TOTAL

contents

Our

To be a leader in the quality of our products and services.

To be a leader in profitability and return to our stakeholders.

To be the most responsible and preferred company in the region

Our

The purpose of Total Kenya is to market quality petroleum products and services to its customers responsibly and profitably in an innovative way to ensure that the public will come and continue to turn to Total.

Notice of the Annual General Meeting

Notice is hereby given that the 56th Annual General Meeting of the Company will be held at the KICC, Aberdares and Lenana Meeting rooms, Nairobi on Wednesday, 2 June 2010 at 11.00 a.m. to transact the following business:

Ordinary Business

1. To read the notice convening the meeting, table proxies and to confirm the presence of a quorum.
2. (i) To confirm the minutes of the 55th Annual General meeting held on 19 May 2009.
   (ii) To confirm the minutes of the Extraordinary General meeting held on 19 October 2009.
3. To receive, consider and adopt the Financial Statements for the year ended 31 December 2009 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.
4. To declare a dividend of Ksh 1/- per share in respect of the financial year ended 31 December 2009 payable to the holders of Ordinary Shares and Redeemable Preference Shares registered in the Register of Members as at close of business on 2 June 2010.
5. To approve the Directors' fees for the financial year ended 31 December 2009.
6. To re-elect Directors:-
   (i) Mr Alain Champeaux retires in accordance with Article 97 of the Company's Articles of Association and, being eligible, offers himself for re-election.
   (ii) Mr Hervé Allibert retires in accordance with Article 97 of the Company's Articles of Association and, being eligible, offers himself for re-election.
   (iii) Mr Olivier Berthaud retires in accordance with Article 97 of the Company's Articles of Association and, being eligible, offers himself for re-election.
7. To re-appoint Messrs Deloitte & Touche 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.

Special Business

Amendment to the Articles of Association

8. To consider and, if thought fit, pass the following resolution as a Special Resolution:-

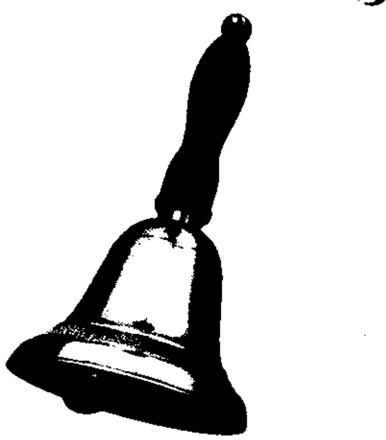
   "That the Articles of Association of the Company be amended by incorporating a new Article 123(a) as follows:

   123(a) The Directors, and any committee of the Directors, shall be deemed to meet together if, being in separate locations, they are nonetheless linked by conference telephone, visual or other communication equipment which allows those participating to hear and speak to each other and a quorum for such meetings shall nonetheless be in accordance with Article 116. Such meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chairman of the meeting then is."

BY ORDER OF THE BOARD

J L G MAONGA
SECRETARY

Date: 25 March 2010



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, Regal Plaza, Limuru Road, Parklands P O Box 30736, 00100-Nairobi, or posted in time to reach not later than 10.00 am the close of business on 31 May 2010.

Directors and Professional Advisers

Directors	Hervé Allibert * — Chairman Felix Majekodunmi** — Managing Director (Also alternate to Hervé Allibert as Chairman) Alain Champeaux* Olivier Berthaud* Michael Karanja Franck Dessaintjean* — (Alternate to Felix Majekodunmi) Joseph Adewa — (Alternate to Olivier Berthaud) Maurice K'Anjejo — (Alternate to Alain Champeaux) * French ** Nigerian
Secretary	J L G Maonga P.O Box 30029-00100 Nairobi Kenya
Head Office and Registered Office	Regal Plaza, Limuru Road P O Box 30736-00100 Nairobi Kenya
Auditors	Deloitte & Touche Certified Public Accountants (Kenya) "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

The directors present their report together with the audited financial statements for the year ended 31 December 2009.

CHANGES IN THE YEAR

During the year, the company purchased 100% shareholding in Total Marketing Kenya Limited (formerly Chevron Kenya Limited) from the holding company Total Outre Mer. This purchase of Total Marketing Kenya Limited was approved by shareholders on 19th October 2009 during an extra ordinary general meeting.

With effect from 1 November 2009, the operations of Total Marketing Kenya Limited were merged with those of Total Kenya Limited and this was achieved through a business sale agreement which resulted in the transfer of all Total Marketing Kenya Limited business, assets and liabilities to Total Kenya Limited. Total Marketing Kenya Limited remains dormant upon transfer of its operations to Total Kenya Limited.

ACTIVITY

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

RESULTS

The results for the year are as follows:

	KES'000
Profit before taxation	733,699
Taxation	(251,114)
Profit for the year transferred to revenue reserve	**482,585**

Report of The Directors

DIRECTORS

The present membership of the Board is set out on page 2. Maurice K'Anjejo was appointed as an alternate director to Alain Champeaux following the resignation of Lawrence Kinyanjui on 9 December 2009.

DIVIDEND

The directors recommend a first and final dividend of KES 1.00 (2008 KES 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
SECRETARY
Date: 4th March 2010

Hervé Allibert - Chairman

[illegible]

Felix Majekodunmi - Managing Director

[illegible]

Board of Directors' Profiles

Alain Champeaux

[illegible]

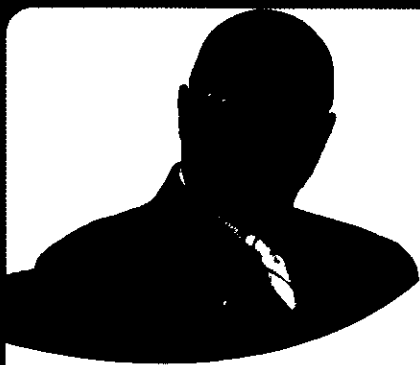
Micheal Karanja

[illegible]

Olivier Berthaud

Maurice K'Anjejo

Frank Dessaintjean



Joseph Adewa

J. L. G. Maonga

Corporate Status

Total Kenya Limited is part of the global Total Group, which is the fourth largest publicly-traded integrated international oil and gas company in the world.

Total is deeply rooted in Kenya's economy and society, with long-term investments amounting to many billions of shillings. Kenyans have a major stake in the company. Total has been operating in Kenya for the past 55 years; it was and still is the first multinational oil company to be quoted on the Nairobi Stock Exchange; and is a key part of Kenya's essential services infrastructure. It is one of the largest revenue generators for the exchequer, and has been a consistent leader in technical innovation, service quality and community project action.

Core business

Total Kenya's core business is the distribution of petroleum fuels and lubricants and related products to industry, transport, commercial and domestic users throughout Kenya.

Mainstream products

Mainstream fuel products include automotive gasoline (petrol) and gasoil (diesel), liquified petroleum gas (LPG), dual purpose kerosene (DPK, both Illuminating kerosene and Jet A1), Aviation fuel (Avgas), Industrial diesel and Fuel Oil. The Company also markets Bitumen, which is a residue of the crude oil refining process from which all the other products are derived.

Company Profile

The range of lubricants includes state-of-the-art grades of engine and transmission oils and greases for all applications in automotive and industrial machinery of all kinds.

The company also provides related products such as formulated coolants, distilled water, brake fluids and cleaning compounds.

The facilities

All of Total's facilities conform to an international "Premier" standard, especially in relation to personnel, customer, environmental and user-equipment safety, through both built-in design, the integrity of equipment, and strict operational codes.

These systems are enforced by requirement, reinforced by training, and maintained by constant monitoring and special inspection.

At Total stations, for example, these standards apply to every aspect from construction of buildings to fail-safe wiring, underground seepage barriers, oil and grease traps, the integrity of equipment, the skill and discipline of personnel, supervision controls, and emergency response procedures

Both design and operations ensure clean and spacious lay-outs, clear signage, smooth traffic flows, and efficient function. Staff are well trained and constantly up-graded.

Personnel performance

All Total staff receive regular and specialist training. Teamwork, professionalism and energy are the corporate culture. This creates a performance ethic that ensures every task and service - whether at the reception desk of an office, the docking station of a depot or under-bonnet checks on a station forecourt - is friendly, proficient and quick.

Station services

Total stations offer a wide and ever-increasing range of value added services - all delivered to the highest quality standards. All Total stations are both an oasis of services for travelers and an integral part of their local community.

Business conduct

Total's own business is run to a high standard of integrity and professionalism in all respects, and all its investments, employment practices, safety-health-environment commitments and commercial dealings guarantee these qualities.

Total has achieved ISO 9001-2000 Certification (relating to customer-focussed quality management and constant improvement throughout its network), ISO 14001-2011 (for environmental management), and ISSSRS Level 3 (excellent) rating in Safety Achievement. Total has a non-stop programme to recertify, further upgrade and extend these systems in all its operations.

The company constantly innovates and invests - in people, equipment, and systems - to ensure it offers the best possible service to its customers in competitive value, reliable delivery, management and structural support and administrative efficiency.

Innovation

Creative thinking and action is more than just a buzzword at Total. It is an ever-present part of the Company's marketing strategy and performance delivery - a determination to make good products and services even better, to tailor both even more exactly to customer preferences, to respond to technical, market and lifestyle dynamics, and to take a competitive position and add even more value.

Kenya's LPG market was limited to 12 kg cylinders for many decades. It was Total who introduced the more portable and lower-cost 6 kg Meko for lower-budget consumers, and added a simple stove attachment, and a light attachment, and then an even smaller Baby Meko. In parallel, Total invested heavily in high-capacity storage and the most sophisticated refilling facilities - as ever backing the idea with physical capacity and real performance.

Lubrication bays are commonplace. Total upgraded theirs through Pit Stop for an even faster and more thorough service, including a 44-point diagnostic check. This has since been superseded by Auto Express with high-tech bulk oil dispensers to further cut time and costs for customers. Each of these evolutions has been accompanied by equipment upgrades and rigorous staff training.

Fuel cards have become universal currency. Total's Bon Voyage was the first to introduce SMART technology (which is programmable to enhance security and personalized flexibility) as opposed to the conventional magnetic strip.

Total did not simply buy title to the Kenya Motorshow. It was a partner in founding, designing and running the event, and a prime mover in its subsequent growth to international stature and regional pre-eminence.

The Total Eco Challenge is no off-the-peg project. Its concept and design, conceived and developed entirely by Total Kenya are unique. Its success is unprecedented in the promotion of tree planting, and it is also a best practice model for any sustainable development project.

That is the essence of Total Kenya. Being the best and always striving to be even better.

Introduction

Corporate Governance (CG) is the process by which companies are directed, controlled and held to account. CG standards are set to improve stakeholder value, by ensuring companies are responsibly structured and operated, are transparent and accountable in their conduct, and deliver accurate financial information.

Total Kenya Limited, through its Group and Company codes of conduct, complies with the highest CG standards, both nationally and internationally. CG standards and performance are regularly reviewed, to ensure the company is always up-to-date in this dynamic field, and strictly compliant.

Board of Directors

The Directors are appointed by the shareholders on a three-year term. They may stand for re-election. The current composition of the Board is given on page 6 and 7 of this report.

Implementation of the Board's directives is delegated through a Management Committee, which comprises all heads of department, and an Audit Committee. The management structure has a clear framework and is governed by precise organisational procedures, in which all staff is specifically trained and which have built-in checks and controls.

Corporate Governance

Audit Committee

The Audit Committee established by the Board contains at least three directors and is headed by an independent, non-executive director. In selecting the members of the Committee, the Board pays particular attention to their financial and accounting qualifications and experience. During the year, members of the committee were:

Chairman	-	Michael Karanja
Member	-	Franck Dessaintjean
Member	-	Maurice K'Anjejo

The principal responsibilities of this Committee include reviewing financial reports, internal audit reports, management letters and other information it orders to be tabled. The Committee holds at least four formal meetings each year which are also attended by the external auditors. It may also meet with the Managing Director, perform inspections and interview managers of the company at any time deemed appropriate or necessary.

Management Committee

This Committee, comprising the Managing director and all the Heads of Departments, meets every fortnight to review performance, discuss issues, map out on-going operational strategies, and optimise co-ordination of all the Company's business processes. It serves as a channel for communication and feedback on issues that affect the business and performance of the Company in the short to medium term.

Tender Committee

This Committee, focussed on monitoring and evaluation of procurement policies, comprises the following people:

Finance Director	- Chairman
Corporate Affairs Manager	- Secretary and Member
Operations Manager	- Member
HSEQ Manager	- Member
HR & Admin Manager	- Member and Alternate Secretary
Marketing Manager	- Member

They ensure all tenders are conducted in an open and unbiased manner, in compliance with the laid down procedures. The Committee ensures the Company's procurement process conforms to the Group's standards and is independent of any interference.

Communication with the Shareholders

The company provides timely and appropriate information to shareholders through publication of quarterly accounts and the Annual Report, and holds an annual face-to-face briefing. Shareholders are also advised of all important events that impact the Company's operation.

Relations with Employees

Key activities include regular staff communication meetings, team building processes, performance evaluation and training, career management, safety briefs and regular staff communication bulletin (Flash). In addition to these mechanisms, the company encourages dialogue and warm relations as part of the working culture of every employee.

Corporate Social Responsibility (CSR)

Total Kenya regards CSR as a fundamental and priority investment - in focus, time, resources and funding - in both its core business operations and in external programmes. The translation of these principles into practice is amplified in the Company Profile/Social Report section of this document.

Major external programmes embrace issues of:

Environment - through the "Total Eco Challenge" campaign.

Health - through Total's "Be Alive" programme

Education - through "the "Franco Fun" TV Quiz and other school inputs

Culture - through the "Spotlight on Kenyan Music" and other cultural events.

Total Kenya is also an active member of leading business and sector federations, is the co-founder and title sponsor of the Total Kenya Motorshow, and has numerous other engagements in sports, social and charitable events as direct participants and/or through resource support.

It should be emphasised that the principles which these external projects champion are also universally and deeply embedded in all of Total Kenya's internal operations. External CSR benefits from some of a company's time and some of a company's money. Internal operations embrace all of a company's time, and all its human, financial and physical resources. Total Kenya does not merely drive the ideas and promote the ideals of CSR with part of itself. It lives by them, in everything it does.

