TOTAL KENYA LIMITED

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF FINANCIAL POSITION

AS AT,	31 Dec 2010 KSh'000	31 Dec 2009 KSh'000
ASSETS		
Non current assets		
Property plant and equipment	9,642,005	4,118,515
Deferred taxation	131,999	113,444
Other assets	70,417	108,916
Goodwill	416,679	6,396,651
Total non-current assets	**10,261,100**	**10,737,526**
Current assets		
Inventories	9,516,941	7,876,468
Accounts receivable and other assets	9,542,151	12,359,319
Other assets	38,499	45,229
Assets classified as held for sale	142,313	-
Cash and bank balances	874,673	509,654
Total current assets	**20,114,577**	**20,790,670**
TOTAL ASSETS	**30,375,677**	**31,528,196**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	4,774,771	4,774,771
Share premium	1,967,520	1,967,520
Revenue reserve	2,837,562	2,219,900
Shareholders' equity	**9,579,853**	**8,962,191**
Non Current Liabilities		
Medium Term Loan	3,276,000	3,978,000
Total Non Current Liabilities	**3,276,000**	**3,978,000**
Current liabilities		
Medium Term Loan	702,000	702,000
Trade and other payables	10,920,449	8,703,410
Short term borrowings	5,897,375	9,182,595
Total current liabilities	**17,519,824**	**18,588,005**
TOTAL EQUITY AND LIABILITIES	**30,375,677**	**31,528,196**

STATEMENT OF CASH FLOWS

AS AT,	31 Dec 2010 KSh'000	31 Dec 2009 KSh'000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	6,379,455	688,345
Taxation paid	(368,138)	(310,851)
Net cash from operating activities	**6,011,317**	**377,494**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(745,901)	(139,930)
Proceeds on disposal of property,plant & equipment	339,107	1,513
Net cash outflow on acquisition of Total Marketing Kenya Ltd	-	(10,616,281)
Net cash used in investing activities	**(406,794)**	**(10,754,698)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(976,913)	(538,000)
Interest received	23,267	11,614
Medium Term Loan received		4,680,000
Medium Term Loan repaid	(702,000)	-
Dividend paid	(298,638)	(445,983)
Proceeds from issuance of redeemable preference shares	-	3,899,447
Other assets		(154,145)
Net cash (used in) / generated from Financing Activities	**(1,954,284)**	**7,452,933**
Net Increase /(decrease) in cash and cash equivalents	3,650,239	(2,924,271)
Bank overdraft acquired through business combination	-	(2,256,000)
CASH AND CASH EQUIVALENTS		
At 1 January	(8,672,941)	(3,492,670)
At end of period	**(5,022,702)**	**(8,672,941)**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DEC 2010	Share Capital KSh'000	Share Premium KSh'000	Revenue Reserve KSh'000	Total Equity KSh'000
As of 1 January 2009	**875,324**	**1,967,520**	**2,174,978**	**5,017,822**
Issued Share capital	3,899,447			3,899,447
Dividends declared			(437,663)	(437,663)
Profit for the year			482,585	482,585
As of 31 December 2009	**4,774,771**	**1,967,520**	**2,219,900**	**8,962,191**
As of 1 January 2010	4,774,771	1,967,520	2,219,900	8,962,191
Dividends declared			(298,543)	(298,543)
Profit for the year			916,205	916,205
As of 31 December 2010	**4,774,771**	**1,967,520**	**2,837,562**	**9,579,853**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED	31 Dec 2010 KSh'000	31 Dec 2009 KSh'000
Turnover	79,206,640	41,311,598
Indirect taxes	(14,844,778)	(8,634,405)
Net turnover	**64,361,862**	**32,677,193**
Cost of sales	(59,044,505)	(29,868,162)
Gross profit	**5,317,357**	**2,809,031**
Other income	567,683	283,285
Depreciation and armotisation	(976,344)	(395,863)
Operating expenses	(2,564,299)	(1,387,542)
Operating profit	**2,344,397**	**1,308,911**
Finance costs - net	(953,646)	(526,386)
Foreign currency exchange differences	(2,326)	(48,826)
Profit before taxation	**1,388,425**	**733,699**
Taxation	(472,220)	(251,114)
Net Profit	**916,205**	**482,585**

COMMENTS FROM MANAGEMENT

The company's performance for 2010 can be described as satisfactory in light of the challenges and uncertainties that have become prevalent in the oil Industry in Kenya. This is the first full year performance of the company after acquisition of Chevron business in 2009.

