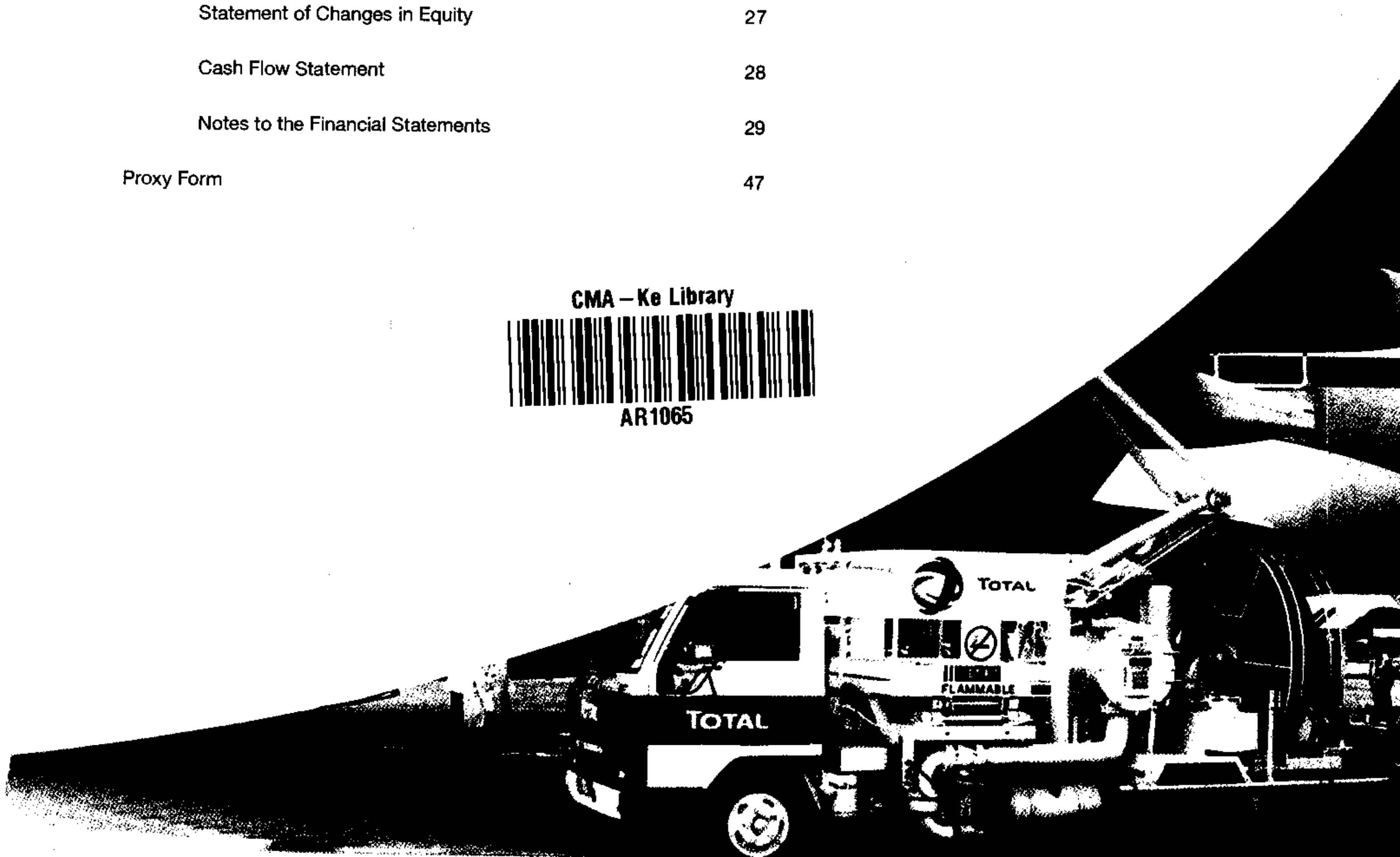


directors & professional advisers

Directors

Momar Nguer*	Chairman
Bertrand Fontanges*	Managing (Also alternate to Momar Nguer as Chairman)
Alain Champeaux*	
Noubi Ben Hamida*	
Michael Karanja	
Emmanuel Morand-Fehr*	(Alternate to Bertrand Fontanges)
Joseph Adewa	(Alternate to Noubi Ben Hamida)
Franklin Juma	(Alternate to Alain Champeaux)

* French

Secretary

J L G Maonga
P.O Box 30029-00100
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 46856-00100
Nairobi
Kenya

Bankers

Citibank NA
P.O Box 30711-00100
Nairobi
Kenya

Registrars

Comprite Kenya Limited
P.O Box 63428-00619
Nairobi
Kenya

directors' profiles

MOMAR NGUER

Mr. Momar Saliou Nguer aged 49 has a Masters Degree in Finance / Marketing from Essec France. He also holds a Master Degree in International Law from the University of Paris X France. He has held various positions in Total both in Europe and Africa from 1984 to 1995. He was thereafter the Managing Director of Total Cameroun for two years. From 1997 till 2000 he was the Managing Director of Total Kenya Limited.He has been the Executive Vice President of East African and Indian Ocean of Total Outre Mer since then.

BERTRAND FONTANGES

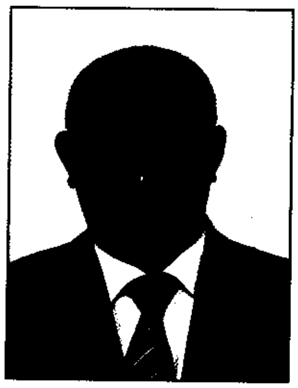
Mr. Bertrand Fontanges aged 44 holds an Engineering Degree from Ecole Centrale de Lille (former Institut Industriel du Nord), France. He has held several positions in the Total Group in operations and marketing in Europe and Africa from 1987 to 1997. Thereafter, he was the Managing Director of Total Portugal for four years. In 2001, he was appointed Strategy Manager Total Overseas (Africa, Middle East and Carribean) until 2003 when he moved to Total Lebanon as Managing Director, a post he held until August 2005 when he was appointed Managing Director, Total Kenya.

ALAIN CHAMPEAUX

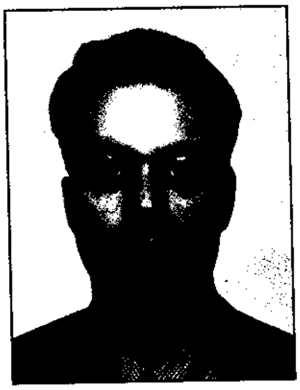
Mr. Alain Champeaux aged 56 holds an Engineering Degree from Ecole Nationale Superieure des Mines de Paris, France as well as a Masters of Arts in Economics from Standford University, USA. He joined the Total Group in 1976. He has worked in several positions in Planning / Budget / Investment Projects as well as in the Network Sector in Europe. He became the Senior Vice President Marketing Europe in 1995 and has been the Senior Vice President Overseas since 2002.

MICHAEL KARANJA

Mr. Michael Karanja aged 66, has a Bsc Degree from Makerere and a Diploma in Brewing from Heriot-Watt University-Edinburgh. He worked with Kenya Breweries for 36 years rising to the position of Deputy Chairman East African Breweries. He is the Chairman of Cooper Kenya Limited and Rhino Ark Trustees. He is also a Director of I&M Bank and several other companies.



directors' profiles



NOUBI BEN HAMIDA

Mr Noubi Ben Hamida aged 36 is a graduate from Ecole Supérieure d'Electricite in Paris with an Engineering degree in Information Systems. He has held various positions in Société Générale, in both Milan and Paris from 1994 to 2000. He was an IT Analyst in Milan; A Project Manager on Trade Finance Groupware-International Division in Paris; and Vice President Trade Finance in the Commodities and Trade Division, Paris. Thereafter, he joined Total, Geneva in 2001 as Head of Credit Management in Trading and Shipping Division.

EMMANUEL MORAND-FEHR

Mr. Emmanuel Morand-Fehr aged 39, is a graduate of the High French Business School HEC (Hautes Etudes Commerciales) and has a degree in Economics from the French University Paris-2 Assas. He joined the Group Total in 1992. He worked in several positions in Finance Departments at Head Office in Paris between 1992 and 1999. He worked in Total Côte d' Ivoire for five years between 1999 and 2004 as the Finance Manager. He was appointed the Finance Manager of Total Kenya Limited in July 2004.

JOSEPH ADEWA

Mr. Joseph Adewa aged 56, a professional marketer who is currently the Commercial Manager, having joined the Company as a Business Development Manager in 1990. Prior to joining Total Kenya, he worked at Kenya Breweries as District Manager (Inspectorate) and Kenya Oil Company Limited as Area Sales Manager.

FRANKLIN JUMA

Mr. Franklin Juma aged 34 has a B.A degree from Panjab University, India and LLB degree from Goa University,India. He is an Advocate of the High Court of Kenya and is a Certified Public Secretary. He is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. He joined the company in 2000 and was appointed Legal Manager in 2004

J L G MAONGA

COMPANY SECRETARY

Mr Maonga aged 45, has a B A Degree from Nairobi University and is a Certified Public Secretary. He is a member of ICPSK and has over 19 years experience in Company Secretarial and Registration Services. He was appointed Company Secretary on 1st February 1999.

report of the directors

The directors present their report together with the audited financial statements for the year ended 31st December 2005.

ACTIVITY

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

The merger between Total Kenya Limited and Elf Oil Kenya Limited was approved at the 2005 Annual General Meeting with effect from 1 January 2005. The merger was achieved through a business sale agreement which resulted in the transfer of all Elf Oil Kenya Limited business, assets and liabilities to Total Kenya Limited.

RESULTS

The results for the year are as follows:

	Kshs'000
Profit before taxation	798,190
Taxation	(266,629)
Net profit for the year transferred to revenue reserve	531,561

DIRECTORS

The present membership of the Board is set out on page 3. The changes in directorship during the year were as follows:

- Lamine Kane resigned as a director on 1st October 2005 and was replaced on the same date by Bertrand Fontanges.
- Christine Atallah resigned as an alternate director to Julien Maumont on 5th May 2005 and was replaced on the same date by Joseph Adewa.
- Emmanuel Morand-Fehr resigned as an alternate director to Lamine Kane on 1st October 2005 and was on the same date appointed as alternate director to Bertrand Fontanges.
- Julien Maumont resigned as a director on 8th March 2006 and was replaced on the same date by Noubi Ben Hamida.
- Joseph Adewa resigned as an alternate director to Julien Maumont on 8th March 2006 and was on the same date appointed as alternate director to Noubi Ben Hamida.

DIVIDEND

The directors recommend a dividend of Kshs 2.50 (2004 Kshs 2.50) per share in respect of the year. The dividend is subject to withholding tax at a rate of 5% for residents and 10% for non-residents, unless specifically exempted.

AUDITORS

Deloitte & Touche, having confirmed their willingness, continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486).

BY ORDER OF THE BOARD

J.L.G Maonga, Company Secretary

15th March 2006

company profile

50 YEARS CELEBRATIONS

2005 brought with it Total Kenya's 50th year anniversary. A time where we looked back at our achievements, looked ahead at the future and what more we can contribute as a service provider to Kenya and the Kenyan people.

The past is our wisdom,
The present our power,
The future our purpose.

2005 Total Motorshow

The anniversary celebrations began with the staging of the Total Motorshow on 1st September at the Kenyatta International Conference Centre (KICC). Successful was the exhibition as all 93 stands were sold out to the major motor companies, all the regular smaller companies, and several newcomers including the first ever exhibitors from China. Attendance over the four days, from 1st to 4th September was above 18,000, once again confirming the Total Kenya Motorshow as Kenya's most popular commercial exposition, and by far the largest auto exhibition in middle Africa.