The principles

Total believes CSR must be integral to the core business itself, as well as extending outside it. It is not enough to express the principles of CSR in bolt-on projects - they must be built-in to everything the company does.

Total Kenya tries to live by this self-imposed standard: The presence of Total in Kenya, and everything Total does in Kenya, must be of real and sustainable benefit to the country and its people.

Certainly, Total Kenya is a business, not a charity; the company's shareholders have invested to achieve the maximum sustainable return. But just as certainly, there are choices of how the company's objectives are met. It is those choices which truly determine a company's CSR commitment and value.

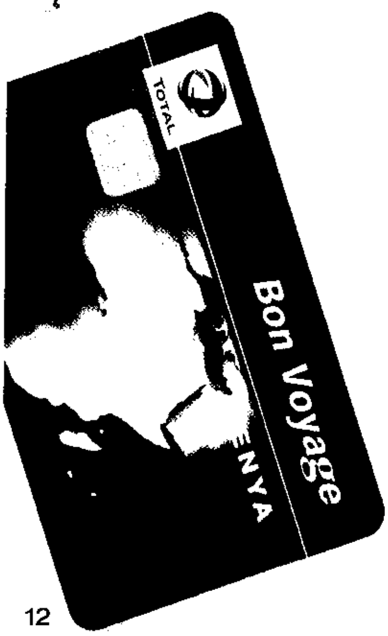
This ethos is so all-embracing that we do not make a distinction between our company profile and our social report. They are one.

Social News

In practice

Total Kenya secures and distributes millions of litres of products per year. The company's "responsibility" extends to the specification and purity of every drop. Kenya's industrial and transport efficiency, individuals' personal property, human safety and environmental health depend on it.

Total Kenya has invested and re-invested for more than 50 years in infrastructure and equipment - bunkering, depots, bulk storage, transport systems, a national network of now 192 stations - to ensure these products are readily available throughout Kenya, conveniently and competitively. The technical quality and operational performance of these systems (far above any statutory requirement) are the company's "responsibility".



All the people involved in all these systems are Total's responsibility - that their workplace is safe and healthy, that they have the skills and equipment to do the job expertly, that they are managed and motivated, that they have opportunity to advance, that they are treated with respect and that the company makes provision for their welfare and recognizes each one as part of a wider family and community. That applies to the close to 400 people directly employed by Total Kenya, and over 2000 who are part of Total Kenya's "extended family" of dealerships.

Further, as a major business and a quoted public company, Total Kenya recognizes that it has a responsibility to thousands of local shareholders, the national economy, the exchequer, the whole business sector, and as an engine of national performance and development.

Here, too, the company strives for nothing less than best practice in its business conduct and professionalism, its integrity, accountability, and its long-term commitment to national best interests.

In every respect, Total Kenya aims to achieve the maximum quality and benefit that is physically possible. The difference between the lowest standard permitted and the highest standard achievable is enormous. That difference is the measure of Total's CSR - first and above all in its core business.

This commitment is strongly represented by the name of Total Kenya's in-house team spirit - "Total Attitude!"

In addition

Total Kenya looks beyond its business operations and relationships - what more can it do, where can it give the most effective help - in the pillar issues of environment, health, education, culture... These projects involve Total people as well as Total is money, and are carefully chosen for their real social merit.

Environment

Total Kenya passionately believes that the most important single factor in Kenya's welfare and future prospects is a healthy environment. If Kenya can look after its forests and lakes and rivers, and therefore its climate and soil and water security, it will be better able to face any and all internal and external challenges.

In counterpoint, if it fails to create and maintain a healthy environment, its future will be imperiled - come what may. These stark principles supersede any other topical detail of national policy or practice.

In parallel, Total Kenya believes the single greatest threat to Kenya's environment is deforestation (a critical mass of trees is crucial to stable climate, fresh air, abundant water and fertile soil). And yet, the current and foreseeable reality is that Kenya needs to use wood - in vast quantities - as a primary source of energy for cooking and heating, and as a raw material for production and construction.

In response to this dichotomy, Total Kenya has devised a unique campaign called the "Total Eco Challenge", to encourage the planting of trees...outside forests...for sustainable use! Through awareness, inspiration, awards, and technical support the Total Eco Challenge has become the platform for the biggest tree-planting initiative Kenya has ever seen, so far embracing 3,000 projects directly involving 3 million people, and planting a total of nearly half-a-billion trees in its first six years.

The target is to keep planting at least 100 million more trees per year, every year, for ever. Total Kenya stands alongside the people of Kenya - every man, woman and child, every organization - in this commitment.

The Eco Challenge slogan of "Miti ni Mali, Miti Tosha" has been further focused in the campaign call for "One person, One event, One tree".

The Eco Challenge concept, originated in Kenya, is now spreading to other countries. Total Kenya is regularly advising, internationally, on implementation of the campaign, through multi-media public education, production and distribution of informational materials, direct technical support for projects through a full-time forester, matching corporate funding to community needs, co-ordinating supply-demand balances and sources, dedicating retail outlets as Tree Centres for information and seedling supply, support for nurseries, staging stakeholder conferences, an annual gala awards system, appointment of Tree Ambassadors, website and hotlines services, and more, all driven by essential and overarching principles of sustainable development which Total Kenya has crystallized and which are applicable to any project, worldwide.

Social News *continued*

Education

While the Total Eco Challenge is reflexively listed under "Environment", every aspect of its operations - awareness, inspiration, awards, and technical support - is also a public education campaign, delivering to millions of Kenyans a really practical, hands-on knowledge of tree species, seed collection, nurseries design and management, improved planting techniques, tree nurture, harvesting and use.

In literally hundreds of schools throughout Kenya, teachers and pupils are running Total Eco Challenge tree planting projects as part of the curriculum! In these and all other projects, people are not only growing trees; they are growing knowledge, about the trees themselves, their context in eco balances, about resource harvesting and commercial values.

Projects are not only nurturing seedlings, but also mind-sets and ideas. They are not only changing a landscape; they are giving the national culture a new dimension.

Total Kenya also delivers on its educational responsibility in more conventional ways - most notably through in-house professional training of staff, through a youth programme called Franco-Fun, and in several projects which distribute French language learning materials to schools and colleges throughout Kenya.

Total Kenya has a Training and Development section anchored in its Human Resources Department and a well-equipped training centre. Core subjects include safety, technical, cross function and management skills.

In 2009, this system delivered a total of 922 on-the-job training days to nearly 300 employees 192 of which were safety related

The effectiveness of safety training is reflected in performance. In 2009 the number of serious incidents in plant was nil.

Total's training has a strong international component, with staff from other parts of the world coming to learn in Kenya, and Kenyan staff receiving overseas postings. In 2009 alone 22 members of staff benefited from this programme. Total Kenya also runs French language courses to widen employees' career horizons.

Health

Total's "Be Alive" programme focuses on HIV/AIDS awareness and prevention among staff and their home communities, with special emphasis on ensuring that those infected receive anti retro viral support, and enjoy equal work opportunity without stigma.

The company has a comprehensive peer counseling team and a busy programme of outreach action - participating in national conferences, sharing its experience with other companies through the Kenya Business Council, making and airing of a documentary for television, and visiting support centres for both adults and children to give both emotional and material support.

The Be Alive Programme, which has been sustained for seven years, continues to champion the cause of the infected and the affected.

Further, Total marked World Malaria Day in an event for staff and their families and communities, and distributed dipped nets, which, though underutilsed, are scientifically recognized but under-utilised as the most effective protection against this endemic disease. These activities form part of Total Kenya's annual calendar of events.

Total Kenya has its own "Healthy Living" for all staff, with talks on lifestyle disciplines, nutrition, and common illnesses.

And more...

On the cultural front, Total has initiated the "Spotlight on Kenyan Music" programme to platform the talents of budding musicians; the Franco Fun Quiz programme in partnership with Alliance Francaise promotes the French language in an entertaining and award-giving series for schools; and Total's Mombasa network has formed a league football team.

Total is the founder sponsor and continues to lead the Total Kenya Motorshow in partnership with the Kenya Motor Industry Association. The bi-annual event has grown to be the largest exposition of its kind anywhere in middle Africa. It features some 90 motor display stands, a full schedule of action events, and attracts some 20,000 spectators. The 2011 event is already in preparation.

All on-going CSR projects of Total Marketing Kenya Limited have been honoured while being assessed for compatibility and value in the longer term.

Chairman / Mwenyekiti

"It is my pleasure to welcome you to the 56th Annual General Meeting of Total Kenya Limited and to present to you the Annual Report and Financial Statements for the company for the year ended 31 December 2009. I thank you shareholders specifically for supporting your company over the past years and especially during the year 2009 when you all met and approved the purchase of Total Marketing Kenya Ltd business (formerly Chevron Kenya Ltd)

Operating Environment

The year 2009 was very challenging for businesses all over the world. This was as a result of the global economic meltdown that started in the second half of 2008 and persisted in 2009. The effect of the economic crunch was reduced consumption as a result of massive job losses and unavailability of credit due to the near collapse of the financial sector. Locally, this affected the manufacturing sector and specifically companies that depend on the export market for their goods.

The Kenyan economy recorded a decline in growth as compared to previous years. Agriculture and manufacturing, which are the main economic drivers accounting for over 33% of GDP shrank by 4.7%.

Ni furaha yangu kuwakaribisheni kwa mkutano mkuu wa 56 wa kila mwaka wa kampuni ya Total Kenya Limited, na kuwasilisha kwenu ripoti ya mwaka na taarifa ya kifedha ya kampuni kwa kipindi kilichomalizika tarehe 31 mwezi desemba mwaka wa 2009.Natoa shukrani zangu za dhati kwa wenye hisa, kwa kuendelea kuuinga mkono kampuni yenu ,na hasa katika mwaka uliopita ambapo mlikutana na kuipa kampuni yenu idhini ya kuinunua kampuni ya Total Marketing Kenya Limited,[ambayo ilikuwa ikijulikana kama Chevron Kenya Limited.

Mazingira Ya Kazi

Mwaka wa 2009 ulikuwa wenye changamoto tele kwa shughuli za biashara kote duniani.Hii ilitokana na mfumo wa kiuchumi uliokumba ulimwengu mzima, kuanzia nusu ya pili ya mwaka 2008 na kuendelea hadi mwaka wa 2009.Mdororo huo wa uchumi ulisababisha matumizi ya bidhaa kupungua, huku idadi kubwa ya watu wakipoteza ajira na shughuli katika sekta ya fedha zikififia,na hivyo kuathiri utoaji mikopo.Hapa nchini,hali hiyo iliathiri pakubwa sekta ya utengenezaji bidhaa,na hasa kampuni zinazotegemea soko la kigeni kwa bidhaa zao.

Katika kipindi hicho,kiwango cha ukuaji wa uchumi wa nchi hii kilipungua ikilinganishwa na mwaka uliotangulia.

Chairman's Statement

The drop in agriculture was mainly due to inadequate rainfall received in agriculturally productive areas. This drought period negatively impacted on cost of electricity as the Government had to resort to the more costly thermal power generators. Nevertheless, some sectors of the economy such as Tourism, construction and transport and communication registered slight growth in comparison with previous year.

Despite the increase in cost of electricity, inflation declined to single digit levels mainly due to the adoption of the new computation method of geometric mean approach as opposed to the arithmetic mean method that was used earlier. The Kenya shilling on the other hand remained fairly stable against the major world currencies.

Taarifa ya Mwenyekiti

Shughuli katika sekta za kilimo na utengenezaji bidhaa, ambazo ni uti wa uchumi wa taifa hili,na ambazo huchangia asilimia 33 ya pato jumla la nchi zilipungua kwa asilimia 4.7.Upungufu katika sekta ya kilimo ulitokana na ukosefu wa mvua katika maeneo ambako shughuli za kilimo huendeshwa.Hali hiyo ya ukame iliathiri pakubwa uzalishaji nguvu za umeme,huku serikali ikilazimika kutumia mitambo ghali ya jenereta kuzalisha nguvu hizo.Hata hivyo sekta kadhaa za kiuchumi kama vile Utalii,ujenzi,uchukuzi na mawasiliano zilikua kiasi ikilinganishwa na mwaka uliotangulia.

Licha ya kuongezeka kwa gharama ya umeme,kiwango cha gharama ya maisha kilipungua hadi tarakimu moja kufuatia uzingatiaji mfumo mpya wa kutathmin gharama ya maisha,wa wastani wa kijometri [geometric mean] badala ya ule wa Wastani wa hesabu

The political scene witnessed a lot of activity but the coalition government largely held together. A number of reforms geared towards helping the fight against corruption have been instituted which if properly implemented could lead to increased economic growth and improve people's confidence in the way public affairs are conducted. Further, electoral reforms aimed at improving the electoral process were put in place during the year and are expected to safeguard against disputed elections as witnessed in the recent past. These are positive steps for business operating environment and will certainly boost investor confidence in the country. In this respect, a number of multinational firms have been setting up regional offices in Nairobi recently.

The local oil industry in general faced a challenging environment mainly due to sharp decline in International oil prices that started in the last quarter of 2008 and continued to the first quarter of 2009. This sharp drop in international petroleum prices and pressure from the public and the Government to reduce petroleum prices led to negative margins in the first quarter of 2009.

[Arithimetic Mean] ambao ulikuwa ukitumika hapo awali.Shilingi ya Kenya pia ilisalia kuwa thabiti kiasi dhidi ya sarafu za kigeni.

Katika Nyanja ya kisiasa,kulikuwa na shughuli nyingi hata hivyo serikali mahuluti haikusambaratika.Hatua kadhaa za kukabiliana na ufisadi pia zilianzishwa,ambapo zikizingatiwa kikamilifu zitachangia ukuaji wa uchumi ,mbali na kuwafanya raia kuridhika na jinsi maswala ya umma yanavyosimamiwa.Hatua za kuhakikisha uadilifu katika mfumo wa uchaguzi hapa nchini pia zinatekelezwa,madhumuni yakiwa kuepusha utata, sawia na ule uliokumba uchaguzi mkuu uliopita.Hizi ni hatua muhimu katika kuhakikisha kuwepo kwa mazingira bora ya biashara, na hivyo kuvutia uwekezaji hapa nchini.Kufuatia mabadiliko haya,kampuni kadhaa za kimataifa zimeanza kujunga au kufungua ofisi zao hapa jijini Nairobi.

