TOTAL KENYA LIMITED
2012 ANNUAL REPORT & FINANCIAL STATEMENTS

CONTENTS

Our Vision

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 Mission

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.

TOTAL
Bon Voyage
SAFE. SIMPLE. SMART.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 59th Annual General Meeting of the Company will be held at the Safari Park Hotel, The Jambo Ball Room, Thika Road, Nairobi on Wednesday, 12 June 2013 at 10.00 a.m to transact the following business:-

AGENDA

ORDINARY BUSINESS

1. To read the notice convening the meeting, table proxies and to confirm the presence of a quorum.

2. To confirm the minutes of the 58th Annual General Meeting held on 30 May 2012.

3. To receive, consider and adopt the Financial Statements for the year ended 31 December 2012 together with the Chairman's Statement and the reports of the Directors and the Auditors reports thereon.

4. To declare a first and final dividend of Kshs 0.20 per share in respect of the financial year ended 31 December 2012 payable to the holders of Ordinary Shares and Redeemable Preference Shares registered in the Register of Members on 13 June 2013.

5. To approve the Directors' fees for the financial year ended 31 December 2012.

6. To re-appoint Mrs Alice Mayaka, a director who retires at this meeting in accordance with Article 97 of the Company's Articles of Association and, being eligible, offers herself for re-election.

7. To note that Messrs Ernst & Young continue in office as 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.

8. Any other business of which due notice has been given.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

Date: 17 May 2013

NOTE

1. A member entitled to attend and vote at this 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.

   A Proxy Form may be obtained from the Company's website www.total.co.ke, The Registered office of the Company, Regal Plaza, Limuru Road, Nairobi, P O Box 30736 – 00100 GPO Nairobi, or from the offices of the Company's Shares Registrars, Comprite Kenya Limited, Crescent Business Centre, 2nd Floor, Off Parklands Road, Nairobi.

   To be valid, a Form of Proxy must be duly completed by the member and must either be lodged with the Company Secretary, P O Box 30736 – 00100 GPO Nairobi or the Shares Registrars on the above address not later than 10.00 a.m Monday 10 June 2013, failing which, it will be invalid. In the case of a corporate body, the proxy form must be executed under its common seal.

2. In accordance with Article 144(a) of the Articles of Association of the Company, a copy of the entire Annual Report and Financial Statements may be viewed at the Company's website at www.total.co.ke or a printed copy may be obtained from the Registered Office of the Company, Regal Plaza, Limuru Road, Nairobi, P O Box 30736 – 00100 GPO Nairobi.

DIRECTORS & PROFESSIONAL ADVISORS

Head Office and Registered Office
Regal Plaza, Limuru Road
P. O. Box 30736 – 00100 NAIROBI

Directors

Jean Papee *	Chairman
Alexis Vovk*	Managing Director (also alternate to Jean Papee as Chairman)
Alice Mayaka	
Vincent Guerard*	Appointed 22 August 2012
Momar Nguer*	Appointed 22 August 2012
Patrick Waechter*	(Alternate to Alexis Vovk)
Maurice K'Anjejo	(Alternate to Momar Nguer)
Daniel Mayieka	(Alternate to Vincent Guerard)
Allain Champeaux*	Resigned 22 August 2012
Sophie Nassir*	Resigned 22 August 2012

* French

Advocates
Njoroge Regeru and Company
Arboretum Drive, Milimani
P.O. Box 46856-00100
NAIROBI

Hamilton, Harrison & Matthews
ICEA Building, Kenyatta Avenue
P.O. Box 30333-00100 NAIROBI

Mohammed Muigai Advocates
MM Chambers, 4th Floor
K-Rep Centre, Wood Avenue
Off Lenana Road, Kilimani
P.O. Box 613323-00200 NAIROBI

Kiarie, Kariuki & Associates
Bemuda Plaza, Suite No. C3, 2nd Floor
Next to Nairobi Baptist Church, Ngong Road
P.O. Box 13808-00100 NAIROBI

Musyimi & Co. Advocates
M'pulla House, Arboretum Drive
Off State House Road
P.O. Box 12502-00400 NAIROBI

Muthoga Gaturu & Co. Advocates
Bruce House, 7th Floor
Standard Street
P.O. Box 47614-00100 NAIROBI

Waruhiu Kowade & Nganga Advocates
Taj Towers, 4th Floor, Wing B
Upperhill Road
P.O. Box 47122-00100 NAIROBI

Secretary
J L G Maonga
Certified Public Secretary (Kenya)
P.O. Box 73248-00200 NAIROBI

Registrars
Comprite Kenya Limited
P.O. Box 63428-00619
NAIROBI

Bankers
Citibank NA
Citibank House, Upper Hill Road
P.O. Box 30711-00100 NAIROBI

Barclays Bank of Kenya Limited
4th Floor, The Westend Building
Off Waiyaki Way, Westlands
P O Box 46661-00100 NAIROBI

Standard Chartered Bank Kenya Limited
Chiromo, 48 Westlands Road
P.O. Box 30003 - 00100 NAIROBI

Bank of Africa Kenya Limited
8th Floor, International House
Mama Ngina Street
P.O. Box 69562 - 00400 NAIROBI

CfC Stanbic Bank Limited
Chiromo Road
P. O. Box 30550-00100 NAIROBI

Kenya Commercial Bank Limited
Corporate Services, Moi Avenue
P.O. Box 30081-00100 NAIROBI

The Co-operative Bank of Kenya Limited
Co-operative House
Haile Selassie Avenue
P.O. Box 48231-00100 NAIROBI

Ecobank Limited
Ecobank Towers, 13th Floor
Muindi Mbingu Street
P.O. Box 49584–00100 NAIROBI

Commercial Bank of Africa Limited
Mara and Ragati Roads, Upper Hill
P.O. Box 30437-00100 NAIROBI

AUDITORS
Ernst & Young
Kenya Re Towers, Upperhill
Off Ragati Road
P. O. Box 44286 - 00100 NAIROBI

To further increase our Liquefied Petroleum Gas (LPG) distribution capacity, we have installed two more bulk LPG storage tanks at our Nairobi LPG Plant in Industrial Area. This cost over one million US dollars and has doubled the storage capacity from 150 tonnes to 300 tonnes and will improve availability of filled LPG cylinders and bulk LPG to consumers

TOTALGAZ
Trusted, Safe & Reliable

REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2012, which show the state of the company's affairs.

1. PRINCIPAL ACTIVITY

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

2. FINANCIAL RESULTS

The results for the year are as follows:

	2012 Kshs '000	2011 Kshs '000
(Loss)/profit before tax	(64,301)	57,850
Tax charge	(137,841)	(129,286)
Loss for the year	(202,142)	(71,436)

3. DIVIDENDS

The directors recommend a first and final dividend of Kshs 0.20 (2011: nil) 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.

4. DIRECTORS

The directors who served during the year and to the date of this report are set out on page 3.

Mrs. Alice Mayaka retires in accordance with Article 97 of the company's Article of Association and being eligible, offers herself for re-election as a director.

5. AUDITORS

Ernst & Young, who were appointed in the year in accordance with Section 159(1) of the Kenyan Companies Act (Cap 486), have expressed their willingness to continue in office in accordance with Section 159(2) of the Act.

By Order of the Board

Secretary
17 May 2013

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 its operating results for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent 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 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.

Alexis Vovk

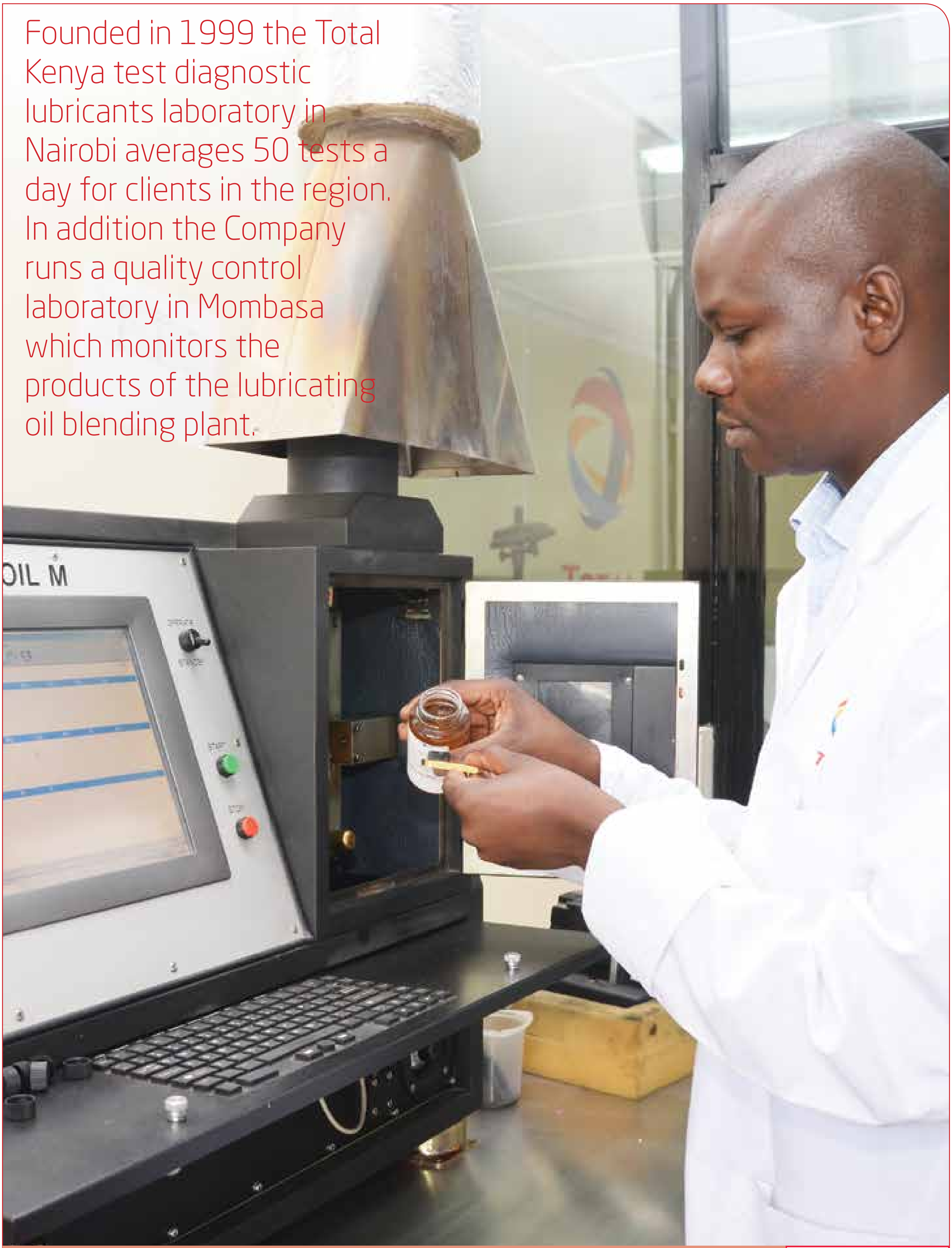
Director

Patrick Waechter

Director

28 March 2013

Founded in 1999 the Total Kenya test diagnostic lubricants laboratory in Nairobi averages 50 tests a day for clients in the region. In addition the Company runs a quality control laboratory in Mombasa which monitors the products of the lubricating oil blending plant.



TOTAL
Lubricants

DIRECTORS' PROFILES

Jean PAPEE

Mr. Jean Papee aged 55, is a graduate of Ecole Polytechnique and Ecole Nationale Supérieure des Pétroles et Moteurs, he holds a Doctorate in Energy Economics and is an actuary. He first held various posts in BP France and in a French brokerage firm, then he joined the Total Group in 1991 in the Trading Division and became Shanghai Refinery JV Project Manager in China from 1992 to 1994. After several managerial positions in Marketing in France, in 2002 he was appointed Managing Director of Total Senegal and became Management and Information Systems Director in 2006 at the Refining Division in Paris. Since September 2009, he is Executive Vice-President for South-East Africa and Indian Ocean at Africa & Middle-East Division, Marketing & Services. Jean Papée is a Knight of the French National Order of the Merit.

Alexis VOVK

Mr. Alexis Vovk, 48, holds a Masters Degree in Business Administration from ESSEC Business School Paris, France. He joined the Total Group in 1991 and has worked in several countries in different positions in Marketing and Strategy. In 2005 he was appointed Deputy Vice President for South East Africa and Indian Ocean, a position he held until 2007 when he moved to Total Zambia as Managing Director, a post he held until September 2010 when he was appointed Managing Director, Total Kenya.

Alice MAYAKA

Mrs. Alice K. Mayaka, CBS, OGW, aged 61 holds a BEd. (Sc) from the University of Nairobi; Postgraduate Diploma in Curriculum Development from Kenyatta University; and MSc. (HRD) from the University of Manchester, UK. In 1997, she was appointed an Assistant Director, Directorate of Personnel Management where she rose through the ranks to become Deputy Director before her appointment as Permanent Secretary in what used to be known as the Ministry of Heritage and Culture. Alice is also a Council Member at the University of Eldoret. She was appointed to the Total Kenya Board in October 2010.

Momar NGUER

Mr. Momar Nguer, 57, holds a Masters Degree in Law from ESSEC Business School Paris, France. His career started in 1982 in Hewlett Packard France's Finance Department. He joined Total in 1984, where he has served in various positions. After a stint at Total Africa's headquarters, he was named Vice President, Marketing, at Total Senegal in 1985. Returning to Paris headquarters in 1991, he was appointed Vice President, Retail Network and Consumers at Total Africa. In 1995, he became Chief Executive Officer, Total Cameroon and was subsequently named Chief Executive Officer of Total Kenya in 1997. In the year 2000, he took the position of Executive Vice President, Total East Africa & Indian Ocean, a position he held untill 2007 when he was appointed Vice President, Aviation fuel. In December 2011, Momar Nguer was appointed to his current position as Senior Vice President, Africa/Middle East at Total Marketing & Services. He is a member of the Total Group Management Committee.

DIRECTORS' PROFILES

Vincent GUERARD

Mr. Vincent GUERARD, aged 38, holds Master in Laws from Paris and Georgetown University and an MBA from London Business School. He joined the Total Group in 2002 and has worked in Total Gas & Power Division as a lawyer and then as a LNG contract negotiator. He has worked in Finance Department of Total SA for 3 years where he handled project and corporate finance.

Maurice K'ANJEJO

Mr. Maurice Odhiambo K'Anjejo aged 55 holds a Bachelor of Commerce Degree (Accounting) from the University of Nairobi. He started his career in Internal Audit at TPS Serena group upon graduation in 1983 before joining Total Kenya Limited in 1985 as Management Accountant. He has since held various responsibilities, including being Treasury Manager, Chief Accountant and Human Resources and Administration Manager. He was appointed the Corporate Affairs Manager in 2003, a post he holds to date.

Patrick WAECHTER

Mr. Patrick Waechter aged 47 has a MSc Degree in Finance and Controlling from Ecole Supérieure de Gestion (E.S.G). He worked in Total Outre-Mer as Department Manager for Accounting Treasury and Taxes for Africa and Middle East, Total Fluides as Finance and Administration Director for the special fluids business unit and Total Bitumen Deutschland (Germany) as Finance and Administration Manager for the Bitumen Refining and Marketing. He was appointed the Finance Director of Total Kenya Limited in September 2011.

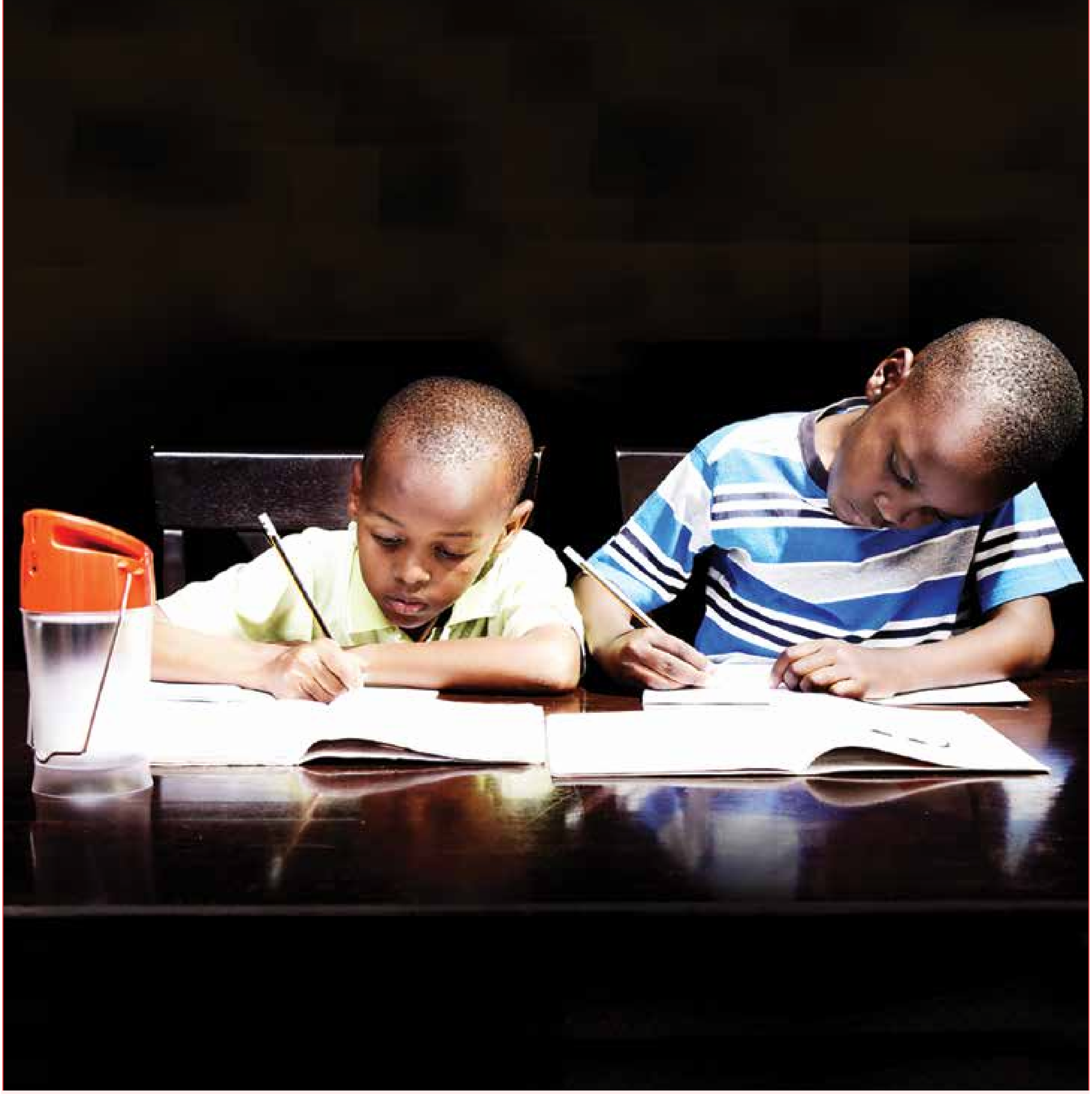
Daniel MAYIEKA

Mr. Daniel Minda Mayieka aged 42 holds a Bachelor of Commerce Degree from the University of Nairobi and has completed post graduate studies in Strategy and Strategic Management. He has 17 years experience in the Oil Industry having served in various capacities that include sales & marketing, Marketing Support and Customer Service among others. Before being appointed to his current role of Specialties Manager in 2009, he was responsible for all Commercial activities of Chevron in East Africa encompassing the countries of Kenya, Uganda and Tanzania.

