TOTAL KENYA LIMITED

Annual Report
& Financial Statements **2013**

VALUE STATEMENTS

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.

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NOTICE OF THE ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

Notice is hereby given that the 60th Annual General Meeting of the Company will be held at Safari Park Hotel, The Jambo Ball Room, Thika Road, Nairobi on Friday June 13, 2014 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 59th Annual General Meeting held on June 12, 2013.
3. To receive, consider and adopt the Financial Statements for the year ended December 31, 2013 together with the Chairman's Statement and the reports of the Directors and the Auditors thereon.
4. To declare a first and final dividend of KShs 0.60 per share in respect of the financial year ended December 31, 2013 payable to the holders of Ordinary Shares and Redeemable Preference Shares on record at the close of Business on June 13, 2014.
5. To approve the Directors' fees for the Financial Year ended December 31, 2013.
6. 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.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

Date: May 7, 2014

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 Proxy Form 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. on Wednesday June 11, 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 Accounts 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

Jonathan Molapo**	(Non-executive)	Chairman	Appointed September 24, 2013
Jean Papee *	(Non-executive)		Resigned September 24, 2013
Ada Eze***	(Executive) (Alternate to Jonathan Molapo as Chairman)	Managing Director	Appointed August 27, 2013
Alexis Vovk*	(Executive)		Resigned August 27, 2013
Patrick Waechter*	(Executive) (Alternate to Ada Eze)	Finance Director	
Maurice K'Anjejo	(Executive)	(Alternate to Momar Nguer)	
Daniel Mayieka	(Executive)	(Alternate to Aurore Delarue)	
Alice Mayaka	(Non-executive)		
Vincent Guerard*	(Non-executive)		Resigned August 27, 2013
Aurore Delarue*	(Non-executive)		Appointed August 27, 2013
Momar Nguer*	(Non-executive)		

* French
** South African
*** Nigerian

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

Waweru Gatonye & Co.
Timau Plaza
Argwings Kodhek Rd,
P.O. Box 55207 - 00200 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 Ltd
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

Imperial Bank Limited
Regal Plaza, Ground Floor
P.O. Box 44905-00100
Nairobi

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

REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements for the year ended December 31, 2013 which show the state of the company's affairs.

1. PRINCIPAL ACTIVITY

The principal activity of the company is the sale of petroleum products and related services.

2. FINANCIAL RESULTS

The results for the year are as follows:

	2013 KShs '000	**2012 KShs '000**
Profit/(loss) before tax	2,084,517	(64,301)
Tax charge	(772,240)	(137,841)
Profit/(loss) for the year	1,312,277	(202,142)

3. DIVIDENDS

The directors recommend a first and final dividend of KShs 0.60 (2012: KShs 0.20) 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.

5. AUDITORS

The company's auditors, Ernst & Young, have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

By Order of the Board

J. L. G. Maonga
Company Secretary
April 2, 2014

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 financial control.

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

Ada Eze
Managing Director

Patrick Waechter
Finance Director

April 2, 2014

DIRECTORS' PROFILES

Jonathan MOLAPO

Mr. Molapo, aged 46, has over 20 years experience in sales and marketing. He holds a BA Economics from Laurentian University, Canada and has pursued an International Executive Programme from INSEAD University. He started his career in Rank Xerox - Lesotho in 1992, before joining Vodacom Lesotho as Sales and Marketing Manager. Jonathan joined Total South Africa in 1997 where he served in various capacities including Area Sales Manager, Retail Sales Manager, Manager Training & Retail Management Support and Project Manager. In 2003, Jonathan became Managing Director and CEO, Total Commercial Services before his appointment as General Manager, Total South Africa in 2005. In 2008 he served as Managing Director, Total Petroleum Ghana Limited until his current appointment as Executive Vice President for East & Central Africa since 2011.