Sekta ya mafuta hapa nchini pia ilikabliiwa na changamoto za aina yake,hususan kupungua kwa bei ya mafuta katika soko la kimataifa,kulikoanza robo ya mwisho ya mwaka 2008 na kuendelea hadi robo ya kwanza ya mwaka 2009.

Chairman's Statement

Taarifa ya Mwenyekiti

However, crude prices were less erratic in the last three quarters of the year, thus enabling the company to recover from the losses incurred in the first quarter and indeed register an impressive result.

The usual challenges of limitation of the pipeline pumping capacity and the unreliability of the refinery continued to persist occasioning stock outs in upcountry markets.

Acquisition of Chevron Kenya Limited

During the year, your company acquired the business of Total Marketing Kenya Limited (formerly Chevron Kenya Limited) which was only possible after the shareholder's approval on 19th of October, 2009. This acquisition has resulted in significant growth of the company's asset base from Kes 14,527 million in 2008 to Kes 31,528 million in 2009.

Kupungua huko kwa bei ya petroli pamoja na shinikizo kutoka kwa umma na serikali kwa kampuni za mafuta kupunguza bei ya bidhaa hiyo,kuliathiri mapato ya kampuni za mafuta katika robo ya kwanza ya mwaka 2009. Kupungua huko kwa bei ya petrol pamoja na shinikizo kutoka kwa umma na serikali kwa kampuni za mafuta kupunguza bei ya bidhaa hiyo,kuliathiri mapato ya kampuni za mafuta katika robo ya kwanza ya mwaka 2009.Hata hivyo bei ya mafuta ambayo hayajasafishwa haikuyumbayumba katika robo tatu za mwisho za mwaka huo,hali iliyowezesha kampuni yetu kujinusuru kutoka hasara ilipata katika robo ya kwanza ya mwaka huo, na hivyo kuandikisha matokeo bora kibiashara.Changamoto za kawaida za kampuni ya Kenya Pipeline,hasa uwezo wake wa kusambaza kiasi cha kutosha cha mafuta, pamoja na hali ya kutotegemewa ya kiwanda cha kusafisha mafuta hapa nchini ziliendelea kujiri, na hivyo kusababisha uhaba wa bidhaa hiyo katika sehemu fulani hapa nchini.

Some of the strategic assets acquired include retail outlets increasing from 104 in 2008 to 192 by the close of 2009, a lubricants blending plant, aviation depots and not least, the former Chevron staff who have now joined the Total Family. The envisaged benefits of the merger were to enable Total Kenya Ltd to have a more balanced asset portfolio, as well as a larger business size to enable it benefit from a growing Kenyan Market. The success of the merger has been immediately evident as all our staff are now working from the same offices and installations, with no loss of jobs as is the norm with mergers the world over. It was also most satisfying to note that the challenge of bringing together the combined assets and teams during the merger was achieved while ensuring uninterrupted service to the existing customers of both companies.

Also resulting from the merger was an increase in the company's share capital from Kes 875 million to Kes 4,774 million. This increase is accounted for by issuance of 123,478,388 preference shares valued at Kes 3,900 million. These shares were issued to partly finance the acquisition of Total Marketing Kenya Limited business.

Ununuzi wa Chevron Kenya Limited

Katika kipindi hicho,kampuni yenu ilinunua kampuni ya Total Marketing Kenya Limited,ambayo zamani ilijulikana kama Chevron Kenya Limited, kupitia idhini ya wenye hisa kwenye mkutano wao wa tarehe 19 mwezi oktoba mwaka 2009.Ununuzi huo umechangia kuongezeka kwa raslimali za kampuni kutoka shilling million 14,527 mnamo mwaka 2008 hadi shilingi million 31,528 katika mwaka 2009. Baadhi ya raslimali zilizonunuliwa katika kipindi hicho ni vituo vya mauzo ya rejareja ,ambavyo idadi yao imeongezeka kutoka 104 mnamo mwaka 2008 hadi 192 katika mwaka wa 2009,kiwanda cha kuchanganya bidhaa laini za mafuta,vituo vya kuhifadhi mafuta ya ndege,na waliokuwa wafanyikazi wa kampuni ya Chevron,ambao sasa wamejiunga na familia ya Total Kenya Limited.Manufaa yaliotarajiwa kutokana na ununuzi huo yalikuwa kuongeza raslimali za kampuni na kuipanua, ili kuiwezesha kutosheleza mahitaji ya soko la hapa nchini linalopanuka.Kuunganishwa kwa kampuni hizo mbili bila shaka kumefaulu,kwani wafanyikazi wake wote sasa wanafanyakazi pamoja, na hakuna waliopoteza kazi kama ilivyo desturi kote duniani wakati kampuni zinapoungana. Pia ni muhimu kufahamu kwamba kujumuishwa kwa raslimali za kampuni hizo mbili pamoja na wafanyikazi wake, kulitekelezwa kwa ustadi mkubwa

Chairman's Statement

Taarifa ya Mwenyekiti

Performance

The performance of Total Kenya Limited for year 2009 can be described as satisfactory given the tough operating environment already described. These results include only two months of merged activity for November and December. Turnover decreased by 25% mainly on account of a drop in international petroleum prices and a slight decline in sales volumes as compared to 2008.

Our inland market share was 16% down from 19.6% achieved in 2008 due to the reduced sales volumes. However, the combined market share for both Total Kenya Ltd and Chevron Kenya ltd for year 2009 was 23.6%.

The Network, LPG and Lubricants channels registered slight growth in volumes while the General Trade channel recorded a decline of 25% mainly due to reduced supply of diesel to emergency power plants as compared to the year 2008.

kiasi kwamba haikuathiri kwa njia yoyote ile huduma kwa wateja wa kampuni zote mbili.

Manufaa mengine yaliotokana na kuungana kwa kampuni hizo mbili, ni kuongezeka kwa mtaji wa hisa kutoka shilingi milioni 875 hadi shilingi milioni 4,774.Ongezeka hilo lilitokana na toleo la hisa 123,478,388 za kulipwa mwanzo za thamani ya shilingi milioni 3,900. Hisa hizo ziliuzwa ili kuiwezesha kampuni kugharamia ununuzi wa Total Marketing Kenya Limited.

Utendakazi

Utendakazi wa kampuni ya Total Kenya Limited katika mwaka wa 2009 ulikuwa wa kuridhisha, licha ya mazingira magumu yaliokuwepo jinsi ilivyotajwa hapo mbeleni. Matokeo hayo hata hivyo yanajumuisha miezi miwili pekee ya novemba na desemba,ambapo kampuni hizo zilikuwa zimeunganishwa. Mauzo ya kampuni kwa ujumla yalipungua kwa asilimia 25 kutokana na kushuka kwa bei ya petroli katika soko la kimataifa, pamoja na kupungua kwa kiasi kwa mauzo ikilinganishwa na mwaka 2008.

The Aviation channel on the other hand recorded a growth of 104% resulting from improved profitability and signing of new customer contracts.

Gross profit for the year decreased by only 4%, despite the negative margins incurred in the first quarter. Profit before tax on the other hand declined by 15% as a result of increased finance charges arising from increased borrowings partly to finance acquisition of the new business and also due to increased working capital requirements. Net profit reached Kes 483 million compared to Kes 703 million recorded in 2008. Earnings per share decreased from Kes 4.02 to Kes 1.62 as a result of both reduced net profit and issuance of preference shares.

Investments

Total Kenya continues to invest widely in Kenya and this is demonstrated by the acquisition of the former Chevron business. This is in line with our strategy and commitment to grow in Kenya. Rebranding of the acquired network stations to Total norms is underway and is expected to be completed by the end of the current year. Some of the notable investments undertaken during the year under review include purchase of new cylinders aimed at increasing our cylinder float, remodelling of existing network stations to improve quality of services and

Hata hivyo mauzo ya jumla ya kampuni za Total Kenya Limited na Chevron Kenya Limited katika kipindi cha mwaka 2009 yalikuwa asilimia 23.6.Ingawaje mauzo ya jumla yalififia kutokana na kupungua kwa mahitaji ya mafuta ya diesel katika viwanda vya kuzalisha nguvu za umeme kwa kutumia mitambo ya jenereta ikilinganishwa na mwaka wa 2008, mauzo katika vituo vyetu vya kuuzia mafuta, kutoka gesi ya kupika na bidhaa laini za mafuta yaliongezeka kiasi.Mauzo ya mafuta ya ndege yaliongezeka kwa asilimia 104, hii ni kutokana na kuimarika kwa faida na kutiwa saini kwa kandarasi mpya na wateja. Faida ya jumla katika kipindi hicho hata hivyo ilipungua kwa asilimia 4 pekee licha ya kupungua kwa mapato katika robo ya kwanza ya mwaka huo. Faida kabla ya kutozwa ushuru ilipungua kwa asilimia 15 kutokana na kuongezeka kwa ada za benki zinazotozwa mkopo uliochukuliwa kufadhili upanuzi wa kampuni na pia kuwa matumizi ya kuzalisha biashara yaliongezeka.

Faida kamili ya kampuni baada ya kutozwa ushuru ilikuwa shilingi milioni 483 ikilinganishwa na shilingi milioni 703 katika mwaka wa 2008. Mapato ya kila hisa yalipungua kutoka shilingi 4 na senti 2 hadi shilingi 1 na senti 62, yote kutokana na kupungua kwa faida kamili na toleo la hisa za kulipwa mwanzo.

Uwekezaji

Kampuni ya Total Kenya inaendelea kuwekeza hapa nchini, na hii ilidhihirika wakati ilinunua kampuni iliyokuwa ikijulikana kama Chevron. Hii ni kuambatana na mwongozo wa kampuni wa kupanua biashara hapa nchini.

Chairman's Statement

increase efficiency, replacement of equipment at various customer sites and construction of Bonjour shops at strategic network outlets. I would urge you, our esteemed shareholders to sample some of the products and services offered at these outlets. The company also invested in the acquired lubricants blending plant so as to increase its efficiency and control the plant's operating costs.

We have planned to continue investing to ensure safety at all our installations, improve existing facilities and acquire new assets whenever profitable opportunities arise.

Social Responsibility

Our company continues to be a forerunner in sustainable development through our Eco challenge initiative which has gained countrywide recognition.

Taarifa ya Mwenyekiti

Shughuli ya kubadili sura ya vituo vipya vilivyonunuliwa na kampuni ili viambatane na kanuni zetu inaendelea, na inatarajiwa kukamilika kufikia mwisho wa mwaka huu.

Baadhi ya shughuli za biashara ambazo tumewekeza ndani katika kipindi hicho, ni pamoja na ununuzi wa mitungi mipya ya gesi ya kupika kwa lengo la kupanua biashara yetu katika nyanja hiyo, kubadili sura ya vituo vyetu vilivyoko ili kuboresha huduma kwa wateja, kuweka vifaa vipya katika baadhi ya vituo hivyo, na kujenga maduka maarufu kama Bonjour katika baadhi ya vituo hivyo.

Ningependa kuwahimiza nyote kutembelea vituo vyetu ili kufurahia huduma bora zinazotolewa. Kampuni yetu pia iliwekeza rasilimali kwenye kiwanda chetu kipya cha kutengeneza oili, ili kuimarisha huduma na pia kupunguza gharama ya matumizi.

Through this project, the company continues to motivate and mobilize many thousands of tree-growing projects throughout Kenya consistently planting and exceeding the initial target of 100 million trees per year.

Prospects for 2010

The impact of the merger will definitely be felt in 2010 and subsequent years. We have consolidated our position especially in the network and lubricants channels and this is projected to improve sales volumes and margins which will enable us to cover the increased finance charges that are attributable to the acquisition. The country's economy is on the recovery path, especially with increased food production as a result of adequate rainfall received in most parts of the country. Your company's new size positions it better than ever before to take full advantage of the projected economic growth to realise new potentials. In this regard, I am confident that the management team and the entire staff of the merged company will be able to deliver good results.

Dividends

In view of the reduced earnings per share (EPS), I am proposing a dividend of 1.00 Kenya Shilling per share for consideration and approval by the members.

Acknowledgements

The Company receives a lot of support and goodwill from our customers, dealers, transporters and other business partners. We thank them most sincerely for this. On behalf of the board, I wish to thank the Management and Staff for their commitment and contribution towards the satisfactory result achieved in 2009. To you the shareholders, I thank you for the confidence you have shown in us by choosing to invest in Total Kenya.

Finally, I wish to thank the members of the board of directors for their continued commitment and able support that has helped your company remain a major player in our market.

Hervé Allibert

Chairman

Tutaendelea kuwekeza katika vifaa vya usalama katika vituo vyetu,kuimarisha vituo vyetu vilivyoko na kununua vifaa mpya vya kuboresha huduma kwa wateja kukitokea haja ya kufanya hivyo.

Jukumu Kwa Jamii

Kampuni yetu inaendelea kuchangia mipango inayolenga kufaidi jamii,kupitia mpango wake wa uhifadhi mazingira, Eco Challenge, ambao umepata umaarufu kote nchini. Kupitia mradi huu, kampuni yetu inawapa motisha na kuunganisha Wakenya kutoka sehemu mbali mbali nchini katika upanzi wa miti, mradi ambao umezidisha azimio lake la upanzi wa miche milioni 100 kila mwaka.

Matarajio katika mwaka 2010

Manufaa ya muungano wa kampuni hizo mbili yanatarajiwa kuwa dhahiri mwaka wa 2010 na kuendelea.Tumepanua biashara yetu kupitia uimarishaji wa vituo vyetu vya kuuza mafuta, pamoja na ununuzi wa kiwanda cha kutengeneza oili, mradi ambao hatuna shaka utatuongezea mapato na hivyo kutuwezesha kulipia ada za kifedha zilizotokana na upanuzi wa huduma zetu. Muhimu ni kwamba uchumi wa nchi hii umeanza kuimarika, hasa kufuatia kuongezeka kwa uzalishaji chakula, kulikotokana na kunyesha mvua ya kutosha katika sehemu nyingi hapa nchini. Kampuni yenu iliyopanuka sasa ina fursa nzuri zaidi ya kujiongezea mapato kutokana na ukuaji wa kiuchumi unaotarajiwa. Hivyo basi ni matumaini yangu kwamba wasimamizi na wafanyikazi wa kampuni yetu kwa ujumla, watafanya bidii na kuandikisha matokeo bora ya biashara.

