TOTAL KENYA LIMITED

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

STATEMENT OF FINANCIAL POSITION

AS AT,	31 Dec 2011 KSh'000	31 Dec 2010 KSh'000
ASSETS		
Property plant and equipment	9,295,581	9,712,422
Deferred taxation	146,955	131,999
Goodwill	416,679	416,679
Non current assets	**9,859,215**	**10,261,100**
Current assets		
Inventories	12,039,014	9,516,941
Accounts receivable and other assets	11,629,825	9,722,963
Cash and bank balances	1,670,112	874,673
Current assets	**25,338,951**	**20,114,577**
TOTAL ASSETS	**35,198,166**	**30,375,677**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	4,774,771	4,774,771
Share premium	1,967,520	1,967,520
Revenue reserve	2,452,527	2,837,562
Shareholders' equity	**9,194,818**	**9,579,853**
Non Current Liabilities	**3,020,584**	**3,704,925**
Current liabilities		
Medium Term Loan	702,000	702,000
Trade and other payables	10,579,598	10,491,524
Short term borrowings	11,701,166	5,897,375
Current liabilities	**22,982,764**	**17,090,899**
TOTAL EQUITY AND LIABILITIES	**35,198,166**	**30,375,677**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED	31 Dec 2011 KSh'000	31 Dec 2010 KSh'000
Turnover	105,590,360	79,206,640
Indirect taxes	(13,055,311)	(14,844,778)
Net turnover	**92,535,049**	**64,361,862**
Cost of sales	(87,860,697)	(59,044,505)
Gross profit	**4 ,674,352**	**5 ,317,357**
Other income	680,041	567,683
Finance Income	544	23,267
Operating expenses	(3,962,404)	(3,540,643)
Finance Costs	(1,592,320)	(976,913)
Exchange gain/ (loss)	257,637	(2,326)
Profit before taxation	**57,850**	**1,388,425**
Taxation	(129,286)	(472,220)
Net (Loss) / Profit for the year and total comprehensive income	**(71,436)**	**916,205**

COMMENTARY

The company's performance for the year 2011 is materially below that of 2010 as was already communicated in an earlier announcement. This was attributable to adverse economic environment faced by the country in the year under review, coupled with unfavourable market conditions facing the oil industry such as the impact of price control and inefficiencies in the fuel supply chain.

Sales volume dropped by 3% from 972 KMT in 2010 to 941 KMT in 2011. This decrease was mainly attributable to reduced sales of diesel to emergency power producers. Excluding sales to the emergency power producers, global sales increased by 3.5%. It is worth noting that on the back of a growing Kenyan economy and thanks to Total Kenya's recognised customer service, other business channels like retail network, lubricants and aviation recorded impressive levels of growth.

Net turnover increased by 44% despite the slight reduction in sales volume due to product cost increase occasioned by high international oil prices and impact of weakening of the Kenya shilling against major world currencies. Cost of sales on the other hand went up by 49% due to additional costs within the supply chain that we were not able to pass on to the final consumer because of the price regulation mechanism, and to the lag effect between the rising international prices and the period when they are recognised in the formula. As a result, gross profit dropped by 12% compared to 2010.

Operating expenses increased by 12% mainly due to impact of inflation and an increase in depreciation and amortization expense. Finance costs increased by 63% to Kes 1,592 million up from Kes 977 million due to increase in working capital requirements coupled with increase in average bank interest rates especially in the second half of the year. The company managed to avoid forex losses despite the high volatility of the Kenya shilling against the US dollar, thanks to prudent risk management.

Profit before tax decreased from Kes 1,388 million in 2010 to Kes 58 million in 2011, which after taxation resulted in a net loss of Kes 71 million compared to a net profit of Kes 916 million in 2010.

On the balance sheet, the company's working capital requirements increased by Kes 4.3 billion hence the increase in short-term borrowings. The increase in working capital requirements was due to increase in international oil prices, devaluation of the Kenya shilling and lack of supply credit.

STATEMENT OF CASH FLOWS

AS AT	31 Dec 2011 KSh'000	31 Dec 2010 KSh'000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations	(1,541,641)	6,379,455
Taxation paid	(464,100)	(368,138)
Net cash (used in)/generated from operating activities	**(2,005,741)**	**6,011,317**
Cashflow from investing activities	-	
Purchase of property, plant and equipment	(684,379)	(745,901)
Proceeds on disposal of property, plant and equipment	290,009	339,107
Net cash used in investing activities	**(394,370)**	**(406,794)**
Cashflow from Financing activities		
Interest paid	(1,591,776)	(953,646)
Dividend paid	(314,465)	(298,638)
Loan Repayment	(702,000)	(702,000)
Net cash used in financing activities	**(2,608,241)**	**(1,954,284)**
Net decrease in cash and cash equivalents	**(5,008,352)**	**3,650,239**
CASH AND CASH EQUIVALENTS		
At 1 January	(5,022,702)	(8,672,941)
As at 31 December	**(10,031,054)**	**(5,022,702)**

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 December 2011	Share Capital KSh'000	Share Premium KSh'000	Revenue Reserve KSh'000	Total Equity KSh'000
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**
As of 1 January 2011	**4,774,771**	**1,967,520**	**2,837,562**	**9,579,853**
Dividends declared			(313,599)	(313,599)
Loss for the year			(71,436)	(71,436)
As of 31 DECEMBER 2011	**4,774,771**	**1,967,520**	**2,452,527**	**9,194,818**

OUTLOOK

The macro economic environment at the beginning of 2012 has been characterised by high interest and inflation rates which appear to have peaked and have since began to decline. International petroleum prices are on the increase while the Kenya shilling appears to have stabilised against major world currencies. In addition, the usual challenges facing the oil industry such as supply chain inefficiencies and price control continue to impact on our performance. .

In this challenging environment it is essential that the price formula should recognize the impact of some of these factors, especially the cost of financing the working capital requirements and the inflation on costs, to allow for sustainable operations in the industry. We take note that the ERC has already taken in to account some element of financing costs in the recent price reviews, which is an encouraging positive development that should be maintained.

The management is addressing the above challenges by accelerating the already ongoing action plans to develop business in non-traditional channels, manage working capital requirements and optimize costs, while at the same time keeping its programme of investment in profitable opportunities that will return the company to acceptable level of profitability.

DIVIDEND

The directors do not recommend a dividend for the year ended 31 December 2011.

ANNUAL GENERAL MEETING

The 58th Annual General Meeting will be held on 30th May 2012.

By order of the Board

J.L.G Maonga
Company Secretary

27 March 2012