J.L.G MAONGA

Mr. Maonga aged 52 has a B A Degree from Nairobi University and is a Certified Public Secretary. He is a member of the Institute of Certified Public Secretaries of Kenya and has over 20 years experience in Company Secretarial and Registration Services. He was appointed Company Secretary on 1st February 1999.

The solar business which entered into the commercial phase in April 2011 after a successful pilot in 2010 has progressed with remarkable results.



TOTAL SOLA

Beba stima bila bills!

COMPANY PROFILE

CORPORATE STATUS

Total Kenya Limited is part of the global Total Group, which is the fifth 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. Total has been operating in Kenya for the past 58 years; it was and still is the first multinational oil company to be quoted on the Nairobi Securities 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 marketing and 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), liquefied 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. 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, cleaning compounds and is now actively involved in the provision of clean energy solutions with the revolutionary solar lanterns that target mainly people not connected to the mains grid.

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 designs, the integrity of equipment, and strict operational codes. A lot of attention is paid to industrial safety with the key objective being the achievement of zero accidents in all facilities.

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, 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 layouts, clear signage, smooth traffic flows, and efficient function. Staff is qualified, well trained and constantly up-graded.

PERSONNEL PERFORMANCE

All Total Kenya employees receive regular and specialist training. Teamwork, professionalism, cross-funtionality and energy are part of the corporate culture. Activities such as soccer, interdepartmental quizzes and mountain climbing are an integral part of the staff wellness and team building programs. 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. Total Kenya has started a major campaign to rebrand all our service stations to the new and more modern T-Air image.

BUSINESS CONDUCT

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

Total Kenya has achieved ISO 9001:2008 Certification (relating to customer-focused 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 program 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 Kenya. 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. To reinforce innovation and mainstream innovative thinking, the company dedicates specific periods in its annual calendar to innovation. These are referred to as INNOVATION WEEKS. There is also a dedicated team that champions innovation.

Some of the ideas generated from this process have already been implemented.

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

The introduction of the affordable solar lanterns in the Kenyan market has not only taken a giant reap towards the provision of clean energy solutions to the Kenyan people but has also changed lives for people who were hitherto not connected to the mains grid and who could not afford alternative forms of lighting. The Total SOLA lanterns are truly revolutionary in this respect and have seen many people shift from the use of candles, tin lamps or wood fuel for their lighting needs with immense benefit both in terms of cost saving and comfort.

Lubrication bays are commonplace. Total upgraded the Pit Stop concept for an even faster and more thorough service, including a multiple-point diagnostic check. This has since been superseded by Auto Express Service 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 card was the first to introduce SMART technology (which is programmable to enhance security and personalized flexibility) as opposed to the conventional magnetic strip.

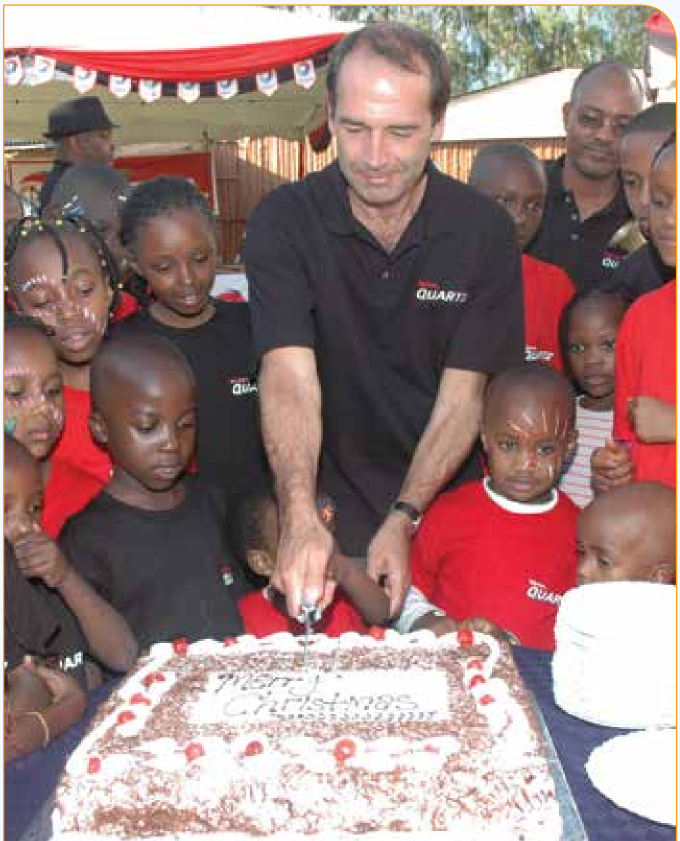
Total did not simply buy title to the Kenya Motorshow. It was a partner in founding, designing and running the event, and a prime mover in its subsequent growth to international stature and regional pre-eminence. The Total Motorshow remains the biggest motor expo in middle Africa.

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.

During the year Total Kenya officially launched the new Special 4T 20W-50 motorcycle oil which has Japanese Automotive Standards Organisation MA2 (JASO MA) specifications and is the only 4-stroke motorcycle engine oil in the market with these specifications.

Total Kenya in *"On The Road To Safety"* campaign equips pupils in public primary schools with road safety knowledge to ensure that they became safer pedestrians.



As a team building effort Total Kenya holds Family Fun Days for its employees where the staff gets to interact and share ideas.

Through Total's "Be Alive" program and fight against malaria campaign for schools, Total Kenya strives to promote better health.

CORPORATE GOVERNANCE

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.

Total Kenya rejects corruption in all its forms and has a robust anti-corruption policy. The company has appointed an Ethics Officer as well as a Compliance Officer with specific mandates to spearhead efforts towards eradicating corruption both internally and with third parties with direct dealings with the company and has put in place specific guidelines in relation to whistle blowing. To create awareness and enforce compliance, the company conducts anti-corruption trainings targeting all employees using e-learning.

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 5 of this report. Implementation of the Board's directives is delegated through a Management Committee, which comprises all heads of departments 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.

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 - Alice Mayaka
Member - Patrick Waechter
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, focused 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 periodic 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, regular staff communication bulletins (Flash) and a quarterly newsletter. 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 Social Report section of this document.

Total Kenya has introduced high boiling point DOT 5.1 brake fluid for the Kenya market and is continuing to offer DOT 4 fluid which is acceptable in Kenya. Its ideal for modern cars equipped with disc, drum and anti-lock brakes (ABS) operating in severe conditions.

TOTAL Lubricants

SOCIAL REPORT

Corporate Social Responsibility (CSR) is a prominent buzz-phrase of modern business all over the world. In principle and in almost all instances this is a good thing. But often the label is used too generally to cover anything from charitable donations to direct marketing exercises that have a social welfare element.

Total prefers to call things what they are. Charitable donations are charitable donations. Marketing is marketing, whatever the context. CSR is something else. True CSR is not some hybrid mix of philanthropy and promotion. Total Kenya selects, tests and operates its CSR programmes in line with a set of distinctive principles:

First, it is not optional. Charity and marketing have on-off switches, to suit business objectives and budgets. CSR contains the world "Responsibility", which means it must be intrinsic to the business…come what may. It must pervade every policy and process of the company itself – not just special programmes.

And even special programmes are not an occasional involvement; they are a constant commitment - irrespective of any direct corporate interest or benefit.

Second, special CSR programmes must bring real and sustainable benefit in areas of need, or focus on long-term development opportunities/priorities. The key word here is "Sustainability". One-off intervention, such as a donation of maize to famine relief, with or without attendant showboating, may be thoughtful, generous, helpful, even life-saving. But this is charity, not CSR, if the assured benefit lasts only as long as the gift.

Third, inputs and outputs and spin-off promotion are incidental. CSR's first and only essential purpose is outcomes in terms of social development and social wellbeing. Effective "Development" projects have their own set of principles: they must be chosen and owned by their beneficiaries, they must have potentially stand-alone business viability, they should have sustainability even if start-up backing ends, and preferably they should be universally accessible and, however small they start, be able to go to scale.

Fourth, a project truly free of vested interest will always seek partners and synergy and evolution. No social programme exists in isolation, and effective design and support must embrace linkages, expansion, and transformation.

Total Kenya has a broad CSR portfolio, embracing seven main themes - health, education, culture, institutional, professional and economic development and the environment. These are exercised through a balance of up to half-a-dozen programmes each. Examples are listed in the adjacent panel. The company's overall spend on these projects averages 5% of its operating income, and the investment levels are sustained even when business results are not. All the programmes are long term and based above all on the principles of sustainable outcomes.

The scale of this work involves TOTAL in every cadre of society, across all elements of the economy and all regions of the country, and it impacts many millions of Kenyans.

ENVIRONMENT

Environmental programmes have the highest priority, because a healthy environment underpins the prospects of all other activities, and Kenya's environment faces the most immediate threat of (potentially irreversible) damage at a time of rapid development and prodigious population growth.

Environmental responsibility starts with the design and conduct of Total's own processes and stations, including product shipment and storage, waste management, pollution preventatives and safeguards, public education on fuel efficiency, aspects of personnel training, outreach to staff families and communities, and so on.

Total Kenya then has four major external environmental programmes: The Rhino Ark/Rhino Charge, the TOTAL Eco Challenge, the TOTAL Tree Conference and the TOTAL Seed Centre which exemplify the company's CSR principles.

In the past 50 years, Kenya's population has increased from 8 million to more than 40 million. In the next 50 years it is projected to more than double again. Though development is greatest in urban centres, 70% per cent of the population is rural and agri-based; tourism, which is dependent on wilderness and wildlife, is an economic mainstay.

Total Kenya has further identified trees – both inside and outside forests – as central to environmental health. Total has supported, and in many instances initiated, programmes of unprecedented impact in this arena.

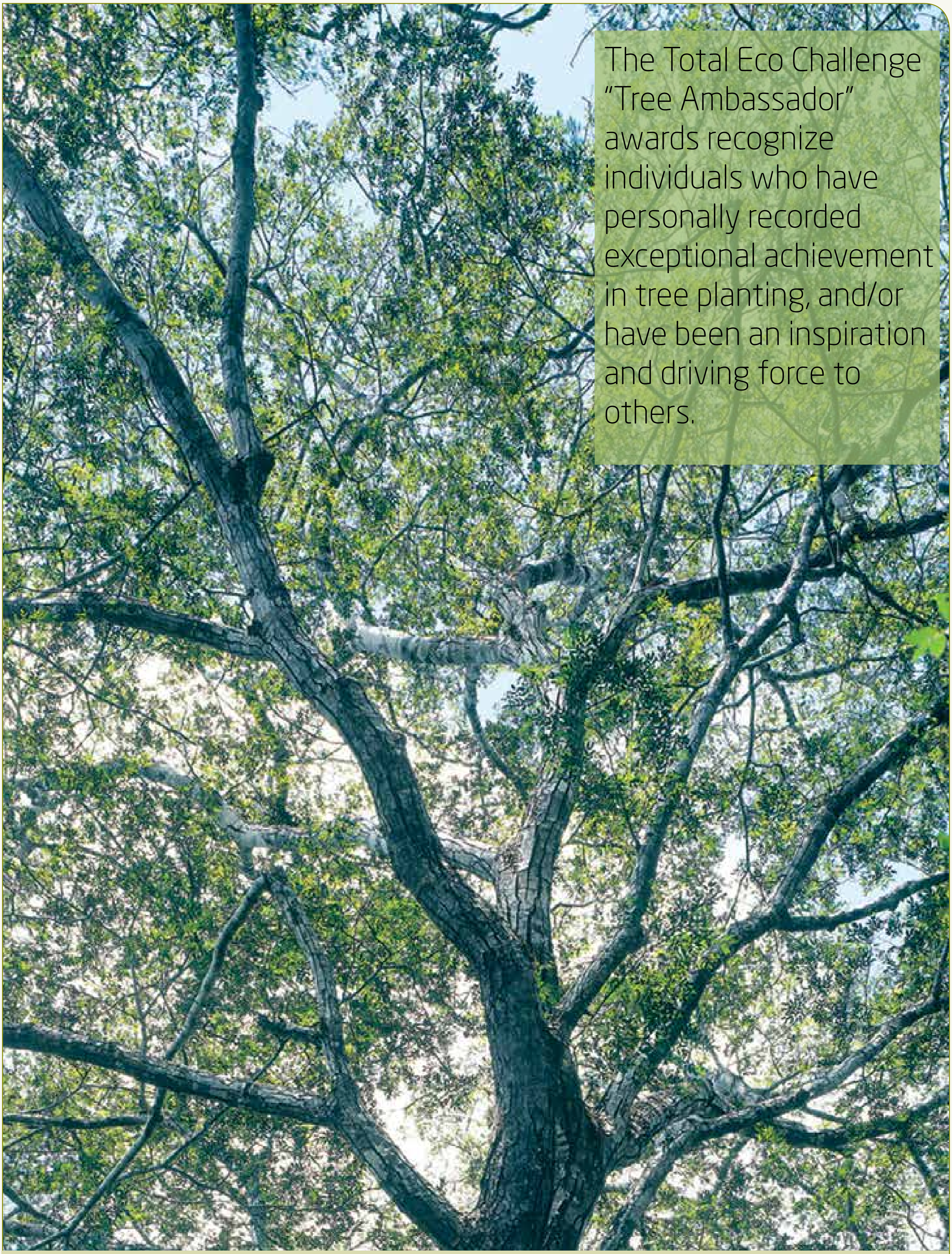
Trees inside existing forests

The lifeblood of Kenya's environmental health is its great mountain forests. These are the source of all major rivers, prime regulators of climate, and treasuries of bio diversity. Simply, but emphatically, these are both a priceless and irreplaceable heritage and are crucial to just about every aspect of Kenya's wellbeing – viable agriculture (including many millions of small-scale farmers and the economic mainstay of tea), urban water supplies, tourism revenues and all that cascades from those.

To preserve the great mountain forests from increasing population pressure and plunder, and to protect neighbouring farms from marauding wildlife, a private organization called Rhino Ark launched an initiative to fence them. The plan was widely regarded as a mission impossible, but Total backed it from the outset through the Rhino Ark's flagship event, the Rhino Charge, a wild off-road motoring challenge, which was designed to raise awareness and funds.

Today the event is huge and world famous; it is celebrating its 25th anniversary; it regularly raises more than $1 million per year. A fence 440 kms long now encircles 2000 sq kms of the Aberdares and Mt Kipipiri. President Mwai Kibaki personally placed the final post of the project and pledged government policy to protect all Kenya's indigenous forests

The Total Eco Challenge "Tree Ambassador" awards recognize individuals who have personally recorded exceptional achievement in tree planting, and/or have been an inspiration and driving force to others.



TOTAL ECOchallenge

MITI NI MALI. MITI TOSHA!

"for the benefit of all people for all time."
The Rhino Ark has established a trust to maintain the fence in perpetuity, and has been asked to lead the fencing of Mt Kenya and Mau Eburu. Work on those projects has already begun.

The Rhino Charge remains the project flagship. Total continues to supply fuel for all its ground and air operations and has been a solid partner since 2005.

Trees outside forests

Ten years ago, as the Aberdare fence-building gathered momentum and credibility, Total recognized that protecting existing forests was not, on its own, enough. The population pressure on every aspect of the environment, especially for settlement space, water and wood products, is unstoppable. If the great indigenous forests are the only source of trees, no fence is high enough, long enough or strong enough to keep them safe.

Ultimately, the best and perhaps only way to ensure the forest fences survive is to meet demand for wood by planting enough trees outside forests. The Total Eco Challenge was devised to help ensure that demand is met, by inspiring every man, woman and child in Kenya to plant trees – everywhere.

The public response has been spectacular, and Eco Challenge has registered 5,000 projects which have together planted over 700 million trees since the campaign began. All these projects are chosen and sustainably run by their independent owners (ranging from individual smallholder farmers to giant corporations and the whole Kenya Army). Total provides inspiration, a promotional platform, enabling help, award incentives, technical assistance and public education.

Total Kenya does not regard the success and considerable sustainability of these initiatives as a reason to do less. It is doing more.