Mgao wa Faida

Kufuatia kupungua kwa mapato ya hisa, napendekeza mgao wa faida wa shilling 1 kwa kila hisa.

Shukrani

Kampuni yetu imeendelea kupokea usaidizi mkubwa kutoka kwa wateja wetu, wauzaji bidhaa zetu, wasafirishaji wa bidhaa zetu na washirika wetu wengine wa kibiashara. Tunawashukuru sana. Kwa niaba ya halmashauri ya wakurugenzi, ningependa kuwashukuru wasimamizi na wafanyikazi wa kampuni yetu kwa mchango wao uliowezesha kampuni hii kufaulu kibiashara katika mwaka wa 2009. Na kwenu wenye hisa, nawashukuru kwa kuwekeza katika kampuni hii.

Mwisho, ningependa kuwashukuru wanachama wa halmashauri ya wakurugenzi kwa bidii na mchango wao, ambao umeiwezesha kampuni yenu kuendelea kuwa mdau mkuu katika sekta ya mafuta hapa nchini.

Hervé Allibert

Mwenyekiti

Management Executives

From left to right:

- Charles Wambugu - Chief Internal Auditor • Simon Oonge - Manager - Special Projects • Chris Kasima - Exports & Strategy Manager
- Loïc Thieblin - Marketing Manager • Daniel Mayieka - Specialities Manager • Felix Majekodunmi - Managing Director
- Franck Dessaintjean - Finance Director • Maurice K'Anjejo - Corporate Affairs Manager
- Jean François Schoepp - Planning & Supply Manager • Adele Tura - Human Resources & Administration Manager
- Tom Maganga - Operations Manager • James Kamau - Health, Safety, Environment & Quality Manager

The oil industry in general faced a challenging operating environment in 2009 mainly due to sharp decline in international oil prices in the first quarter. Crude prices fell sharply at the beginning of the year from a high of over USD 140/barrel in 2008 to USD 42/barrel at the beginning of the year. This sharp drop in international petroleum prices resulted in steep decline in prices especially the Network segment occasioning negative margins in the first quarter of the year. However, crude prices were less erratic in the other three quarters of the year thus enabling recovery of losses already incurred.

The usual challenges experienced in the oil industry namely, pipeline pumping capacity limitation and the unreliability of the refinery continued to persist sometimes occasioning stock outs in upcountry markets.

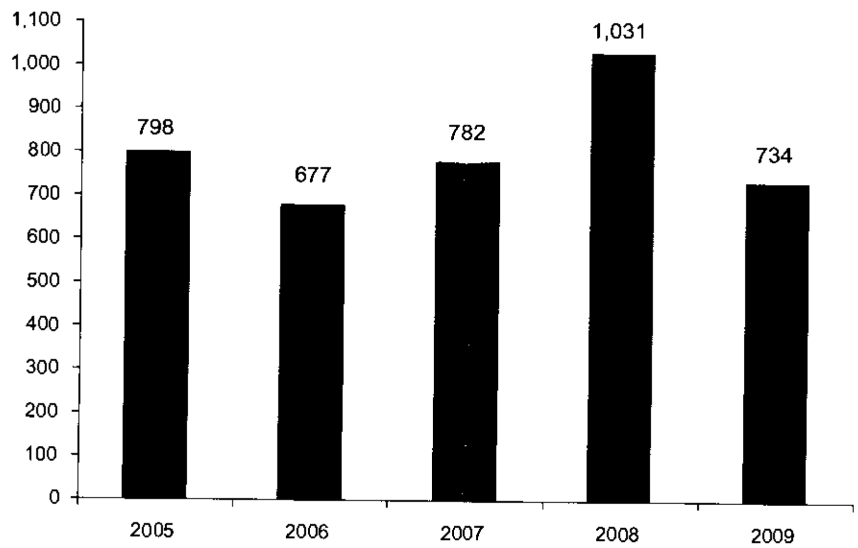
In spite of the challenging environment, Kenyan Inland Petroleum consumption grew by 9% in the year 2009 showing resilience against the world economic crisis experienced in the year. The growth is attributed to increased consumption in the network segment mainly as a result of reduction in pump prices and increased diesel consumption by the energy sector for power generation.

Summary Of Results

The year 2009 marked a turning point for the company after the successful acquisition of Total Marketing Kenya Limited (formerly Chevron Kenya Limited) business. This acquisition was approved by shareholders at an Extra Ordinary General Meeting held on 19th October 2009 and the merger of the two companies operations took effect from 1 November 2009. The merger of the two companies has led to a significant increase in both assets and liabilities as disclosed in the Balance Sheet.

Management Report

Results before tax (M KES)



The results for the year under review include two months performance of the acquired business. The analysis of industry results reveal that Total Kenya's performance continues to rank favourably among the majors in terms of profitability, earnings per share and return on capital employed.

Total Kenya's global sales volume decreased by 4% in 2009 (from 629.9KMT in 2008 to 606.7KMT in 2009). This was mainly due to reduced General Trade and LPG sales by 33% and 14% respectively. However, Network and Aviation sales increased by 17% and 104% respectively. Net turnover decreased by 27% from Kshs.44.6 billion in 2008 to Kshs.32.7 billion due to decrease in prices and the slight reduction in sales volumes.

Gross profit went down slightly by 3% from Kshs.2, 893million in 2008 to Kshs.2, 809 million in 2009 as a result of negative and depressed margins in the first Quarter of the year.

Operating expenses were fairly controlled and increased by 9% compared to 2008 mainly impacted by merger related costs despite an annual inflation rate of 9.25% for the year under review.

Net Finance costs increased by 44% (Kshs 162 million) on account of increased financing needs resulting from increased working capital requirements and interest charged on medium term loan. On the other hand, foreign exchange losses amounted to Kshs.49million as compared to a gain of Kshs.3million in 2008.

The increase in financing costs resulted in a decrease of profit before tax by 29% from Kshs.1, 031 million in 2008 to Kshs.734 million in 2009, while profit after tax reached Kshs.483 million from Kshs.704 million in 2008. The Earnings per share decreased from Kshs.4.02 in 2008 to Kshs.1.62 in 2009 as a result of increase in the number of shares from 175 million in 2008 to 298 million in 2009 and reduced net profit.

Investments during the year amounted to Kshs.10, 755 million. This includes the Purchase consideration of Kshs.10, 616 million which was paid to acquire the Chevron business. The other investments mainly related to Rebranding, System upgrade and supply of .nent and construction works at network stations, consumer sites and depots.

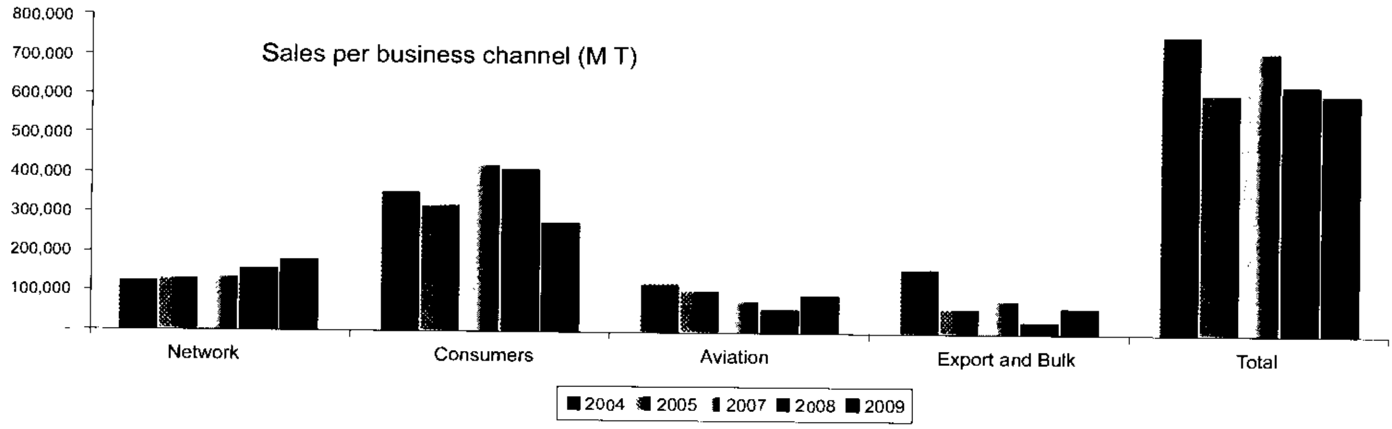
Analysis By Business Channels

The company's four business channels are:

- The Network channel, which includes the distribution of petroleum products through 192 service stations spread across the country. However, 21 stations have been earmarked for disposal in 2010 in compliance with the conditions set by the Government before approval of the merger.
- The General Trade channel, which includes sales of a broad range of products to all sizes of industrial consumers;
- The Aviation channel, which comprises of sales of turbine kerosene and aviation gasoline to local and international air carriers;
- The Exports and Bulk channel, which comprises of sales of our full range of products to neighbouring countries and other industry players.

Network

The network market environment was still very competitive. Despite the challenging conditions and the volatility of prices experienced in the first quarter of the year, sales in this channel registered a growth of 17% from 147 KMT in 2008 to 172 KMT in 2009. The growth in sales is mainly attributable to two months of merged operations. Profitability of this channel improved in subsequent quarters of the year following the depressed margins in the first quarter. The overall unit margins for the year were at acceptable levels.



The company continued expanding its network. With the acquisition of the new company, the number of stations increased from 104 to 192. The objective is to invest in areas where population and traffic are growing. The company also renewed and reinforced the network team which 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 continued to grow and diversify including Bonjour for our shops, Auto clean for Car wash and Auto express service for pit-stop. The Bon Voyage card has remained popular amongst individuals and corporates and has ensured customer loyalty. Our objective is to remain competitive as we strive to fully meet the expectations of our customers.

Management Report *continued*

Network - Key figures	2009	2008	% CHANGE
Number of service stations	192	104	+85%
Volumes Sold*	172	147	17%
Turnover- net of taxes (KShs'million)*	11,128	12,772	-13%

*Includes two months contribution by stations acquired from Chevron Kenya.

General Trade

The General Trade volumes sold decreased by 33% compared to 2008 (261KMT in 2009 compared to 389 KMT in 2008) mainly attributed to the decrease in sales volume of both White and Black products resulting from the impact of world economic crisis and drought affecting Agriculture, Tourism and Manufacturing sectors. In addition, diesel sales in 2009 were affected by the loss of supply contract to the Power sector. LPG volumes sold declined by 14% to 14 KT (2008 17KT) mainly due to product shortages at the refinery in the year. However, there is still potential for growth in this segment and we hope that improvement in the storage facility, standardization of valves and the Cylinder Exchange Pool aimed at encouraging gas consumption in Kenya will yield positive results.

Turnover in this channel decreased by 50% from Kshs.26.7 billion in 2008 to Kshs 13.3billion in 2009 as a result of the decline in sales volumes coupled with the drop in prices. The financial contribution of this channel to the company's income remained at a satisfactory level.

Consumer - Key figures	2009	2008	% CHANGE
Volumes Sold (excl. LPG) – KMT	261	389	-33%
Turnover- net of taxes (Kshs'million)	13,253	26,716	-50%

Aviation

Sales volumes in this channel increased by 104% (from 45.5KMT in 2008 to 92.6KMT in 2009) mainly due to the acquisition of new customers and effect of merged operations for two months. The increase in sales volumes in this channel resulted from improved profitability as compared to the previous year.

The increase in volumes sold led to an increase in turnover, from Kshs 3.4 billion in 2008 to Kshs 4.8 billion in 2009.

Aviation - Key figures	2009	2008	% CHANGE
Volumes Sold (KMT)	92.6	45.5	104%
Turnover- net of taxes	4,813	3,408	41%

Exports And Bulk

Export sales increased by 23% from 15.4 KMT in 2008 to 18.9KMT in 2009 and Bulk sales increased from 7.8KMT in 2008 to 45.2 KMT in 2009. The increase in bulk sales is mainly attributed to sales of 32 KT of tops* in 2009 as compared to nil sales in 2008. Consequently, turnover generated by these activities increased by 109% from Kshs.1, 665million in 2008 to Kshs. 3,483 million in 2009.

* Tops is a product that is produced when crude is refined but does not fall within the range of petroleum products that are consumed in the local market. This product is normally exported for further processing in more advanced refineries.