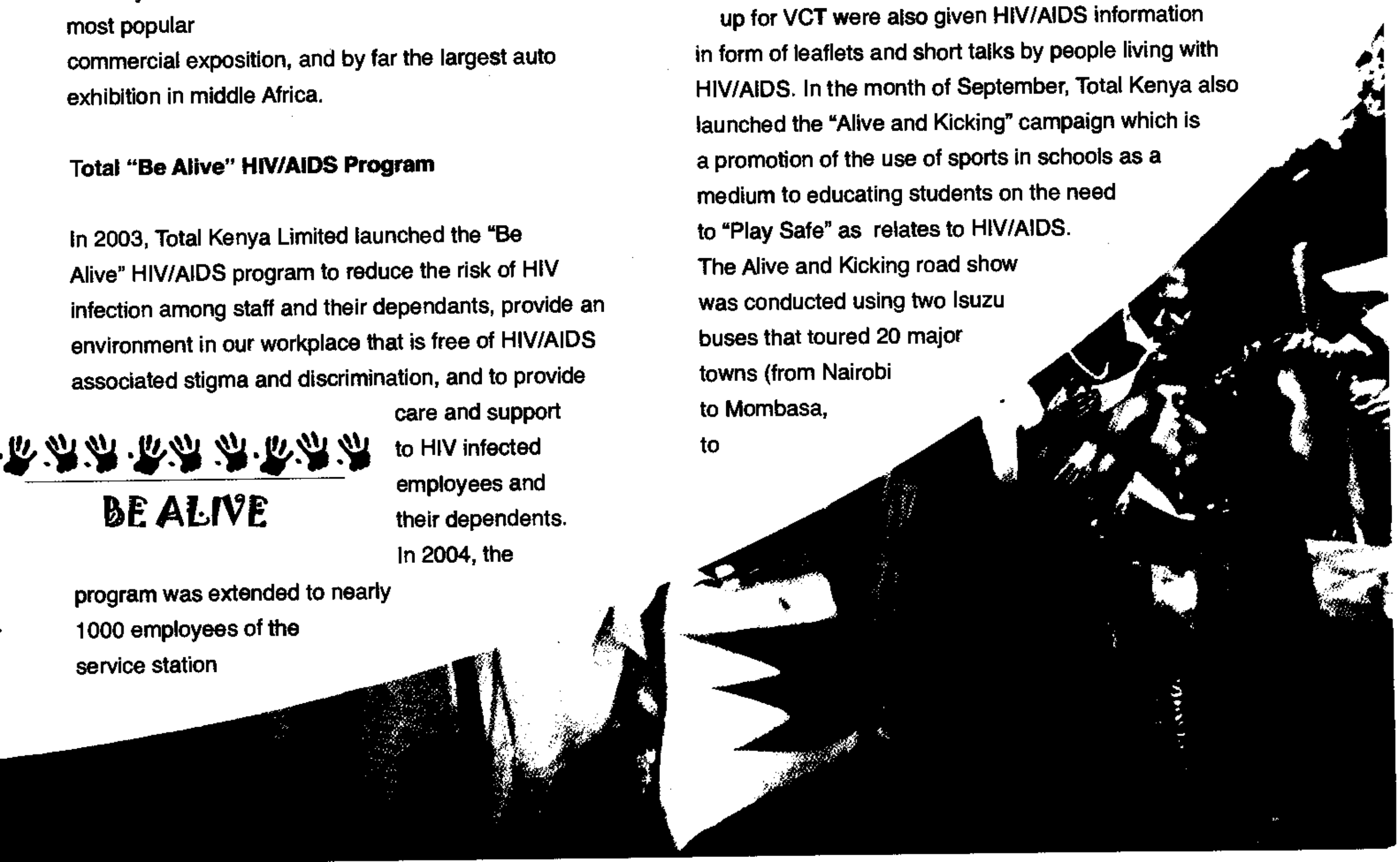
Total "Be Alive" HIV/AIDS Program

In 2003, Total Kenya Limited launched the "Be Alive" HIV/AIDS program to reduce the risk of HIV infection among staff and their dependants, provide an environment in our workplace that is free of HIV/AIDS associated stigma and discrimination, and to provide care and support to HIV infected employees and their dependents. In 2004, the program was extended to nearly 1000 employees of the service station network. A formal program evaluation carried out in 2005 revealed that the program had led to a significant reduction in risky behavior among employees and that VCT uptake had also increased while HIV/AIDS associated stigma had declined.

BE ALIVE

In 2005, the "Be Alive" program shifted its focus to the provision of HIV/AIDS services to customers and the wider community. The Total HIV/AIDS workplace Peer Educators supported a number of community based HIV/AIDS programs such as the Karengata HIV/AIDS Friends. We also sponsored more than 75 orphans from MMM Riara Health Project in Kibera to the Nairobi Agricultural show.

As part of the 50-years celebration, we organized a successful mobile VCT program in collaboration with the National AIDS and STDs Program (NASCOP) and Crystal Hill. The mobile VCT services were offered for one weekend within our service stations in Nakuru, Nanyuki, Nyeri, Kisumu, Mombasa and Eldoret. The program was highly successful and a total of 766 people were tested. The response from the target communities was overwhelming and indeed the VCT counsellors could not cope with demand as long lines formed outside the VCT centers. People who turned up for VCT were also given HIV/AIDS information in form of leaflets and short talks by people living with HIV/AIDS. In the month of September, Total Kenya also launched the "Alive and Kicking" campaign which is a promotion of the use of sports in schools as a medium to educating students on the need to "Play Safe" as relates to HIV/AIDS. The Alive and Kicking road show was conducted using two Isuzu buses that toured 20 major towns (from Nairobi to Mombasa, to



company profile

Garissa and Western Kenya) in cooperation with the Ministry of Education. The buses were packed to capacity with the HIV/AIDS-branded leather footballs which were donated to various participating schools. These activities were animated using HIV/AIDS awareness messages and a total of 4,738 Kms was covered during the campaign.

In the year 2005, we also started an initiative to provide free condoms in the washrooms situated within our service stations. Condom dispensers were fitted in more than 40 stations in the first phase and are regularly refilled. The rest of the service station network is being covered in 2006. We have partnered with John Snow International (JSI), through Crystal Hill, for the supply of condoms.

Total Kenya limited will continue to support the HIV/AIDS program in 2006. We intend to continue providing HIV/AIDS training to our employees, those of our service station network as well as our transporters. We shall also expand our community HIV/AIDS program including mobile VCT and supply of condoms. In 2006, we also intend to bring VCT services to our workplace to help our staff know their HIV status conveniently while still ensuring that HIV testing will remain both confidential and voluntary.

It is heartening to note that in Kenya we are witnessing a stabilization of the HIV/AIDS epidemic and for the first time in the two decades since the first case of HIV/AIDS was detected in Kenya, HIV prevalence is falling. We believe that our "Be Alive" campaign has made a contribution towards this positive trend. However, adult HIV prevalence at 7% remains unacceptably high and we know that more than a hundred thousand Kenyans die of AIDS every year. Total Kenya Limited will continue to support the national fight against HIV/AIDS by providing innovative HIV/AIDS prevention interventions to our employees, customers and the communities within which we operate. To you all we say – "Be Alive"

Total Eco Challenge

A large number of projects are like firework displays.. – they start with a bang, achieve spectacular results and are then gone. As soon as the publicity benefits are banked, initial enthusiasm wears off and external support is withdrawn and the projects die. That is the almost universal paradigm.

There is increasing recognition that sustained success – projects that will have a positive and permanent impact – need three key ingredients:

They must be chosen, owned and run by their users. If the project is not the users' own priority and they do not feel they have absolute title and control over it, it will be exploited as a windfall, not maintained as a long-term resource. In other words, the projects must be community led.

In parallel, projects must have an in-built business viability. They must have a value that is sufficiently real and recognised that even the very poorest communities are prepared to pay for the service and benefit. That presupposes that the project must help users to make money. That is the only way to ensure financial continuity. I other words, projects must be market driven.

A third essential is that synergy and expansion must be built into the design. Even large projects are only a drop in the ocean of development need unless there is universal access to their ideas and unless start-up and scale-up generates national support to supplement external funding. In other words, they must be able to go to national scale.

The Total Eco Challenge has scored quite well on all these principles and the impact of community led, market driven and national scale is almost dramatic. It is crucially nurturing the most sustainable ingredient of all – the national culture.

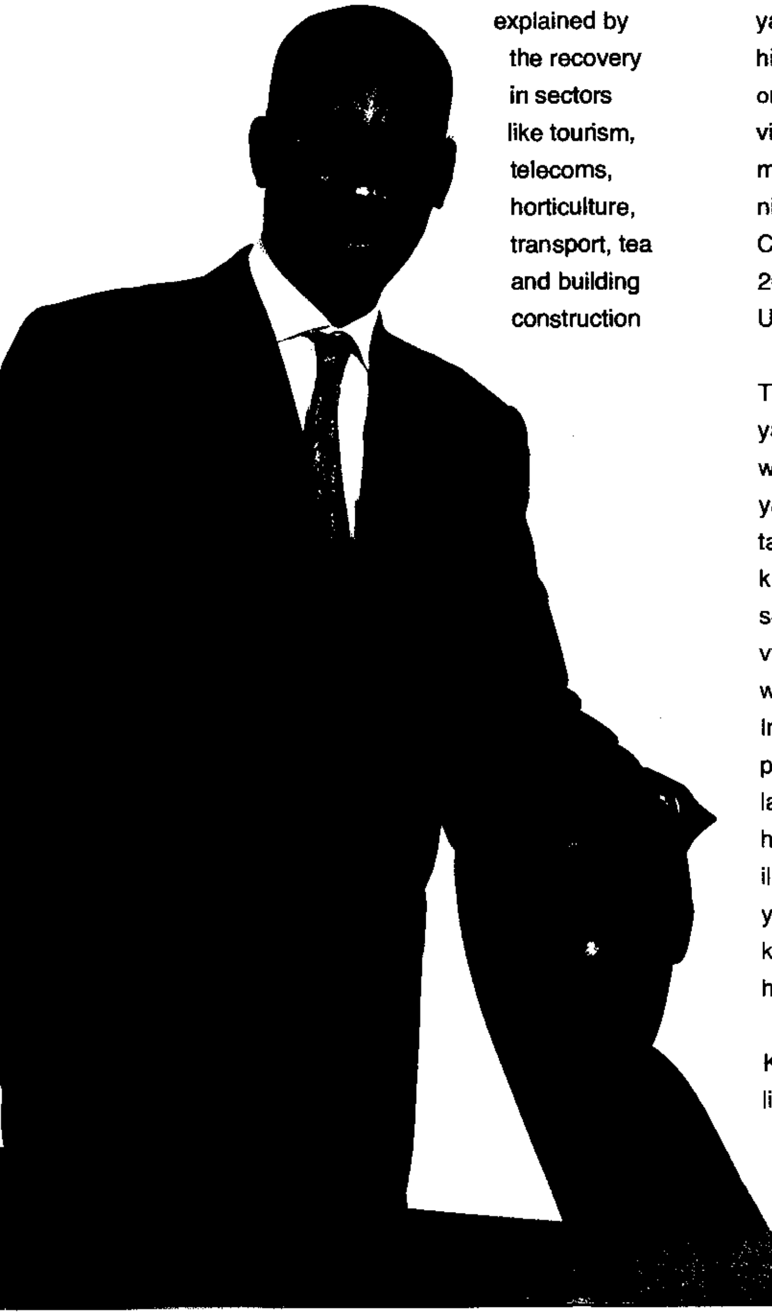
The objective is to inspire Kenyans to plant more trees to avert and even reverse disastrous levels of deforestation. To meet the projected demand (80% of Kenya's energy consumption is fuelwood based) and

chairman's statement

I welcome you all to the 52nd annual General Meeting of Total Kenya Limited and thank you for the support you have continued to give to your company over the years.

2005 was quite a challenging year for the oil industry in Kenya. The very tough international context, including the ongoing turmoil in Iraq and the rise in crude and oil products prices, which led to volatile unit margins all along the year, contributed negatively to the business environment.

On a positive note, Kenya's economic growth went up to about 5% from 4.3% in 2004, contributing significantly to the growth of the inland oil market. The inland market for petroleum products increased by about 10% in 2005, a growth mainly explained by the recovery in sectors like tourism, telecoms, horticulture, transport, tea and building construction



taarifa ya mwenyekiti

Nina furaha kuwakaribisha kwa mkutano mkuu wa kila mwaka wa Total Kenya Limited, huu ukiwa ni wa 52. Ningependa kuwashukuru nyote kwa usaidizi ambao mmeipa kampuni hii kwa miaka mingi iliyopita.

Mwaka wa 2005 ulikuwa wenye changamoto kwa sekta ya mafuta nchini Kenya. Ugumu wa biashara ya kimataifa, moja wapo ya sababu zakeikwa ni vita vinavyoendelea nchini Iraq na kuongezeka kwa bei ya mafuta, malighafi na bidhaa nyingine za mafuta kulichangia kushuka kwa viwango vya mapato mwaka huu wote na kuathiri pakubwa hali ya mazingira ya kibiashara.

Licha ya hayo yote, uchumi wa Kenya ulipanda juu hadi takriban asilimia 5.0 kutoka asilimia 4.3 mwaka wa 2004 na kuchangia pakubwa katika ubora wa masoko ya ndani ya mafuta. Soko la ndani la bidhaa za mafuta hiaelezewa kwa asilimia 10% katika mwaka wa 2005, ongezeko hili na kufufuka kwa sekta nyingine kama vile Utalii, Simu, Kilimo cha bustani, Usafiri/uchukuzi, majani chai na ujenzi wa mijengo, wote hawa wakiwa ni watumiaji wakubwa wa bidhaa za mafuta. East Africa Customs Union imebuniwa tangu Januari, mwaka wa 2005 na inaleta hali nzuri ya kibiashara kati ya Kenya, Uganda na Tanzania.

Tukio moja lilileta mabadiliko makubwa katika sekta ya mafuta humu nchini Kenya: Kuanzishwa kwa ulipaji wa kodi dhidi ya bidhaa za mafuta kwenye sehemu ya kuingilia nchini (Mombasa) ambayo ilitengenezwa tarehe 1/8/2005. Hatua hii imechangia pakubwa katika kuzoroteka kwa hali ya kiuchumi kwa wahusika kwenye sekta hii na kwa msingi hiyo kuongeza viwango, hasa vya VAT na ushuru wa forodha unaofaa kurudishiwa wahusika katika sekta hii ya mafuta na serikali. Inaweza kubainishwa pia ya kwamba, ingawaje pamekuwepo na usawa wa kibiashara katika soko la mafuta, kutokana na kuanzishwa kwa sehemu hii maalum ya kuingizia mafuta jijini Mombasa iliyotengenezwa mnamo mwaka wa 2004, kupewa nafasi ya kutozingatia sheria hii kwa mmoja wa wahusika kuliathiri soko katika eneo la Mombasa na kwa ujumla hatua hii haikupokelewa vyema katika sekta ya mafuta.