Doing even more

To optimize the synergy between all forest preservation and tree planting efforts, there is now a Total Tree Conference, evolving by popular demand into an annual event, bringing together individual and institutional stakeholders, policymakers and both national and international expertise – for their mutual understanding and networking, and to optimize co-ordination of policy, planning and action.

Further, within the year Kenya will witness the opening of the first Total Seed Centre, in partnership with a social enterprise project called African Forest. A corporate partner in this and other Eco Challenge initiatives is Safaricom.

Through healthy market forces, Eco Challenge has generated enormous demand for tree seedlings, and Kenya's plant nurseries have responded with tremendous energy, ingenuity and entrepreneurial spirit. They have produced tree seedlings of good quality and in enormous quantity…but with species diversity limited by the availability of viable seeds.
Kenya has more than 1,000 indigenous tree species (four times as many as the whole of Western Europe) and several hundred other (exotic) species that are either naturalized or positive and important. But good seed is readily available for only a few dozen of these – perhaps 1% of the potential (and necessary) diversity.

The Total Seed Centre aims to set up collection storage and distribution systems that will rapidly increase the range tenfold, and ultimately ensure that there is abundant, viable, certified seed readily available nationwide for at least 500 species.

ISO 14001

Indicator of Total's commitment to environmental management, and its eco systems and performance within its own business. Our LPG Plant in Nairobi is ISO 14001 certified. In 2010 TKL was awarded a certificate by NEMA for the most compliant company in the Oil sector and among top 20 in the Country.

Waste management

A special process programme within Total to ensure the integrity of its stations and depots.

SOLAR ENERGY

Total Group and Total Kenya in particular diversified to Sola Energy as way of encouraging sustainable development in communities with no access to other sources of energy. Total Sola has proven a sure way to improve access to Energy and this is done through the use of Total's corporate strength and nationwide network. Globally, Total has a vision of becoming a major player in the solar business by developing solutions adaptable to low income earners and developing profitable and sustainable business models.

To make this vision a reality, Total Kenya in recognition of its vibrant operations and dynamism, was selected as one of the Total Group affliates to launch the solar business on a pilot basis in 2010.

After the pilot, Total Kenya commercially rolled out the sale of solar charged lanterns in the retail network and LPG containers. In a span of less than one and half years, we have positively impacted the lives of over 200,000 people who now rely on them for their lighting needs.

The focus is not just on the numbers but to develop channels especially on the 'last mile' to ensure that low income earners who do not have access to electricity can benefit from this initiative from Total which largely hinges on a social business model. To achieve the objective of increasing access to energy for the low income earners, Total Kenya has formed partnerships with other economic development stakeholders such as GIZ to develop resellers in the rural areas where Total does not have service stations. This initiative will bring the product closer to the target group.

In line with Total's philosophy of providing exceptional services and products to her customers, all solar lamps sold through the network have a warranty of not less than one year and after sale services are available in all Total service stations countrywide.

SOCIAL REPORT

CULTURE AND SOCIAL

Spotlight on Kenya music
Many years' support for the Alliance Française project to find and promote grass-root talent, through which six musicians have so far made it to the international scene. This is one of many projects between Total Kenya and France's cultural centre in Kenya. There is also extensive provision for Total Kenya staff to learn the French language.

Orphans
Society needs TOTAL and TOTAL needs society. This is the underlying philosophy informing Total Kenya's commitment helping needy students in the society. Total Kenya has committed to a long-term sponsorship of two "Total Houses" within the SOS Children's Village network.

ROAD SAFETY

Safety is a critical fundamental in TOTAL'S operations. Total Kenya extends this commitment to our roads with the aim of saving lives through education on safe driving conduct and creating road safety awareness. Total Kenya is a major partner of the Safe Way Right Way (SWRW) NGO aimed at promoting road safety along the Northern Corridor, the National Road Safety Trust, a partnership of Kenyan corporate and media aimed at creating road safety awareness and the International Roads Assessment Programme (iRAP) which assesses, grades and seeks to improve the in-built safety design of highways. The SWRW members have agreed on a charter to be upheld by members as common and shared ethical standards underpinning their individual and collective commitment towards Road Safety management.

SWRW shall continue to develop strong partnerships with Goverment, Transport Operators and Civil Society. We will continue to encourage private companies from all sectors to join us in this initiative to tackle road accident menace. Therefore, we have and we will continue to channel funds, skills and other resources available to make our roads in Kenya safer through adoption and sharing of best practice and investing in programs that will change the attitude of road users.

Independently, Total Kenya runs a road safety for children program through "Road to Safety Training Program" aimed at producing Road Safety Ambassadors among young learners. The program has so far reached 25 schools and educated more than 25,000 pupils. We aim to cover 40,000 students by end of the year 2013.

INSTITUTIONAL/PROFESSIONAL DEVELOPMENT

PIEA
As a leading member of the Petroleum Institute of East Africa, Total Kenya champions high standards in the industry, and directly supports professional training of students in the PIEA School of Petroleum Studies. Total Kenya is represented in the school board by our Human Resource Manager

Young Dealership Scheme
Total gives a life-changing chance to young Kenyans with special capital cost support for station dealership while the entrepreneurs gain the experience and stand-alone financial strength. Total promotes best station staff from Customer Attendant to Young Dealer (YD). The company finances the working capital (WC) of the station while the YD makes gradual steps towards independence by ploughing back part of their profits to eventually become full dealers with their own working capital. This special scheme provides an amazing chance for station staff to become financially independent, customer minded dealers fully compliant with the Marketing policy of Total. We seek to replicate this scheme through the creation of Solar Young Resellers.

EDUCATION AND TRAINING

Vocational training
Support for the training of about 300 youngsters each year, through the Mabati Rolling Mills Vocational Training centre (VTC). This is one classical example of partnership with our customers that benefits society at large.

Mentorship
Staff participation in the Clinton Foundation's Global "Give Back" initiative to support schoolgirls. Ladies of Total Kenya in partnership with Global Give Back Circle (Part of the Bill Clinton Foundation) participate in a mentorship program for girls from disadvantaged backgrounds educating them with life skills that will help them escape from the circle of poverty and empower the next generation. So far ladies of Total Kenya are mentoring 14 girls - in different levels of learning - since 2009.

HEALTHCARE

HIV/AIDS
Total's "Be Alive" programme provides peer educators and VCT testing throughout the company, with outreach to staff families and wider communities. It sets out a wholly non-discriminatory company policy, even in recruitment.

Malaria
Total Kenya actively supports national and global malaria prevention campaigns, through assisting in distribution of mosquito nets and spreading of malaria prevention awareness among children through educational pamphlets. Every year, through our visits to schools, Total Kenya distributes over 50,000 public education pamphlets and 2,000 dipped nets. Also, as part of the commemoration of the World Malaria day, dipped nets and educational pamphlets are distributed to all new Total Kenya staff and those with new babies.

Blood donations
Twice every year Total Kenya staff donates blood through the Bloodlink Foundation. This donation is usually for contribution to a blood bank with the aim of using it to save lives of many anonymous Kenyans who could be in dire need especially during emergencies.

"Sales volumes increased by 15% from 941 KMT in 2011 to 1,085 KMT in 2012. "

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TAARIFA YA MWENYEKITI

CHAIRMAN'S STATEMENT

It is my pleasure to welcome you to the 59th 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 2012. This is an opportunity for you members to review the activities and performance of your company.

ENVIRONMENT OF OUR ACTIVITY

Petroleum prices were fairly stable in the international market in the year under review with crude price quotations averaging Usd 110 / barrel. Crude prices rose from Usd 114.20/barrel in January 2012 to the highest level of Usd 127.20/barrel in March 2012 and closed at Usd 110.75/barrel in December 2012.

There was however subdued demand especially in Europe due to the debt crisis that affected several countries in that zone, but tensions in the Middle East sustained an upward trend.

The oil industry in Kenya witnessed significant developments in 2012. One of the milestones achieved was the conversion of the Refinery from toll processing mode to the merchant mode making the refinery more accountable operationally, and relieving the marketing companies from some of the financial burden associated with processing crude. However, despite repeated pleas by operators because of the inflationary and high interest environment, the price regulation was only marginally modified and kept industry margins under severe strain.

In 2012, the country made discovery of crude oil in the northern area of Turkana. Kenya has the opportunity to become an exporter of petroleum products should the commercial viability of the oil deposits be confirmed and extraction process commences. As you may have read in some publications in the past year, the Total Group is currently present in the Lamu basin prospecting for oil and natural gas. Announcements will be released as works progress.

The Kenyan Economy grew by 4.6% in 2012, slightly above the 4.4% growth achieved in 2011 but lower than the earlier projection of 5.1%. The GDP growth in 2012 is mainly attributable to increase in agricultural productivity in the second half of the year. Other sectors that registered high performance were manufacturing, transport and communication, and the electricity generation boosted by heavy rains in the country.

The average annual inflation declined from 14% in 2011 to 9.4% in 2012. This reduction is as a result of stable energy prices and increased agricultural produce that led to significant reduction in food prices. The Kenya shilling on the other hand was more stable as compared to 2011 as a result of tightening of monetary policy by the Central Bank of

TAARIFA YA MWENYEKITI

Ni furaha yangu kuwaalika kwa mkutano mkuu wa 59 wa kampuni ya Total Kenya Limited na kuwasilisha kwenu taarifa ya kifedha ya kampuni katika kipindi kilichomalizika tarehe 31 mwezi disemba mwaka 2012. Hii ni fursa muhimu kwa wenye hisa katika kampuni kutathmini shughuli na utendaji wa kampuni katika kipindi hicho .

MAZINGIRA YA SHUGHULI ZETU

Bei ya petroli ilikuwa thabiti kiasi katika soko la kimataifa katika kipindi cha mwaka 2012, huku bei ya mafuta ghafi ikiuzwa kwa bei wastani ya dola za Marekani 110 kwa kila pipa. Bei ya mafuta ghafi iliongezeka kutoka dola za Marekani 114.20 kwa kila pipa mnamo mwezi Januari mwaka 2012, hadi Dola za Marekani 127.20 kwa kila pipa mnamo mwezi Machi mwaka 2012, kabla ya kupungua tena hadi dola za Marekani 110.75 katika mwezi Disemba mwaka huo huo.

Hata hivyo mahitaji ya bidhaa za petrol yalipungua, hasa barani Uropa kufuatia msukosuko wa kiuchumi uliosababihwa na madeni,na ambao ulioathiri mataifa kadhaa barani humo ,ingawaje mtafaruku katika eneo la Mashariki ya kati ulidumisha kiwango cha mahitaji ya bidhaa hiyo muhimu.

Sekta ya mafuta hapa nchini ilishuhudia maendeleo makubwa katika kipindi cha mwaka 2012. Moja ya maendeleo hayo ni kuwianishwa kwa shughuli za kiwanda cha kusafisha mafuta, ili kukiwezesha kuwajibika zaidi katika utendaji wake, na hivyo kuzipunguzia kampuni za uuzaji mafuta mzigo wa kifedha unaotokana na taratibu nyingi za usafishaji mfauta ghafi. Hata hivyo licha ya miito ya kampuni husika ya kutaka kulainishwa kwa shughuli katika sekta hiyo kufuatia mfumko wa bei, na viwango vya juu vya riba, utaratibu wa kuthibiti bei ulidumishwa, hali iliyoathiri mapato ya wadau kwenye sekta hiyo.

Katika mwaka 2012, mafuta ghafi yaligunduliwa katika eneo la Turkana, Kaskazini ya nchi hii. Ugunduzi huo umeipa Kenya fursa ya kujumuishwa kwenye orodha ya mataifa yanayouza mafuta, japo ikiwa eneo hilo litabainika kuwa na hifadhi ya mafuta ya kutosha kwa shughuli za biashara. Na kama ilivyoandikwa kwenye baadhi ya majarida katika kipindi cha mwaka mmoja uliopita, Kampuni ya Total imekita kambi katika eneo la Lamu, kutafuta mafuta na gesi,na maelezo zaidi kuhusu shughuli yatatolewa .

Uchumi wa Kenya ulikua kwa asilimia 4.6 mnamo mwaka 2012, ikilinganishwa na mwaka 2011, ambapo ulikua kwa asilimia 4.4, japo ulikuwa umebashiriwa kukua kwa asilimia 5.1.Ukuaji huo katika mwaka 2012 ulitokana na kuimarika kwa shughuli za kilimo katika nusu ya pili ya mwaka huo.Sekta nyingine zilizonakili ukuaji ni ile ya utengenezaji bidhaa,uchukuzi, mawasiliano na uzalishaji wa nguvu za umeme, kufuatia mvua kubwa iliyonyesha hapa nchini katika kipindi hicho .

Kiwango wastani cha mfumko wa bei kilipungua kutoka asilimia 14 mnamo mwaka 2011 hadi asilimia 9.4 katika

Kenya. Again, as for the price of crude, there was volatility of the exchange rate during the course of the year

The political scene witnessed a lot of activity in view of the general elections that were scheduled to be held in March 2013. Peaceful elections were held and a new administration put in office. This peaceful transition is a positive development for the country as it guarantees continuity in the running of the country's affairs and hence a boost in investor confidence.

PERFORMANCE

The company recorded commendable performance in spite of the unfavourable macroeconomic challenges that prevailed in the country in the first half of the year under review.

Sales volumes increased by 15% from 941 KMT in 2011 to 1,085 KMT in 2012. This increase is attributable to product availability after the company won several contracts to supply the industry with refined products under the OTS agreement. In addition, other sales channels, especially Network and Lubricants recorded increased sales, a fact supported by the reclaimed inland market leadership position in 2012 with a market share of 21.1%.

Turnover increased by 16.1% from Kshs 92.54 billion in 2011 to Kshs 107.45 billion in 2012 due to the increase in sales volume coupled with increase in international oil prices. Cost of sales on the other hand increased by 15.6%. The gross profit margin expressed as a percentage of turnover increased by 8.2%. The combined effects of higher gross profit margin and higher sales increased gross profit by 25.6 %.

Other income decreased by Kshs 378 million as a result of the disposal of fewer assets as compared to previous year. Operating expenses increased by 17% (Kshs 690 million) due to the impact of inflation on overheads and a settlement of a legal case that had been brought against the company in a London court which was exceptional and crystallised after year end. Without this exceptional settlement, the operating expenses were reasonably controlled and increased by less than the rate of inflation.

Despite the increase in average borrowing rates (average 91 day T-bill rate for 2012 at 12.7% vs. 8.7% for 2011), finance costs, although remaining high, decreased by Kshs 38 million due to reduction of borrowing needs following receipt of Kshs 5.2 billion proceeds from preference shares that were issued in June 2012 and proactive treasury management. The company managed to report minimal forex loss, thanks to prudent risk management measures that were implemented.

Due to the impact of the exceptional item and high interest expenses, the company recorded a loss before tax of Kshs 64 million compared to a profit before tax of Kshs 58 million in 2011. Net loss for the year was Kshs 202 million (Kshs 71 million in 2011

mwaka 2012. Upungufu huo ulitokana na bei thabiti ya kawi, pamoja na ongezeko la mazao ya kilimo,hali iliyosababisha bei ya chakula kupungua.

Thamani ya shillingi ya Kenya dhidi ya sarafu za kimataifa pia ilikuwa thabiti ikilinganishwa na mwaka 2011, hii ni kufuatia sera mufti za kifedha zilizotekelezwa na benki kuu ya Kenya.

Katika ulingo wa siasa kulikuwa na shughuli nyingi, ikizingatiwa kuwa uchaguzi mkuu ulikuwa ufanyike mwezi machi mwaka huu. Hata hivyo uchaguzi huo ulikuwa wa amani, na serikali mpya kuchukua hatamu za uongozi. Mpito huo wa amani ni ufanisi mkubwa kwa nchi hii, kwani unahakikisha uendelevu katika usimamizi wa masuala ya nchi hii, na hivyo kuvutia uwekezaji.

UTENDAJI

Katika kipindi cha mwaka 2012 Kampuni ya Total Kenya ilinakili utendaji bora, licha ya mazingira ya biashara yenye changamoto yalioshuhudiwa hapa nchini katika nusu ya kwanza ya mwaka huo.

Mauzo yaliongezeka kwa asilimia 15% kutoka 941 KMT katika mwaka wa 2011 hadi 1,085 KMT katika mwaka wa 2012. Nyongeza hiyo imetokana na upatikanaji wa bidhaa zetu baada ya kampuni kushinda kadarasi kadhaa za usambazaji wa bidhaaa za mafuta chini ya mkataba wa OTS. Zaidi ya hayo, kulikuwa na ongezeko la mauzo ya mbinu zingine za usambazaji hasa vituo vyetu vya uuzaji na kitengo cha oili, ukweli unao dhihirishwa na nafasi yetu ya uongozi katika soko katika 2012 huku tukiwa na umiliki wa soko wa asili mia 21.1%

Kwa ujumla mauzo ya kampuni yaliongezeka kwa asilimia 16.1 kutoka Ksh.billioni 92.54 mnamo mwaka 2011 hadi Ksh. billioni 107.45 katika mwaka 2012. Gharama ya mauzo kwa upande mwingine iliongezeka kwa asilimia 15.6. Faida jumla iliyotokana na mauzo katika kipindi hicho iliongezeka kwa asilimia 8.2.

Mapato hata hivyo yalipungua kwa Ksh. Million 378 kutokana na uuzaji wa baadhi ya mali za kampuni katika kipindi hicho, ikilinganishwa na mwaka uliotangulia. Gharama ya matumizi iliongezeka kwa asilimia 17 (Ksh.millioni 690) kutokana na mfumko wa bei, matumizi ya kawaida pamoja na ada ya kesi iliyowasilishwa dhidi ya kampuni kwenye mahakama ya Uingereza. Isipokuwa ada hiyo ya kesi, matumizi mengine ya kampuni hata hivyo yalithibitiwa.