Ada EZE

Ms Ada Eze, aged 42, holds a Masters Degree in Accounting & Finance from the London School of Economics. She joined the Total Group in 1996 and has worked in several countries in different positions in Finance, Strategy and Business Development and Marketing. In 2008, she was appointed Regional Manager for the Paris Area in the French Highway Retail Network. She thereafter became Managing Director of Total Uganda in 2011, a position she held until August 2013 when she was appointed Managing Director, Total Kenya.

Alice MAYAKA

Mrs. Alice K. Mayaka, CBS, OGW, aged 62 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, aged 58, is a graduate of ESSEC Business School, 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 until 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.

Maurice K'ANJEJO

Mr. Maurice Odhiambo K'Anjejo, aged 56, 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 48, has a MSc Degree in Finance and Controlling from Ecole Supérieure de Gestion. 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. He was appointed the Finance Director of Total Kenya Limited in September 2011.

Daniel MAYIEKA

Mr. Daniel Minda Mayieka, aged 43, 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.

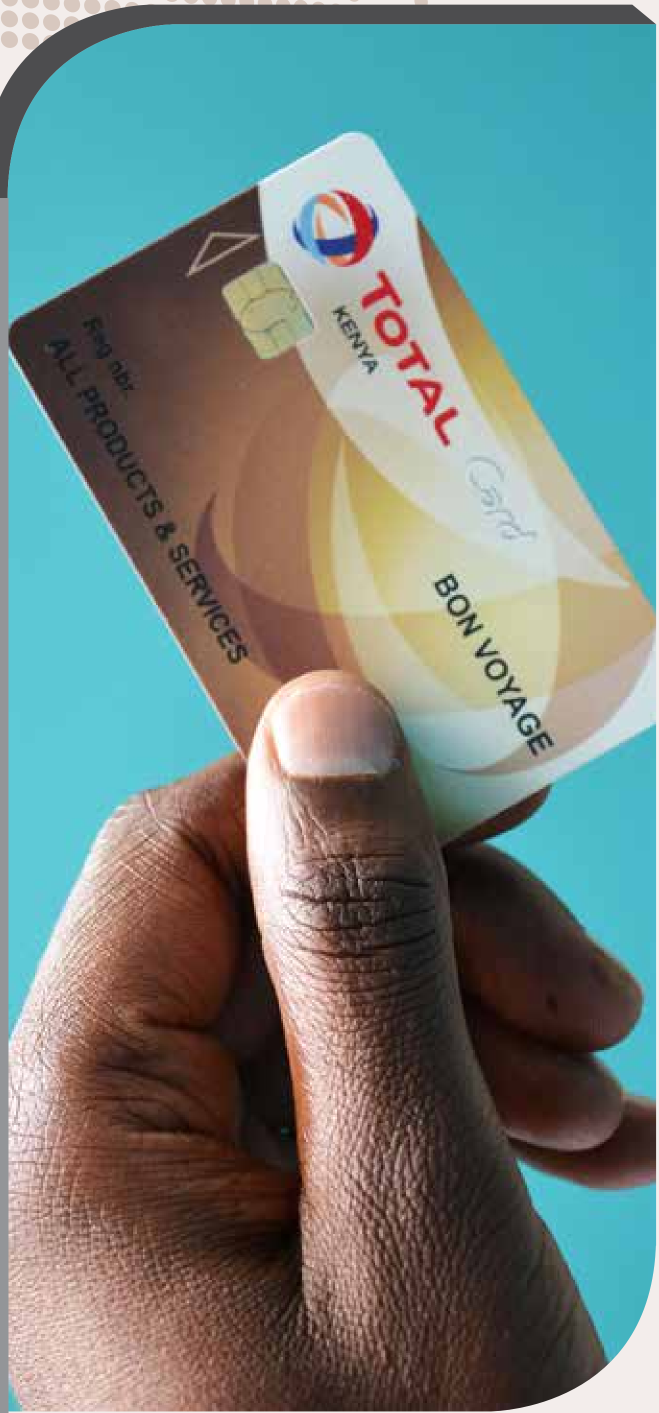
Aurore DELARUE

Ms. Aurore Delarue, aged 38, is a graduate of Ecole Supérieure des Sciences Economiques et Commerciales - ESSEC Business School, Paris. She joined the Total Group in 1999 where she held different positions in the Finance Division in Paris. In 2005, she joined the Trading and Shipping Division as Internal Controller and in 2008 was appointed as Financial Control General Manager. In 2013, she moved back to Finance Division where she handled Corporate and Project Finance for Marketing and Services subsidiaries in Africa and Middle East area.