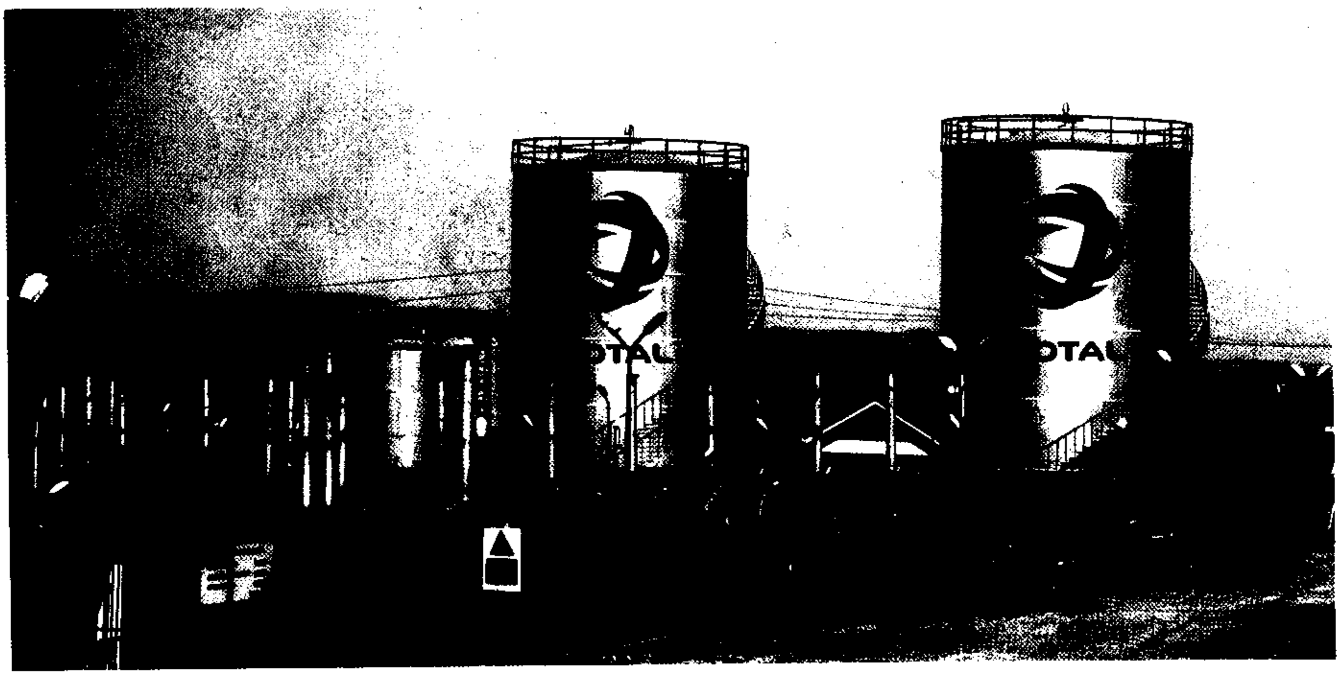
Financial Position

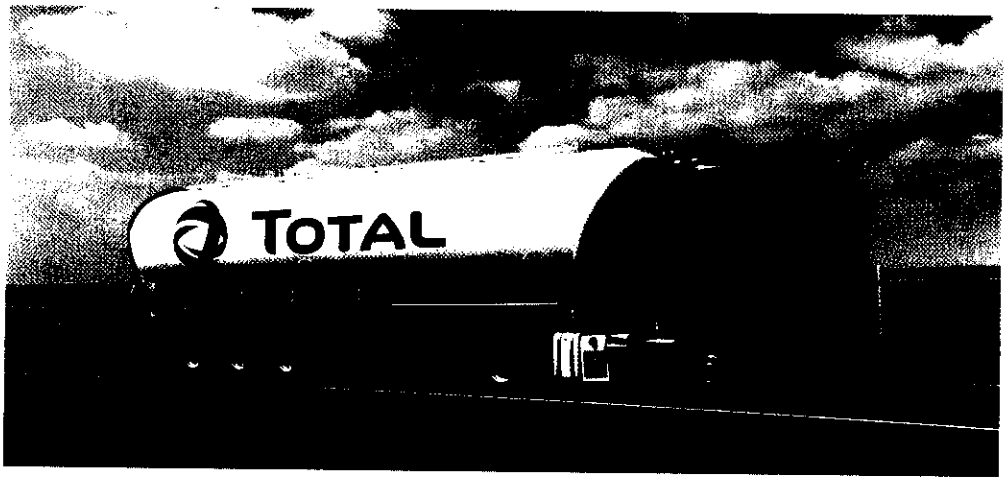
In 2009, Total Kenya continued with an aggressive financial management strategy, with focus on controlling working capital elements, and sourcing for the lowest possible financing options. The Kenya shilling exchange rate to ~~the USD oscillated~~ between Kes 79.5 and Kes 75.8 during the year.

The increased borrowing was as a result of short and medium term loans used partly to finance the acquisition of the new business and increased working capital requirements. Cash flow generated from operating activities was Ksh.377million compared to Kshs. (453) in 2008 while cash flow used in investing activities was Ksh.10,755 million compared to Ksh.297 million in 2008.

Balance Sheet:

As a result of the merger, the company's assets increased significantly and goodwill of Kshs 6,060 was created. Share capital also increased by Kshs 3,899 million due to issuance of preference shares while non-current liabilities went up due to a medium term loan Kshs 4,680 million for financing of the acquisition.

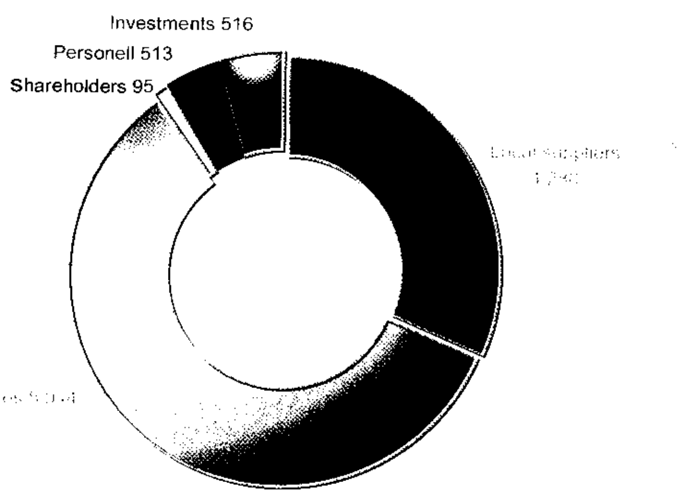




Contribution to the Kenyan Economy

Total Kenya has remained a key player in the Kenyan oil industry and the economy as a whole. During the year under review, the company continued to make a significant contribution to the Kenyan economy as it carried on with its business and corporate social responsibility activities. Total Kenya remained at the top on the list of the biggest tax payers in the country, having paid direct and indirect taxes of over Kshs 8.9 billion (Kshs 10.6 billion in 2008). The total financial impact on the economy in 2009 was Kshs 14.3 billion (2008 Kshs 15.3 billion) comprising the following:

Contribution to the Kenyan economy 2009 (M Kes)



2010 Management Agenda:

The full effect of the merged business will be realized in 2010 and subsequent years. The Management is confident that the company has positioned itself to register improved performance especially in the Network and General trade market segments. However, this performance will depend on economic recovery, stability of world crude prices and concerted effort by the Government and other parties to address the supply constraints experienced in the oil industry

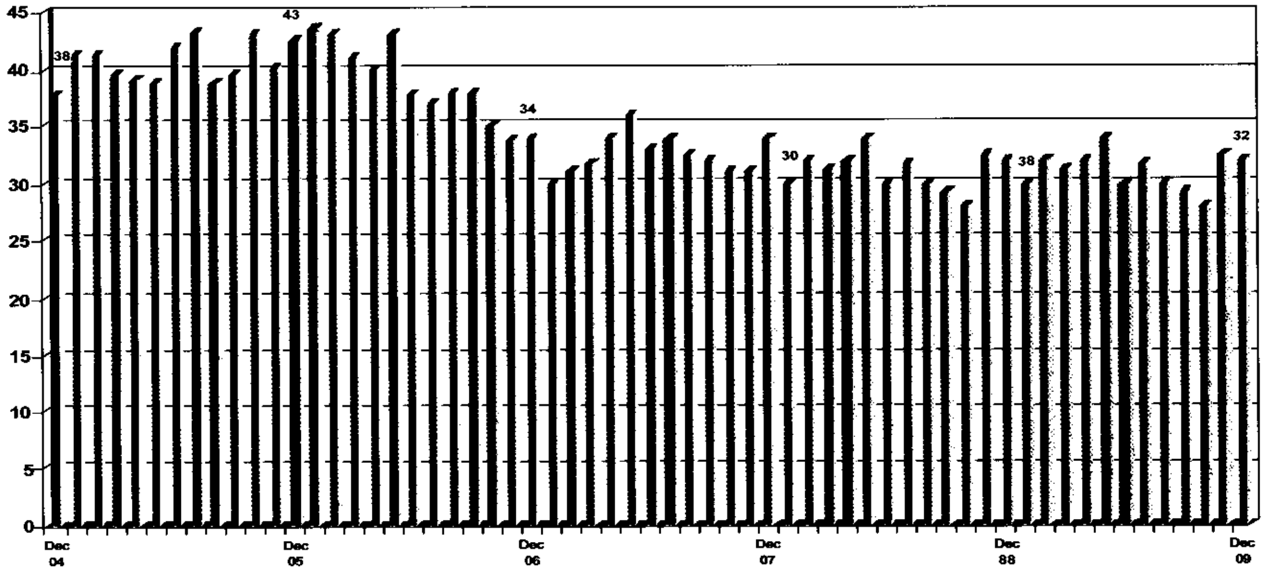
In 2010 we will continue on our journey of delivering quality products and services profitably and remain responsive to the needs of the local community. Therefore the management will:

- Focus on achieving the company's mission of delivering quality products and services to our customers responsibly and profitably in an innovative way.
- Ensure safety standards at all company installations.
- Continue to harness the opportunities in the market and enhance profitable growth.
- Maintain good control over costs.
- Continue to attract, develop and retain best talent.
- Continuously improve the way we work, enhance our infrastructure and processes to provide excellent and satisfying services to our customers.
- Reinforce the brand through expansion, physical image, external recognition and community commitment.

Share Price Evolution

In 2009, Total Kenya share price traded between Kshs 26 and Kshs 35.50 per share. The shares still rank favourably in terms of dividend yield among the quoted companies on the Nairobi Stock Exchange.

Total Kenya Share Price (KSHS)
Monthly closing rates (Date 04 to Dec 09)



“ Total Kenya remained at the top on the list of the biggest tax payers in the country, having paid direct and indirect taxes of over Kshs 8.9 billion activities. ”

Shareholders Analysis

TOP 10 SHAREHOLDERS

Rank	Name	Shares Held	Percentage
1	Total Outre-Mer	249,805,458	83.67
2	Total Africa Limited	10,732,950	3.60
3	Kimani, John Kibunga	2,586,408	0.87
4	Shah, Rajesh Dharamshi	1,728,386	0.58
5	The Jubilee Insurance Company of Kenya Ltd.	566,736	0.19
6	Benjamin, Emmett Joseph	550,839	0.18
7	Rahim, Ahmed Mian Abdur	459,609	0.15
8	Phoenix of East Africa Assurance Company Ltd.	450,000	0.15
9	Barclays (Kenya) Nominees Ltd.	428,341	0.14
10	Shah, Dharamshi Devshi	410,300	0.14
		267,719,027	100.00

Shares Distribution Schedule

(I) BY NUMBER OF SHARES RANGE

Range	No. of Members	Total No. of Shares	Percentage
1 - 500	2,238	539,204	0.18
501 - 1,000	1,116	956,089	0.32
1,001 - 5,000	1,843	4,808,085	1.61
5,001 - 10,000	521	3,900,496	1.31
10,001 - 50,000	415	8,468,422	2.84
50,001 - 100,000	76	5,325,462	1.78
100,001 - 500,000	40	8,574,559	2.87
500,001 - 1,000,000	2	1,117,575	0.37
1,000,001 - 999,999,999,999	4	264,853,202	88.72
	6,255	298,543,094	100.00

(ii) BY CATEGORY OF SHAREHOLDER

No. of Members	Group	Total Quantity	Percentage
80	FOREIGN INVESTORS	261,364,563	87.55
5,629	*E.A.P.S. INDIVIDUALS	29,543,870	9.90
546	*E.A.P.S INSTITUTIONS	7,634,661	2.55
6,255		298,543,094	100.00

* East African Partner States

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 operating results of the company for that year. It also requires the directors to ensure that 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 are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by 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 its operating results. 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.

Felix Majekodunmi

Director

Michael Karanja

Director

4 March 2010

Deloitte.

Deloitte & Touche
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Independent Auditors' Report

To the Members of Total Kenya Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Total Kenya Limited, set out on pages 33 to 68 which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31 December 2009 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's statement of financial position (balance sheet) and statement of comprehensive income (profit and loss) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)
4 March 2010
Nairobi

Statement of Comprehensive Income

For the year ended 31 December 2009

		In thousand of KES	
	Notes	2009	2008
Gross sales		41,311,598	54,807,521
Indirect taxes and duties		(8,634,405)	(10,246,596)
Net sales	3	**32,677,193**	**44,560,925**
Cost of sales	4	(29,868,162)	(41,667,514)
Gross profit		**2,809,031**	**2,893,411**
Other income	5	283,285	76,180
Other operating expenses	6	(1,387,542)	(1,271,094)
Finance costs	7(a)	(526,386)	(364,841)
Exchange (loss)/gain	7(b)	(48,826)	3,531
Depreciation	12	(324,196)	(271,593)
Amortisation of prepaid operating leases	13	(40,264)	(6,059)
Amortisation of intangible assets	14	(31,403)	(28,167)
Profit before taxation		**733,699**	**1,031,368**
Taxation	9	(251,114)	(327,474)
Profit for the year and total comprehensive income		**482,585**	**703,894**
Earnings per share (basic and diluted)	10	KES 1.62	KES 4.02
Dividends per share	11	KES 1.00	KES 2.50

Statement of Financial Position

In thousand of KES

As at December 31	Notes	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,443,843	2,023,560
Prepaid operating leases	13	556,076	297,871
Intangible assets	14	118,596	26,218
Goodwill	15	6,396,651	336,604
Deferred expenditure	27	154,145	-
Deferred tax asset	16	113,444	78,950
Total non-current assets		**10,782,755**	**2,763,203**
Current assets			
Inventories	17	7,876,468	4,051,552
Trade and other receivables	18	11,775,571	5,523,718
Due from related companies	19 (i)	583,748	639,428
Bank and cash balances	25 (ii)	509,654	1,548,883
Total current assets		**20,745,441**	**11,763,581**
TOTAL ASSETS		**31,528,196**	**14,526,784**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21 (ii)	4,774,771	875,324
Share premium	20	1,967,520	1,967,520
Revenue reserve		2,219,900	2,174,978
Shareholders' equity		8,962,191	5,017,822
Non current liabilities			
Medium term loan	22	3,978,000	-
Total non current liabilities		**3,978,000**	**-**
Current liabilities			
Medium term loan	22	702,000	-
Trade and other payables	23	8,371,069	3,433,391
Due to holding company	28 (ii)	180,622	827,881
Due to related companies	19 (ii)	72,915	77,928
Unpaid dividends	11	7,072	15,392
Short term bank borrowings	24	9,182,595	5,041,553
Tax payable	9 (iii)	71,732	112,817
Total current liabilities		**18,588,005**	**9,508,962**
TOTAL EQUITY AND LIABILITIES		**31,528,196**	**14,526,784**

The financial statements on pages 33 to 68 were approved by the board of directors on 4 March 2010 and were signed on its behalf by:

Felix Majekodunmi

Director

Micheal Karanja

Director

Statement of Changes in Equity

For the year ended 31 December 2009

	Notes	Share Capital	Share Premium	Share Reserve	Total Equity
As of 1 January 2008		875,324	1,967,520	1,908,747	4,751,591
Dividends declared - 2008	11	-	-	(437,663)	(437,663)
Profit for the year and total comprehensive income		-	-	703,894	703,894
As of 31 December 2008		**875,324**	**1,967,520**	**2,174,978**	**5,017,822**
As of 1 January 2009		**875,324**	**1,967,520**	**2,174,978**	**5,017,822**
Issued share capital	21	3,899,447	-	-	3,899,447
Dividends declared - 2009	11	-	-	(437,663)	(437,663)
Profit for the year and total comprehensive income		-	-	482,585	482,585
As of 31 December 2009		**4,774,771**	**1,967,520**	**2,219,900**	**8,962,191**

Statement of Cash Flows

For the year ended 31 December 2009

In thousand of KES

For the year ended December 31	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated / (used in) operations	25 (i)	688,345	(218,324)
Taxation paid	9 (iii)	(310,851)	(235,124)
Net cash generated from /(used in) operating activities		**377,494**	**(453,448)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(138,017)	(305,468)
Purchase of intangible assets	14	(1,913)	(1,083)
Proceeds on disposal of property, plant and equipment		1,513	2,398
Proceeds on disposal of prepaid operating lease		-	7,000
Net cash outflow on acquisition of			
Total Marketing Kenya Limited	26 (v)	(10,616,281)	-
Net cash used in investing activities		**(10,754,698)**	**(297,153)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7	(538,000)	(380,306)
Interest received	7	11,614	15,465
Dividends paid	11	(445,983)	(434,433)
Medium term loan received	22	4,680,000	-
Proceeds from issue of redeemable			
preference shares	21	3,899,447	-
Deferred expenditure	26	(154,145)	-
Net cash generated from / (used in) financing activities		**7,452,933**	**(799,274)**
Net decrease in cash and cash equivalents		**(2,924,271)**	**(1,549,875)**
Bank overdraft acquired through business combination		**(2,256,000)**	-
Cash and cash equivalents as at 1 January		**(3,492,670)**	**(1,942,795)**
Cash and cash equivalents as at 31 December	**25 (ii)**	**(8,672,941)**	**(3,492,670)**

Notes to the Financial Statements

1. ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

For the Kenyan Companies Act reporting purposes in these financial statements, the balance sheet is represented by/equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

Standards and interpretations effective in the current period

- The following new interpretations issued by the International Financial Reporting Interpretations Committee and revised standards are effective for the current period:
- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 1, First-Time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 7, Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
- IAS 1, Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income; and amendments relating to disclosure of puttable instruments and obligations arising on liquation (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23, Borrowing Costs, Comprehensive revision to prohibit immediate expensing (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 - Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments resulting from May 2009 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009)

Impact of the relevant new and revised standards and interpretations in issue

IAS 1 (Revised), presentation of financial statements

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income.

According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and at end of the period. Since the change only impacts presentation aspects, there is no impact on retained earnings.

The company also elected to use the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flows' to described the 'balance sheet' and 'cash flow statement' respectively.

The company has not presented three statements of financial position in these financial statements because it has not applied an accounting policy retrospectively, made a retrospective restatement of items in its financial statements, or reclassified items in its financial statements that affected the statement of financial position at the beginning of the earliest comparative period.

Adoption of these interpretations and standards has not led to any changes in the company's accounting policies.

New and revised standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but not yet effective.

Notes to the Financial Statements *continued*

- IFRS 9, Financial instruments part 1: Classification and measurement (effective for accounting periods beginning 1 January 2013)
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments relating treatment of loan prepayment penalties as closely related derivatives (effective for accounting periods beginning on or after 1 January 2010)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009); amendments for embedded derivatives when reclassifying financial instruments (effective for accounting periods ending on or after 30 June 2009)
- IFRS 8, Operating Segments: Amendments on disclosure of information about segment assets (effective for accounting periods beginning on or after 1 January 2010)
- IAS 1, Presentation of Financial Statements: amendment for the classification of convertible instruments (effective for accounting periods beginning on or after 1 January 2010)
- IAS 7, Statement of Cash Flows, Amendment relating to current and non-current classification of convertible instruments (effective for accounting periods beginning on or after 1 January 2010)
- IAS 17, Leases: Amendment for classification of leases of land and buildings (effective for accounting periods beginning on or after 1 January 2010)
- IAS 36: Impairment of Assets: Amendment relating the unit of accounting for goodwill impairment test (effective for accounting periods beginning on or after 1 January 2010)
- IAS 38, intangible Assets: Amendment for measuring the fair value of an intangible asset acquired in a business combination (effective for accounting periods beginning on or after 1 January 2010) The directors anticipate that the adoption of the above standards and interpretations will have no material impact on the financial statements of the company in the period of initial application.

a. Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting except for the revaluation of certain non-current assets and financial instruments. The financial statements are presented in Kenya Shillings (KES) thousands.

b. 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.

Throughput fees represent fees charged on the volumes lifted by the various shippers hosted by the Company at its depot and are recognized upon the delivery of products.

All other revenues are recognised at the time goods are supplied or services are provided.

c. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values at the date of exchange of assets, liabilities incurred or assumed and equity instruments issued by the company in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

d. Goodwill

Goodwill arising on acquisition represents the excess of the cost of business combination over the fair value of the company's share of the net assets of the acquiree's identifiable assets, liabilities and contingent liabilities 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.

Notes to the Financial Statements *continued*

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.

e. Intangible assets

Intangible assets represent computer software which is stated at cost less amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of the assets on a straight line basis over their estimated useful life of 3 years.

f. Leasehold land

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

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
Depreciation is calculated to write off the cost 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%

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 less the estimated costs of completion and the estimated costs to make the sale.

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.

Accounts receivables

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

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 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.

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.

j. 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 statement of comprehensive income.

k. Operating leases

Payments made under operating leases are charged to the statement of comprehensive income 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.

l. 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.

Notes to the Financial Statements *continued*

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.

m. Employee benefit costs
The company operates a locally registered defined contribution pension fund, an off-shore defined contribution retirement benefits scheme and a defined benefit scheme for its employees. The assets of the schemes are held in separate trustee administered funds.

The schemes are funded by payments from both the employees and the company. Benefits are paid to retiring staff in accordance with the rules of the respective scheme.

For the defined benefit scheme, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries who carry out a full valuation of the plan annually. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses are recognised over the average remaining service lives of employees.

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 statement of comprehensive income in the year to which they relate.

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

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

o. 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.

p. 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.

q. 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 statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.
The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements *continued*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was KES 336 million and no impairment loss was recognised during 2009.

Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

3. NET SALES

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. Segment reporting is therefore not applicable. Net sales by business channel are shown below.

(i) Business channels

In thousand of KES

For the year ended December 31,	**2009**	**2008**
General trade	13,253,379	26,716,001
Network	11,127,810	12,772,025
Aviation	4,813,270	3,408,192
Export and bulk	3,482,734	1,664,707
Total net sales	**32,677,193**	**44,560,925**
(ii) Geographical analysis		
Local sales	31,159,836	43,806,702
Export sales	1,517,357	754,223
Total net sales	**32,677,193**	**44,560,925**

4. COST OF SALES

In thousand of KES

For the year ended December 31,	**2009**	2008
Product purchases	27,812,146	40,121,531
Other variable costs	2,056,016	1,545,983
Total cost of sales	**29,868,162**	**41,667,514**

Notes to the Financial Statements *continued*

5. OTHER INCOME

		In thousand of KES	
For the year ended December 31,	Notes	2009	2008
Rents and commissions		91,558	50,940
Profit on disposal of property, plant and equipment		1,274	2,219
Profit on disposal of prepaid operating leases		-	2,189
Throughput fees and other income		190,453	20,832
Total other income		**283,285**	**76,180**

6. OTHER OPERATING EXPENSES

		In thousand of KES	
For the year ended December 31,	Notes	2009	2008
Directors' emoluments - fees		1,600	1,600
- other emoluments		28,115	23,579
Payroll and staff (Note 8)		513,408	479,551
Other expenses		132,347	149,804
Repairs and maintenance		163,032	142,397
Technical assistance	25 (i)	170,609	139,570
Travelling and reception		114,010	97,246
Utilities		66,468	47,567
Operating lease rentals		65,994	79,265
Advertising and promotion		58,230	42,763
Legal and other professional fees		28,505	21,964
Insurance		24,256	21,173
Impairment on receivables		14,468	20,078
Auditor's emoluments		6,500	4,537
Total other operating expenses		**1,387,542**	**1,271,094**

7. (a) FINANCE CHARGES

Finance charges on borrowings	538,000	380,306
Interest income	(11,614)	(15,465)
Net finance charges	**526,386**	**364,841**

7 (b) EXCHANGE LOSS/(GAIN)	48,826	(3,531)

Notes to the Financial Statements *continued*

8. PAYROLL AND STAFF

For the year ended December 31,	Notes	2009	2008
		In thousand of KES	
Personnel expenses			
Wages and salaries		353,309	312,463
Pension costs - defined contribution plans		43,725	46,308
Provision for accrued leave		639	1,416
Other costs		115,734	119,364
Total personnel expenses		**513,408**	**479,551**
Average number of employees (permanent staff)		**377**	**276**

9. TAXATION

For the year ended December 31,

(i) Taxation charge			
Current taxation based on adjusted profit			
for the year at 30%		269,766	370,225
Prior year (over)/under provision		-	(9,887)
		269,766	360,338
Deferred taxation (credit)/ charge	16(ii))	(18,652)	(32,864)
		251,114	**327,474**
(ii) Reconciliation of taxation charge to expected tax based on accounting profit			
Accounting profit before taxation		**733,699**	**1,031,368**
Tax at the applicable rate of 30%		220,110	309,410
Tax effect of expenses not deductible for tax		31,081	28,217
Tax effect of income not subject to tax		(77)	(266)
Prior year (over)/under provision of corporate tax		-	(9,887)
Taxation charge		**251,114**	**327,474**
(iii) Taxation (payable)/recoverable			
Balance at 1 January		(112,817)	12,397
Income statement charge		(269,766)	(360,338)
Payments during the year		310,851	235,124
Balance at 31 December		**(71,732)**	**(112,817)**

Notes to the Financial Statements *continued*

10. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, as shown below:

For the year ended December 31,	Notes	2009	2008
Profit after taxation (KES'000)		482,585	703,894
Basic earnings per share			
Weighted average number of ordinary shares used in the calculation of basic earnings per share (In thousands of shares)		298,543	175,065
Basic earnings per share (KES)		1.62	4.02

Diluted earnings per share

The diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS PER SHARE

In May 2009, a dividend of KES 2.50 per share amounting to KES 438 million, relating to the year ended 31 December 2008 was paid to shareholders.

In respect of the current year, the directors propose that a first and final dividend of KES 1.00 per share (2008: KES 2.50) be paid out to both ordinary and preference 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 KES 298 million (2008: 438 million).

In thousand of KES

For the year ended December 31,	Notes	2009	2008
The movement in unclaimed dividend is as follows:			
At 1 January		15,392	12,162
Final dividend declared		437,663	437,663
Dividend paid		(445,983)	(434,433)
Balance at 31 December		**7,072**	**15,392**

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 Statements *continued*

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant, motor vehicles and other equipment	Furniture, fittings and office equipment	Capital work in progress	Total
COST				In thousand of KES	
1 January 2008	909,078	2,619,364	302,862	158,226	3,989,530
Additions	57,206	214,986	13,128	20,148	305,468
Disposals	-	(10,548)	(108)	-	(10,656)
Transfer from work in progress	12,700	28,367	-	(41,067)	-
Write offs	(1,875)	(8,533)	(110)	-	(10,518)
31 December 2008	**977,109**	**2,843,636**	**315,772**	**137,307**	**4,273,824**
1 January 2009	977,109	2,843,636	315,772	137,307	4,273,824
Additions	29,226	30,756	5,810	72,225	138,017
Acquisition through business combination	1,074,959	2,606,024	330,308	110,479	4,121,770
Disposals	-	(2,879)	-	-	(2,879)
Transfer from work in progress	40,832	82,925	-	(123,757)	-
Reclassifications	(63,078)	101,323	(38,245)	-	-
31 December 2009	**2,059,048**	**5,661,785**	**613,645**	**196,254**	**8,530,732**
DEPRECIATION					
1 January 2008	283,393	1,474,181	239,060	-	1,996,634
Charge for the year	24,985	218,585	28,023	-	271,593
Disposals	-	(10,453)	(24)	-	(10,477)
Write offs	(646)	(6,729)	(111)	-	(7,486)
31 December 2008	307,732	1,675,584	266,948	-	2,250,264
1 January 2009	307,732	1,675,584	266,948	-	2,250,264
Charge for the year	26,158	275,156	22,882	-	324,196
Acquisition through business combination	592,172	1,652,870	270,027	-	2,515,069
Disposals	-	(2,640)	-	-	(2,640)
Reclassifications	6,558	27,693	(34,251)	-	-
31 December 2009	932,620	3,628,663	525,606	-	5,086,889
NET BOOK VALUE					
31 December 2009	**1,126,159**	**2,033,122**	**88,039**	**196,254**	**3,443,843**
31 December 2008	669,377	1,168,052	48,824	137,307	2,023,560

Notes to the Financial Statements *continued*

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Property, plant and equipment with a cost of KES 1,493,890,694 (2008 – KES 1,240,130,056) were fully depreciated as at 31 December 2009.The notional depreciation charge in respect of these property, plant and equipment amount to KES 458,625,053 (2008 – KES 262,778,258).

The capital work in progress relate mainly to construction work (e.g. remodelling of stations) and technical installations being undertaken by the company.

13. PREPAID OPERATING LEASES

		In thousand of KES	
For the year ended December 31,	Notes	2009	2008
COST			
At 1 January		398,798	403,798
Acquisition through business combination		375,606	-
Disposals		-	(5,000)
Reclassification from prepaid rent		163,208	-
At 31 December		**937,612**	**398,798**
AMORTISATION			
At 1 January		100,927	95,057
Amortisation for the year		40,264	6,059
Acquisition through business combination		181,350	-
Disposals		-	(189)
Reclassification from prepaid rent		58,995	-
At 31 December		**381,536**	**100,927**
NET BOOK VALUE			
At 31 December		**556,076**	**297,871**

The prepaid operating leases relate to amounts that the company has paid for the land on which most of its stations and depots stand.