Licha ya kuongezeka kwa kiwango wastani cha ukopaji (hati za dhamana za siku 91 kwa asilimia 12.7 mnamo mwaka 2012 ikilinganishwa na asilimia 8.7 mnamo mwaka 2011) gharama ya matumizi japo ilisalia kuwa juu, ilipungua kwa Ksh.millioni 38 kufuatia kupungua kwa mahitaji ya mikopo,hii ni baada ya kampuni kupokea malipo ya Ksh.billioni 5.2 ya hisa zilizouzwa mwezi juni mwaka 2012, pamoja na umakinifu wa matumizi ya pesa katika kampuni. Katika kipindi hicho ,kampuni ilipoteza kiwango kidogo mno cha pesa za kigeni, hii ni kutokana hatua muafaka za usimamzi zilizotekelezwa na kampuni .

TAARIFA YA MWENYEKITI

On the Statement of Financial Position, gearing ratio improved from 145% in 2011 to 26% in 2012 mainly resulting from increase of the Company's paid up share capital through issuance of additional preference shares during the year and reduced working capital requirements. This has enabled the company to continue investing substantially at Kshs 764 million in the year (up 12% from Kshs 684 million in 2011)

INVESTMENTS

Total Kenya has continued to invest in the local market, in spite of the challenging operating environment, an affirmation that the Board has confidence in the Kenyan market and is laying the foundations of its future growth. The investments undertaken cut across all the channels and include; construction of new stations, remodelling of existing ones, development of non fuel businesses in our stations shops, construction of a new aviation depot, purchase of new cylinders to increase cylinder float and replacement of various equipment at consumer sites. Total is committed to the highest standards of operations at all of our installations as evidenced by the increase in demand of the services offered at our service stations spread all over the country.

In line with the Total Group commitment to industrial safety as a priority at all times, we have planned to continue investing to ensure safety at all our installations for our personnel, contractors, customers and neighbours. This TOTAL COMMITMENT to Safety is a catch word before the start of any activity in our work environment.

Other investments are meant for improvement of existing facilities and in the acquisition of new assets whenever profitable opportunities arise.

SOCIAL RESPONSIBILITY

We remain very strong in our social responsibility initiatives, driven by our belief that as a responsible corporate citizen, the company has to invest in programmes that have a direct impact on the lives of the populations in the counties that we operate. This is a universal policy of the Total Group.

In Kenya we continue to be involved in reforestation through the Total Eco Challenge which has mobilised several tree planting projects that plant millions of trees annually and contribute greatly to the government's effort in improving the country's tree cover. The target is to plant 100 million trees every year, and in 2012, this target was achieved, bringing the total plantings since 2003 to over 700 million.

To ensure availability of variety of seedlings and for biodiversity, the company will this year support the establishment of a seedbank with other partners. This will ensure the long term sustainability of the Eco Challenge tree planting initiative.

Kwa sababu ya athari za gharama ya kesi iliyotajwa hapo awali, na gharama ya juu ya matumizi, kampuni ilinakili hasara ya Ksh.Millioni 64 kabla ya kulipa ushuru, ikilinganishwa na faida kabla ya kulipa ushuru iliyonakiliwa katika kipindi cha mwaka 2011 ya shillingi million 58. Hasara halisi katika kipindi hicho ilikuwa Ksh.millioni 202, ikilinganishwa na shillingi millioni 71 katika mwaka 2011.

UWEKEZAJI

Kampuni ya Total Kenya imeendelea kuwekeza katika soko la humu nchini, licha ya changamoto za mazingira ya biashara, ishara kwamba bodi ya wakurugenzi wa kampuni wana imani katika soko la humu nchini, na kwamba inaweka msingi thabiti kwa ukuaji wa baadaye wa kampuni. Kampuni pia imwekeza katika ujenzi wa vituo vipya vya kuuza mafuta, kurembesha vile vilivyoko, kuuza bidhaa nyingine zisizohusiana na mafuta katika maduka yalioko kwenye vituo vyetu vya kuuza mafuta,kujenga depo mpya za mafuta ya ndege, kupanua biashara ya mitungi ya gesi, na kuweka vifaa vipya katika vituo vyetu vya biashara. Kampuni ya Total Kenya imejitolea kutoa huduma ya hali ya juu katika vituo vyake vyote, hali ambayo imechangia kuongezeka kwa mahitaji ya huduma zetu kote nchini.

WAJIBU KWA JAMII

Tunaendelea kutekeleza wajibu muhimu kwa mipango inayolenga kuinua hali ya maisha ya jamii,kwani tunaamini kuwa kama kampuni inayowajibika,hatuna budi kuwekeza katika mipango ya kuboresha maisha ya wakazi wa maeneo ya ugatuzi ambako tunaendesha shughuli zetu.Hii ni sera ya kimataifa ya kampuni ya Total.

Hapa nchini Kenya, tunaendelea kujihusisha kikamilifu katika miradi ya upanzi wa miti kupitia mpango wetu wa uhifadhi wa mazingira wa Eco Challenge, ambao unashirikisha miradi mbali mbali ya upanzi wa miti. Chini ya mpango huo, mamillioni ya miti hupandwa kila mwaka, na hivyo kuchangia pakubwa juhudi za serikali za kupanua eneo la misitu hapa kufikia kiwango kinachopendekezwa kimataifa.Lengo letu chini ya mpango huo ni kupanda miti millioni 100 kila mwaka,na katika mwaka 2012 idadi hiyo iliafikiwa, na kufikisha zaidi ya millioni 700 idadi ya miti iliyopandwa chini ya mpango tangu mwaka 2003

Na ili kuhakikisha kuwa aina tofuati ya miche ya miti inapatikana,kampuni ya Total kwa pamoja na washirika wake, inaazimia kudhamini hifadhi ya miche, ili kuweka mkakati wa muda mrefu wa kufanikisha mpango huo wa upanzi wa miti.

Katika kipindi cha miaka tisa iliyopita ,kampuni ya Total Kenya imekuwa ikigharamia mafuta yanayotumiwa na waandalizi wa shindano la Rhino Charge,ambalo juhudi zake za kuchangisha pesa limefanikisha uwekaji ua kwenye msitu wa Aberdares, kwa lengo la kulinda chanzo hicho muhimu cha maji dhidi ya uvamizi, huku kazi sawia ya uwekaji ua la mzunguko kwenye misitu ya mlima Kenya na Mau Eburu ikiendelea .

Over the last nine years, Total Kenya has sponsored all the fuels used by the organisers of the Rhino Charge whose fund-raising efforts have enabled the successful fencing of the Aberdares to protect this crucial water tower from encroachment, while work on similar perimeter fences for Mt. Kenya and Mau Eburu are in progress. We value this partnership with the Rhino Charge as it is fully in line with our Group policy on the protection and care for the environment. We continue to be a major player in road safety campaign in the country and spearheaded the establishment of "Safe Way Right Way" in conjunction with the World Bank and other partners. The organisation has launched road safety campaigns within the Northern Corridor linking Mombasa to the eastern neighbours of Uganda, Rwanda, Burundi and DRC in an effort to sensitize motorists on safety on our roads to reduce road carnage. We have also introduced children's road safety programmes for schools, particularly in schools along the northern corridor and with the assistance of teaching aids and other materials for teachers and pupils, we have managed to reach 25 public primary schools and educated and graduated 25,000 school children on practical road safety messages, with the aim of reducing road fatalities among this vulnerable group.

Total Kenya every year commemorates World Malaria day in April 25th. On that day we take the opportunity to disseminate information on prevention of infection. This year, we distributed over 50,000 leaflets with the messages on prevention of infection through our service stations. Throughout the year, our staff will participate in outreach programmes with schools in malaria prevalent areas in western and coast, where about two thousand treated mosquito nets will be distributed to pupils in lower primary to emphasise the importance of nets in the fight against malaria as our modest contribution to the ongoing government effort that is already bearing fruit in reducing prevalence.

The affordable and efficient solar lanterns that we introduced in our service stations two years ago have been well received by the people for whom they were intended, positively impacting the lives of over 200,000 people who now rely on them for their lighting needs. We will continue to make them widely available to the Kenyan population with warranty on quality as a way of addressing the lighting needs of the thousands that are not on the grid.

PROSPECTS FOR 2013

The macroeconomic environment has remained fairly stable since the second half of 2012 and is expected to remain so in 2013. In the Oil industry, the transition of the refinery from toll to merchant processing mode has been realized, although significant challenges still remain. This conversion has had positive impact on the company in that advance payment for crude has been done away with. This has in turn eased pressure on working capital requirements and as such, a positive impact on financial expenses is expected in 2013. Further, the OTS contracts that the company began to win in 2012 have continued to be won in 2013, with

Aidha tunaendelea kuwa mdau muhimu katika kampeini kuhusu usalama wa barabarani hapa nchini, na tuliongoza uzinduzi wa mpango wa usalama barabarani kwa jina "Safe Way Right Way" kwa ushirikiano na benki ya dunia na washirika wetu wengine. Kampuni ya Total Kenya imezindua kampeini ya usalama barabarani kwenye barabara ya pembeni ya Northern Corridor inayounganisha Mombasa na nchi jirani mashariki za Uganda, Rwanda,Burundi na DRC. Madhumuni ya kampeini hiyo ni kuwahamasisha wenye magari kuhusu haja ya kuzingatia sheria za barabarani, ili kupunguza ajali kwenye barabara zetu. Kadhalika tumezindua mipango ya usalama barabarani kwa wanafunzi, hasa kwenye shule zilizoko karibu na barabara hiyo pembeni, kando na kutoa vifaa vya mafunzo kuhusu mpango huo. Chini ya mpango huo, tumefikia shule 25 za msingi, na kutoa mafunzo kwa zaidi ya wanafunzi elfu-25 kuhusu usalama barabarani, lengo letu likiwa kupunguza maafa na majeruhi miongoni mwa wanafunzi kutokana na ajali za barabarani.

Kampuni ya Total Kenya huadhimisha siku ya kukabiliana na ugonjwa wa Malaria tarehe 25 mwezi Aprili kila mwaka. Wakati wa maadhimisho hayo, kampuni hutumia fursa hiyo kusambaza jumbe kuhusu jinsi ya kuzuia ugonjwa huo. Mwaka huu pekee tulitoa zaidi ya vijikaratasi elfu-50 vya jumbe kuhusu uzuiaji malaria kupitia vituo vyetu vya kuuza mafuta. Mwaka huu, wafanyakazi wetu watashiriki kwenye mipango ya hamasisho kuhusu ugonjwa huo kwenye shule katika maeneo ya Magharibi na Pwani, yanayoathirika zaidi na maambukizi ya ugonjwa wa malaria, ambapo takriban vyandarua elfu-mbili vya kuzuia mbu vinatarajiwa kutolewa kwa wanafunzi, ili kusisitiza umuhimu wa kutumia vyandarua katika jitihada za kukabiliana na ugonjwa wa Malaria, na pia kama sehemu ya mchango wetu kwa juhudi za serikali za kuzuia ugonjwa huo, juhudi ambazo tayari zinaendelea kunakili ufanisi .

Taa za bei nafuu zinazotumia nishati ya jua ambazo tulizindua katika vituo vyetu vya kuuza mafuta miaka miwili iliyopita zimepokewa vyema na walengwa, na hivyo kubadilisha maisha ya zaidi ya familia elfu mia mbili, ambazo sasa zinategemea taa hizo kwa matumizi. Tutaendelea kufanya juhudi kuhakikisha kuwa taa hizo zinapatikana kote nchini, kwa manufaa ya maelfu ambao hawajaunganishwa kwenye mtandao wa nguvu za umeme hapa nchini.

MATARAJIO KATIKA MWAKA 2013

Kumekuwa na mazingira thabiti ya kiuchumi hapa nchini tangu nusu ya pili ya mwaka 2012, na ni matumaini yetu kwamba hali hiyo itadumu hata katika mwaka huu wa 2013. Katika sekta ya mafuta, japo ombi la wadau la kuwianishwa shughuli kwenye kiwanda cha kusafisha mafuta limeafikiwa, kungali na changamoto kadhaa wa kadhaa zinazohitaji kushughulikiwa haraka. Mabadiliko hayo yameleta manufaa kwa kampuni, kwani malipo ya awali kwa mafuta ghafi yameondolewa. Kando na hayo kampuni ya Total Kenya imeendelea kushinda kandarasi za OTS katika mwaka huu wa 2013, hali ambayo imeboresha utaratibu wa kusambaza bidhaa zetu na pia kupunguza kwa mtaji wa matumizi .

resultant effect on improved product supply and reduction in working capital requirements. The capital increase will have a full year impact on the financial costs savings in 2013, compared to 2012 with a 6 months impact on savings only. On the margins, we expect in 2013 that the price formula will be revised to factor in the high inflation and high financing costs. All these factors combined, together with a projected market growth puts the company at a sound footing to register improved performance through improved margins and reduced financial expenses. The Board of Directors is confident that the company's investments, experienced management and staff and presence in almost all the sectors of the economy places it at a vanguard position to take advantage of profitable investment opportunities that may arise from time to time.

DIVIDENDS

In spite of the loss recorded in 2012, the board of directors is proposing a payment of a first and final dividend to members of Kshs 0.20 (20 cents) per share. These dividends will be distributed from the company's retained earnings. This gesture is an indication that your board of directors is confident that the company is on track to post better financial performance in the future so as to deliver higher dividends.

ACKNOWLEDGEMENTS

As I conclude, I am indebted to our customers, dealers, transporters and the business partners for their continued support over the past years. We thank them most sincerely for this. On behalf of the board, I also wish to thank the management and their staff for their commitment and contribution towards the overall company performance in 2012. To you the shareholders, I thank you for the confidence you have shown us by choosing to invest in Total Kenya.

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

Jean Papee
Chairman

Katika mwaka wa 2013, tunatarajia mfumo wa kuamua bei kurekebishwa ili kujumuisha mfumko wa bei na gharama ghali ya kufadhili shughuli za kampuni .Hatua hizo zote zikijumuishwa na ukuaji uliobashiriwa, zinaiweka kampuni kwenye msingi thabiti wa ukuaji. Bodi ya wakurugenzi wa kampuni ina imani kwamba uwekezaji unaoendelea,wasimamizi na wafanyakazi walio na ujuzi, pamoja na uwepo wetu katika karibu sekta zote za uchumi unaiweka kampuni kwenye fursa nzuri ya kujiimarisha zaidi kibiashara.

MGAO WA FAIDA

Licha ya hasara ambayo kampuni ilinakili katika mwaka 2012, bodi ya wakurugenzi inapendekeza mgao wa faida wa senti 20 kwa kila hisa .Uamuzi huo unaashiria kuwa bodi ya wakurugenzi ina imani kuwa kampuni ipo kwenye mkondo shwari wa ukuaji,ambao utaiwezesha kunakili matokeo bora hata zaidi ya biashara, na hivyo kuongeza mgao wa faida kwa wenye hisa.

SHUKRANI

Na ninapohitimisha, natoa shukrani zangu za dhati kwa wateja wetu, wauzaji bidhaa zetu, wachukuzi na washirika wetu kibiashara kwa kuendelea kuiunga mkono kampuni yetu .Kwa niaba ya bodi ya wakurugenzi, pia nawashukuru wasimamizi na wafanyakazi wetu kwa bidii na mchango wao kwa utendaji wa kampuni katika kipindi cha mwaka 2012. Na kwa wenye hisa wetu, nawashukuru sana kwa kuonyesha imani kwenye kampuni hii kupitia uwekezaji wenu.

Mwisho, nawashukuru wanachama wa bodi ya kampuni kwa juhudi na ushauri wao, ambao umeiwezesha kampuni hii kuendelea kuwa mdau muhimu kwenye soko la humu nchini.

Jean Papee
Mwenyekiti

MANAGEMENT EXECUTIVES

Patrick WAECHTER
Finance Director

Maurice K'ANJEJO
Corporate Affairs Manager

Alexis VOVK
Managing Director

James KAMAU
Health, Safety, Environment and Quality Manager

Daniel MAYIEKA
Specialities Manager

MANAGEMENT EXECUTIVES

Tom MAGANGA
Operations Manager

Jean Francois SCHOEPP
Planning & Supply Manager

Adele TURA
Human Resource and Administration Manager

Charles WAMBUGU
Chief Internal Auditor

Loic THIEBLIN
Marketing Manager

MANAGEMENT REPORT

OVERVIEW OF THE 2012 FINANCIAL YEAR FOR TOTAL KENYA LIMITED

The operating environment for the oil industry in Kenya remained challenging with volatile international prices and unfavourable market environment. Crude oil prices rose from Usd 114.20/barrel in January 2012 to the highest level of Usd 127.20/barrel in March 2012 and closed at Usd 110.75/barrel in December 2012.

The usual challenges experienced in the oil industry namely, pipeline pumping capacity limitation, unfair competition and queuing of ships at the port continued to persist sometimes occasioning stock outs in upcountry markets.

In spite of the challenging environment, Kenyan Inland Petroleum consumption grew by 6% in the year 2012 above the economic growth of 4.6%. Economic growth slowed sharply in the first half to 3.5 percent, as key sectors like construction sagged under the weight of high commercial lending rates that topped 25 percent after policymakers raised the Central Bank of Kenya's rate to 18 percent in the last Quarter of 2011 to curb inflation.

SUMMARY OF RESULTS

The company recorded commendable performance in spite of the unfavorable market conditions such as supply chain inefficiencies, unfair competition and price controls that were introduced in December 2010 coupled with unfavourable macroeconomic challenges that prevailed in the first half of the year leading to high interest rates on borrowings and high inflation rates.

The improved performance of the company is attributed to the management efforts and action plans taken in the year to develop business in non-traditional channels, manage working capital requirements, optimization of costs and continued investments in profitable opportunities.

Total Kenya global sales volume went up by 15% in 2012 (from 941 KMT in 2011 to 1,085 KMT in 2012). The increase is attributable to sales to other Oil marketing companies after the company won several contracts to supply the industry with refined products under the OTS agreement. In addition, other sales channels, especially Network and Lubricants recorded increased sales, a fact supported by the reclaimed inland market leadership in 2012 with a market share of 21.1%.