Sales volume went up by 365 KMT (60% increase) as compared to same period in 2009 mainly due to increased sales volumes in Network, Aviation, LPG and General Trade channels due to the merger of the two companies. The increase in sales volume led to an increase in the company's inland market share from 16% in December 2009 to 27.1 % in December 2010.

Turnover went up by Kes 37,895 million due to the increase in sales volumes coupled with increase in International oil prices. Gross profit on the other hand (which represents 6.7% of turnover) went up by Kes 2,508 million (89%) due to increased sales and positive margins realised in 2010 as compared to 2009 where negative margins were recorded in the first quarter. The unit margin contribution per litre remained depressed at Kes 4.5 while unit contribution to net profit was Kes 0.8/litre.

Operating profit went up by 80% to Kes 2,344 million, mainly driven by increase in sales, improved margins, controlled operating expenses and increase in other income. In compliance with conditions set by the Government before the merger, the company disposed assets that generated a net gain of Kes.255 million hence the increase in other income. Depreciation and amortization increased by Kes 580 million due to the impact of acquired assets after the merger. Goodwill recognised after acquisition of Chevron business has now been reallocated to property, plant and equipment following valuation of the acquired assets that was completed at the end of first quarter of 2010.

Financial expenses went up by Kes 427 million due to increase of financing needs occasioned by the acquisition of Chevron Kenya Limited. However, management's efforts to control working capital elements yielded positive results in reducing short term loans by Kes 3,285 million thereby easing pressure on working capital financing. The company reported a profit before tax of Kes 1,388 million representing an increase of 89% compared to 2009 while net profit reached Kes 916 million.

BALANCE SHEET
The company's balance sheet has remained strong, with an assets base of over Kes 30 billion and an improved debt-to-equity ratio of 1:1 (2009 1.55:1) and a current ratio of 1.15:1. Investments in 2010 were lower than depreciation and disposals leading to a decrease in net fixed assets.

FUTURE PROSPECTS
The characteristically challenging and uncertain operating environment of the oil industry in Kenya persists to date. This has been worsened by the increased Government involvement in determining consumer prices instead of allowing free trade where forces of demand and supply determine retail prices, compounded by extension of competitive advantages to some players in the industry at the expense of the others. This interference by the Government may become a threat to the industry as margins cannot be predicted and may be interpreted negatively by investors. In addition, the usual constraints of ullage allocation at the Kenya Pipeline Company and the inefficiency of the refinery are bottlenecks that continue to negatively affect the industry which at the same time does not have any supplier credit for product purchases. Failure to address these challenges may significantly impact the performance of the company.

In spite of these challenges, the management is optimistic that if some of these constraints can be progressively addressed and with the continued recovery of the economy, the company is well positioned to record improved results and contribute positively to the growth of the economy.

PROPOSED DIVIDEND
The Directors are recommending for the approval at the Annual General Meeting the payment of a first and final dividend of Kshs 1. 05 per share (an increase of 5% over 2009) for the year ended 31 December 2010, subject to withholding tax where applicable.
Subject to approval at the shareholders' Annual General Meeting the dividend cheques will be posted on or about 27th June 2011

ANNUAL GENERAL MEETING
The 57th Annual General Meeting of Total Kenya Ltd will be held on 8th June 2011

CLOSURE OF THE SHARE REGISTER
Subject to shareholders approval at the 57th Annual General Meeting, the share register will be closed on 9th June 2011 for the purpose of dividend calculation.

By order of the Board

J. L. G. Maonga
Company Secretary
March 9, 2011

TOTAL