Katika mwaka wa 2005, Total Kenya ilifanya vizuri sana licha ya mabadiliko hayo ya hali ya kibiashara. Kiwango

corporate governance

As a public listed company, Total Kenya Limited strives at all times to abide by the guidelines on corporate governance best practices issued by the Capital Markets Authority and the Nairobi Stock Exchange. In addition, the company is part of a group that is guided by stringent corporate governance principles provided for in a Code of Conduct that stipulates the way it does business around the world and guides the relationships with the various stakeholders. As a general principle, Total observes the rule of free competition, rejects bribery and corruption in all forms, whether public or private, active or passive and strives to uphold the Universal Declaration of Human Rights. Total also respects the natural environment and cultural values of host countries while complying with all applicable laws and regulations. Total Kenya Limited is periodically subjected to independent audits on her application of the group Code of Conduct in its operations. The last such audit was undertaken in early 2004 and a follow-up review is due this year.
We believe that our operations are built on strong foundations of corporate governance that strive to meet the expectations of all our stakeholders.

Board of Directors

The composition of the board is given on pages 4 and 5 of this report. It comprises of people with diverse experience and skills necessary to provide strategic guidance in the running of the company. The board has the overall responsibility of ensuring that the company complies with all statutory and regulatory requirements and also discharges its responsibilities to the shareholders.

Audit Commitee

The board has established an audit committee, headed by an independent, non-executive director as its chairman. The principal responsibilities of this committee include reviewing financial and other reports and agreeing on the scope and subsequently reviewing the results of internal audits. The committee holds four formal meetings each year which are also attended by the external auditors.

Communication with shareholders

The company provides appropriate information to shareholders by way of an annual report. They are also kept informed of all important events that impact on the company operations.
The company maintains a policy of openness to the shareholders and other stakeholders and welcomes any enquiries that they may have on any issues of interest. Such enquiries are responded to timely and in compliance with the law.

Employees

Employee dialogue is a critical component of our employee relations policy. In the company and at group level, dialogue has been encouraged based on three key principles; enhancing dialogue with employees concerning proposed developments in operations, encouraging planning of jobs and skills throughout careers and supporting the deployment of tailored solutions in the areas of employment, working conditions and social safety. Quarterly staff communication meetings, team building outings, training and implementation of remuneration surveys are some of the actions undertaken by the company to achieve this.

company profile

Quality

Total Kenya Limited was the first oil company in Kenya to achieve the coveted ISO 9002: 1994 certification for its service station network. The certification upgrade to ISO 9001:2000 was successfully completed in November 2003 and this is a further step towards continued commitment to our customers in provision of quality products and services of the highest standards for the last 50 years.

Safety

A major safety consideration for our staff was achieved during the year by training them in defensive driving. This program aims at enhancing the safety of motoring staff through training targeted at reducing staff related motoring accidents by 50% by the year 2007.

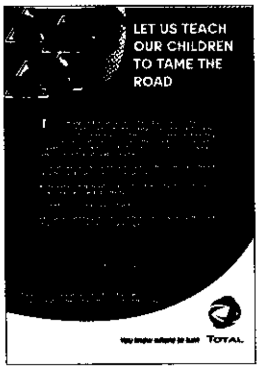
Total Kenya Limited wants the staff to know and practice the key elements of safe driving :

- think defensively while driving
- drive carefully not aggressively
- anticipate your actions on the road
- adopt driving to the appropriate type and condition of the road
- never use a mobile phone whilst driving
- use your right to report bad road users

The trained staff were reminded that to be a good driver, one needs caution, knowledge of traffic laws, good attitude, natural ability and good skills.

Total Kenya Limited is committed to extend the defensive driving program to staff spouses. This initiative will go a long way towards improving our road incidences.

For contracted truck drivers, Total Kenya is implementing a "PATROM" which is an overseas transport improvement system. With this in place, we have ensured safe delivery of our quality products to our customers



company profile

revive the depleted forest cover towards the eco ideal of 10% of land area will require the planting of 100 million trees per year, every year. This is the figure the Total Eco Challenge is inspiring Kenyans to achieve. And this seemingly daunting target requires each person to plant...just three.

Community led? The Total Eco Challenge itself does not plant trees – it inspires, encourages, recognises and assists any and every community that does so, whether that community is a village, youth group, a school, a factory or a corporation.

Market driven? The Total Eco Challenge's slogan is "miti ni mali" (trees are wealth). It is not asking the desperately poor to do without woodfuel and other wood products; it is showing them how to achieve and maximise sustainable use and how they can have wood, jobs, business, income and a healthy environment.

TOTAL ECOchallenge
MITI NI MALI. MITI TOSHA!

National scale? The very heart of the campaign is to engage the people – all people, literally every man woman and child – emphasising not only that all can participate but that all must if the target is to be met.

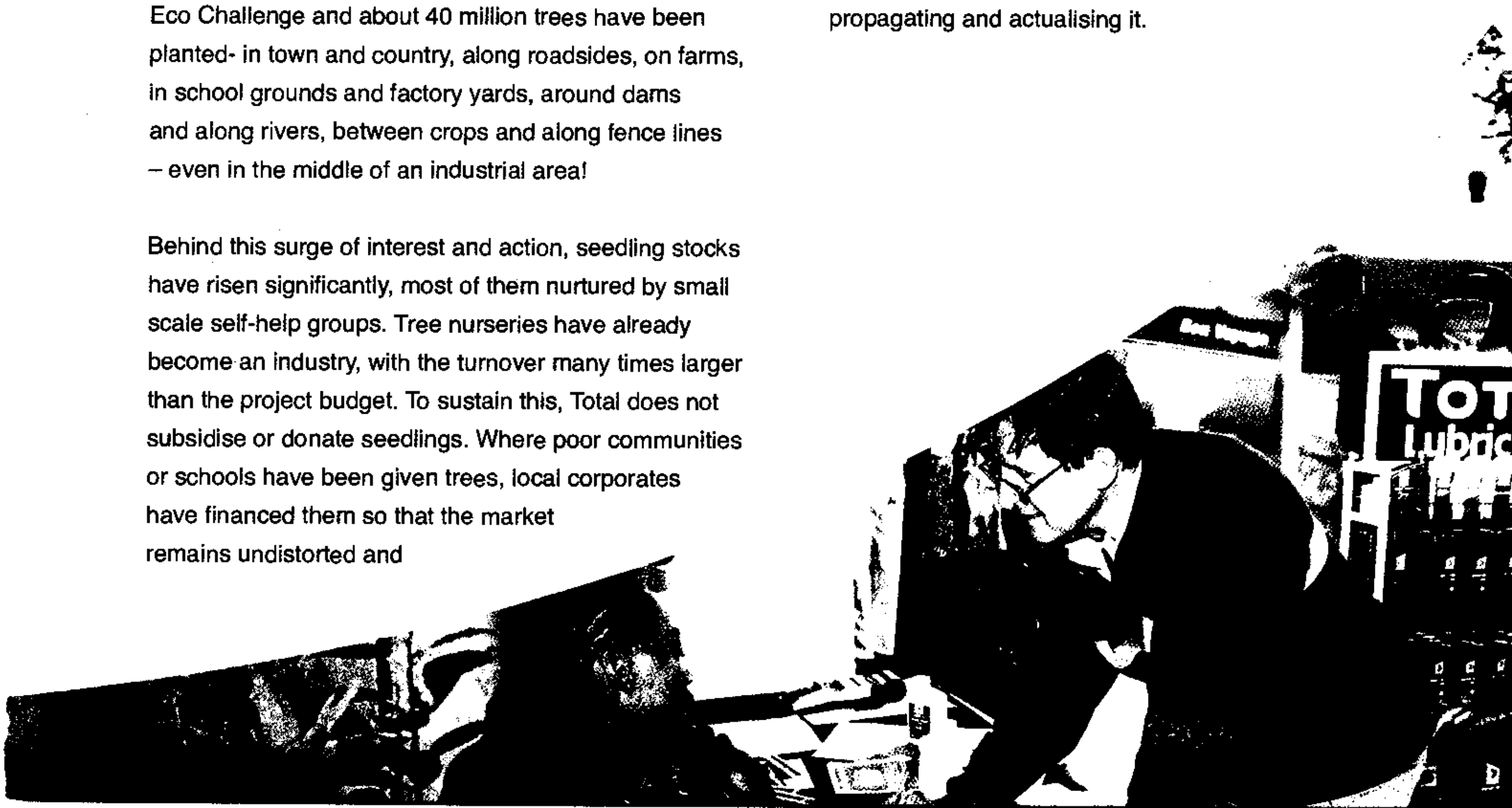
After just two years, more than 1,200 projects from every corner of the country have registered with the Eco Challenge and about 40 million trees have been planted- in town and country, along roadsides, on farms, in school grounds and factory yards, around dams and along rivers, between crops and along fence lines – even in the middle of an industrial area!

Behind this surge of interest and action, seedling stocks have risen significantly, most of them nurtured by small scale self-help groups. Tree nurseries have already become an industry, with the turnover many times larger than the project budget. To sustain this, Total does not subsidise or donate seedlings. Where poor communities or schools have been given trees, local corporates have financed them so that the market remains undistorted and powerfully motivated.

Our Managing Director, Mr. Bertrand Fontanges sizes up the task as follows: "Our initial challenge is to make sure everyone knows what must be done, knows why and knows how. We mobilised all our 100 stations as tree centres for information on species and planting and care techniques and a source of seedlings. The campaign has screened documentaries on television and carries regular species list tips on planting and care in the national print media. A call-in website is being developed while a full time forest officer visits schools and communities, linkages with businesses are formed and projects are publicly recognised."

While the results have already been spectacular, Mr. Fontanges notes: "far from being complete, the challenge now gets even harder. What we have achieved is 40 million trees better than nothing, but still 60 million trees less than enough!"

We at Total recognise that we must engage the entire population and are launching a new theme urging people to mark every significant event in their lives – marriage, births, exams, birthdays, promotions – by planting a tree. The campaign slogan is "one person, one event, one tree." This is a simple and relevant theme that all can identify with and we hope that the entire population will join the Eco Challenge in propagating and actualising it.



chairman's statement cont'd

which are high consumers of oil products. The East Africa Customs Union, in place since January 2005, has also created better conditions for trade between Kenya, Uganda and Tanzania.

One event had a major impact for the oil industry in Kenya: the introduction on 1st August 2005 of the payment of taxes on oil products at the entry point into the country. This measure has impacted significantly the financial position of industry players and substantially increased the amounts of VAT and customs duties refunds, owed to the oil companies by the Government. It may be pointed out too, that although fairer competition had been achieved in the market following the introduction of a single entry point for imports in Mombasa in 2004, a waiver recently granted to one importer on this requirement has changed all this and does not augur well for the industry.

Total Kenya achieved strong results in 2005 despite these contrasting market conditions. Sales volumes increased by 5% to 757 KMT in 2005 from 718 KMT in 2004, and inland market share to an estimated 21.8% in 2005 from 20.7% in 2004. In spite of a higher gross profit, Total Kenya's net profit was down 8% to 532 million Kenya Shillings in 2005, due to higher financial expenses generated by a combination of higher interest rates and higher cost of products throughout the year. Consequently, net earnings per share went down to 3.04 Kenya shillings in 2005 from 3.31 Kenya shillings in 2004.

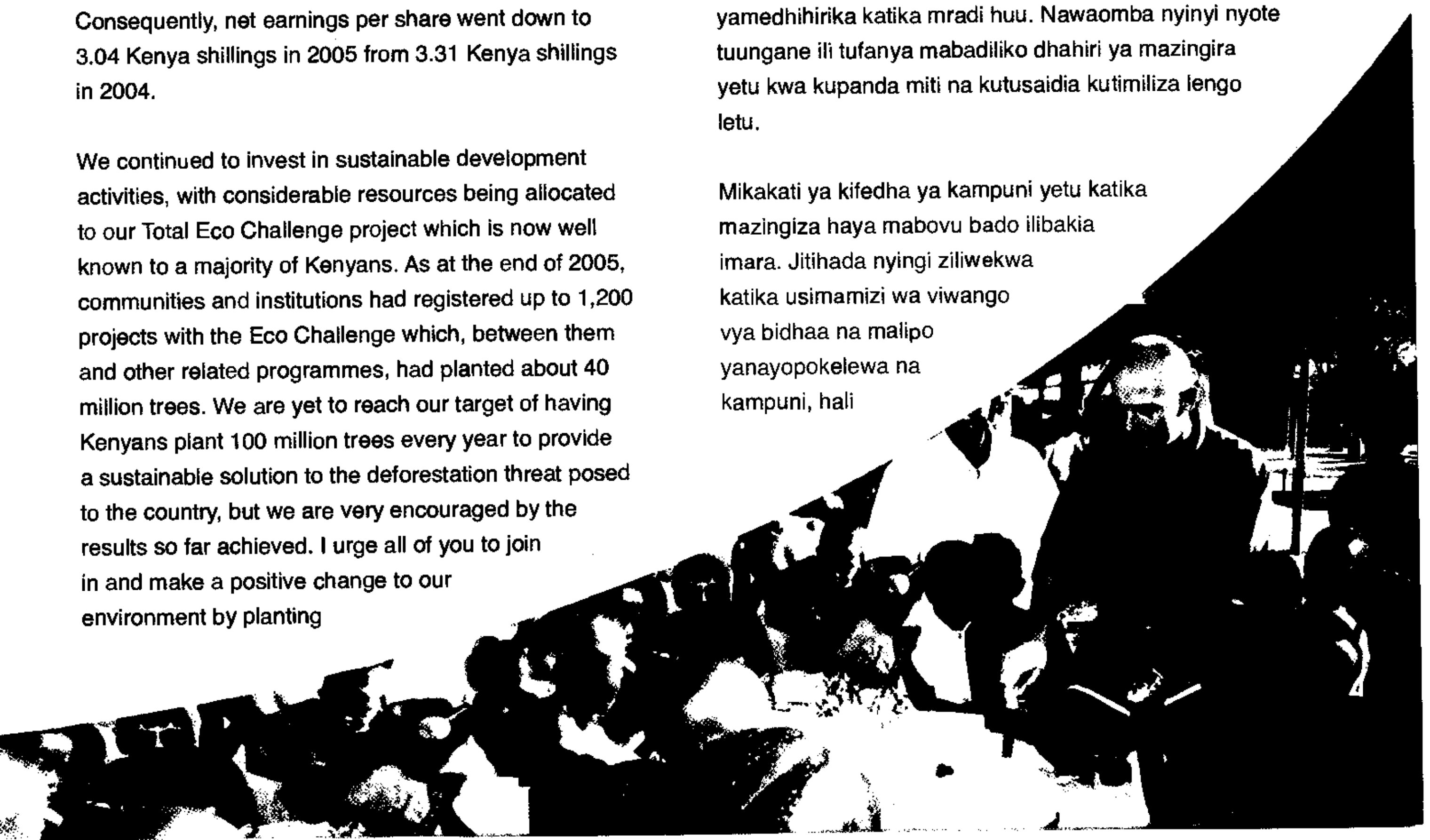
We continued to invest in sustainable development activities, with considerable resources being allocated to our Total Eco Challenge project which is now well known to a majority of Kenyans. As at the end of 2005, communities and institutions had registered up to 1,200 projects with the Eco Challenge which, between them and other related programmes, had planted about 40 million trees. We are yet to reach our target of having Kenyans plant 100 million trees every year to provide a sustainable solution to the deforestation threat posed to the country, but we are very encouraged by the results so far achieved. I urge all of you to join in and make a positive change to our environment by planting