Net sales increased by 16% from Kshs.92.54 billion in 2011 to Kshs.107.45 billion in 2012 due to increase in sales volumes coupled with increase in international prices. Cost of sales increased by 15.6% (the price of crude increased from Usd.114.20/barrel in January 2012 to the highest level of Usd 127.20/barrel in March 2012 and closed at Usd 110.75/barrel in December 2012).

Gross profit which represents 5.5% of Net turnover increased by 25.6% from Kshs.4,674 million in 2011 to Kshs.5,873 million in 2012 as a result of increased sales in profitable channels and action plans implemented by management to improve the per unit margin.

Operating expenses increased by 17% as compared to 2011 due to the impact of inflation on overheads and a settlement of a legal case that had been brought against the company in a London court which was exceptional and crystallised after year end. Without this exceptional settlement, the operating expenses were reasonably controlled and increased by 6.5% less than the average annual inflation rate of 9.4% in 2012.

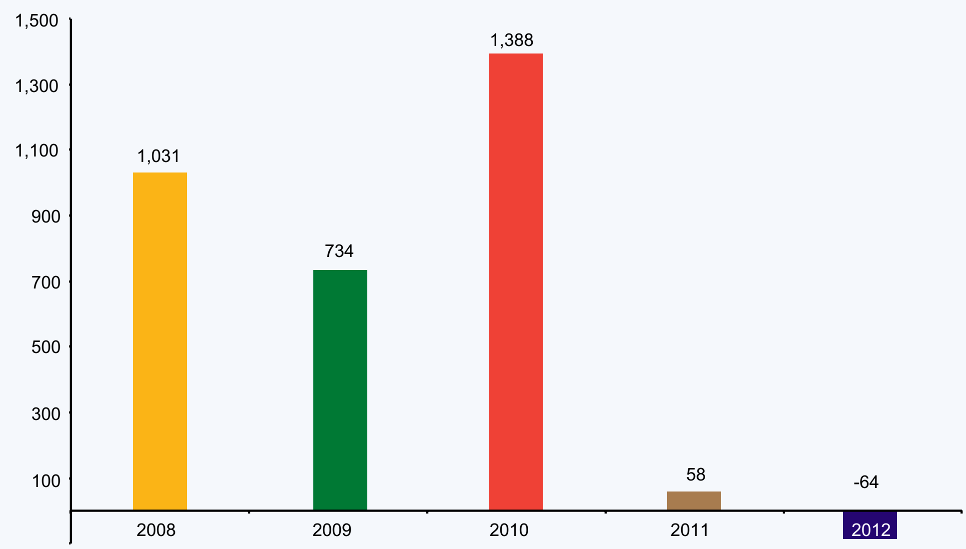
Net Finance costs decreased by 2.4% (Kshs 38 million) due to reduction in borrowing needs following receipt of Kshs.5.2 billion proceeds from preference shares that were issued in June 2012 and proactive treasury management.

Foreign exchange loss amounted to Kshs.81million as compared to a gain of Kshs.258million in 2011. The forex loss was minimized thanks to prudent risk management measures implemented by the company in the year.

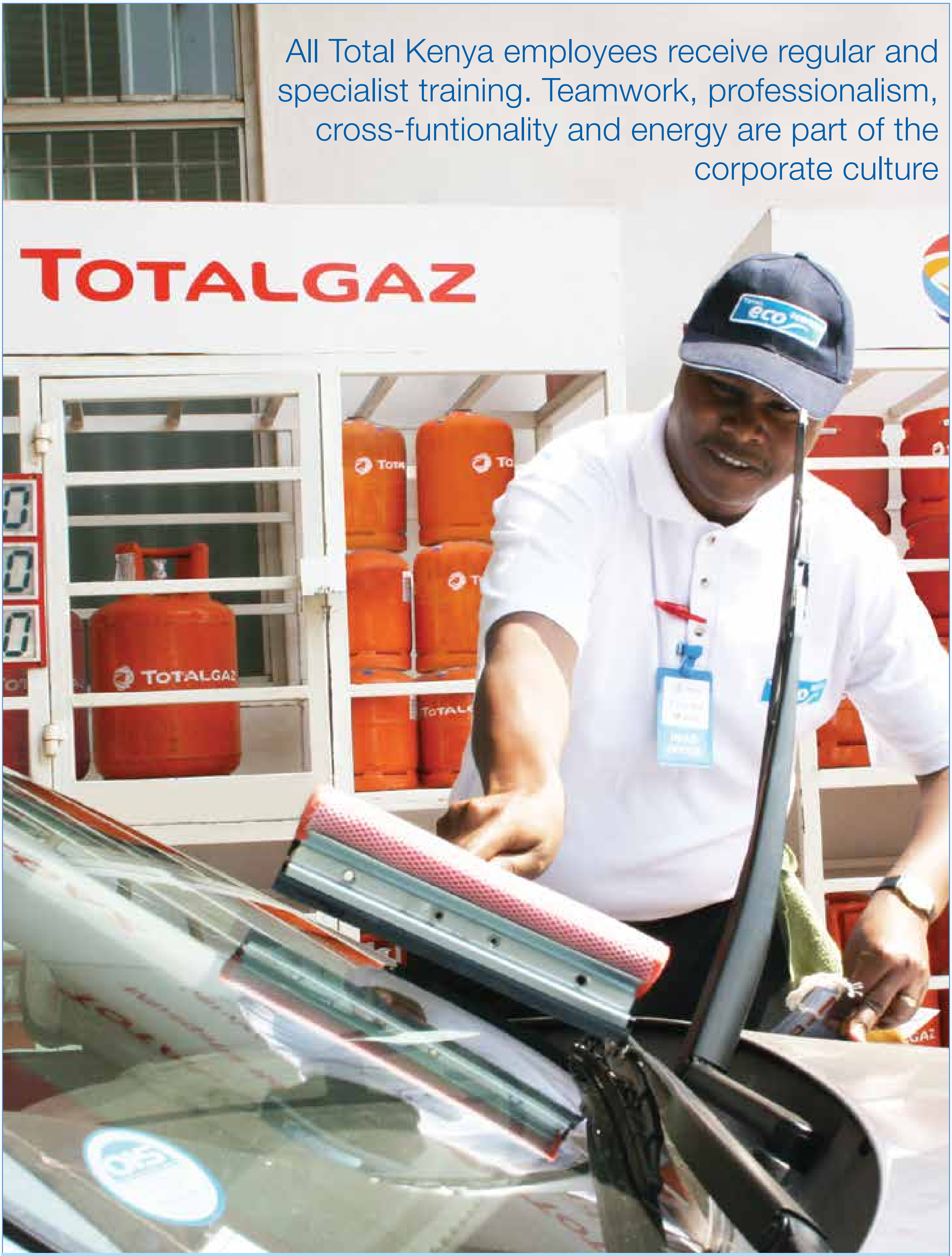
Due to the impact of the exceptional and high interest expenses, the company recorded a loss before tax of Kshs.64 million compared to a profit before tax of Kshs.58 million in 2011. Consequently, Net loss for the year was Kshs.202 million (Kshs.71 million in 2011).

Investments during the year amounted to Kshs.764 million. The investments mainly related to purchase and installation of equipment and construction works at network stations, consumer sites and depots.

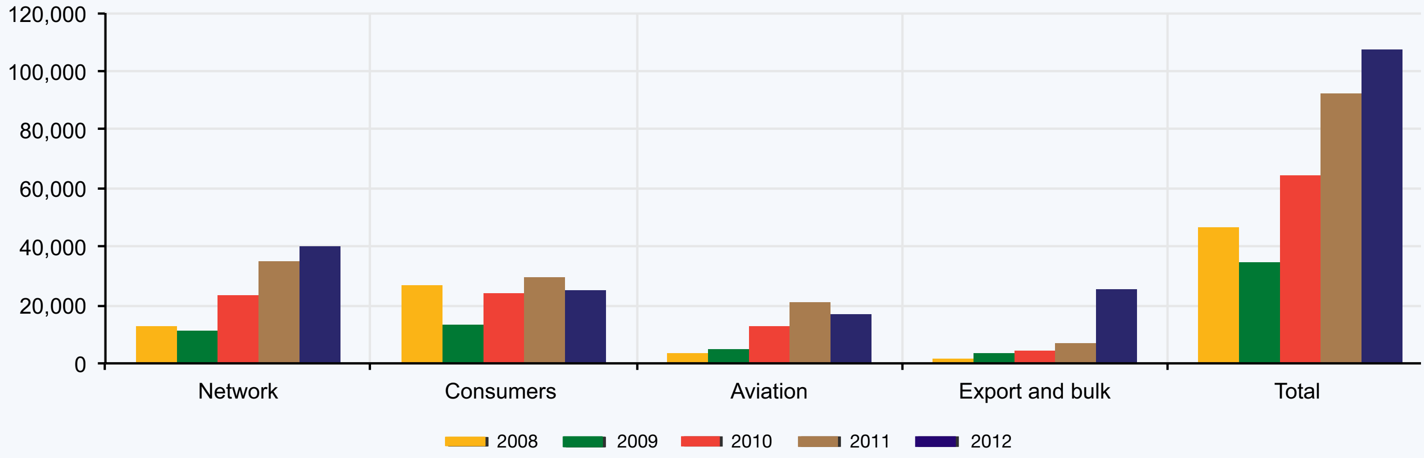
RESULTS BEFORE TAX (M Kshs)



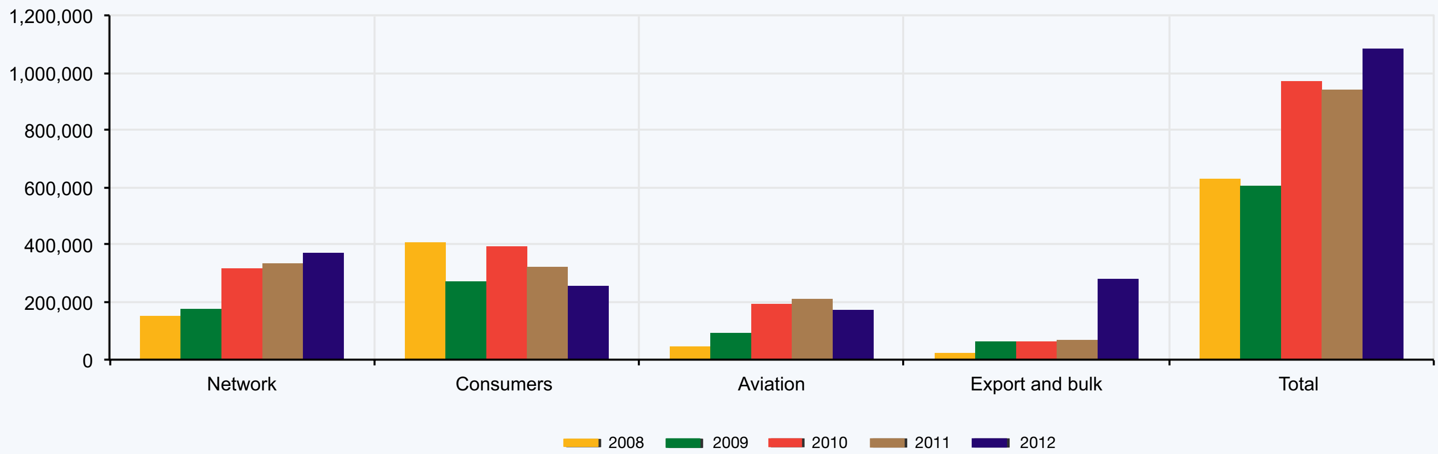
All Total Kenya employees receive regular and specialist training. Teamwork, professionalism, cross-funtionality and energy are part of the corporate culture



NET SALES PER BUSINESS CHANNEL (M Kshs)



NET SALES PER BUSINESS CHANNEL (MT)



ANALYSIS BY BUSINESS CHANNELS

The company's four business channels are:

- The Network channel, which includes the distribution of petroleum products through service stations located across the country.
- 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 challenges that faced the industry in 2012, sales in this channel registered a growth of 11% from 336 KMT in 2011 to 373 KMT in 2012. The growth in sales is mainly attributable to market growth in this channel of 7%, provision of quality service to customers and increased investments.

The company opened one station in Uthiru and disposed off 2 Network station in 2012 in compliance with conditions set by the Government before the acquisition of Chevron. This led to reduction of the number of stations from 177 to 176. The remaining 8 Network stations are to be disposed off in the year 2013.

The company's objective is to continue investing in areas where population and traffic are growing. The range of our Non-oil services has continued to grow. They include: Convenient stores "Bonjour shops", Auto clean for Car wash and Auto express service for pit-stop.

The Bonvoyage 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.

Network –Key figures	2012	2011	% CHANGE
Number of service stations	176	177	0%
Volumes Sold in KMT	373	336	11%
Turnover- net of taxes (Kshs'million)	40,076	35,011	14%

GENERAL TRADE

The General Trade volumes decreased by 21% compared to 2011 (257KMT in 2012 compared to 324 KMT in 2011) mainly attributed to the decision by the company to stop selling to emergency power plants in 2012 to reduce the cost of financing and the related working capital requirement.

Turnover in General Trade channel decreased by 15% from Kshs.29.5 billion in 2011 to Kshs 25 billion in 2012 as a result of decrease in the sales volumes.

Consumer–Key figures	2012	2011	% CHANGE
Volumes Sold– KMT	257	324	-21%
Turnover- net of taxes (Kshs'million)	25,069	29,555	-15%

AVIATION

Sales volumes in this channel decreased by 18% (from 212KMT in 2011 to 173KMT in 2012). The decline in the sales volume is in line with the contracts with airlines and the company's expectations.

The decrease in volumes sold led to a decrease in turnover, from Kshs 21 billion in 2011 to Kshs 17 billion in 2012.

Aviation–Key figures	2012	2011	% CHANGE
Volumes Sold– KMT	173	212	-18%
Turnover- net of taxes (Kshs'million)	16,920	20,973	-19%

EXPORTS AND BULK

Export sales increased by 67% from 32.6KMT in 2011 to 54.5KMT in 2012 and Bulk sales increased from 36.2 KMT in 2011 to 227 KMT in 2012. This resulted from the company's participation and winning of several contracts to supply the industry with refined products under the OTS agreement. Consequently, turnover generated by these activities increased by 257% from Kshs. 6,996 million in 2011 to Kshs. 25,385 million in 2012.

FINANCIAL POSITION

In 2012, Total Kenya continued with a proactive financial management strategy, with focus on controlling working capital elements, relevant and timely hedging and sourcing for the lowest possible financial options. The issuance of preference shares in June 2012 to obtain Kshs.5.2 billion led to the reduction of short term borrowings. The medium term loan that was partly used to finance the purchase of Chevron business was fully paid in 2012.

Cash flow generated from operating activities was a positive cash flow of Kshs.6, 701 million compared to a negative cash flow of Kshs. 2,005 million in 2011. Cash flow used in investing activities was Kshs.701 million compared to Kshs. 394million in 2011.

The financing cost decreased by Kshs.38 million as compared to 2011 despite the increase in average borrowing rates (Average 91day T-bill rate for 2012 at 12.7% vs 8.7% for 2011).

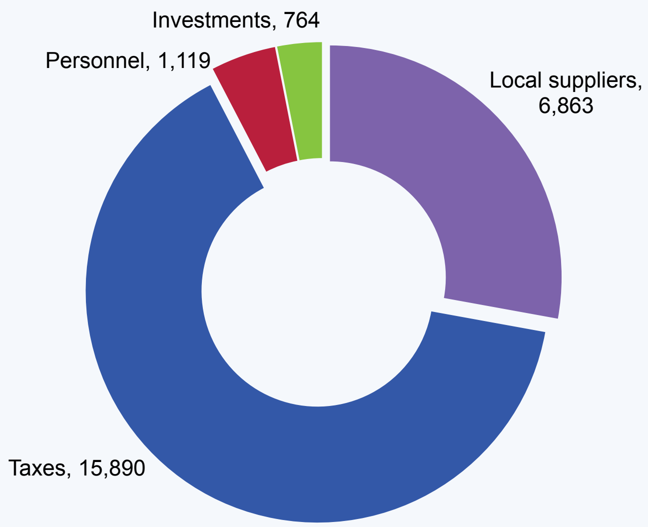
BALANCE SHEET:

The company's gearing ratio which measures financial leverage, demonstrating the degree to which a firm's activities are funded by owner's funds versus creditor's funds improved from 145% in 2011 to 26% in 2012 mainly resulting from increase in the company's paid up share capital through issuance of additional preference shares during the year and reduced working capital requirements. This has enabled the company to continue investing substantially at Kshs.764 million in the year (up by 12% from Kshs.684 million in 2011)

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 15.9 billion (Kshs 14.3 billion in 2011). The total financial impact on the economy in 2012 was Kshs 24.6 billion (2011 Kshs 21.5 billion) comprising the following in MKshs:

CONTRIBUTION TO THE KENYAN ECONOMY in 2012 (MKshs)



2013 MANAGEMENT AGENDA:

Total Kenya still believes in good growth potential which presents opportunities for improvement on every aspect of our business. The Management is confident that the company has positioned itself to register improved performance in all the market segments and especially in non traditional channels. However, this performance will depend on continued economic growth, stability of world crude prices and concerted effort by the Government and other parties to address the unfavourable market conditions facing the oil industry such as the impact of price control, inefficiencies in the fuel supply chain, widespread illegal refilling of LPG cylinders and rising counterfeiting of lubricants.