Notes to the Financial Statements *continued*

14. INTANGIBLE ASSETS

For the year ended December 31,	Notes	In thousand of KES 2009	2008
COST			
At 1 January		116,780	115,697
Additions		1,913	1,083
Acquisition through business combination		176,988	-
At 31 December		**295,681**	**116,780**
AMORTISATION			
At 1 January		90,562	62,395
Charge for the year		31,403	28,167
Acquisition through business combination		55,120	-
At 31 December		**177,085**	**90,562**
NET BOOK VALUE			
At 31 December		**118,596**	**26,218**

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

Notes to the Financial Statements *continued*

15. GOODWILL

For the year ended December 31,	Notes	2009	2008
		In thousand of KES	
COST			
Balance at beginning of year		448,804	448,804
Additional amounts recognized from business combination occurring during the year	26 (iv)	6,060,047	-
Balance at end of year		6,508,851	448,804
Accumulated impairment losses			
Balance at beginning and end of year		(112,200)	(112,200)
		6,396,651	336,604

(a Goodwill arising from acquisition of Elf Oil Kenya Limited

Goodwill amounting to Sh 448,804,000 arose from the acquisition of a subsidiary, Elf Oil Kenya Limited, in March 2001.With effect from 1 January 2005, the operations of Elf Oil Kenya Limited were merged with those of Total Kenya Limited and this 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.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to two cash generating units as follows:

- Network service station operations - cash flows and profits from acquired stations
- Rental fees income generation - fees paid by dealers operating acquired stations

Both units continue to generate positive cash flows and goodwill has been globally allocated to both. The recoverable amount of the cash generating units is based on value in use calculation which uses cash flow projections based on annual network business financial budgets and a long term business plan approved by management covering a ten year period.

The cash flows from the cash generating units are based on expected return on capital invested at between 10% to 25% and a stable market share. Management is of the opinion that any possible reasonable change in these assumptions would not cause the global carrying amount to exceed the recoverable amount.

At 31 December 2009, no impairment loss was assessed (2008: nil).

(b) Goodwill arising from acquisition of Total Marketing Kenya Limited

Goodwill amounting to Sh 6,060,047,000 arose from the acquisition of a Total Marketing Kenya Limited. With effect from 1 November 2009, the operations of Total Marketing Kenya Limited were merged with those of Total Kenya Limited and this was achieved through a business sale agreement which resulted in the transfer of all Total Marketing Kenya Limited business, assets and liabilities to Total Kenya Limited.

The fair valuation of acquired assets and liabilities is still in progress and upon finalisation will result in change in the amount of goodwill reported and fair values of net assets acquired.

The valuation of assets acquired and allocation of goodwill to cash generating units is expected to be completed within the period of 12 months as provided for by IFRS 3 on business combination.

Notes to the Financial Statements *continued*

16. DEFERRED TAX ASSET

(i) The net deferred tax asset is attributable to the following:

	Notes	2009	2008
		In thousand of KES	
Accelerated capital depreciation		(52,448)	(19,142)
Unrealised exchange differences		(16,209)	(27,776)
General provisions		(44,787)	(32,032)
Net deferred tax asset		(113,444)	(78,950)

	Notes	2009	2008
(ii) Movement on the deferred tax account is as follows:			
At 1 January		(78,950)	(46,086)
Income statement (credit)/charge	9 (i)	(18,652)	(32,864)
Acquired through business combination		(15,842)	-
At 31 Decembers		(113,444)	(78,950)

Deferred taxation is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30 % (2008 - 30%).

17. INVENTORIES

As of December 31,	2009	2008
	In thousand of KES	
Refined products	6,294,090	3,395,457
Raw material and crude oil	1,443,884	-
Consumables and accessories	162,119	670,891
Provision for obsolete and defective stocks	(23,625)	(14,796)
Total inventories	**7,876,468**	**4,051,552**

18. TRADE AND OTHER RECEIVABLES

As of December 31,

Trade receivables	9,859,011	4,854,785
Recoverable taxes	1,998,415	802,523
Other receivables and prepayments	498,593	287,154
Provision for doubtful debts	(580,448)	(420,744)
Total trade and other receivables	11,775,571	5,523,718

Notes to the Financial Statements *continued*

18. TRADE AND OTHER RECEIVABLES

Recoverable taxes relate to advance payments for excise duty on petroleum products.

19. RELATED COMPANY BALANCES

(i) Amounts due from related companies

	In thousand of KES	
As at December 31,	2009	2008
NETCO Management Limited	336,388	454,234
Total Uganda Limited	157,318	108,056
Fina Congo S.A.R.L	17,880	22,748
Total Tanzania Limited	2	234
Total Rwanda S.A.R.L	-	42,394
Others related companies	72,160	11,762
	583,748	**639,428**

(ii) Amounts due to related companies

	In thousand of KES	
As at December 31,	2009	2008
Total France	72,915	43,072
Other related companies	-	34,856
	72,915	77,928

20. SHARE PREMIUM

As of December 31,	2009	2008
As of 1 January and 31 December	**1,967,520**	**1,967,520**

This is a non distributable reserve as per the requirements of the Kenyan Companies Act.

Notes to the Financial Statements *continued*

21. SHARE CAPITAL

	In thousand of KES	
As of December 31,	2009	2008
Authorised ordinary shares KES 5 each	181,630	181,630
Authorised redeemable preference shares KES 31.58 each	123,478	-
Issued ordinary share capital	875,324	875,324
Issued redeemable preference share capital	3,899,447	-
	4,774,771	**875,324**

Issued capital comprises:		
173,013,306 fully paid ordinary shares (2008: 173,013,306)	865,067	865,067
2,051,400 fully paid Class 'A' ordinary shares (2008:2,051,400)	10,257	10,257
123,478, 388 fully paid redeemable preference shares (2008: nil)	3,899,447	-
	4,774,771	**875,324**

Fully paid ordinary shares	Number of shares '000	Share capital '000
At 1 January 2008		
Ordinary shares	173,013	865,067
Ordinary Class A shares	2,052	10,257
At 31 December 2008	**175,065**	**875,324**
Issue of redeemable preference shares	123,478	3,899,447
At 31 December 2009	**298,543**	**4,774,771**

Fully paid ordinary shares which have a par value of Sh 5 carry one vote per share and carry a right to dividends.

The redeemable non cumulative preference shares which were issued by the company at an issue price of Sh 31.58 do not have any voting rights but have the same rights to dividends as the ordinary shares. The right to redemption of the redeemable preference shares is at the discretion of the company hence they have been classified as equity.

Notes to the Financial Statements *continued*

21. SHARE CAPITAL *(continued)*

(iii) Shareholding structure

	In thousand of shares	
As of December 31,	2009	2008
Total Outre Mer- Ordinary shares	126,327	126,327
Total Africa Limited	10,733	10,733
Total Outre Mer-Redeemable preference shares	123,478	-
Total stable shareholders	**260,538**	**137,060**
Class A shares	2,052	2,052
Other shareholders	35,953	35,953
Total issued shares	**298,543**	**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 2008. The conversion has not yet been effected as the necessary approvals have not been given by the Capital Markets Authority.

22. MEDIUM TERM BORROWINGS

	In thousand of KES	
As of December 31,	2009	2008
Secured - at amortised cost		
At beginning of the year	-	-
Loans acquired in the year	4,680,000	-
At end of the year	**4,680,000**	-
Maturing as follows;		
Within one year	702,000	-
In second year	702,000	-
In third to fifth year	3,276,000	-
	4,680,000	-
Due for settlement within one year	**702,000**	-
Due for settlement after one year	**3,978,000**	-

The medium term facility was made available to finance a portion of the consideration for the purchase of Total Marketing Kenya Limited. It is denominated in Kenya Shillings and is repayable in quarterly principal instalments over a period of 5 years. The first instalment is due on 31 March 2010.

Notes to the Financial Statements *continued*

22. MEDIUM TERM BORROWINGS *(Continued)*

The loan is secured by;

a) All assets debenture.
b) Pledge of shares in Total Marketing Kenya Limited.
c) Mortgage granted over the property known as LR Number 214/110, Nairobi.
d) Charge granted over the property known as LR Number 3734/383, Nairobi.
e) Charge granted over the property known as LR Number 209/15789, Nairobi

The weighted average effective interest rate on the borrowings is 11.56% (2008: nil).

23. TRADE AND OTHER PAYABLES

	In thousand of KES	
As of December 31,	2009	2008
Trade payables	3,584,985	2,571,520
Other payables and accruals	4,786,084	861,871
Total payables	**8,371,069**	**3,433,391**

Interest is only charged on trade payables due to purchase of petroleum products at rates set by the Open Tender Supply (OTS) agreement. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

24. SHORT TERM BANK BORROWINGS

	In thousand of KES	
As of December 31,	2009	2008
Unsecured - at amortised cost		
Bank overdrafts	1,345,595	711,103
Short term bank loans	7,837,000	4,330,450
Total short term borrowings **and bank overdraft**	**9,182,595**	**5,041,553**

Bank overdraft facilities are held with various financial institutions, primarily international stable local banks, and are unsecured. The facilities are operated within designated limits and under the terms and conditions stipulated by the financial institutions.

The short term bank loans are interest bearing and are drawn from various financial institutions with maturity periods not exceeding 3 months (2008: 3 months).

Interest rates

The borrowings are repayable on demand or within three months and are unsecured. The interest on these 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,	2009	2008
Average interest rate on short term borrowings and bank overdrafts	**8.25 %**	**9.70%**

Notes to the Financial Statements *continued*

24. SHORT TERM BANK BORROWINGS *(continued)*

Analysis by currency

As of December 31,	2009	2008
	In thousand of KES	
Kenya Shilling	8,048,853	4,330,450
US dollar	1,133,742	711,103
Total short term borrowings and bank overdraft	9,182,595	5,041,553

25. NOTES TO THE CASH FLOW STATEMENT

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

As of December 31,	Notes	2009	2008
		In thousand of KES	
Profit before taxation		**733,699**	**1,031,368**
Adjustments for:			
Interest expense	7 (a)	538,000	380,306
Interest income	7 (a)	(11,614)	(15,465)
Depreciation	12	324,196	271,593
Amortisation - prepaid operating leases	13	40,264	6,059
Amortisation - intangible assets	14	31,403	28,167
Profit on disposal of property, plant and equipment		(1,274)	(2,219)
Profit on disposal of prepaid operating leases		-	(2,189)
Loss on write off of property and equipment		-	3,032
Operating profit before working capital changes		**1,654,674**	**1,700,652**
(Increase)/decrease in inventories		(158,575)	(612,678)
Increase in trade and other receivables		(3,878,507)	(506,198)
Increase/(decrease) in trade and other payables		3,667,345	(1,331,595)
(Decrease)/increase in amounts due to holding company		(647,259)	768,176
Movement in balances with related companies		50,667	(236,681)
Cash generated from /(used in) operations		**688,345**	**(218,324)**

(ii) Analysis of cash and cash equivalents

As of December 31,	Notes	2009	2008
		In thousand of KES	
Cash and bank balances		509,654	1,548,883
Bank overdrafts	24	(1,345,595)	(711,103)
Short term loans	24	(7,837,000)	(4,330,450)
Cash and cash equivalents		**(8,672,941)**	**(3,492,670)**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, short term liquid investments which are readily convertible to known amounts of cash and which were within three months of maturity when acquired, less net of outstanding bank overdrafts.

Notes to the Financial Statements *continued*

26. BUSINESS COMBINATION

	Principal activity	Date of acquisition	Proportion of shares acquired %	Consideration transferred KES '000
Total Marketing Kenya Limited	Purchase and distribution of petroleum products	1 November 2009	100	11,304,336

The primary reason for the acquisition was to complement Total Kenya Limited's own business activities by providing a more balanced asset portfolio as well as larger business size to enable it benefit from a growing Kenyan market. The acquisition will increase the number of service stations, strengthen Total Kenya Limited's position in the airports and provide it with its own blending plant.

The acquisition was financed by way of;

(a) Capital injection of KES 3,900 Million by Total Outer Mer pursuant to the redeemable preference shares issue;

(b) Commercial medium term loans of KES 4,680 Million;

(c) Existing short term facilities from Total Kenya Limited's existing lenders of KES 2,724 Million.

(ii) Consideration transferred

The consideration transferred consisted of cash totalling KES 11,304,336 Million. Acquisition related costs amounting to KShs 150 million have been included in the consideration transferred as these are costs directly attributed to the business combination.

(iii) Assets acquired and liabilities assumed at the date of acquisition

	In thousand of KES
As of December 31,	2009
Current assets	
Inventories	3,666,341
Trade and other receivables	2,477,559
Bank and cash balances	688,055
Non current assets	
Property, plant and equipment	1,606,701
Prepaid operating leases	194,256
Intangible assets	121,868
Deferred tax asset	15,842
Current liabilities	
Trade and other payables	(1,270,333)
Short term borrowings	(2,256,000)
Net assets acquired	**5,244,289**

Notes to the Financial Statements *continued*

26. BUSINESS COMBINATION

(iii) Assets acquired and liabilities assumed at the date of acquisition *(continued)*

The initial accounting for the acquisition of Total Marketing Kenya Limited has only been provisionally determined at the end of the reporting period.

The fair valuation of acquired assets and liabilities is still in progress and upon finalisation will result in change in the amount of goodwill reported and fair values of net assets acquired.

The valuation of assets acquired is expected to be completed within the period of 12 months as provided for by IFRS 3 on business combination.

(iv) Goodwill arising on acquisition

		In thousand of KES
As of December 31,	Notes	2009
Consideration transferred		11,304,336
Less fair value of identifiable net assets acquired		(5,244,289)
Goodwill arising on acquisition	15	6,060,047

(v) Net cash outflow on acquisition of Total Marketing Kenya Limited

Consideration paid in cash	11,304,336
Less: cash and cash equivalent balances acquired	(688,055)
	10,616,281

(vi) Impact of acquisition on the results of the company

Included in the profit of the year is KSh 99 Million attributable to the additional business generated by Total Marketing Kenya Limited. Revenue for the period includes KSh 3,055 Million in respect of Total Marketing Kenya Limited.