J.L.G MAONGA

Mr. Maonga, aged 53, 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 February 1, 1999.

Fuel cards have become universal currency.The TOTAL 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.



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 59 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 and services 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. The range of lubricants includes high performance engine and transmission oils and greases for all applications in automotive and industrial machinery of all kinds.

The company also markets car care products such as engine coolants, distilled water, brake fluids, cleaning compounds, auto shampoos, dash board cleaners, air fresheners 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 international standards, 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 upgraded.

PERSONNEL PERFORMANCE

All Total Kenya employees receive regular and specialist training. Teamwork, professionalism, cross-functionality 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 programmes. 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.

STATIONS

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 that will see the company to rebrand and transform all service stations to the new and more modern image that blends our outlets with the environment by the year 2017.

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 continuous improvement throughout its network), ISO 14001:2011 (for environmental management) and ISSSRS Level 3 (excellent) ratings in safety achievement for key depots. Total has a non-stop programme, backed by regular audit, 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 as part of the company's never dying push for value added service delivery.

ACCESS TO ENERGY

Total Kenya has championed the evolution of the LPG market that was hitherto limited to 12 kg cylinders for many decades. It was Total Kenya who introduced the innovative and more portable and lower-cost 6 kg Meko that has become the obvious choice for lower-budget consumers and a must-have domestic companion for domestic cooking and lighting back up. In parallel, Total Kenya has invested heavily in high-capacity storage and modern 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.

TOTAL BON VOYAGE FUEL CARD

Fuel cards have become universal currency. The TOTAL Bon Voyage card was the pioneer fuel card in Kenya and the first to introduce SMART technology (which is programmable to enhance security and personalized flexibility) as opposed to the conventional magnetic strip.

TOTAL MOTORSHOW

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 that brings together the formal motor Industry players and service providers to the sector.

ENVIRONMENT

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.


TOTAL MOTOR SHOW 2013


TOTALGAZ


Car Care Products
A range of products designed for your car's maintenance,engine performance & inside comfort

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 3 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 2013, 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 Limited has continued to invest in the local market, an affirmation that the Board has confidence in the Kenyan market. The investments undertaken cut across all the channels and include construction of new stations and remodelling of existing ones.

SOCIAL REPORT

Total Kenya Limited 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. 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 three major external environmental programmes: the Rhino Ark/Rhino Charge event, the TOTAL Eco Challenge and the TOTAL Tree Conference 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 centers, 70% 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 biodiversity. 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 26th anniversary and it raises more than $1 million per year.

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

Eleven years ago, as the Aberdares fence-building gathered momentum and credibility, Total Kenya 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 TOTAL Eco Challenge has registered more than 5,000 projects which have together planted several 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 Kenya 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.

To optimize the synergy between all forest preservation and tree planting efforts, there is now a TOTAL Tree Conference which has, since inception in 2012, evolved 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.

ISO 14001

This certification is an indication 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, Total Kenya Limited was awarded a certificate by NEMA for the most compliant company in the Oil sector and among the top 20 in the Country.

SOLAR ENERGY

The Total Group and Total Kenya in particular diversified to solar energy as a way of encouraging sustainable development in communities with no access to other sources of energy. 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. TOTAL Sola has proven a sure way to improve access to energy.