In 2013 more than ever, we will remain committed to a reliable delivery of quality products and services profitably and in a safe and responsible manner, making Total Kenya the reference Oil Marketing Company in Kenya

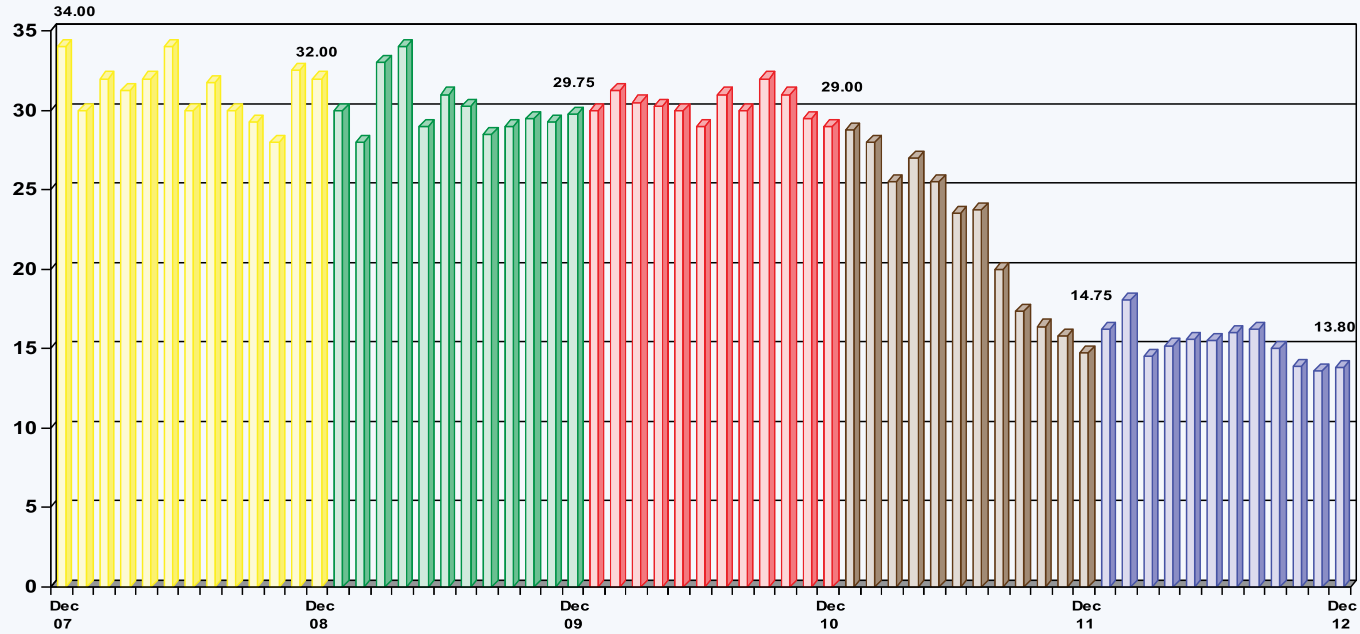
Therefore the management will:

- 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.
- Reinforce the brand through expansion, physical image, external recognition and community commitment.
- Continue to invest in renewable energy opportunities

SHARE PRICE EVOLUTION

In 2012, Total Kenya share price traded between Kshs.13 and Kshs.18 per share.

MONTHLY CLOSING RATES (DEC 07 TO DEC 12)TOTAL KENYA SHARE PRICE (Kshs)



SHAREHOLDERS ANALYSIS

TOP 10 SHAREHOLDERS

Rank	Name		Shares Held	Percentage
1	Total Outre-Mer	a) Ordinary	126,327,070	20.07
		*b) Preference shares	454,477,752	72.19
2	Total Africa Limited		10,732,950	1.70
3	Kimani, John Kibunga		4,136,508	0.66
4	Shah, Rajesh Dharamshi		1,728,386	0.27
5	Benjamin, Emmett Joseph		570,900	0.09
6	Cannon Assurance (Kenya) Limited		567,200	0.09
7	The Jubilee Insurance Company Of Kenya Limited		566,736	0.09
8	Standard Chartered Nominees non Resd A/C 9306		499,600	0.08
9	Rahim, Ahmed Mian Abdur		459,960	0.07
10	Phoenix Of East Africa Assurance Company Limited		450,000	0.07
			600,517,062	**95.38**

***Have no voting rights**

SHARE DISTRIBUTION SCHEDULE

i) BY NUMBER OF SHARE RANGE

Range	No. of Members	Total No. of Shares	Percentage
1 - 500	2,236	516,719	0.08
501 - 1,000	1,019	875,745	0.14
1,001 - 5,000	1,713	4,416,366	0.70
5,001 - 10,000	454	3,406,803	0.54
10,001 - 50,000	375	7,834,036	1.25
50,001 - 100,000	63	4,504,753	0.72
100,001 - 500,000	41	8,880,534	1.41
500,001 - 1,000,000	3	1,704,836	0.27
1,000,001 - 999,999,999,999	4	597,402,666	94.89
	5,908	**629,542,458**	**100.00**

ii) BY CATEGORY OF SHAREHOLDER

No. of Members	Group	Total Quantity	Percentage
87	FOREIGN INVESTORS	593,024,930	94.20
5,359	**E.A.P.S. INDIVIDUALS	30,389,912	4.83
462	**E.A.P.S INSTITUTIONS	6,127,616	0.97
5,908	**TOTALS**	**629,542,458**	**100.00**

****East Africa Partner States**

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Total Kenya Limited, which comprise the statement of financial position as at 31 December 2012, 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 information, as set out on pages 35 to 72.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements present fairly, in all material respects, the financial position of Total Kenya Limited as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

OTHER MATTER

The financial statements of Total Kenya Limited for the year ended 31 December 2011 were audited by another auditor whose report dated 19 April 2012 expressed an unmodified opinion on those statements.

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 and statement of comprehensive income are in agreement with the books of account.

Ernst &Young
Certified Public Accountants
30th April 2013
Nairobi

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

For the year ended December 31,	Notes	2012 Kshs'000	2011 Kshs'000
Gross sales		119,788,989	105,590,360
Indirect taxes and duties		(12,338,455)	(13,055,311)
Net sales	3	107,450,534	92,535,049
Cost of sales	4	(101,577,075)	(87,860,697)
Gross profit		5,873,459	4,674,352
Other income	5	302,153	680,041
Operating expenses	6	(4,652,729)	(3,962,404)
Finance income	7 (a)	48,509	544
Finance costs	7 (b)	(1,554,715)	(1,592,320)
Foreign exchange (loss)/gain	7 (c)	(80,978)	257,637
(Loss)/profit before tax	8	(64,301)	57,850
Tax charge	9	(137,841)	(129,286)
Loss for the year		(202,142)	(71,436)
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		(202,142)	(71,436)
Loss per share (basic and diluted)	10	(0.32)	(0.24)

STATEMENT OF FINANCIAL POSITION

As at December 31,	Notes	2012 Kshs'000	2011 Kshs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	8,168,038	8,450,952
Prepaid operating leases	13	680,726	684,626
Goodwill	14	416,679	416,679
Intangible assets	15	61,858	121,342
Other assets	16	-	38,661
Deferred tax asset	17	304,844	146,955
		9,632,145	9,859,215
CURRENT ASSETS			
Inventories	18	13,794,942	12,039,014
Trade and other receivables	19	6,861,165	9,406,874
Amounts due from related companies	20 (i)	2,151,599	2,014,286
Tax recoverable	9 (iii)	-	125,489
Other assets	16	-	31,756
Bank and cash balances	27 (ii)	499,174	1,670,112
		23,306,880	25,287,531
Assets classified as held for sale	21	41,579	51,420
		23,348,459	25,338,951
TOTAL ASSETS		32,980,604	35,198,166
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	9,974,771	4,774,771
Share premium	23	1,967,520	1,967,520
Retained earnings		2,250,385	2,452,527
		14,192,676	9,194,818
NON-CURRENT LIABILITIES			
Trade and other payables	25	854,765	446,584
Medium term loan	24	-	2,574,000
		854,765	3,020,584
CURRENT LIABILITIES			
Unclaimed dividends	11	5,723	5,852
Tax payable	9 (iii)	132,829	-
Trade and other payables	25	6,312,448	6,875,077
Amounts due to holding company	20 (iii)	7,023,485	3,612,107
Amounts due to related companies	20 (ii)	298,024	86,562
Medium term loan	24	-	702,000
Short term borrowings	26	4,160,654	11,701,166
		17,933,163	22,982,764
TOTAL EQUITY AND LIABILITIES		32,980,604	35,198,166

The financial statements were approved and authorised for issue by the board of directors on 28 March 2013 and were signed on its behalf by:

Alexis Vovk
Director

Patrick Waechter
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital Kshs'000	Share premium Kshs'000	Retained earnings Kshs'000	Total equity Kshs'000
As of 1 January 2011	4,774,771	1,967,520	2,837,562	9,579,853
Dividends declared – 2010 (Note 11)	-	-	(313,599)	(313,599)
Loss for the year	-	-	(71,436)	(71,436)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(71,436)**	**(71,436)**
As at 31 December 2011	**4,774,771**	**1,967,520**	**2,452,527**	**9,194,818**
As at 1 January 2012	4,774,771	1,967,520	2,452,527	9,194,818
Increase in share capital (Note 22)	5,200,000	-	-	5,200,000
Loss for the year	-	-	(202,142)	(202,142)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(202,142)**	**(202,142)**
As at 31 December 2012	**9,974,771**	**1,967,520**	**2,250,385**	**14,192,676**

STATEMENT OF CASH FLOWS

For the year ended December 31,	Notes	2012 Kshs'000	2011 Kshs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	27 (i)	6,738,395	(1,541,641)
Tax paid	9 (iii)	(37,412)	(464,100)
Net cash generated from/(used in) operating activities		6,700,983	(2,005,741)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(682,044)	(507,805)
Purchase of prepaid operating leases	13	(80,874)	(173,636)
Purchase of intangible assets	15	(1,042)	(2,938)
Interest received	7 (a)	48,509	544
Proceeds on disposal of property, plant and equipment		14,886	290,009
Net cash used in investing activities		(700,565)	(393,826)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7 (b)	(1,554,715)	(1,592,320)
Dividends paid	11	(129)	(314,465)
Issue of preference shares	22	5,200,000	-
Medium term loan repaid	24	(3,276,000)	(702,000)
Net cash generated from/(used in) financing activities		369,156	(2,608,785)
Net increase/(decrease) in cash and cash equivalents		6,369,574	(5,008,352)
Cash and cash equivalents as at 1 January		(10,031,054)	(5,022,702)
Cash and cash equivalents as at 31 December	27 (ii)	(3,661,480)	(10,031,054)

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Kenyan Companies Act. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings rounded to the nearest thousand (Kshs' 000).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires directors to exercise judgment in the process of applying the company's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates. Note 2 below on 'significant accounting judgments and key sources of estimation uncertainty' highlights the areas that involve a higher level of judgement, or where the estimates or assumptions used are significant to the financial statements.

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

b) New and amended standards, interpretations and improvements

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

These revised standards and interpretations did not have any material effect on the financial performance or position of the company. They did, however, give rise to additional disclosures in some occasions.

The principal effects of these changes are as follows:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the company's financial position, performance or its disclosures.

IFRS 1 — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011 with early adoption permitted. This amendment did not have an impact on the company's financial position, performance or its disclosures.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards, interpretations and improvements (continued)

Standards issued but not yet effective (Cont')

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (Cont')
of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the company's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the company's financial position or performance, as the company does not have defined benefit plans.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The company does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The adoption of IAS 27 is not expected to have an impact on the company performance.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

The adoption of the revised IAS 27 is not expected to have an impact on the company's performance as the company does not have investments in associates and joint ventures.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans — Amendments to IFRS 1

The amendment is effective for annual periods on or after 1 January 2013. These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment has no impact on the company as the company is not a first time adopter of IFRS.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the company's financial position or performance but will result in additional disclosures with regards to financial instruments and become effective for annual periods beginning on or after 1 January 2013.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards, interpretations and improvements (continued)

Standard issued but not effective (Continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-Controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. The standard will not have an impact on the company.

FRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. Clarification on certain aspects is also provided. The company will consider the new requirements to determine fair values going forward. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the company.

Annual Improvements May 2012

These improvements will not have an impact on the company, but include:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
  This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.
- IAS 1 Presentation of Financial Statements: This improvement clarifies the difference between voluntary additional comparative information and

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards, interpretations and improvements (continued)

Standard issued but not effective (Continued)

Annual Improvements May 2012 (continued)

the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

- IAS 16 Property Plant and Equipment: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 Financial Instruments, Presentation: This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
- IAS 34 Interim Financial Reporting: The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

(c) Revenue recognition

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 revenue is recognised at the time goods are supplied or services are provided.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the company, liabilities incurred by the company to the former owners of the acquiree and the equity interests issued by the company in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and,
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations (continued)

When the consideration transferred by the company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the company obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Leasing

(i) Determination
The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(ii) Company as a lessee
Leases which do not transfer to the company substantially all the risk and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Contingent rental payable are recognised as an expense in the period in which they are incurred.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost of property, plant and equipment in equal annual instalments 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%

The Company reviews the estimated useful lives, the methods of depreciation and residual values of property, plant and equipment at the end of each reporting period and adjusts them prospectively, if appropriate. During the financial year, no changes to the useful lives and residual values were identified by the Directors.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the actual proceeds and the carrying amount of the asset and is recognised in the profit or loss in the year in which the disposal or retirement occurs.

(h) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at he end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The company did not have any intangible assets with indefinite useful lives.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(i) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets acquired in a business combination (continued)

Derecognition of intangible assets (continued)

(i) Non-current assets held for sale (continued)

sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and 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 less the estimated costs of completion and the estimated costs to make the sale. Specific provision is made for obsolete, slow moving and defective inventories.

(k) Financial instruments

Financial assets and financial liabilities are recognised when a company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The company's financial assets include bank and cash balances, trade and other receivables and amounts due from related companies.

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 reporting date. For the purpose of the statement of cash flows, bank and cash balances are as defined above, net of outstanding bank overdrafts.

Accounts receivables and amounts due from related companies

Accounts receivables and amounts due from related companies are classified as 'loans and receivables'. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in cost of sales or other operating expenses for receivables.

Impairment of financial assets

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired Or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by a company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The company's financial liabilities include trade and other payables, loans and borrowings and amounts due to holding company and related companies.

Other financial liabilities
Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(l) Foreign currencies

In preparing the financial statements of the company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks and

(m) Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Tax (continued)

(i) Current tax (continued)

taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(n) Retirement benefit costs

The company operates a locally registered defined contribution pension fund, an off-shore and defined contribution retirement benefits scheme for its employees. The assets of the schemes are held in separate trustee administered funds. The schemes are funded by contributions from both the employees and the company. Benefits are paid to retiring staff in accordance with the rules of the respective scheme.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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 Kshs. 200 per employee per month.

Contributions by the company in respect of retirement benefit costs are charged to profit or loss in the year to which they relate.

Employees' entitlements to annual leave are charged to profit or loss as they fall due.

(o) Dividends

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

(q) Earnings per share

Earnings per share are calculated by dividing the profit or loss after tax by the weighted average number of ordinary shares outstanding during the year.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Borrowing costs (continued)

takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(s) Impairment of non financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately in profit or loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(t) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies, the Directors have made estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities within the next financial year.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The key areas of judgement and sources of estimation uncertainty are as set out below:

(a) Critical judgements in applying accounting policies

There are no critical judgements, apart from those involving estimations (see b below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(b) Key sources of estimation uncertainty

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

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(b) Key sources of estimation uncertainty (continued)

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 calculation requires the directors 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 31 December 2012 was Kshs. 416,679,000 (2011 – Kshs 416,679,000) and no impairment loss was recognised during the year.

Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. See Note 1 (g) for further details.

Contingent liabilities

As disclosed in Note 28 to these financial statements, the company is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

Allowance for bad and doubtful debts

The company reviews its trade receivables at each reporting date to assess whether an allowance for bad and doubtful debts should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

3. NET SALES ANALYSIS

The major business of the company is the 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

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
General trade	25,069,231	29,554,926
Network	40,075,807	35,011,138
Aviation	16,920,196	20,973,239
Export and bulk	25,385,300	6,995,746
Total net sales	107,450,534	92,535,049
(i) Geographical analysis		
Local sales	100,820,909	88,697,633
Export sales	6,629,625	3,837,416
Total net sales	107,450,534	92,535,049

4. COST OF SALES

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
Product purchases	96,747,119	83,467,587
Other variable costs	4,829,956	4,393,110
	101,577,075	**87,860,697**

5. OTHER INCOME

	2012 Kshs'000	2011 Kshs'000
Rents and commissions	284,623	222,444
(Loss)/ gain on disposal of property, plant and equipment, prepaid operating leases and assets held for sale	(23,934)	201,447
Throughput fees and other income	18,581	224,469
Bad debt recoveries	22,883	31,681
	302,153	**680,041**

Included in throughput fees and other income for 2011 are revenues for handling transit product amounting to Kshs 190 million. Revenues for the same services amounting to Kshs 208 million in 2012 have been grossed up with turnover.

6. OPERATING EXPENSES

	2012 Kshs'000	2011 Kshs'000
Directors' emoluments - fees	1,600	1,600
- other emoluments	99,063	86,205
Payroll and staff costs [Note 6 (a)]	1,118,859	1,037,455
Depreciation on property, plant and equipment	926,138	960,743
Amortisation of prepaid operating leases	84,774	79,490
Amortisation of intangible assets	60,526	17,325
Repairs and maintenance	502,828	481,245
Technical assistance (Note 20(iv))	290,683	309,960
Utilities	205,450	163,998
Operating lease rentals	227,504	193,281
Other expenses	652,443	186,867
Legal and other professional fees	177,290	109,125
Advertising and promotion	130,483	105,871
Impairment on receivables	26,544	83,875
Travelling and reception	83,472	80,301
Insurance	59,292	58,167
Auditors' remuneration	5,780	6,896
	4,652,729	**3,962,404**

Included in other expenses is the Glencore litigation settlement (Note 35).