taarifa ya mwenyekiti inaendelea

cha mauzo kiliongezeka kwa asilimia 5 hadi 757 KMT katika mwaka wa 2005 kutoka 718 KMT mwaka wa 2004, na mgao wa soko la ndani uliongezeka na kufikia takriban asilimia 21.8 mwaka wa 2005 kutoka asilimia 20.7 mwaka wa 2004. Licha ya faida ya juu ya jumla, faida kamili ya Total Kenya ilipungua kwa asilimia 8 na kufika shilingi milioni 532 pesa taslim za Kenya mwaka wa 2005. Upungufu huu umeelezewa kupitia matumizi ya juu ya kifedha yaliyochangiwa pakubwa na ongezeko la viwango vya riba na gharama ya juu ya bidhaa katika mwaka huo mzima. Kwa sababu hiyo, mapato kamili kwa mgao wa hisa yalipungua hadi shilingi za Kenya 3.04 katika mwaka wa 2005 kutoka shilingi 3.31 za Kenya mwaka wa 2004.

Tuliendelea kuwekeza katika shughuli zetu za maendeleo endelezi, huku rasilimali yakutosha ikiwekezwa katika mradi wetu wa Total Echo Challenge ambao sasa hivi unafahamika mno na wakenya wengi. Kufikia mwisho wa mwaka wa 2005, jamii mbali mbali na asasi nyinginezo zilikuwa tayari zimesajili miradi 1,200 ya Eco Challenge ambayo kati yao na miradi mingine kama hiyo, walikuwa wamepanda takribani miti Milioni 40. Bado hatujalifikia lengo letu la kuwafanya Wakenya kupanda miti milioni 100 kila mwaka ili kutoa suluhisho muafaka na la kudumu kupambana na tisho linaliokabili nchi hii kutonana na ukataji wa miti, na tunapendezwa mno na matokeo ambayo tayari yamedhihirika katika mradi huu. Nawaomba nyinyi nyote tuungane ili tufanya mabadiliko dhahiri ya mazingira yetu kwa kupanda miti na kutusaidia kutimiliza lengo letu.

Mikakati ya kifedha ya kampuni yetu katika mazingiza haya mabovu bado ilibakia imara. Jitihada nyingi ziliwekwa katika usimamizi wa viwango vya bidhaa na malipo yanayopokelewa na kampuni, hali



chairman's statement cont'd

trees and helping us achieve our target.

The financial strategy of our Company in the very volatile market environment remained prudent. A lot of effort was put in controlling the level of stocks and receivables, allowing us to keep a stable working capital requirement in spite of the increase in sales and cost of products. The company invested 695 million Kenya Shillings in 2005, mainly in the Network and LPG segments, and paid dividends of 436 million Kenya Shillings to our shareholders. As a result, our cash position went down from a negative 2,777 million Kenya Shillings in 2004 to a negative 2,972 million Kenya Shillings in 2005.

The main investments in the Network segment were the opening of new sites in Sagana and Kisii and the remodelling of some stations like Utalii and Airport View. In the same segment, we continued to invest in diversification concepts like Bonjour shops, Auto Express Service for pit stop and Auto Clean for car wash.

In the LPG segment, we made significant investments and maintained our market leadership in 2005. However, illegal refilling remained a major concern not only due to our significant investment in the channel, but more critically because of the safety concerns to the public. In a bid to encourage increased consumption of LPG, the government announced its intention to impose a universal valve for all the cylinders sold in Kenya, which was then gazetted in the second half of 2005. Unless this step is accompanied by an efficient and effective set of measures that would fight illegal refilling of LPG, the safety threat posed to consumers would be dangerously high and unwarranted.

The outlook for 2006 is one of guarded optimism. International prices, interest rates and exchange rates remain volatile, economic growth is unpredictable and the impact of the recent drought is not yet determined. Our industry is expected to benefit from fairer competition if the rules are fully adhered to by all players. We also expect the Government to set up a reliable system for tax refunds, failing which, the financial stability of the whole industry

taarifa ya mwenyekiti inaendelea

iliyotuwezesha kustahamili na kufikia vigezo imara vya mtaji wa kuendeshea kazi, licha ya kuongeza kwa mauzo na bei ya bidhaa. Kampuni iliwekeza pesa za Kenya Shilingi Milioni 695 katika mwaka wa 2005, hasa kwenye kitengo cha mtandao wa vituo vya kuuzia mafuta na katika kitengo cha LPG, na kulipa mgao wa hisa wa shilingi Milioni 436 kwa wanahisa. Kwa sababu hiyo, mahitaji yetu ya pesa taslimu yaliongezeka na kufikia milioni -2,972 ukulinganisha na milioni -2,777 katika mwaka wa 2004.

Uwekezaji mkubwa katika kitengo cha mtandao ulikuwa kuanzishwa kwa vituo vipya vya mafuta huko Sagana na Kisii na kadhalika ukarabati wa vituo vingine vya mafuta kama vile Utalii na Airport View. Katika kitengo hicho, tuliendelea kuwekeza kwenye maduka ya Bonjour, vituo ya Auto Express Service na pia Auto Clean kwa minajili ya kuoshea magari.
Katika kitengo cha LPG, tuliwekeza kwa kiasi kikubwa na kushikilia uongozi wetu wa soko kwenye kitengo hiki mwaka wa 2005.

Hata hivyo, vituo haramu vya kuwekea mafuta vinaleta wasiwasi mkubwa, sio tu kwa sababu ya uwekezaji wetu mkubwa katika kitengo hiki, lakini zaidi ya hayo ni kwamba wasiwasi wetu mkuu unalemea mno katika usalama wa wananchi. Katika njia za kuhimiza utumiaji mkubwa wa LPG, Serikali ilitangaza nia yake ya kuweka vali yenye usawa katika kila mtungi wa gesi unaouzwa humu nchini, kama ilivyotangazwa katika gazeti rasmi la kiserekali kwenye kipindi cha pili cha mwaka wa 2005. Ni mpaka hali hii iwekewe kanuni maalum zakupambana na uwekaji gesi (LPG) kinyume cha sheria kwani bila hivyo tishio hilo lililowekewa wateja linaweza kuwa hatari zaidi kwa usalamu wa watumiaji.

Mtazamo wetu wa mwaka wa 2006 ni wenye matumaini makubwa. Bei za kimataifa, viwango vya riba na viwango vya ubadilishanaji wa pesa bado havijaimarika, ukuaji wa uchumi bado hautabiriki na huku matokeo ya janga la njaa bado hayafahamiki vyema.
Sekta yetu inategemea kufaidika kutokana na ushindani ulio na usawa ikiwa sheria na kanuni zitafuatwa kikamilifu na wahusika wote. Kadhalika tunategemea kwamba Serikali itaanzisha mfumo mahususi wa kurudisha ushuru, la sivyo, misingi ya kifedha ya sekta hii itaathirika pakubwa na utoaji nje ya Kenya wa bidhaa

chairman's statement cont'd

will be deeply affected and exports of oil products from Kenya seriously jeopardized.

Our Company is one of the major players in the local oil industry and has a large portfolio of projects in all its market segments. Our solid balance sheet makes us confident that we are well positioned to resist the inevitable fluctuations of the business cycle while pursuing a policy of profitable growth in 2006. Taking all the foregoing into consideration, I wish to propose a dividend of 2.50 Kenya shillings per share.

On behalf of the board, I wish to thank the management and the entire staff of Total Kenya Limited for all their achievements in the year. Their enthusiasm and dedication to our company have produced respectable results and continue to enhance the positive image of the company. I have confidence in our ability to grow this year by taking advantage of all the opportunities of the market, but within the framework of sustainable development and on a profitable basis.

In 2005 Total Kenya celebrated the 50th anniversary of its presence in Kenya. We are proud of what we have achieved in that period of time which saw us becoming one of the leading players in the Oil industry in Kenya. In the same period, Total Kenya has created deep links with Kenya and with all Kenyans. It is our commitment to sustain and reinforce these links in 2006 and the years ahead.

taarifa ya mwenyekiti inaendelea

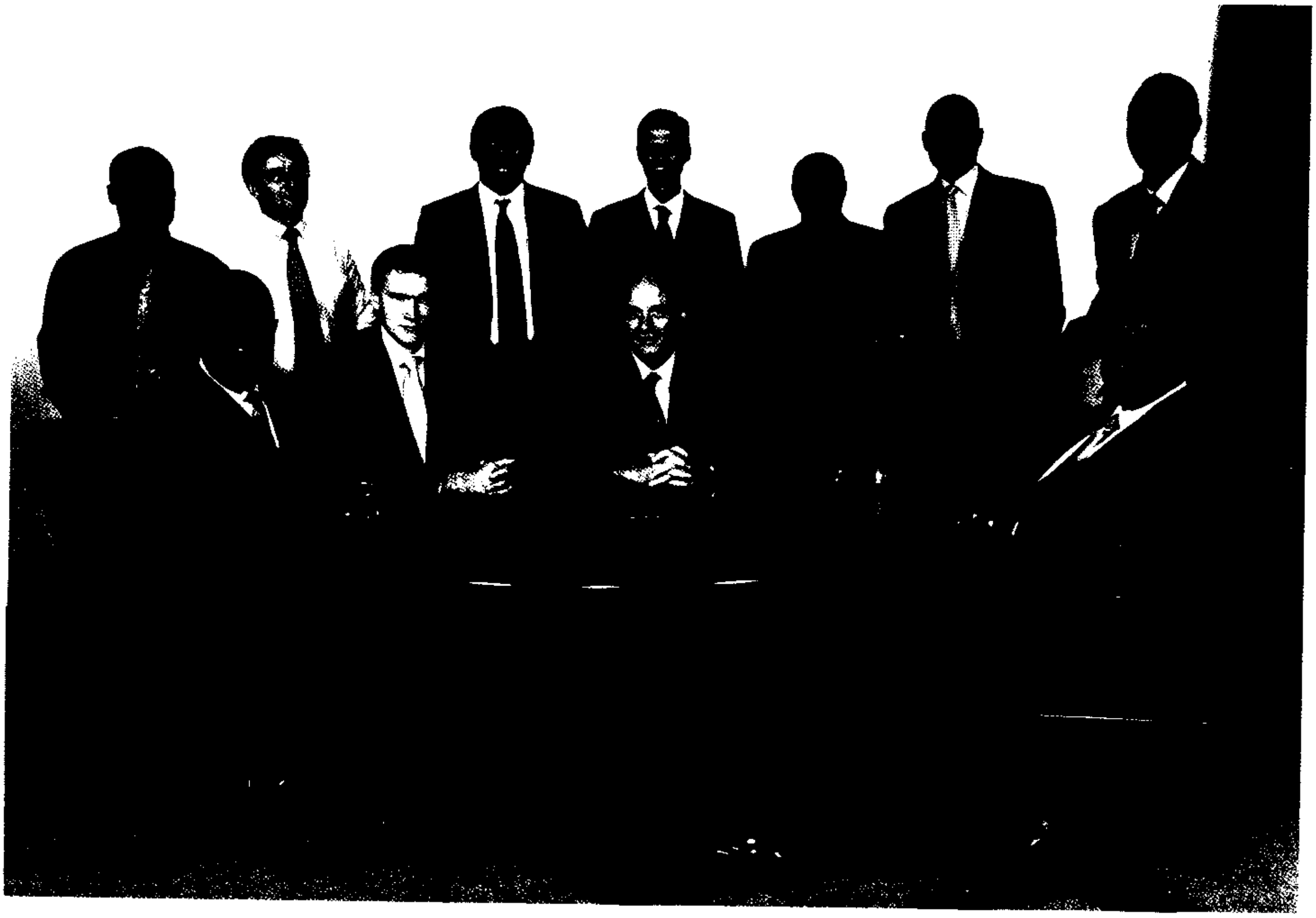
za mafuta utaathirika pia.