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

After the pilot phase, Total Kenya commercially rolled out the sale of solar charged lanterns under the TOTAL Sola brand in the retail network and Totalgaz containers. In a span of less than three years, we have positively impacted the lives of hundreds of thousands of people who now rely on these lanterns 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.

CULTURE AND SOCIAL

Spotlight on Kenya music

For many years, Total Kenya has supported this Alliance Française project to find and promote grass-root talent, through which several musicians have so far made it to the international scene. This is one of many projects between Total Kenya and the French 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 three "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. It is also part of the National Road Safety Trust, a partnership of Kenyan corporates and media aimed at creating road safety awareness as well as 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 continues to develop strong partnerships with Government, Transport Operators and other relevant stakeholders. 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 programmes that will change the attitude of road users. Towards this end, Total Kenya has donated two fully equipped Accident Emergency Rescue Centers, one in Jomvu area of Mombasa and the other at Salgaa, Nakuru County to the St. John Ambulance. The centers will be used for the administration of First Aid and casualty management whenever accidents occur in these localities.

Independently, Total Kenya runs a Children's road safety programme aimed at producing Road Safety Ambassadors among young learners. The programme has so far reached 60 schools and educated more than 40,000 pupils. This programme is now an integral part of the curriculum in these institutions.

INSTITUTIONAL/PROFESSIONAL DEVELOPMENT

Petroleum Institute of East Africa (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 & Administration Manager.

Young Dealer 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

Mentorship

Ladies employees of Total Kenya, in partnership with Global Give Back Circle (Part of the Bill Clinton Foundation), participate in a mentorship programme 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 more than 30 girls in different levels of learning since 2009.

HEALTHCARE

HIV/Aids/Wellness

The TOTAL "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. The programme also promotes staff wellness through regular health clinics.

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 the national blood bank with the aim of using it to save lives of many anonymous Kenyans who could be in dire need especially during emergencies.


SALGAA EMERGENCY
RESCUE CENTRE
TOTAL


YOUR SAFETY IN 3 LESSONS
1
LEARN THE RULES OF THE ROAD
2
MOVE AROUND SAFELY
3
PROTECT YOURSELF AT ALL TIMES


TOTAL Kenya
Trees and Forests
Conference

"Total Kenya has remained consistent in its social responsibility initiatives. The company has continued to invest in programmes that have a direct impact on the lives of the populations in the areas where we operate."

Jonathan Molapo
Chairman

CHAIRMAN'S STATEMENT

It gives me great pleasure to welcome you to the 60th 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 December 31, 2013. As always, this is an opportunity for you shareholders to review the activities and performance of your company. This also happens to be my first meeting as the Chairman of your company, having assumed this responsibility on September 24, 2013. In so doing, I replaced Mr. Jean Papée, who has been re-assigned other responsibilities within the Group after distinguished service to your company since the year 2009. Please join me in wishing Mr. Jean Papée success in his new engagements and to thank him for the dedicated service he gave to Total Kenya Limited for the period he served as your Chairman.

OPERATING ENVIRONMENT

For the period under review, the macroeconomic environment was stable, peaceful elections were held and Kenyans celebrated 50 years of independence. Total Kenya Limited joined Kenyans in celebrating this milestone of the independence jubilee.

Petroleum prices were fairly stable in the international and local markets in the year under review. However, significant challenges still remain concerning the Kenya Petroleum Refineries Limited (KPRL) toll mode period. With oil discovery in Kenya, the country is optimistic about the future of the petroleum sector. As it was mentioned to you last year, the Total Group is currently present in the Lamu basin prospecting for oil and natural gas.

The Kenyan economy is projected to have grown by 4.7% in 2013, and it is expected to grow by 5.1% in 2014. The GDP growth in 2013 was mainly attributable to stable macroeconomic environment, low and stable inflation supported by improved supply of basic foods, Infrastructural development and construction sector. The company plans to take full advantage of these growth prospects as they materialize.