6 (a) PAYROLL AND STAFF COSTS

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
Wages and salaries	749,721	713,570
Pension costs – defined contribution plan and NSSF	84,193	70,990
Staff medical costs	22,224	16,262
Staff training costs	15,050	12,470
Provision for accrued leave	6,587	2,065
Other costs - staff mileage	241,084	222,098
Total personnel expenses	1,118,859	1,037,455
Average number of employees (permanent staff)	369	366

7. (a) FINANCE INCOME

Interest income on bank deposits	48,509	544

(b) FINANCE COSTS

Interest on borrowings	(1,554,715)	(1,592,320)

(c) FOREIGN EXCHANGE (LOSS)/GAIN

Foreign exchange (loss)/gain	(80,978)	257,637

8. (LOSS)/PROFIT BEFORE TAX

The (loss)/profit before tax is arrived at after charging		
Staff costs (Note 6 a)	1,118,859	1,037,455
Depreciation on property, plant and equipment	926,138	960,743
Amortisation of intangible assets	60,526	17,325
Amortisation of prepaid operating leases	84,774	79,490
Directors' emoluments: (Note 6)		
Fees	1,600	1,600
Other emoluments	99,063	86,205
Auditors' remuneration	5,780	6,896

9. TAX

(i) Tax charge

Current tax based on adjusted profit for the year at 30%	295,730	144,242
Deferred tax credit recognized in profit or loss (Note 17 (ii))		
Current deferred tax credit	(135,526)	(14,956)
Prior year under provision for deferred tax asset	(22,363)	-
	(157,889)	(14,956)
	137,841	129,286

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
(ii) Reconciliation of tax charge to expected tax based on accounting (loss)/profit		
Accounting (loss)/profit before tax	(64,301)	57,850
Tax at the applicable rate of 30%	(19,290)	17,355
Tax effect of expenses not deductible for tax	179,494	176,308
Tax effect of income not subject to tax	-	(64,377)
Prior year under provision for deferred tax asset	(22,363)	-
Tax charge	137,841	129,286
(iii) Tax (payable)/recoverable		
Balance at 1 January	125,489	(194,369)
Charge to profit or loss	(295,730)	(144,242)
Payments during the year	37,412	464,100
Balance at 31 December	(132,829)	125,489

10. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss after tax 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,	2012 Kshs'000	2011 Kshs'000
Loss after tax	(202,142)	(71,436)
Basic loss per share Weighted average number of ordinary and redeemable preference shares used in the calculation of basic earnings per share (in thousands of shares)	629,542	298,543
Basic loss per share (Kshs)	**(0.32)**	**(0.24)**

Diluted loss per share
The diluted loss per share is the same as basic loss per share as there were no potentially dilutive instruments outstanding at the end of the reporting period.

11. DIVIDENDS

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
a) Unclaimed dividends The movement in unclaimed dividend is as follows:		
At 1 January	5,852	6,718
Final dividend for 2010 declared in 2011	-	313,599
Dividend paid	(129)	(314,465)
Balance at 31 December	**5,723**	**5,852**

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
b) Payments during the year 2012 and 2011:		
Final dividend for previous years	(129)	(314,465)
c) Dividends declared/proposed in respect of the year		
Proposed for approval at the annual general meeting		
(not recognised as a liability as at 31 December):	125,908	-
Dividends per share (based on number of shares per Note 22) Kshs	0.20	-

In respect of the current year, the Directors propose that a final dividend of Kshs 0.20 (2011 – nil) per share equivalent to a total sum of Kshs 125,908,000 (2011 – nil) be paid to the shareholders.

The final dividend is subject to approval by owners of the company at the Annual General Meeting and has not been included as a liability in these financial statements.

Withholding tax

Payment of dividends is subject to withholding tax at a rate of 10% for non-resident owners of the group and 5% for resident shareholders. For resident owners of the group, withholding tax is only deductible where the shareholding is below 12.5%.

12. PROPERTY, PLANT AND EQUIPMENT

(i) Year ended 31 December 2012

	Land and buildings	Plant, property and office equipment	Furniture, fittings and equipment	Capital work in Progress	Total Kshs'000
COST					
At 1 January 2012	**3,466,635**	**10,491,052**	**672,394**	**282,107**	**14,912,188**
Additions	42,683	449,057	53,279	137,025	682,044
Transfers	(1,377)	199,448	13,332	(211,403)	-
Disposals	(40,043)	(299,370)	(14,984)	(3,158)	(357,555)
At 31 December 2012	**3,467,898**	**10,840,187**	**724,021**	**204,571**	**15,236,677**
DEPRECIATION					
As at 1 January 2012	**1,100,479**	**4,774,559**	**586,198**	**-**	**6,461,236**
Charge for the year	164,023	717,785	44,330	-	926,138
Reclassification	(112)	112	-	-	-
Disposals	(28,397)	(277,389)	(12,949)	-	(318,735)
At 31 December 2012	**1,235,993**	**5,215,067**	**617,579**	**-**	**7,068,639**
NET CARRYING AMOUNT					
At 31 December 2012	**2,231,905**	**5,625,120**	**106,442**	**204,571**	**8,168,038**
(ii) Year ended 31 December 2011					
At 1 January 2011	**3,435,843**	**10,305,088**	**639,420**	**68,824**	**14,449,175**
Additions	28,866	208,217	31,367	239,355	507,805
Disposals	-	(36,209)	(8,583)	-	(44,792)
Transfers from work-in-progress	1,926	13,956	10,190	(26,072)	-
At 31 December 2011	**3,466,635**	**10,491,052**	**672,394**	**282,107**	**14,912,188**
DEPRECIATION					
At 1 January 2011	924,572	3,991,358	555,018	-	5,470,948
Charge for the year	175,907	745,271	39,565	-	960,743
Eliminated on disposal	-	(30,070)	(8,385)	-	(38,455)
Reclassified from intangible assets (Note 15)*	-	68,000	-	-	68,000
At 31 December 2011	**1,100,479**	**4,774,559**	**586,198**	**-**	**6,461,236**
NET CARRYING AMOUNT					
At 31 December 2011	**2,366,156**	**5,716,493**	**86,196**	**282,107**	**8,450,952**

* This relates to correction of accumulated depreciation on plant. The accumulated depreciation was previously classified under intangible assets.

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

There were no borrowing costs capitalized during the year ended 31 December 2012 (2011: Nil).
In 2011, property, plant and equipment with net book value of Kshs 8,450,952,000 had been charged to secure banking facilities granted to the company as disclosed in Note 24. The 2011 facility was paid during the current year.

Based on an impairment review performed by the directors as at 31 December 2012 no indications of impairment of property, plant and equipment were identified (2011: none).

13. PREPAID OPERATING LEASES

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
COSTS		
At 1 January	1,177,810	1,012,094
Additions	80,874	173,636
Disposals	-	(7,920)
At 31 December	**1,258,684**	**1,177,810**
AMORTISATION		
At 1 January	**493,184**	**416,045**
Amortisation for the year	84,774	79,490
Disposals	-	(2,351)
At 31 December	**577,958**	**493,184**
NET CARRYING AMOUNT		
At 31 December	**680,726**	**684,626**

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

In 2011, the prepaid operating leases with net book value of Kshs 684,626,000 had been charged to secure banking facilities granted to the company as disclosed in Note 24. This facility was paid during the year.

14. GOODWILL

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
COSTS		
Balance at 1 January and 31 December	**528,879**	**528,879**
Accumulated impairment losses		
Balance at beginning and end of year	**(112,200)**	**(112,200)**
	416,679	416,679
The goodwill is analysed below:		
a) Goodwill arising from acquisition of Elf Oil Kenya Limited		
Cost	448,804	448,804
Accumulated impairment losses	(112,200)	(112,200)
	336,604	336,604

Goodwill amounting to Kshs 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 2012, no impairment loss was assessed (2011: nil).

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

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000
Goodwill - Cost	80,075	80,075

With effect from 1 November 2009, the operations of Total Marketing Kenya Limited were merged with those of Total Kenya Limited. 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. Goodwill amounting to Kshs 6,060,047,000 arose from this acquisition of Total Marketing Kenya Limited.

Goodwill amounting to Kshs 5,979,972,000 representing the excess fair values over the net book value of assets was transferred to property, plant and equipment following results of a valuation exercise that was carried out in 2010, leaving a balance of Kshs 80,075,000.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash generating unit:

Depot - cash flows and profits from acquired depot

The recoverable amount of the depot as a cash-generating unit is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a ten-year period, and a discount rate of 11% per annum (2011:11% per annum). Cash flows beyond that ten-year period have been extrapolated using a steady 3% (2011: 3%) per annum growth rate in sales volume.

The directors believe that a 3% per annum growth rate is reasonable in view of the petroleum market projections within the region and, their intention to focus the company's operations in this market.

The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

At 31 December 2012, no impairment loss was assessed (2011: nil).

The two subsidiary companies, Elf Oil Kenya Limited and Total Marketing Kenya Limited have not been consolidated as they are dormant and insignificant having transferred their assets and liabilities to Total Kenya Limited.

15. INTANGIBLE ASSETS

As at December 31	2012 Kshs'000	2011 Kshs'000
COST		
At 1 January	**383,503**	**380,565**
Additions	1,042	2,938
At 31 December	**384,545**	**383,503**
AMORTISATION		
At 1 January	262,161	312,836
Charge for the year	60,526	17,325
Reclassified to property, plant and equipment (Note 12)	-	(68,000)
At 31 December	**322,687**	**262,161**
NET CARRYING AMOUNT		
At 31 December	61,858	121,342

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

16. OTHER ASSETS

	2012 Kshs'000	2011 Kshs'000
At 1 January	70,417	108,916
Expensed during the year	(70,417)	(38,499)
At 31 December	-	70,417
Maturity analysis:		
Current	-	31,756
Non current	-	38,661
At 31 December	-	70,417

Other assets consist of prepaid loan commitment fees, legal and professional fees incurred to raise the medium term borrowing from a consortium of local banks. These costs are amortized over the life of the underlying medium term borrowings using the effective interest method. The balance outstanding at the start of the year was fully amortised after the full repayment of the medium term loan in 2012.

17. DEFERRED TAX ASSET

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

As of December 31,	2012 Kshs'000	2011 Kshs'000
Accelerated depreciation	200,004	142,617
Unrealised exchange gain	(64,136)	(87,848)
Leave provision	14,441	12,465
Provision for retirement benefits	18,117	36,354
Bonus provision	4,712	2,400
Stock obsolescence provision	21,233	22,571
Legal costs provisions	110,473	18,396
Net deferred tax asset	**304,844**	**146,955**
(ii) Movement on the deferred tax account is as follows:		
At 1 January	**146,955**	**131,999**
Deferred tax credit recognized in profit or loss (Note 9 (i))		
Current deferred tax credit	135,526	14,956
Prior year under provision	22,363	-
	157,889	14,956
At 31 December	304,844	146,955

Deferred tax is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2011 - 30%).

18. INVENTORIES

As of December 31,	2012 Kshs'000	2011 Kshs'000
Refined products	11,551,762	8,002,282
Raw material and crude oil	2,040,240	3,914,838
Consumables and accessories	273,844	197,130
Provision for obsolete and defective stocks	(70,904)	(75,236)
	13,794,942	**12,039,014**

19. TRADE AND OTHER RECEIVABLES

As of December 31,	2012 Kshs'000	2011 Kshs'000
Trade receivables	6,260,835	8,467,659
Allowance for doubtful debts	(469,288)	(465,627)
	5,791,547	8,002,032
Recoverable taxes	925,492	1,297,139
Other receivables and prepayments	144,126	107,703
	6,861,165	**9,406,874**

Recoverable taxes relate to advance payments for excise duty on petroleum products. Trade receivables are non-interest bearing and are generally on terms of 30 days.

As at 31 December 2012, trade receivables of an initial value of Kshs 469,288,000 (2011: Kshs 465,627,000) were impaired and fully provided for.

20. RELATED PARTY TRANSACTIONS AND BALANCES

The parent of the company is Total Outre-Mer while the ultimate holding company is Total S.A, both incorporated in France.

There are other companies which are related to Total Kenya Limited through common shareholdings or common directorships.

Outstanding balances arising from sale and purchase of goods and services to/from related companies at the year-end are as follows:

(i) Amounts due from related companies in thousand of Kshs

As of December 31,	2012 Kshs'000	2011 Kshs'000
Air Total International	1,206,360	1,585,317
NETCO Management Limited	79,992	214,448
Total Uganda Limited	818,172	175,170
Total Malawi	33,173	27,828
Total RDC	5,944	10,301
Total Tanzania Limited	7,555	-
Other related companies	403	1,222
	2,151,599	**2,014,286**
(ii) Amounts due to related companies		
Total Uganda Limited	241,880	37,615
Total Raffinage Marketing	32,298	33,313
Air Total International	18,011	15,634
Other related companies	5,835	-
	298,024	**86,562**

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

As of December 31,	2012 Kshs'000	2011 Kshs'000
(iii) Amounts due to holding company		
Total Outre-Mer	7,023,485	3,612,107
(iv)Transactions with related companies		
Bank overdrafts – from a Total Treasury (Note 26)	2,597,644	-

(iv) Transactions with related companies

During the year, the company made purchases amounting to Kshs 35,834 million (2011 – Kshs 6,682 million) from the holding company and other companies related to it by virtue of common shareholding. The company also earned revenue of Kshs 5,150 million (2011 – Kshs 2,300 million) from related companies.

The company purchased plant and equipment amounting to Kshs 180 million (2011: Kshs 171 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 technical fees for the year amounting to Kshs 291 million (2011- Kshs 310 million) as disclosed on Note 6.

(v) Key management compensation

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

As of December 31,	2012 Kshs'000	2011 Kshs'000
Salaries and other short-term employment benefits	190,097	175,251
Post-employment benefits	6,114	4,796
	196,211	**180,047**
(vi) Directors' remuneration		
Fees for services as a director	1,600	1,600
Other emoluments		
Salaries and other short-term employment benefits	96,921	84,443
Post-employment benefits	2,142	1,762
	99,063	86,205
	100,663	**87,805**

Terms and conditions of transactions and balances with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The terms for the Bank overdrafts – from Total Treasury are disclosed in Note 26.

For the year ended 31 December 2012, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2011: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21. ASSETS CLASSIFIED AS HELD FOR SALE

As of December 31,	2012 Kshs'000	2011 Kshs'000
Property, plant and equipment	38,262	46,576
Prepaid operating leases	3,317	4,844
	41,579	**51,420**

The company intends to dispose of some stations and other facilities in the next 12 months. These are still being used for the company's operations awaiting conclusion of transfer of titles. Buyers have already been identified and sale and purchase agreements signed between the company and the buyers.

No impairment loss was recognized on reclassification of the assets from property, plant and equipment and prepaid operating leases to assets classified as held for sale as at 31 December 2011 as the expected proceeds on disposal exceed the net carrying amounts of the assets.

22. SHARE CAPITAL

As of December 31,	2012 Kshs'000	2011 Kshs'000
Authorised ordinary shares 181,630,000 ordinary shares of Kshs 5 each	908,150	908,150
Authorised redeemable preference shares 123,478,388 ordinary shares of Kshs 31.58 each	3,899,447	3,899,447
Authorised redeemable preference shares 330,999,364 ordinary shares of Kshs 15.71 each	5,200,000	-
Issued ordinary share capital	875,324	875,324
Issued redeemable preference share capital	9,099,447	3,899,447
	9,974,771	**4,774,771**
Issued capital comprises:		
175,064,706 fully paid ordinary shares of Kshs 5 each (2011: 175,064,706)	875,324	875,324
123,478,388 fully paid redeemable preference shares of Kshs 31.58 each (2011: 123,478,388)	3,899,447	3,899,447
330,999,364 fully paid redeemable preference shares of Kshs 15.71 each (2011: nil)	5,200,000	-
Redeemable preference share capital	9,099,447	3,899,447
	9,974,771	**4,774,771**

22. SHARE CAPITAL (Continued)

Fully paid ordinary and preference shares	2012 Number of Shares	2012 Share Capital Kshs'000	2011 Number of Shares	2011 Share Capital Kshs'000
At 1 January				
Ordinary shares	175,065	875,324	175,065	875,324
Redeemable preference shares	123,478	3,899,447	123,478	3,899,447
	298,543	4,774,771	298,543	4,774,771
Issued redeemable preference shares in the year	330,999	5,200,000	-	-
At 31 December	629,542	9,974,771	298,543	4,774,771

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

The redeemable non-cumulative preference shares, which were issued at Kshs 31.58 and Kshs 15.71 respectively, 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.

23. SHARE PREMIUM

As of December 31,	2012 Kshs'000	2011 Kshs'000
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.

24. MEDIUM TERM BORROWINGS

As of December 31,	2012 Kshs'000	2011 Kshs'000
Secured - at amortised cost		
At beginning of the year	3,276,000	3,978,000
Repayments during the year	(3,276,000)	(702,000)
At end of the year	**-**	**3,276,000**
Maturing as follows;		
Within one year	-	702,000
In second year	-	1,170,000
In third to fifth year	-	1,404,000
	-	**3,276,000**
Due for settlement within one year	-	702,000
Due for settlement after one year	-	2,574,000
	-	**3,276,000**

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 was due on 31 March 2010. This loan was repaid in full during the year.

The loan had been 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 17.5 % (2011: 10.79%).

25. TRADE AND OTHER PAYABLES

As of December 31,	2012 Kshs'000	2011 Kshs'000
Trade payables	5,561,613	5,594,852
Other payables and accruals	1,605,600	1,726,809
Total payables	**7,167,213**	**7,321,661**
Non current	854,765	446,584
Current	6,312,448	6,875,077
	7,167,213	**7,321,661**

Terms and conditions of the trade and other payables

Trade payables to non related parties are non interest bearing and are normally settled on a 30 day terms. Interest is only charged on trade payables due to purchase of petroleum products at rates set by the Open Tender Supply (OTS) agreement.