Kampuni yetu ni mojawapo ya kampuni kubwa husika humu nchini katika sekta ya mafuta na ina miradi mingi katika kila sehemu ya vitengo vyake vya kibiashara. Hawala zetu za kifedha zinatupa uwezo wa kuamini kwamba tuko imara na tayari kustahamili mabadiliko ya mizinguko ya biashara huku tukitafuta sera muafaka za ukuzi wenye faida katika mwaka wa 2006. Nikiyatilia maanani yale yote niliyoyaelezea, ningependa kupendekeza mgao wa mapato wa pesa za Kenya, Shilingi 2.50 kwa kila hisa.

Kwa niaba ya bodi, ningependa kuwashukuru wasimamizi na wafanyikazi wote wa Total Kenya Limited kwa matokeo yote mazuri ya mwaka huu. Bidii yao ya mchwa na kujitolea kwa dhati katika kampuni hii, kumezalisha matokeo ya kuheshimika na kuendelea kuboresha taaswira inayofaa ya kampuni hii. Nina imani kubwa katika uwezo wetu wa kukua mara dufu mwaka huu kwa kuchukua fursa ya nafasi zilizopo kwenye soko letu, lakini kwa kuzingatia mfumo uliopo wa maendeleo endelezi na uundaji faida.

Katika mwaka wa 2005, Total Kenya Limited, ilisherehekea miaka 50 ya uendeshaji wa biashara humu nchini. Tunajivunia yote yale tuliyoyachuma katika kipindi hicho ambayo yametufanya kuwa miongoni mwa viongozi wa sekta hii ya mafuta humu nchini. Katika kipindi hicho, Total Kenya imejenga uhusiano wa kina na Kenya kama nchi pamoja na Wakenya wote. Ni wajibu wetu kuendeleza na kuboresha uhusiano huu katika mwaka wa 2006 na miaka mingine ijayo.

management executives



Seated from Left to Right: Joseph Adewa (Commercial Manager), Olivier Lassagne (Network Sales Manager), Bertrand Fontanges (Managing Director), Lilian Kageenu (Special Projects Manager) and James Kamau (Health, Safety, Environment and Quality Manager).

Standing from Left to Right: Kevin Manuhwa (Internal Audit Manager), Jean-François Balay (EA Lubes Manager), Partha Majumder (Operations Manager), Emmanuel Morand-Fehr (Finance Manager), Tom Maganga (Planning and Supply Manager), Maurice K'Anjejo (Corporate Affairs Manager), Adele Tura (Human Resources and General Administration Manager).

management report

OVERVIEW OF TOTAL KENYA'S FINANCIAL YEAR

The company's four business segments are:

- the Network segment, which includes the distribution of petroleum products through 102 service stations located all over the country;
- the General Trade segment, which includes sales of a broad range of products to all sizes of corporates and parastatals;
- the Aviation segment, which comprises of sales of turbine kerosene and aviation gasoline to local and international air carriers;
- the Export and Bulk segment, which comprises of sales of our full range of products to neighbouring countries and some other industry players.

The market conditions in 2005 were characterised by:

- increase in inland market by about 10% due to economic growth especially from tourism, transport,manufacturing, agriculture and construction;
- political uncertainty and delay in the implementation of the reforms promised by the government, resulting in lower investor confidence and other economic uncertainties
- unpredictable international context (Iraq, terrorism, etc.);
- rise in international prices of crude and petroleum products;
- fairer competition because of the implementation of the single entry point in Mombasa. However, enforcement of rules in the industry remains a concern. Examples here include waivers given to some importers in Mombasa region allowing importation of bulk oil products into private depots instead of using the single entry point and the continued illegal refilling of LPG cylinders;
- payment of taxes and duties on oil products at the point of entry into the country, which has negatively impacted our cash flow;
- delay by the Government in setting up a reliable system for tax refunds, which jeopardizes the profitability of the whole oil industry in Kenya and the exports of oil products business from Kenya;
- appreciation of the Kenya Shilling against the US dollar;
- stability of interest rates.

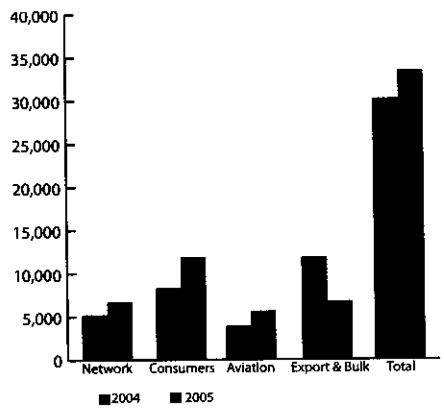
Despite this volatile and unpredictable environment, Total Kenya performed well in 2005, simultaneously recording increases in sales, market share and profitability.

MARKET SHARES

Total Kenya inland market shares increased from 20.7% in 2004 to an estimated 21.8% in 2005. This is mainly due to our performance in the General Trade segment. Aviation and LPG segments market shares decreased slightly. As a result Total Kenya remained one of the major players in the oil industry.

SALES AND RESULTS

Total Kenya sales increased from 718 KMT in 2004 to 757 KMT in 2005, an increase of 5% over one year. Inland market sales went up by 16% from 513 KMT in 2004 to 594 KMT in 2005. The combined effect of the growth in volumes sold and the increase in international prices resulted in growth in the consolidated net turnover by 6% from 31.8 billion Kenya shillings in 2004 to 33.5 billion Kenya shillings in 2005.



Total Kenya's internal growth in terms of volumes and market shares was achieved on a profitable basis. The gross profit increased by 3% from 2,609 million Kenya shillings in 2004 to 2,695 million Kenya shillings in 2005 while the operating profit increased by 2% from 1,062 million Kenya shillings in 2004 to 1,082 million in 2005. All the Company's business segments had a positive contribution to the operating profit in 2005. The growth in gross profit is explained mainly by the increase in sales. Unit margin levels remained satisfactory, thanks to the Company's effective supply policy.

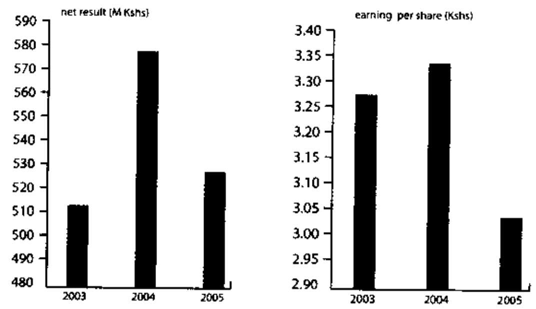
management report (cont'd)

In 2005 we decided to provide for old items accounted for in trade debtors in order to properly cover our risks. Provisions were also made for old/disputed balances in competitor accounts and some tax claims still not refunded by Kenya Revenue Authority. This includes a provision of the amount in dispute and in Court concerning the import of the Crude done through the Industry Tender in November 2004. Although we are confident in the outcome of the case, we decided to fully provide for the outstanding amount in view of the age of the dispute.

Despite the increase in provision for bad and doubtful debts, other operating expenses remained at a level close to the previous year. This can be attributed to a reduction in maintenance costs, 2004 having borne the costs of the renovation campaign of all our stations. As part of the staff retention and motivation initiative, there was deliberate effort by management to increase salaries, especially for staff whose salaries were low compared to the market. This explains the 16% increase in salaries and wages in 2005.

Financial costs increased significantly from 130 million Kenya shillings in 2004 to 284 million Kenya shillings in 2005. This is mainly attributable to the higher interest rates which went up from about 2% to about 10% during the second half of 2004 and remained at this level in 2005. The overall cash position decreased by 195 million Kenya shillings. The working capital requirements decreased by 293 million Kenya shillings, mainly due to the very strong efforts put during the last quarter of the year to better control the level of our stocks and to enforce customer credit terms. There was a high level of investments in 2005 which amounted to 695 million Kenya shillings. This mainly relates to construction of new stations and a new LPG filling plant in Nairobi. The overall cash position was further affected by the payment of the 436 million Kenya shillings 2004 dividend.

As a combination of all the above factors, the profit before taxation decreased from 932 million Kenya shillings in 2004 to 798 million Kenya shillings in 2005, a decrease by 14%. Profit after tax decreased from 577 million Kenya shillings in 2004 to 532 million Kenya shillings in 2005, a decrease of 8%. This resulted in a slight decrease in earnings per share from 3.31 Kenya shilling per share in 2004 to 3.04 Kenya shilling per share in 2005.



NETWORK

The market environment was difficult in 2005. Competition was tough in a market which recovered and grew by about 10%, benefiting from the economic growth, after a decrease by 3% in 2004 and by 9% in 2003. Following the implementation of the single entry point in Mombasa, competition was fairer except in Western Kenya where cases of dumping continued to be reported. This led to a recovery in the volumes sold and market shares. Total Kenya sales went up by 11% in 2005 at 116 KMT compared to 105 KMT in 2004. Market shares went up from 15.6% in 2004 to 15.8% in 2005. Because of the significant increase in sales and the rise in international prices, the net turnover in this segment went up from 5.1 billion Kenya shillings in 2004 to 6.8 billion Kenya shillings in 2005. Despite the stiff competition, the profitability of the Network segment remained at an acceptable level, with the Company continuing to strategically rely on its nationwide presence.

Total Kenya completed a renovation campaign in 2004 whose objective was to enhance and to modernize its service stations image. The effects of these were fully realised in 2005. We have opened new sites in Sagana and Kisii and remodelled some others like Utalii and Airport View. The objective is to invest in areas where population and traffic are growing. We have also reinforced our team which now shares the values of dynamism, pro-activity and self motivation to increase the quality of service provided to our customers. The range of our services has also improved and diversified through new concepts like Bonjour for our shops, Auto Clean for car wash and Auto Express Service for pits stops. Our

management report (cont'd)

target is to fully meet the expectations of our customers. In 2005 we launched the "Café" in our Bonjour shops and our customers can now purchase fresh made sandwiches and juices. The Bon Voyage fuel card launched in 2002 is very successful and has improved the loyalty of our customers. Our continuing strategy aims to make the Company the best service provider in the oil industry in Kenya.

Network – Key figures	2005	2004	%
Number of service stations	102	100	-
Market shares* (excl. LPG)	15.8%	15.6%	+0.2%
Volumes sold (excl. LPG) – K MT	116	105	+11%
Turnover – net of taxes	6,761	5,082	+33%

* Market shares for 2005 are estimates based on the latest official data known

GENERAL TRADE

The General Trade market increased significantly in 2005 by about 13% after an increase of 29% in 2004. This was as a result of higher demand in some key economic sectors of the country like tourism, agriculture (tea and horticulture especially), telecommunications, manufacturing and building and construction and a better control of dumping of duty free products. In that context, Total Kenya recorded a superb performance in this segment: volumes sold increased by 22% in 2005 at 343 KMT compared to 280 KMT in 2004 and market shares went up from 23.1% in 2004 to an estimated 25.2% in 2005. A good and a consistent strategy, a more competitive supply and logistic organisation and a range of innovative solutions offered to our customers led to these results. On the LPG market, Total Kenya continued to grow, with sales increasing from 14.2 KMT in 2004 to 16.0 KMT in 2005. Nevertheless, it was still less than expected because the reforms to encourage gas consumption in Kenya, which is low compared to other African countries and which could be an effective means of preventing deforestation, have not been fully implemented.

While the turnover increased by 54% from 9.0 billion Kenya shillings in 2004 to 13.7 billion Kenya shillings in 2005, the financial contribution of this segment to the Company's income met more than the expectations.

General Trade – Key figures	2005	2004	%
Market shares* (excl. LPG)	25.2%	23.1%	+2.1%
Volumes sold (excl. LPG) – K MT	343	280	+22%
Turnover – net of taxes	13,657	8,984	+54%

* Market shares for 2005 are estimates based on the latest official data known

AVIATION

The aviation market increased significantly by about 8% in 2005. The international context was difficult for this segment because of the war in Iraq, terrorist threats and the rise in international prices which led to an increase in the cost of air tickets. In Kenya the situation was more favourable mainly because of the significant growth of tourism. Volumes sold increased by 5% from 114 KMT in 2004 to 119 KMT in 2005. As this was less than the market's growth, our market share decreased from 21.3% in 2004 to 20.7% in 2005. The increase in volumes sold combined with high international prices led to a significant increase in this segment's turnover, from 4.2 billion Kenya shillings in 2004 to 5.7 billion Kenya shillings in 2005. Because of a very stiff competition on this market, our unit margins decreased. Thus the profitability of the aviation segment did not meet our expectations.

Consumer – Key figures	2005	2004	%
Market shares*	20.7%	21.3%	-0.6%
Volumes sold – K MT	119	114	+5%
Turnover – net of taxes	5,749	4,193	+37%

* Market shares for 2005 are estimates based on the latest official data known

management report (cont'd)

EXPORTS AND BULK

Total Kenya has developed a significant export activity in East Africa where the Company supplies other Total Group companies and a portfolio of non-group customers. It also sells on spot basis at low margins, bulk products to other oil companies in Kenya. Bulk sales are normally very unpredictable thus the 20% decrease in sales from 98 KMT in 2004 to 78 KMT in 2005. Our exports business was deeply affected by the new tax regulations on exports from Kenya: the sales went down by 21% from 107 KMT in 2004 to 86 KMT in 2005. The turnover generated by these activities decreased by 45% from 13.5 billion Kenya shillings in 2004 to 7.4 billion Kenya shillings in 2004.