PERFORMANCE

The company's performance for the year ended December 31, 2013 was in line with the Board's projection. This was achieved through improved operating income and significant reduction in financing expenses arising from the impact of Kshs 5. 2 billion injected by the Total group in June 2012, together with optimization of financing needs and lower interest rates.

Sales volumes increased by 37% from 1,085 KMT in 2012 to 1,491 KMT in 2013. This increase was attributable to sales to other Oil Marketing Companies (OMCs) after the company won several contracts to supply the industry with refined products under the Open Tender System (OTS) agreement. In addition, other sales channels, especially Network, Lubricants and Aviation recorded increased sales. As a result of the strong sales performance in the various channels, the company was able to retain inland market leadership position at the same market share of 20.5 %, Gross profit grew from Kshs 5.87 billion in 2012 to Kshs 6.35 billion in 2013.

The 2013 recurrent operating expenses were reasonably controlled and increased by only 5% compared to the average annual inflation of 5.8%. Finance expenses decreased by Kshs 1.28 billion due to

TAARIFA YA MWENYEKITI

Ni furaha yangu kuwakaribisha katika mkutano mkuu wa 60 wa Kampuni ya Total Kenya Limited, na kuwasilisha ripoti ya mwaka na taarifa ya kifedha ya kampuni katika kipindi kilichomalizika tarehe 31 mwezi Disemba mwaka 2013. Kama ilivyo desturi, mkutano huu huwapa fursa wenye hisa kutathmin shughuli na utendaji wa kampuni yenu. Aidha, huu ndiyo mkutano wangu wa kwanza nikiwa mwenyekiti wa kampuni hii, wadhifa niliouchukua tarehe 24 mwezi Septemba mwaka 2013. Nilichukua mahali pa Bwana Jean Papee, ambaye amekabidhiwa majukumu mengine katika kampuni, baada ya kuhudumu kwa uadilifu na juhudi kubwa tangu mwaka 2009. Tafadhali unganeni nami katika kumtakia Bwana Jean Papee ufanisi katika majukumu yake mapya, na pia kumshukuru kwa kuihudumia kampuni hii kwa bidii katika kipindi alichokuwa Mwenyekiti.

MAZINGIRA TUNAYOENDESHEA SHUGHULI ZETU

Katika kipindi tunachoangazia,kulikuwa na mazingira tulivu kwa shughuli za biashara,hasa baada ya uchaguzi mkuu mwenye amani, na maadhimisho ya kufana ya miaka 50 ya uhuru. Kampuni ya Total Kenya Limited iliungana na Wakenya wengine katika maadhimisho hayo ya kihistoria .

Bei ya mafuta ilikuwa thabiti kiasi sio tu katika soko la kimataifa, bali pia la hapa nchini katika kipindi hicho. Hata hivyo kungali changamoto, hasa kuhusiana na utendaji wa kampuni ya kusafisha mafuta hapa nchini, Kenya Petroleum Refineries Limited (KPRL). Kufuatia ugunduzi wa mafuta katika maeneo fulani hapa nchini, kuna matumaini mkubwa ya ukuaji wa kasi kwenye sekta hii katika siku za usoni. Na kama mlivyodokezewa mwaka uliopita, kampuni ya Total kwa wakati huu imo katika harakati za kutafuta mafuta na gesi kwenye kaunti ya Lamu.

Uchumi wa Kenya unabashiriwa kukua kwa asilimia 4.7 mwaka uliopita wa 2013 na unatarajiwa kukua kwa asilimia 5.1 katika mwaka huu wa 2014 .Ukuaji wa pato jumla la GDP ulionakiliwa katika mwaka 2013 ulitokana na kuwepo kwa mazingira tulivu ya biashara,gharama thabiti ya maisha,upatikanaji chakula kwa bei nafuu pamoja na kuongezeka kwa shughuli katika sekta za ustawishaji muundo msingi na ujenzi. Kampuni yenu kwa hivyo imeazimia kutumia kikamilifu fursa ya ufanisi huo kuweka mikakati ya kuimarisha hata zaidi shughuli na mapato yake.