Other payables are non-interest bearing and have an average term of six months.
Non-current other payables mainly relate to LPG cylinder deposits.

26. SHORT TERM BANK BORROWINGS

As of December 31,	2012 Kshs'000	2011 Kshs'000
Bank overdrafts – from a related party	2,597,644	-
Bank overdraft – from local banks	363,010	2,933,074
	2,960,654	2,933,074
Short term loan from local banks	1,200,000	8,768,092
	4,160,654	11,701,166

Bank overdrafts – from parent company
During the year the company received an overdraft from a related party, Total Treasury, whose interest is pegged to 3 months Libor plus a margin. No collateral is held for this facility.

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

Short term loan from local banks
Short term loans are obtained from local banks at interest rates negotiated with the financial institutions. No collateral is held for this facility.

Interest rates
The weighted average interest rates on the above financial liabilities during the year were as follows:

For the year ended December 31,	2012	2011
Average interest rate on short term borrowings and bank overdrafts	**11.75%**	**10.19%**

Analysis by currency

As of December 31,	2012 Kshs'000	2011 Kshs'000
In USD	2,597,665	602,350
In Euro	157,053	-
In Kshs	1,405,936	11,098,816
	4,160,654	11,701,166

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

As of December 31,		2012 Kshs'000	2011 Kshs'000
(Loss)/profit before tax		(64,301)	57,850
Adjustments for:			
Finance income	7(a)	(48,509)	(544)
Finance costs	7(b)	1,554,715	1,592,320
Depreciation on property, plant and equipment	12	926,138	960,743
Amortisation		155,141	111,052
(Loss) /gain on disposal of property, plant and equipment prepaid operating leases and assets held for sale	5	23,934	(201,447)
Operating profit before working capital changes		2,547,118	2,519,974
Increase in inventories		(1,755,928)	(2,522,073)
Decrease/(increase) in trade and other receivables		2,545,709	(1,415,171)
Decrease in trade and other payables		(154,448)	(2,953,575)
Increase in amounts due to holding company		3,411,378	3,249,169
(Increase)/ decrease in balances with related companies		74,149	(458,464)
Decrease in other assets		70,417	38,499
Cash generated from/(used in) operations		**6,738,395**	**(1,541,641)**

(ii) Analysis of cash and cash equivalents

Cash and bank balances		499,174	1,670,112
Bank overdrafts	26	(2,960,654)	(2,933,074)
Short term loans	26	(1,200,000)	(8,768,092)
		(3,661,480)	**(10,031,054)**

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include 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, net of outstanding bank overdrafts and short term loans.

28. COMMITMENTS AND CONTINGENCIES

(a) Contingent Liabilities

As of December 31,	2012 Kshs'000	2011 Kshs'000
Total commitments given	2,729,034	1,609,694
Total commitments received	1,537,109	1,190,406

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.

Legal claims

In 2010, a distributor filed a claim of Kshs 75,950,163 against the company for refund for product allegedly paid and never supplied, loss of income and damages for alleged assault during a station take-over.

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

Contingent liability relating to parent company

An amount of Kshs 206 million (USD 2,427,388) as at 31 December 2012 (2011: Kshs 196 million (USD 2,427,388) for an unsettled invoice due to the parent company, Total Outre-mer, 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

As of December 31,	2012 Kshs'000	2011 Kshs'000
Authorised and contracted for	549,333	312,125
Authorised but not contracted for	1,218,356	1,024,193

29 OPERATING LEASE COMMITMENTS

As of December 31,	2012 Kshs'000	2011 Kshs'000
Maturing within one year	28,269	18,700
Maturing over one year to five years	2,749	20,425
Total operating lease commitments	**31,018**	**39,125**

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

30. RETIREMENT BENEFIT PLANS

Defined contribution plans

The company operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the company in funds under the control of trustees. Where employees leave the plan prior to full vesting of the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total expense recognised in the loss for the year of Kshs 84 Million (2011: Kshs 71 Million) represents contributions payable to the plan by the company at rates specified in the rules of the plan.

Also, the company contributes to the statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the statutory scheme are determined by local statute and are currently limited to Kshs 200 per employee per month. Contributions to this scheme during the year amounted to Kshs 884,800 (2011 – Kshs 863,000).

31. CAPITAL 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 2011.

The capital structure of the company consists of debt, which includes the borrowings disclosed in Notes 24 and 26 respectively, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and share premium, as disclosed in Notes 22 and 23, and retained earnings.

Gearing ratio

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

	Note	2012 Kshs'000	2011 Kshs'000
Medium term borrowings – non current	24	-	2,574,000
Medium term borrowings – current	24	-	702,000
Short term borrowings	26	4,160,654	11,701,166
Bank and cash balances	27 (ii)	(499,174)	(1,670,112)
Net borrowings		3,661,480	13,307,054
Equity*		14,192,676	9,194,818
Net debt to equity ratio		26%	145%

**Equity includes capital and reserves.*

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.

32. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives (Continued)

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. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

To manage the foreign exchange risk, the company maintains bank accounts in foreign denominated currencies mainly US dollars and Euro to facilitate transactions in foreign currency. The company also negotiates with its bankers to get favourable exchange rates when converting foreign currencies to the Kenya shilling.

Foreign currency sensitivity analysis

The company purchases its products mainly in US Dollars and mainly buys US Dollars via spot deals as opposed to forward deals. However, when there is reliable information in the market about the anticipated exchange rate movements in the US Dollar to the Kenya Shilling, the company enters into short term forward deals to mitigate foreign exchange risks.

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

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

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	EUR Kshs'000	USD Kshs'000	Total Kshs'000n
31 December 2012			
Assets			
Trade and other receivables	856	4,022,293	4,023,149
Bank balances	1,982	125,785	127,767
Total assets	2,838	4,148,078	4,150,916
Liabilities			
Bank overdrafts and short term loans	(157,053)	(2,638,819)	(2,795,872)
Trade and other payables	(386,125)	(7,088,495)	(7,474,620)
Total liabilities	(543,178)	(9,727,314)	(10,270,492)
Net exposure position	(540,340)	(5,579,236)	(6,119,576)

32. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity analysis (Continued)

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 10% on the reporting period end with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

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.

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

	Profit or loss		Equity	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
USD impact	529,465	67,120	390,546	46,984
Euro impact	18,628	29,182	37,824	20,427

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 carrying amount of the company's financial instruments with exposures to interest rates risk are as are below:

As of December 31,	2012 Kshs'000	2011 Kshs'000
Medium term loan (Note 26)	-	3,276,000
Short term borrowings (Note 26)	4,160,654	11,701,166
	4,160,654	14,977,166

Interest rate sensitivity analysis

The analysis is prepared assuming the amount of liability outstanding at the reporting 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 2012 would decrease/increase by Kshs 20.8 million (2011: by Kshs 79.6 Million) and the company's equity would decrease/increase by Kshs 14.6 million (2011: by Kshs 34.2 Million). This is mainly attributable to the company's exposure to interest rates on its borrowings.

Credit risk management

Credit risk refers to the risk of financial loss to the company arising from a default by 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.

32. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management (Continued)

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 2012 is analysed in the table below:

31 December 2012	**Fully Performing Kshs'000**	**Past due Kshs'000**	**Impaired amount Kshs'000**	**Total Kshs'000**
Amounts due from related companies	2,151,599	-	-	2,151,599
Trade receivables	-	-	-	-
Network	147,050	72,463	91,482	310,995
Non-Network	3,999,458	1,572,576	377,806	5,949,840
	4,146,508	1,645,039	469,288	6,260,835
Other receivables	144,126	-	-	144,126
Bank balances	499,174	-	-	499,174
31 December 2011				
Amounts due from related companies	2,014,286	-	-	2,014,286
Trade receivables				
Network	524,749	21,120	87,212	633,081
Non-Network	7,016,816	439,350	378,415	7,834,578
	7,541,565	460,470	465,627	8,467,659
Other receivables	64,456	-	-	64,456
Bank balances	1,670,112	-	-	1,670,112

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. There are no collateral held for this assets.

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.

32. FINANCIAL RISK MANAGEMENT (Continued)

Financing facilities

	2012 Kshs'000	2011 Kshs'000
Unsecured bank loans and overdrafts, payable at call and reviewed annually		
Amount used	4,160,654	11,701,166
Amount unused	21,468,059	7,907,547
Total facilities	**25,628,713**	**19,608,713**

The table below shows the breakdown of amounts used with 6 main banks at the end of the reporting period and also the amounts due from related companies

Bank	2012 Kshs'000	2011 Kshs'000
Standard Chartered Bank	1,200,000	3,000,000
Barclays Bank	-	2,500,000
Citibank	-	1,700,000
Commercial Bank Of Africa	-	860,000
Bank of Africa	-	708,092
Total	**1,200,000**	**8,768,092**
Amounts due from related companies	2,151,599	2,014,286

The following table analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

At 31 December 2012	Up to 1 month Kshs'000	1-3 months Kshs'000	4-12 months Kshs'000	> 1 year Kshs'000	Total Kshs'000
Medium term loan	-	-	-	-	-
Short term bank loans	1,200,000	-	-	-	1,200,000
Bank overdrafts	2,960,654	-	-	-	2,960,654
Trade payables	5,561,613	-	-	-	5,561,613
Financial guarantees given	-	-	2,729,034	-	2,729,034
Total financial liabilities	9,722,267	-	2,729,034	-	12,451,301
At 31 December 2011					
Medium term loan	-	175,500	526,500	2,574,000	3,276,000
Short term bank loans	8,768,092	-	-	-	8,768,092
Bank overdrafts	2,933,074	-	-	-	2,933,074
Trade payables	5,594,852	-	-	-	5,594,852
Financial guarantees given	-	-	1,609,694	-	1,609,694
Total financial liabilities	17,296,018	175,500	2,136,194	2,574,000	22,181,712

33. 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.

34. CURRENCY

The financial statements are presented in thousands of Kenya Shillings.

35. EVENTS AFTER THE REPORTING PERIOD

The Glencore litigation that had been disclosed as a contingent liability in the financial statements for the year ended 31 December 2011 crystallised in March 2013. The resulting impact is an adjusting event after year end and has therefore been recorded in the financial statements for the year ended 31 December 2012 under operating expenses (Note 6).

There are no other subsequent events that have occurred after the reporting period which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements.

FIVE-YEAR SUMMARIZED STATEMENT OF FINANCIAL POSITION

As at December 31,	2012 Kshs'000	2011 Kshs'000	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000
ASSETS					
Non-current assets					
Property, plant, equipment and leases	8,848.7	9,135.6	9,574.3	3,999.9	2,321.4
Goodwill	416.7	416.7	416.7	6,396.7	336.6
Intangible assets	61.9	160.0	138.1	227.5	26.2
Deferred tax assets	305.0	147.0	132.0	113.4	78.9
Total non-curent assets	**9632.1**	**9,859.3**	**10,261.1**	**10,737.5**	**2,763.1**
Current assets					
Inventories	13,795.0	12,039.0	9,516.9	7,876.5	4,051.6
Other current assets	9,012.8	11,578.4	9,580.6	12,404.5	6,163.1
Cash and cash equivalent	499.1	1,670.1	874.7	509.7	1,548.9
	23,306.9	25,287.5	19,972.2	20,790.7	11,763.6
Assets classified as held for sale	41.6	51.4	142.3	-	-
Total current assets	**23,348.5**	**25,338.9**	**20,114.5**	**20,790.7**	**11,763.6**
TOTAL ASSETS	**32,980.6**	**35,198.2**	**30,375.6**	**31,528.2**	**14,526.7**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	9,974.8	4,774.7	4,774.7	4,774.7	875.3
Share premium	1967.5	1,967.5	1,967.5	1,967.5	1,967.5
Revenue reserves	2,250.4	2,452.6	2,837.5	2,219.9	2,175.0
Total capital and reserves	**14,192.7**	**9,194.8**	**9,579.7**	**8,962.1**	**5,017.8**
Non current liabilities					
Medium term loan	-	2,574.0	3,276.0	3,978.0	-
Other payables	854.8	446.5	428.9	-	
Total Non current liabilities	**854.5**	**3,020.6**	**3,704.9**	**3,978.0**	**-**
Current liabilities					
Trade and other payables	13,772.3	10,579.7	10,491.7	8,703.5	4,467.4
Short term borrowings	4,160.7	11,701.2	5,897.3	9,182.6	5,041.5
Medium term loan	-	702.0	702.0	702.0	-
Total current liabilities	**17,933.2**	**22,982.9**	**17,091.0**	**18,588.1**	**9,508.9**
TOTAL EQUITY AND LIABILITIES	**32,980.6**	**35,198.2**	**30,375.6**	**31,528.2**	**14,526.7**

FIVE-YEAR SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31,	2012 Kshs'000	2011 Kshs'000	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000
Gross sales	119,789.0	105,590.4	79,206.6	41,311.5	54,807.5
Indirect taxes and duties	(12,338.5)	(13,055.3)	(14,844.8)	(8,634.4)	(10,246.6)
Net sales	107,450.5	92,535.1	64,361.8	32,677.1	44,560.9
Cost of sales	(101,577.0)	(87,860.7)	(59,044.5	(29,868.1)	(41,667.5)
Gross profit	5,873.5	4,674.4	5,317.3	2,809.0	2,893.4
Expenses and other income	(4,431.6)	(3,024.7)	(2,977.3)	(1,549.1)	(1,497.3)
Interest charges, net	(1,506.2)	(1,591.8)	(953.6)	(526.3)	(364.8)
Profit before taxation	(64.3)	57.9	1,388.4	733.6	1,031.3
Taxation	(137.8)	(129.3)	(472.2)	(251.1)	(327.5)
Net (loss)/profit for the year	(202.1)	(71.4)	916.2	482.5	703.8

PROXY FORM

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

I/WE ....

OF ....

Being a member of the above Company, hereby appoint: ....

OF ....

Whom failing ....

OF ....

or failing him, the Chairman of the Meeting, my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 12 June 2013 and at any adjournment thereof.

As witness our/my hand this .... day of 2013

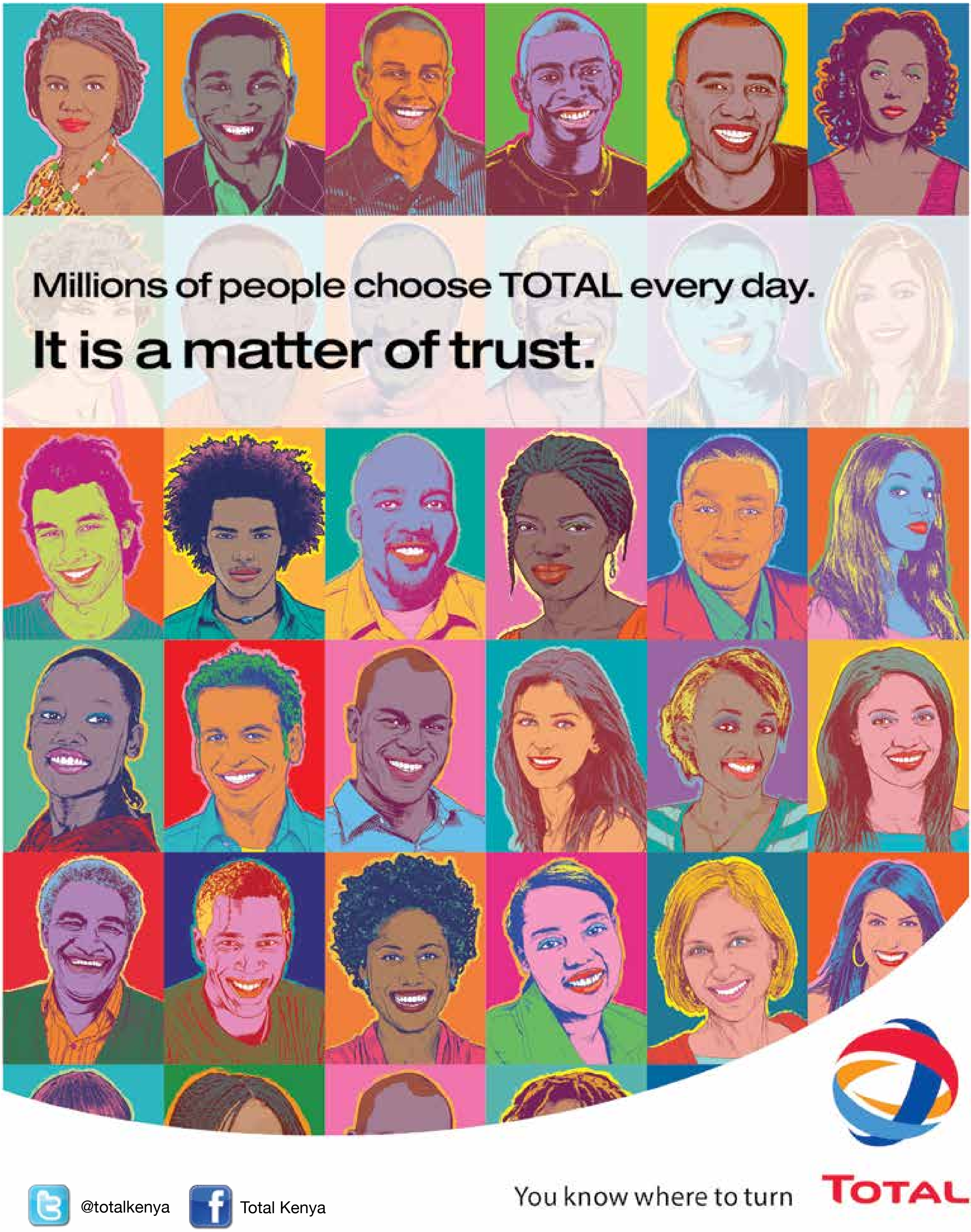
Signed .... Signed ....

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

2. In the case of a member being a Limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.

3. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.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TOTAL

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