FINANCIAL POSITION

The environment in 2005 was very tough and competitive. The Kenya Shilling appreciated against the US Dollar and interest rates remained at a high level of around 10%, after having moved up from less than 2% during the second half of 2004. In that context the company chose to maintain a prudent financial strategy even though our financial requirements increased during the year.

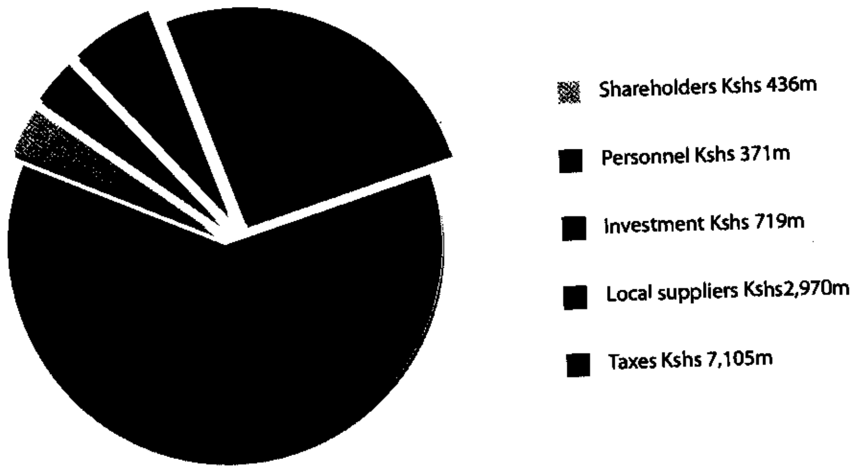
Despite the rise in international crude and oil products prices and a higher level of activity in 2005, our working capital requirements decreased by 293 million Kenya shillings, mainly due to our strong efforts to control our stocks and to make our customers pay according to the agreed credit terms. In fact, due to the decrease of our working capital requirements and the satisfactory level of our operating profit, cash flow generated from operating activities amounted to 937 million Kenya shillings in 2005. Cash used in investing activities amounted to 695 million Kenya shillings, mainly comprising of investments made in the network and LPG segments. Cash used in financing activities amounted to 436 million Kenya shillings which was the amount of dividends paid to our shareholders. As a result of these, our cash position deteriorated in 2005 by 195 million Kenya Shillings and reached a negative balance of 2,972 million Kenya Shillings.

The deterioration of our cash flow position led to a deterioration of our net debt-to-equity ratio which went up from 61% in 2004 to 64% in 2005 whereas our equity-to-total-liability ratio remained stable at 43%. Proper monitoring of our working capital requirements will remain one of our priorities of the coming months in order to reduce our financial expenses. The Company's balance sheet remains solid and is well positioned to resist the fluctuations in the business cycle, while pursuing a policy of profitable growth.

management report (cont'd)

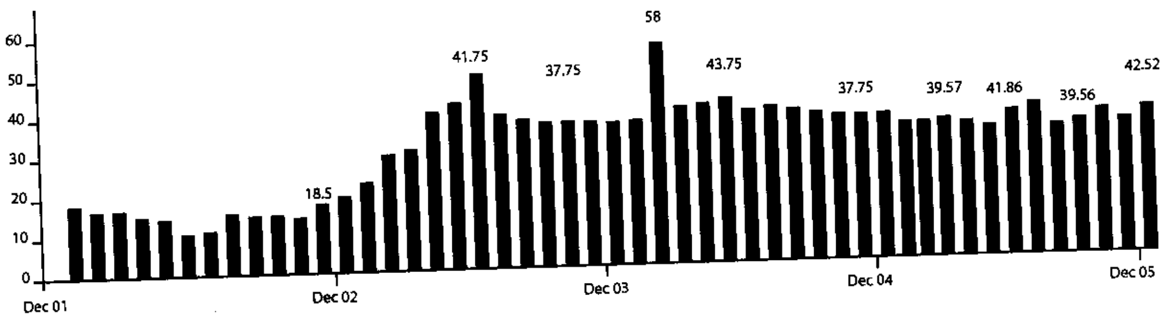
CONTRIBUTION TO THE KENYAN ECONOMY

During the year, the company continued to have a significant contribution to the Kenyan economy as it carried on with its business and corporate responsibility activities. The financial impact on the economy was Kshs 11.6 billion in 2005. (2004 Kshs 10.5 billion). This comprised of the following:

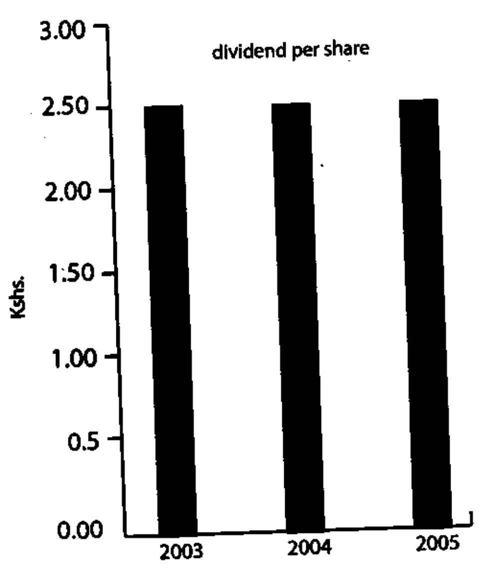


SHARE PRICE AND PROPOSED DIVIDEND

During the year 2005, the price was stable at around 40 Kenya shilling per share, as shown below:



The proposed dividend for the year is 2.50 Kenya shillings per share, the same level as the last two years.



management report (cont'd)

SHAREHOLDERS ANALYSIS

TOP TEN SHAREHOLDERS

Shareholder's name	Number of shares	%
Total Outre-Mer	126,327,070	72.16%
Total Africa Ltd	10,732,950	6.13%
Barclays (Kenya) Nominees Ltd -A/C 1256	1,500,000	0.86%
The Jubilee Insurance Company Ltd	1,248,034	0.71%
Barclays (Kenya) Nominees Ltd -A/C 1853	1,055,454	0.60%
Insurance Company of East Africa Ltd - Pooled	1,016,088	0.58%
Benjamin Emmett Joseph	481,239	0.27%
Barclays (Kenya) Nominees Ltd -A/C 1860	487,000	0.27%
Kenya Commercial Bank Nominees Ltd -A/C 744	450,000	0.25%
Phoenix East Africa	450,000	0.25%

SHARES DISTRIBUTION SCHEDULE

(i) By number of shares range	Number of shareholders	Number of shares
1-1000	1,890	932,545
1,001-100,000	2,527	21,222,890
100,001-500,000	45	11,029,675
500,001-1,000,000	0	0
1,000,000 and over	6	141,879,596
Total	**4,468**	**175,064,706**
(ii) By type of shareholder		
Foreign individuals	21	242,887
Foreign institutions	2	137,060,020
Local individuals	3,755	20,123,416
Local institutions	890	17,638,383
Total	**4,468**	**175,064,706**

statement of directors' responsibilities

The Kenyan Companies Act 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 as at the end of the financial year and of the company's profit or loss for that period. It also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of the company's profit. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Bertrand Fontanges
Director
15th March 2006

Michael Karanja
Director

independent auditors' report
to the members of TOTAL KENYA LIMITED

Certified Public Accountants (Kenya)
"Kirungii"
Ring Road Westlands
P.O. Box 40092 - 00100
Nairobi
Kenya
Telephone: +(254-20) 4441344/05-12
Facsimile: +(254-20) 4448966
Dropping Zone Box No. 92
E-mail: admin@dtti.co.ke

Deloitte & Touche

We have audited the financial statements on pages 25 to 46 for the year ended 31 December 2005 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 23 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, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 December 2005 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

Deloitte & Touche

15th March 2006

Total Kenya Limited

income statement

For the year ended December 31,

	[illegible]	2004 Kshs'000
Gross sales	[illegible]	**37,628,109**
Indirect taxes and duties	[illegible]	(5,870,751)
Net sales (Note 2)	[illegible]	**31,757,358**
Cost of sales	[illegible]	(29,148,507)
Gross profit	[illegible]	**2,608,851**
Other income	[illegible]	117,130
Depreciation and amortisation (Note 9 & 11)	(228,796)	(197,081)
Amortisation of prepaid operating leases (Note 10)	(6,164)	(6,479)
Amortisation of acquisition goodwill (Note 12)	-	(29,920)
Impairment of prepaid operating leases (Note 10)	(16,100)	-
Other operating expenses (Note 3)	[illegible]	(1,430,675)
Operating profit	**1,062,446**	**1,061,826**
Finance charges, net (Note 4)	(264,256)	(130,188)
Profit before taxation	**798,190**	**931,638**
Taxation (Note 6)	[illegible]	(354,631)
Net profit for the year	[illegible]	**577,007**
Earnings per share (basic and diluted) (Note 7)	[illegible]	**Kshs 3.31**
Dividend per share (Note 8)	[illegible]	**Kshs 2.50**

Total Kenya Limited

balance sheet

As of December 31,

	2005 Kshs'000	2004 Kshs'000
ASSETS		
Non-current assets		
Property, plant and equipment (Note 9)	**1,977,957**	1,529,433
Prepaid operating leases (Note 10 ii)	**420,325**	412,710
Intangible assets (Note 11)	**881**	1,105
Goodwill (Note 12)	**336,604**	336,604
Deferred taxation asset (Note 13)	**38,254**	50,172
Total non-current assets	**2,774,021**	**2,330,024**
Current assets		
Inventories (Note 14)	**2,902,972**	3,669,985
Accounts receivable (Note 15)	**3,209,989**	3,498,459
Amounts due from related companies (Note 16(i))	**525,223**	749,506
Taxation recoverable (Note 6 (iii))	**93,709**	-
Call deposits (Note 17)	**200,000**	-
Bank and cash balances	1,067,382	300,815
Total current assets	**7,999,275**	**8,218,765**
TOTAL ASSETS	**10,773,296**	**10,548,789**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital (Note 18 ii)	**875,324**	875,324
Share premium	**1,967,520**	1,967,520
Revenue reserve	**1,773,805**	1,242,244
Proposed dividends	-	437,663
Shareholders' equity	**4,616,649**	**4,522,751**
Current liabilities		
Trade and other payables (Note 19)	1,471,192	2,560,600
Amounts due to holding company	**334,381**	341,091
Amounts due to related companies (Note 16(ii))	**106,983**	11,622
Unpaid dividends	**4,469**	3,245
Taxation payable (Note 6 (iii))	-	31,227
Short term bank borrowings (Note 20)	**4,239,622**	3,078,253
Total current liabilities	**6,156,647**	**6,026,038**
TOTAL EQUITY AND LIABILITIES	**10,773,296**	**10,548,789**

The financial statements on pages 25 to 46 were approved by the board of directors on 15 March 2006 and were signed on its behalf by:

Bertrand Fontanges } Directors
Michael Karanja

statement of changes in equity

For the year ended December 31, 2005

	Share capital Kshs'000	Share premium Kshs'000	Revenue reserve Kshs'000	Proposed dividend Kshs'000	Total equity Kshs'000
As of 1 January 2004	**840,414**	1,741,427	**1,102,900**	437,663	**4,122,404**
Sale of treasury shares	34,910	226,093	-	-	261,003
Dividends paid - 2003	-	-	-	(437,663)	(437,663)
Net profit for the year	-	-	577,007	-	577,007
Proposed dividends - 2004	-	-	(437,663)	437,663	-
As of 31 December 2004	**875,324**	**1,967,520**	**1,242,244**	**437,663**	**4,522,751**
Dividends paid - 2004	-	-	-	(437,663)	(437,663)
Net profit for the year	-	-	531,561	-	531,561
As of 31 December 2005	**875,324**	**1,967,520**	**1,773,805**	-	**4,616,649**

cash flow statement

For the year ended December 31,

	2005 Kshs'000	2004 Kshs'000
OPERATING ACTIVITIES		
Cash generated from/(used in) operations (Note 21 (i))	1,659,512	(911,797)
Interest paid	(345,526)	(67,384)
Interest received	2,291	1,285
Taxation paid	(379,647)	(368,526)
Net cash generated from/(used in) operating activities	**936,630**	**(1,346,422)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(719,143)	(351,837)
Purchase of leasehold land	(1,800)	(6,017)
Proceeds on disposal of property, plant and equipment	25,807	13,434
Proceeds on disposal of leasehold land	143	-
Net cash used in investing activities	**(694,993)**	**(344,420)**
FINANCING ACTIVITIES		
Sale of treasury shares	-	261,003
Dividends paid	(436,439)	(439,182)
Net cash used in financing activities	**(436,439)**	**(178,179)**
Net decrease in cash and cash equivalent	**(194,802)**	**(1,869,021)**
Cash and cash equivalent as at 1 January	**(2,777,438)**	**(908,417)**
Cash and cash equivalent as at 31 December (Note 21 (ii))	**(2,972,240)**	**(2,777,438)**

notes to the financial statement

1. ACCOUNTING POLICIES

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

The principal accounting policies adopted remain unchanged from the previous year except as stated below:

Adoption of new and revised International Financial Reporting Standards

In 2005 several new and revised standards became effective for the first time and have been adopted by the company where relevant to its operations. Except for the change in IFRS 3 which required discontinuation of amortisation of goodwill, the adoption of the other revised standards had no effect on the amounts reported for the current or prior years. These changes in presentation and disclosure were as follows:

- IFRS 3 now requires the discontinuation of amortisation of goodwill, elimination of the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill and subsequently testing of goodwill for impairment in accordance with IAS 36.
- IAS 10 has affected the presentation of proposed dividends.
- IAS 16 has required the disclosure of comparative figures for movements in property and equipment.
- IAS 24 has required the disclosure of the compensation of key management personnel.