Had the business combination been effected on 1 January 2009, the revenue of the company from continuing operations would have been KSh 59,835 Million and the profit for the year from continuing operations would have been KSh 828 Million. The directors of the company consider these 'proforma' numbers to represent an approximate measure of the performance of the combined company on an annualised basis and to provide a reference point for comparison for future periods.

Notes to the Financial Statements *continued*

27. DEFERRED EXPENDITURE

		In thousand of KES	
As of December 31,	Notes	2009	2008
At 1 January and 31 December		154,145	-

Deferred expenditure comprises loan commitment fees, legal and professional fees incurred to raise the medium term borrowing from a consortium of local banks. These costs are amortised over the life of the underlying medium term borrowings.

28. RELATED PARTY TRANSACTIONS

(i) Transactions with related companies

During the year, the company made purchases amounting to KES 3,847 million (2008 - KES 2,291 million) from the holding company and other companies related to it by virtue of common shareholding. The company also earned revenue of KES 845 million (2008 - KES 668 million) from related companies.

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.

The company purchased plant and equipment amounting to KES 56 million (2008- KES 37 million) from the holding company and other companies related to it by virtue of common shareholding. The company also has technical assistance agreements with the holding company for which it paid fees for the year amounting to KES 170 million (2008- KES 140 million) as disclosed on note 6.

(ii) Amounts due to holding company

The amount due to the holding company in relation to the above transactions is KES 180,622,000 (2008 - KES 827,881,000) as set out on the balance sheet. Other amounts due to/from related companies are shown on note 19.

Notes to the Financial Statements *continued*

28. RELATED PARTY TRANSACTIONS

(iii) Key management compensation

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

	In thousand of KES	
As of December 31,	2009	2008
Salaries and other short-term employment Benefits	84,594	51,696
Post-employment benefits	3,933	3,710
	88,527	**55,406**
(iv) Directors' remuneration		
Fees for services as a director	1,600	1,600
Other emoluments (included in key management compensation above)	26,815	23,579
	28,415	**25,179**

29. COMMITMENTS AND CONTINGENCIES

(a) Contingent Liabilities

Guarantees and bonds

	In thousand of KES	
As of December 31,	2009	2008
Total commitments given	2,168,349	1,535,698
Total commitments received	865,528	408,039

Commitments given include primarily customs bonds. The bonds are held in the ordinary course of business. 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.

Notes to the Financial Statements *continued*

29. COMMITMENTS AND CONTINGENCIES

(b) Contingent Liabilities

Legal claims

a) In 1999, Kanyotta Holding Limited launched a claim of Sh 44,100,000 for damages relating to termination of transporter agreement.

b) In 2008, Shariff Mohammed, owner of Asmi Service Station filled a claim of Sh 75,950,163 against the company for refund for product allegedly paid and never supplied, loss of income and damages for alleged assault during station take-over.

Based on legal advice received from the company's lawyer, the directors are of the opinion that the liabilities will not materialize.

Contingent liability relating to parent company

An amount of KES 189 million (USD 2,427,388) exists as at 31 December 2009 for an unsettled invoice to the parent company, Total Outremer, and has not been provided for in the Total Kenya Limited's books as the goods were not received by Total Kenya Limited. Management is keenly following up on the matter and is of the view that the ultimate resolution of this matter will not have any impact on the company's financial position or liquidity.

Capital commitments

	In thousand of KES	
As of December 31,	2009	2008
Authorised and contracted for	151,387	120,232
Authorised but not contracted for	712,720	327,403

Notes to the Financial Statements *continued*

29. COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contingent Assets

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 was determined in the company's favour but other oil companies have lodged an appeal and the matter referred 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 KES 106 million, which has been fully provided for in the financial statements.

Dispute with a supplier

The company is also involved in a dispute with a supplier over the non delivery of product paid for but not received. The net exposure of KES 171 million has been fully provided for in the financial statements.

30. OPERATING LEASE COMMITMENTS

	In thousand of KES	
As of December 31,	2009	2008
Maturing within one year	16,679	10,851
Maturing over one year to five years	41,584	5,426
Total operating lease commitments	**58,263**	**16,277**

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

31. CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from 2008.

The capital structure of the company consists of debt, which includes the borrowings disclosed in notes 22 and 24 respectively, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in notes 20 and 21.

Gearing ratio

The gearing ratio at the end of the year was as follows

		In thousand of KES	
As of December 31,	Notes	2009	2008
Medium term borrowings - non current		3,978,000	-
Medium term borrowings - current		702,000	-
Short term borrowings	24	9,182,595	5,041,553
Bank and cash balances		(509,654)	(1,548,883)
Net borrowings		**13,352,941**	**3,492,670**
Equity*		**8,962,191**	**5,017,822**
Net debt to equity ratio		**149%**	**70%**

*Equity includes capital and reserves.

Notes to the Financial Statements *continued*

32. FINANCIAL RISK MANAGEMENT

Financial risk management objectives

The company's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Total Group's policies, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The company does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The company's Treasury Function reports monthly to the Group's treasury, a section of the Group that monitors risks and policies implemented to mitigate risk exposures.

Market risk

The activities of the company expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the trade of petroleum products.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency sensitivity analysis

The main currency exposure that the company is exposed to relate to the fluctuation of the Kenya Shillings exchange rates with the US Dollar, Euro and Pound currencies.

The table below details the company's sensitivity to a 10% increase and decrease in the Kenya Shilling against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans. A negative number below indicates an increase in profit and other equity where the Kenya Shilling strengthens 10% against the relevant currency. For a 10% weakening of the Kenya Shilling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

As of December 31,		2009	2008
Profit or loss (With 10% change)	In thousand of KES		
USD Impact		122,453	19,220
Euro Impact		46	1,434
Pound Impact		-	932

Notes to the Financial Statements *continued*

32. FINANCIAL RISK MANAGEMENT *(continued)*

Foreign currency sensitivity analysis (Continued)

The US Dollar impact is mainly attributable to the exposure on outstanding US Dollar receivables, payables and overdraft at the year end, the Euro impact is mainly attributable to the exposure on outstanding Euro receivables and payables at the year end while the Pound impact is mainly attributable to the exposure on outstanding Pound payables at the year end.

The sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Forward foreign exchange contracts

The company enters into forward foreign exchange contracts to manage risk associated with anticipated trade transactions. At 31 December 2009, a total of Sh 1.03 billion (USD 13.6 million) was payable on 25th January 2010 relating to product for Kengen Limited (2008: no derivative asset or liability arose from these transactions).
Interest rate risk management

The company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the company by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

The company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the company's profit before tax for the year ended 31 December 2009 would decrease/increase by KES 26.9 million (2008: by KES 18.2 Million). This is mainly attributable to the company's exposure to interest rates on its borrowings and overdraft.

The company's sensitivity to interest rates has increased during the current period mainly due to the increase in financial requirements.

Notes to the Financial Statements *continued*

32. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk management

Credit risk refers to the risk of financial loss to the company arising from a default by a counterparty on its contractual obligations. The company's policy requires that it deals only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available. If not available, the company uses other publicly available financial information and its own trading records to rate its major customers. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is requested.

The company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company's maximum exposure to credit risk as at 31 December 2009 is analysed in the table below:

	Fully performing	Past due	Impaired amount	Total
			In thousand of KES	
Network	1,659,375	361,524	54,766	2,075,665
Non-Network	7,081,332	176,332	525,682	7,783,346
Trade receivables	**8,740,707**	**537,856**	**580,448**	**9,859,011**
Other receivables	185,423	-	54,674	240,097
Cash and cash equivalents	(8,672,941)	-	-	(8,672,941)

Notes to the Financial Statements *continued*

32. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk management

	Fully performing	Past due	Impaired amount	Total
			In thousand of KES	
Network	83,858	14,231	43,479	141,568
Non-Network	4,339,026	50,490	323,701	4,713,217
Trade receivables	**4,422,884**	**64,721**	**367,180**	**4,854,785**
Other receivables	110,434	-	53,564	163,998
Cash and cash equivalents	(3,492,670)	-	-	(3,492,670)

The default risk on the customers under the fully performing category is very low as they are active in paying their debts as they continue trading. The past due amounts have not been provided for since the amounts continue to be paid. The impaired amounts have been fully provided for in these financial statements.

Liquidity risk management

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in financing facilities section of this note, is a listing of additional undrawn facilities that the company has at its disposal to further reduce liquidity risk.

Financing facilities

In thousand of KES

As of December 31,	2009	2008
Unsecured bank loans and overdraft, payable at call and reviewed annually		
Amount used	9,182,595	5,041,553
Amount unused	5,991,725	**7,508,447**
Total Facilities	**15,174,320**	**12,550,000**

Notes to the Financial Statements *continued*

32. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk management (Cont')

The table below shows the breakdown of amounts used with 6 main banks at the balance sheet date.

	In thousand of KES	
	2009 Carrying amount	2008 Carrying amount
Bank		
Citibank	3,200,000	2,400,000
Standard Chartered Bank	3,069,000	600,000
Kenya Commercial Bank	-	1,330,450
Barclays Bank	968,000	-
Bank of Africa	600,000	
Total	**7,837,000**	**4,330,450**

The following table analyses the company's financial liabilities (in thousand of KES) that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. All the Balances are due within 12 months hence the undiscounted balances equal their carrying balances, as the impact of discounting is not significant.

	Up to 1 month	1-3 months	4-12 months	> 1 year	Total
At 31 December 2009					
Medium term loan	-	175,500	526,500	3,978,000	4,680,000
Short term bank loans	7,837,000	-	-	-	7,837,000
Bank overdrafts	1,345,595	-	-	-	1,345,595
Trade payables	3,584,985	-	-	-	3,584,985
Total financial liabilities	**12,767,580**	**175,500**	**526,500**	**3,978,000**	**17,447,580**
At 31 December 2008					
Short term bank loans	4,330,450	-	-	-	4,330,450
Bank overdrafts	711,103	-	-	-	711,103
Trade payables	2,571,520	-	-	-	2,571,520
Total financial liabilities	**7,613,073**	-	-	-	**7,613,073**

Notes to the Financial Statements *continued*

33. FAIR VALUE

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

34. ASSETS PLEDGED AS SECURITY

As at 31 December 2009, assets pledged by the company to secure liabilities are as disclosed under note 22 (2008: none).

35. INCORPORATION

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

36. CURRENCY

The financial statements are presented in Kenya Shillings thousands.

Appendix I

FIVE-YEAR SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	In Million KES				
As of December 31,	2009	2008	2007	2006	2005
ASSETS					
Non-current assets					
Property, equipment and leases	3,999.9	2,321.4	2,301.6	2,355.0	2,398.3
Goodwill	6,396.7	336.6	336.6	336.6	336.6
Other intangible assets	118.7	26.2	53.3	71.7	0.8
Deferred expenditure	154.1	-	-	-	-
Deferred taxation	113.4	78.9	46.1	65.8	38.3
Total non-current assets	**10,782.8**	**2,763.1**	**2,737.6**	**2,829.1**	**2,774.0**
Current assets					
Inventories	7,876.5	4,051.6	3,438.9	6,049.6	2,903.0
Other current assets	12,359.3	6,163.1	5,502.5	5,210.3	3,828.9
Cash and cash equivalent	509.6	1,548.9	833.7	1,264.4	1,267.3
Total current assets	20,745.4	11,763.6	9,775.1	12,524.3	7,999.2
TOTAL ASSETS	31,528.2	14,526.7	12,512.7	15,353.4	10,773.2
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	4,774.7	875.3	875.3	875.3	875.3
Share premium	1,967.5	1,967.5	1,967.5	1,967.5	1,967.5
Revenue reserves	2,219.9	2,175.0	1,908.7	1,822.2	1,773.8
Total capital and reserves	**8,962.1**	**5,017.8**	**4,751.5**	**4,665.0**	**4,616.6**
Non current liabilities					
Medium term loan	**3,978.0**	**-**	**-**	**-**	**-**
Current liabilities					
Trade and other payables	8,703.5	4,467.4	4,984.7	5,674.4	1,917.0
Short term borrowings	9,182.6	5,041.5	2,776.5	5,014.0	4,239.6
Medium term loan	702.0	-	-	-	-
Total current liabilities	**18,588.1**	**9,508.9**	**7,761.2**	**10,688.4**	**6,156.6**
TOTAL EQUITY AND LIABILITIES	**31,528.2**	**14,526.7**	**12,512.7**	**15,353.4**	**10,773.2**

Appendix II

FIVE-YEAR SUMMARIZED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	In Million KES				
As of December 31,	2009	2008	2007	2006	2005
Gross sales	41,311.5	54,807.5	44,109.7	38,052.9	40,547.5
Indirect taxes and duties	(8,634.4)	(10,246.6)	(9,352.0)	(7,391.5)	(6,998.0)
Net sales	**32,677.1**	**44,560.9**	**34,757.7**	**30,661.4**	**33,549.5**
Cost of sales	(29,868.1)	(41,667.5)	(32,322.3)	(28,409.0)	(31,048.5)
Gross profit	**2,809.0**	**2,893.4**	**2,435.4**	**2,252.4**	**2,501.0**
Expenses and other income	(1,549.1)	(1,497.3)	(1,367.2)	(1,186.7)	(1,418.6)
Interest charges, net	(526.3)	(364.8)	(286.3)	(388.5)	(284.3)
Profit before taxation	**733.6**	**1,031.3**	**781.9**	**677.2**	**798.1**
Taxation	(251.1)	(327.5)	(257.7)	(191.1)	(266.6)
Net profit for the year	**482.5**	**703.8**	**524.2**	**486.1**	**531.5**

Proxy Form

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

I/We ____

____

of ____

____

being a member of Total Kenya Limited, hereby appoint:

____

of ____

whom failing

of ____

As our/my proxy, to vote for us/me and on our/my behalf at the Annual General Meeting of the company to be held on 2 June 2010 at KICC, Aberdares and Lenana meeting rooms, Nairobi and at any adjournment thereof.

As witness our/my hand this________________________ day of ____________________ 2010

Note:

1. This proxy must be delivered to the company's registered office not later than 10.00 am the close of business on 31 May 2010 failing which it is invalid.
2. In the case of a member being a limited company this form must be completed under its Common seal.

TOTAL

Notes

Notes