At the date of authorisation of these financial statements, IFRS 6 on exploration for and evaluation of mineral assets and IFRS 7 on financial instruments disclosures were in issue but not yet effective. The adoption of these Standards, when effective, will have no material impact on the financial statements of the company.

a. Basis of accounting

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

b. Consolidation

The company's operations were merged with those of its only subsidiary Elf Oil Kenya Limited, with effect from 1 January 2005. For a fair presentation, these financial statements have been prepared as if the merger took effect on 1 January 2004 and hence the consolidated balances of the financial statements for the year ended 31 December 2004 have been used as comparatives.

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 installments over their estimated useful lives. The annual rates in use are:

Freehold land	Nil		
Buildings	2%	-	15%
Plant, motor vehicles and other equipment	5%	-	25%
Furniture, fittings and office equipment	10%	-	33.3%

Additional depreciation, as a result of revaluation of property, plant and equipment over depreciation based

notes to the financial statement (cont'd)

on historical cost is transferred annually from revaluation reserve to revenue reserve.

e. Leasehold land

Payments to acquire leasehold interests in 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 initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Prior to 1 January 2005, goodwill was amortised on a straight line basis over an estimated economic life of 15 years. In 2005, IFRS 3 effective for periods beginning after 15 January 2005, required the discontinuation of amortisation of goodwill, elimination of the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill and subsequent testing of the goodwill for impairment in accordance with IAS 36

For the purpose of impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of the goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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. 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.

i. Financial instruments

Financial assets and liabilities are recognized on the company's balance sheet when the company has become a party to the contractual provisions of the instrument.

In connection with international trading activities, the company uses derivative instruments to adjust its exposure to expected fluctuations in the prices of crude oil and refined products. In order to hedge against this risk, the company uses various instruments such as currency swaps and forward exchange contracts on organized markets. All derivative contracts are marked-to-market and the related realized gains and losses are recorded in the income statement.

j. Accounts receivable

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. Movement in provision for doubtful receivables is dealt with in the income statement. Bad debts are written off when all reasonable steps to recover them have failed.

k. Short term bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of

notes to the financial statement (cont'd)

the instrument to the extent that they are not settled in the period they arise. Interest and other finance charges are recognised as an expense in the period which they are incurred.

l. 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.

m. 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 converted 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.

n. 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.

o. 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.

p. Employee benefit costs

The company 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 company. Benefits are paid to retiring staff in accordance with the scheme's rules.

The company 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 KES 200 per employee per month.
Contributions by the company 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.

q. Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

r. Cash and cash equivalents

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

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.

s. Treasury shares

Treasury shares held by the subsidiary company in the

notes to the financial statement (cont'd)

prior year in its individual accounts were deducted from the consolidated shareholders equity.
Proceeds on sale of treasury shares were recognised as a change in equity.

t. Earnings per share

Earnings per share are calculated by dividing the net income by the weighted average number of ordinary shares outstanding during the year. In the prior year, treasury shares were deducted from consolidated shareholders equity and were not considered outstanding for the purpose of this calculation.

u. Impairment of assets

At each balance sheet date, the company reviews the carrying amount of its financial, tangible and intangible assets to determine whether there is any indication that the assets have suffered impairment. If any such indication exists, the assets recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

v. Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
The key areas of judgement in applying the entities accounting policies are dealt with below:

Impairment losses
At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.
Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss, other than that arising from goodwill, is recognised as income immediately.

w. Comparatives

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

notes to the financial statement (cont'd)

2. 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 the total income. Net sales by business segments are shown below.

(i) Primary reporting format – business channels

For the year ended December 31,	[illegible]	2004 Kshs'000
Network	[illegible]	5,082,286
General trade	[illegible]	8,983,729
Aviation	[illegible]	4,193,158
Export and bulk	[illegible]	13,498,185
Total net sales	[illegible]	**31,757,358**

(ii) Secondary reporting format – geographical segments

For the year ended December 31,	[illegible]	2004 Kshs'000
Local sales	[illegible]	26,396,676
Export sales	[illegible]	5,360,682
Total net sales	[illegible]	**31,757,358**

3. OTHER OPERATING EXPENSES

For the year ended December 31,	[illegible]	2004 Kshs'000
Directors' emoluments - fees	[illegible]	1,600
- other emoluments	[illegible]	8,522
Auditors' emoluments	[illegible]	3,300
Personnel expenses (Note 5)	[illegible]	324,531
Repairs and maintenance	[illegible]	208,513
Technical assistance	[illegible]	129,099
Operating lease rentals	[illegible]	70,626
Provision for obsolete and defective stocks	[illegible]	8,589
Provision for doubtful debts	[illegible]	30,480
Other expenses	[illegible]	645,415
Total other operating expenses	[illegible]	**1,430,675**

4. FINANCIAL CHARGES, NET

For the year ended December 31,	2005 Kshs'000	2004 Kshs'000
Financial charge on borrowings	**345,526**	67,384
Financial income	**(2,291)**	(1,285)
Net (gain)/loss on foreign exchange	**(58,979)**	64,089
Financial charges, net	**284,256**	**130,188**

notes to the financial statement (cont'd)

5. PAYRDLL AND STAFF

For the year ended December 31,	2005 Kshs'000	2004 Kshs'000
Personnel expenses		
Wages and salaries	256,015	223,405
Pension costs – defined contribution plans	30,525	20,107
Provision for accrued leave	8,595	9,851
Other costs	63,756	71,168
Total personnel expenses	**358,891**	**324,531**
Average number of employees (permanent staff)	**283**	**283**

6. TAXATIDN

For the year ended December 31,	2005 Kshs'000	2004 Kshs'000
(i) Taxation charge		
Current taxation based on adjusted profit for the year at 30%	250,857	323,909
Prior year underprovision/(overprovision)	3,854	(1,843)
	254,711	**322,066**
Deferred taxation charge (Note 13(ii))	11,918	32,565
	266,629	**354,631**
(ii) Reconciliation of taxation charge to expected tax based on accounting profit		
Accounting profit before taxation	798,190	931,638
Tax at the applicable rate of 30%	239,457	279,491
Tax effect of expenses not deductible for tax	25,932	40,675
Tax effect of income not subject to tax	(2,614)	(476)
Prior year underprovision/(overprovision)	3,854	(1,843)
Deferred tax written off	-	36,784
Taxation charge	**266,629**	**354,631**
(iii) Taxation recoverable/(payable)		
Balance brought forward	(31,227)	(77,687)
Income statement charge	(254,711)	(322,066)
Payments during the year	379,647	368,526
Balance at 31 December	**93,709**	**(31,227)**

notes to the financial statement (cont'd)

7. EARNINGS PER SHARE

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

For the year ended December 31,	[redacted]	**2004**
Profit after taxation (Kshs' 000)	[redacted]	577,007
Weighted average number of ordinary shares on issue – basic (in thousands)	[redacted]	174,483
Earnings per share (Kshs)	[redacted]	3.31

Diluted earnings per share

The Total Kenya Limited ordinary shares (treasury shares) held by Elf Oil Kenya Limited were sold to the public during the year 2004 at market price and there were no potentially dilutive shares outstanding at year end. Consequently, the diluted earnings per share is the same as basic.

For purposes of computing the weighted average number of ordinary shares on issue, the treasury shares are deducted from the total ordinary shares issued.

8. DIVIDENDS

During the year, a dividend of Kshs 2.50 per share relating to the year ended 31 December 2004 was paid to shareholders.

In respect of the current year, the directors propose that a dividend of Kshs 2.50 per share be paid out to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is Kshs 438 million.

Payment of dividends to members is subject to withholding tax at the rate of 5% for residents and 10% for non-residents. For locally incorporated companies, withholding tax is only deductible where the shareholding is below 12.5%.

notes to the financial statement (cont'd)

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Kshs'000	Plant, motor vehicles and other equipment Kshs'000	Furniture, fittings and office equipment Kshs'000	Work in progress Kshs'000	Total Kshs'000
COST OR VALUATION					
1 January 2004	726,642	1,560,202	183,834	74,507	2,545,185
Additions	21,645	130,106	38,512	161,574	351,837
Disposals	(6,651)	(34,661)	(3,597)	-	(44,909)
Transfer from work in progress	41,466	52,500	-	(93,966)	-
31 December 2004	**783,102**	**1,708,147**	**218,749**	**142,115**	**2,852,113**
1 January 2005	783,102	1,708,147	218,749	142,115	2,852,113
Reclassifications	(28,600)	-	(3,303)	-	(31,903)
Additions	113,866	367,992	25,501	211,784	719,143
Disposals	(1,577)	(39,474)	(505)	-	(41,556)
Transfer from work in progress	-	152,512	-	(152,512)	-
31 December 2005	**866,791**	2,189,177	**240,442**	201,387	**3,497,797**
DEPRECIATION					
1 January 2004	206,757	813,647	131,636	-	1,152,040
Charge for the year	21,358	144,803	27,042	-	193,203
Disposals	(2,428)	(17,557)	(2,578)	-	(22,563)
31 December 2004	**225,687**	**940,893**	**156,100**	-	**1,322,680**
1 January 2005	225,687	940,893	156,100	-	1,322,680
Reclassifications	-	-	(1,708)	-	(1,708)
Charge for the year	31,134	164,124	29,719	-	224,977
Disposals	(1,057)	(24,547)	(505)	-	(26,109)
31 December 2005	**255,764**	1,080,470	**183,606**	-	**1,519,840**
NET BOOK VALUE					
31 December 2005	**611,027**	1,108,707	**56,836**	201,387	**1,977,957**
31 December 2004	**557,415**	767,254	**62,649**	142,115	**1,529,433**

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.

notes to the financial statement (cont'd)

9. PROPERTY, PLANT AND EQUIPMENT – (Cont')

As of 31 December 2005, items of property, plant and equipment stated at cost/valuation can be analysed as follows:

	Land and buildings Kshs'000	Plant, motor vehicles and other equipment Kshs'000	Furniture, fittings and office equipment Kshs'000	Work in progress Kshs'000	Total Kshs'000
At cost	809,676	2,091,293	236,213	201,387	3,338,769
At valuation - 1986	56,915	97,884	4,229	-	159,028
Total – cost/valuation	**866,791**	**2,189,177**	**240,442**	**201,387**	**3,497,797**

At 31 December 2005, the net book value of property, plant and equipment based on original cost was Kshs 1,977,957,608 (2004 – Kshs 1,529,433,125). The revaluation surplus has been fully amortised.

Property, plant and equipment with a cost of Kshs 752,399,480 (2004 – Kshs 454,504,120) were fully depreciated at 31 December 2005. The notional depreciation charge in respect of these property, plant and equipment amount to Kshs 99,806,160 (2004 – Kshs 47,722,989).

10. PREPAID OPERATING LEASES

	2005 Kshs'000	2004 Kshs'000
COST		
At 1 January	[illegible]	474,773
Reclassification from land and buildings	[illegible]	-
Additions	[illegible]	6,017
Disposals	[illegible]	(100)
At 31 December	[illegible]	**480,690**
AMORTISATION		
At 1 January	67,980	61,524
Amortisation for the year	[illegible]	6,479
Impairment loss	[illegible]	-
Disposal	[illegible]	(23)
At 31 December	[illegible]	**67,980**
NET BOOK VALUE		
At 31 December	[illegible]	**412,710**

notes to the financial statement (cont'd)

11. INTANGIBLE ASSETS

	2005 Kshs'000	2004 Kshs'000
COST		
At 1 January	28,558	28,558
Reclassification from furniture, fittings and office equipment	3,303	-
At 31 December	**31,861**	**28,558**
AMORTISATION		
At 1 January	27,453	23,575
Reclassification from furniture, fittings and office equipment	1,708	-
Charge for the year	1,819	3,878
At 31 December	[illegible]	**27,453**
NET BOOK VALUE		
At 31 December	[illegible]	**1,105**

The intangible assets relates to accounting, payroll and other computer software acquired by the company.

12. GOODWILL

	[illegible]	2004 Kshs'000
COST		
At 1 January	[illegible]	448,804
Elimination of accumulated amortisation	[illegible]	-
At 31 December	[illegible]	**448,804**
AMORTISATION		
At 1 January	[illegible]	82,280
Amortisation for the year	[illegible]	29,920
Elimination of accumulated amortisation	[illegible]	-
At 31 December	[illegible]	**112,200**
IMPAIRMENT		
Impairment recognised in the year	[illegible]	-
NET BOOK VALUE		
At 31 December	**336,604**	336,604

The goodwill arose from the acquisition of a subsidiary, Elf Oil Kenya Limited, in March 2001.

The company tests goodwill annually for impairment. At 31 December 2005, goodwill was allocated to stations that were operating profitably and no impairment loss was assessed.

notes to the financial statement (cont'd)

13. DEFERRED TAXATION ASSET

(i) The net deferred taxation asset is made up as follows:

	[redacted]	2004 Kshs'000
Accelerated capital allowances		(4,936)
Unrealised exchange differences		(16,543)
General provisions		(28,693)
Net deferred taxation asset		(50,172)

(ii) Movement on the deferred tax account is as follows:

	[redacted]	2004 Kshs'000
At 1 January		(82,737)
Income statement charge (Note 6 (i))		32,565
At 31 December		**(50,172)**

Deferred taxation is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2004 - 30%).

In 2004, the deferred taxation asset in respect of tax losses from the subsidiary company was not recognised as the subsidiary's operations were in the process of being merged with those of the company. The tax losses would therefore not be available for offset against the company's future profits.

14. INVENTORIES

As of December 31,	[redacted]	2004 Kshs'000
Raw materials and crude oil		504,792
Refined products		2,964,195
Consumables and accessories		289,965
Provision for obsolete and defective stocks		(88,967)
Total Inventories		**3,669,985**

15. ACCOUNTS RECEIVABLE

As of December 31,	[redacted]	2004 Kshs'000
Trade receivables		3,594,106
Other receivables and prepayments		541,136
Provision for doubtful debts		(636,783)
Total accounts receivable		**3,498,459**

notes to the financial statement (cont'd)

16. RELATED PARTIES

(i) Amounts due from related companies

As of December 31,	2005 Kshs'000	2004 Kshs'000
Total Uganda	140,675	123,075
Total Tanzania	2,763	14,775
Total International	-	218,333
MASI Djibouti	-	228,892
Fina Congo	102,928	-
Total Rwanda	118,409	-
Other Total related companies	160,448	164,431
	525,223	**749,506**

(ii) Amounts due to related companies

As of December 31,	2005 Kshs'000	2004 Kshs'000
Total International	68,366	-
Total Cameroon	-	6,148
Other Total related companies	38,617	5,474
	106,983	11,622

17. CALL DEPOSITS

As of December 31,	2005 Kshs'000	2004 Kshs'000
Call deposit - Bank of Africa Limited	200,000	-
	200,000	-

The effective interest rate on call deposits was 9.44% per annum.

18. SHARE CAPITAL

(i) Number of shares

As of December 31,	In thousand of shares 2005	2004
Authorised ordinary shares of Sh 5 each	181,630	181,630
Issued and fully paid ordinary shares of Sh 5 each:		
Ordinary shares	173,013	173,013
Ordinary Class A shares	2,052	2,052
Total issued shares	**175,065**	175,065

notes to the financial statement (cont'd)

(ii) Issued share capital

As of December 31,	2005 Kshs'000	2004 Kshs'000
Authorised ordinary share capital	**908,150**	**908,150**
Issued and fully paid:		
Ordinary shares	865,067	865,067
Class 'A' ordinary shares	10,257	10,257
As of 1 January and As of 31 December	**875,324**	**875,324**

(iii) Shareholding structure

As of December 31,	2005	2004
	In thousand of shares	
Total Outre Mer	126,327	126,327
Total Africa Limited	10,733	10,733
Total stable shareholders	**137,060**	**137,060**
Class A shares	2,052	2,052
Other shareholders	35,953	35,953
Total issued shares	**175,065**	**175,065**

Class A ordinary shares relate to the shares held by the employees of the company and are not traded at the stock exchange. During the 2005 Annual General Meeting, the shareholders passed a special resolution allowing the conversion of class A ordinary shares to normal ordinary shares with effect from 1 January 2006. The conversion has not yet been effected as the necessary approvals have not been given by the Capital Markets Authority.

19. TRADE AND OTHER PAYABLES

As of December 31,	[redacted]	2004 Kshs'000
Trade payables	[redacted]	2,370,054
Other payables and accruals	[redacted]	190,546
Total payables	[redacted]	**2,560,600**

20. SHORT TERM BORROWINGS

As of December 31,	[redacted]	2004 Kshs'000
Bank overdrafts	[redacted]	5,303
Short term bank loans	[redacted]	3,072,950
Total short term borrowings and bank overdraft	[redacted]	**3,078,253**

notes to the financial statement (cont'd)

Interest rates

The borrowings are repayable on demand or within three months and are unsecured. These facilities are primarily contracted with international banks. Interest on borrowings is based on prevailing money market rates. The weighted average interest rates paid on borrowings during the year were as follows:

For the year ended December 31,	2005	2004
Average interest rate on short term borrowings	8.42 %	3.39 %

Analysis by currency

As of December 31,	2005 Kshs'000	2004 Kshs'000
Kenya Shilling	2,792,822	2,226,303
United States dollar	1,447,000	851,950
Total short term borrowings and bank overdraft	**4,239,822**	**3,078,253**

Cash and cash equivalents

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.

21. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of operating profit to cash generated from/(used in) operations

For the year ended December 31,	2005 Kshs'000	2004 Kshs'000
Operating profit	**1,082,446**	**1,061,826**
Adjustments for:		
Net gain/(loss) on foreign exchange	58,979	(64,089)
Depreciation	224,977	193,203
Amortisation - goodwill	-	29,920
Impairment – prepaid operating leases	16,100	-
Amortisation – prepaid operating leases	6,164	6,479
Amortisation – intangible assets	1,819	3,878
(Profit)/loss on disposal of property, plant and equipment	(9,962)	8,989
Operating profit before working capital changes	**1,380,503**	**1,240,206**
Decrease/(increase) in inventories	767,013	(487,993)
Decrease/(increase) in accounts receivables	288,470	(1,757,884)
(Decrease)/increase in trade and other payables	(1,089,408)	1,848,628
Decrease in amount due to holding company	(6,710)	(1,278,850)
Movement in balances with related companies	319,644	(475,904)
Cash generated from/(used in) operations	**1,659,512**	**(911,797)**

notes to the financial statement (cont'd)

(ii) Analysis of the balances of cash and cash equivalents as shown on the balance sheet

As of December 31,	2005 Kshs'000	2004 Kshs'000
Bank and cash balances	[illegible]	300,815
Call deposit	[illegible]	-
Bank overdrafts	[illegible]	(5,303)
Short term loans	[illegible]	(3,072,950)
Cash and cash equivalents	[illegible]	**(2,777,438)**

22. RELATED PARTY TRANSACTIONS

(i) Transaction with related companies

During the year the company made purchases amounting to Kshs 5,604 million (2004 – Kshs 12,504 million) from the holding company and other companies related to it by virtue of common shareholding. The company also earned revenue of Kshs 1,811 million (2004 – Kshs 1,048 million) from related companies.

The company purchased plant and equipment amounting to Nil (2004- Kshs 12.5 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 122 million (2004- Kshs 129 million).

The amount due to the holding company in relation to these transactions is Kshs 334 million (2004 – Kshs 341 million). Other amounts due to/from related companies are shown on note 16.

Sales and purchases to/from related parties were made on terms and conditions similar to those offered to major customers or available from major suppliers.

(ii) Key management compensation

The remuneration of directors and other members of key management were as follows:

As of December 31,	2005 Kshs'000	2004 Kshs'000
Salaries and other short-term employment benefits	32,719	28,489
Post-employment benefits	1,759	1,418
	34,478	**29,907**
(iii) Directors' remuneration		
Fees for services as a director	[illegible]	1,600
Other emoluments (included in key management compensation above)	[illegible]	8,522
	[illegible]	**10,122**

notes to the financial statement (cont'd)

23. COMMITMENTS AND CONTINGENCIES

Guarantees and bonds

As of December 31,	2005 Kshs'000	2004 Kshs'000
Total commitments given	1,061,849	491,965
Total commitments received	291,366	240,834

Commitments given include primarily customs bonds. The bonds are held in the ordinary course of business. The increase is due to additional bonds required to facilitate operations following new rules for tax payment and transit product accounting introduced by the government in August 2005. No losses are anticipated in respect of these contingent liabilities.

Commitments received include primarily customer guarantees.

Commitments received/given are all held with local banks.

Capital commitments

Commitments related to construction work and purchase of assets at the year end for which no provision has been made in these financial statements are as stated below:

As of December 31,	2005 Kshs'000	2004 Kshs'000
Network and commercial installations	226,563	218,572
Plant and equipment	249,423	410,804
Accounting software	27,573	70,641
Office equipment, furniture and fittings	11,098	83,061
Total capital commitments	**514,657**	**783,078**

Foreign currency agreements

In connection with international trading activities, the company uses derivative instruments to adjust its exposure to expected fluctuations in the prices of crude oil and refined products. In order to hedge against this risk, the company uses various instruments such as currency swaps and forward exchange contracts on organized markets. Commitments and contingencies related to the company's financial derivatives activities as at year-end were nil. Any amounts that would be outstanding would normally indicate the levels of notional involvement by the company and are not indicative of an unrealized gain or loss.

Legal claims

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 company's operations, financial position or liquidity.

Industry dispute

The company is involved in a dispute with other oil companies over the price to be applied for the re-invoicing of November 2004 industry crude import which was shipped by the company under the contractual arrangements of the Open Tender System (OTS). The matter is currently before court for arbitration. The company directors and legal advisers are of the opinion that the final decision will be in the company's favour. The total amount in dispute over the tender is Kshs 106 million, which has been fully provided for in the financial statements.

notes to the financial statement (cont'd)

24. OPERATING LEASE COMMITMENTS

As of December 31,	2005 Kshs'000	2004 Kshs'000
Maturing within one year	10,262	8,923
Maturing over one year to five years	15,373	35,070
Total operating lease commitments	**25,635**	**43,993**

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

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

26. ASSETS PLEDGED AS SECURITY

As at 31 December 2005, there were no assets pledged by the company to secure liabilities.

27. INCORPORATION

Total Kenya Limited is a limited liability company incorporated and domiciled in Kenya under the Kenyan Companies Act. The parent company is Total Otre Mer while the ultimate holding company is Total S.A, both incorporated in France.

28. CURRENCY

The financial statements are presented in Kenya Shillings thousands (Kshs-000).

notes to the financial statement (cont'd)

29. FIVE-YEAR SUMMARIZED CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

i) INCOME STATEMENT

			Kshs Million		
For the year ended December 31,	**2005**	**2004**	**2003**	**2002**	**2001**
Gross sales	40,547.5	37,628.1	22,393.2	16,291.3	17,926.0
Indirect taxes and duties	(6,998.0)	(5,870.7)	(3,660.9)	(3,627.7)	(3,652.6)
Net sales	**33,549.5**	31,757.4	**18,732.3**	12,663.6	**14,273.4**
Cost of sales	(30,854.8)	(29,148.5)	(16,739.3)	(10,767.1)	12,893.1)
Gross profit	**2,694.7**	2,608.9	**1,993.0**	1,896.5	**1,380.3**
Expenses and other income	(1,612.3)	(1,547.1)	(1,232.8)	(1,186.0)	(1,131.4)
Operating profit	**1,082.4**	1,061.8	**760.2**	710.5	**248.9**
Interest charges, net	(284.3)	(130.2)	(3.6)	(89.0)	(567.8)
Exceptional charges, net	-	-	-	(16.7)	-
Profit before taxation	**798.1**	931.6	**756.6**	604.8	**(318.9)**
Taxation	(266.6)	(354.6)	(241.7)	(244.6)	96.8
Net profit for the year	**531.5**	577.0	**514.9**	360.2	**(222.1)**

ii) BALANCE SHEET

			Kshs Million		
As of December 31,	**2005**	**2004**	**2003**	**2002**	**2001**
ASSETS					
Non-current assets					
Property, equipment and leases	2,398.3	1,942.1	1,806.4	1,880.5	1,959.5
Goodwill	336.6	336.6	366.5	396.4	426.4
Other intangible assets	0.8	1.1	5.0	15.4	18.4
Deferred taxation	38.3	50.2	82.7	74.7	166.0
Total non-current assets	**2,774.0**	2,330.0	**2,260.6**	2,367.0	**2,570.3**
Current assets					
Inventories	2,903.0	3,670.0	3,182.0	1,268.0	2,165.5
Other current assets	3,828.9	4,247.9	2,036.7	2,239.5	2,287.2
Cash and cash equivalent	1,267.3	300.8	380.7	237.7	107.2
Total current assets	**7,999.2**	8,218.7	**5,599.4**	3,745.2	**4,559.9**
TOTAL ASSETS	**10,773.2**	10,548.7	**7,860.0**	6,112.2	**7,130.2**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	875.3	875.3	840.4	779.6	525.2
Share premium	1,967.5	1,967.5	1,741.4	1,348.2	690.3
Revaluation surplus	-	-	-	-	6.4
Revenue reserves	1,773.8	1,242.2	1,102.9	994.7	923.0
Proposed dividends – gross	-	437.7	437.7	297.6	-
Total capital and reserves	**4,616.6**	4,522.7	**4,122.4**	3,420.1	**2,144.9**
Current liabilities					
Trade and others	1,917.0	2,947.8	2,448.5	1,611.3	2,959.5
Short term borrowings	4,239.6	3,078.2	1,289.1	1,080.8	2,025.8
Total current liabilities	**6,156.6**	6,026.0	**3,737.6**	2,692.1	**4,985.3**
TOTAL EQUITY AND LIABILITIES	**10,773.2**	10,548.7	**7,860.0**	6,112.2	**7,130.2**

proxy form

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

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

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

of address... whom failing ....

.... of address ....

as my/our proxy to vote for me/us on my behalf at the Annual General Meeting of the Company to be held on 3rd May 2006 at the French Cultural Centre and at any adjournment thereof.

Signed .... this .... day of 2006

NOTE:

1. This proxy is to be delivered to the Company's registered office not later than 3.00pm on 1st May 2006 failing which it is invalid.

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