UTENDAJI

Utendaji wa kampuni katika kipindi kilichomalizika tarehe 31 mwezi Disemba mwaka 2013 ulikuwa kama ilivyobashiriwa na bodi. Hii ilifuatia kuimarika kwa mapato na upungufu mkubwa katika gharama ya matumizi, hasa baada ya kampuni kuwekeza shillingi billioni 5.2 mwezi Juni mwaka 2012, pamoja na viwango vya chini vya riba na uadilifu tunapokopa fedha za matumizi.

Mauzo yaliongezeka kwa asilimia 37 kutoka KMT 1,085 mnamo mwaka 2012 hadi KMT 1,491 katika mwaka 2013. Nyongeza hiyo ilitokana na mauzo kwa kampuni nyingine za mafuta, baada ya kampuni yetu kushinda zabuni kadhaa za kuuza aina tofuati ya mafuta yaliosafishwa chini ya muafaka wa mfumo wazi wa utoaji zabuni Open Tender System (OTS). Aidha njia nyingine za mauzo, hasa vituo vya kuuza bidhaa zetu, oili na yale ya ndege pia yaliongezeka.Na kufuatia imariko hilo la mauzo, kampuni yetu kwa mara nyingine ilishikilia uongozi katika soko la uuzaji mafuta hapa nchini kwa kudhibiti asilimia 20.5 ya soko, huku faida jumla ikiongezeka kutoka shillingi billioni 5.87 katika mwaka 2012 hadi shillingi billioni 6.35 katika mwaka uliopita wa 2013.

the impact of Kshs 5. 2 billion injected by the Total Group in June 2012 together with optimization of financing needs supported by a reduction in interest rates.

Profit before tax of Kshs 2.08 billion was realised in the year compared to a loss of Kshs 64 million in 2012. Net profit for the year was Kshs 1.31 billion (2012: loss of Kshs 202 million).

The company maintained a solid financial position. Total assets grew by 21% from Kshs 32.98 billion in 2012 to Kshs 39.98 billion in 2013. The shareholders equity grew by 8% from Kshs 14.19 billion to Kshs 15.38 billion.

INVESTMENTS

Total Kenya has continued to make significant investments in the local market, in spite of the fairly challenging operating environment, an indication that the Board has confidence in the Kenyan market. Investments totalling Kshs 1.34 billion were made in the year under review, compared to Kshs 763 million in 2012, representing an increase of 75% in line with the strategy of business development and continuous safety improvements.

These investments include construction of new stations spread across the country, remodelling and re-branding of existing stations, purchase of new cylinders to increase cylinder float and replacement of various equipment at consumer sites. At the end of the year under review, we opened the biggest truck station in East and Central Africa at Jomvu area in Mombasa County. We continue to invest in industrial safety at all our installations for the ultimate safety of our personnel, contractors, customers and neighbours.

SOCIAL RESPONSIBILITY

Total Kenya has remained consistent in its social responsibility initiatives. The company has continued to invest in programmes that have a direct impact on the lives of the populations in the areas where we operate.

In this country, we have maintained our involvement in reforestation through the TOTAL Eco challenge which has mobilised several tree planting projects that plant millions of trees annually and contribute immensely to the government's effort in improving the country's tree cover. The Eco challenge call still remains; "One Person, One Event, One Tree". We are convinced that indeed, Miti ni Mali, Miti Tosha! Your company has continued to support environmental conservation efforts through partnerships with like minded organisations such as the Rhino Ark Foundation, the organisers of the Rhino Charge whose fund-raising efforts have enabled the successful fencing of the Aberdares and other water towers to protect them from encroachment and to reduce the human-wildlife conflict in these areas. Work on similar perimeter fences for Mt. Kenya and Mau Eburu are progressing well.

Our partnership is envisaged to continue and strengthen into the foreseeable future.

We continue to champion road safety initiatives through the Safe Way Right Way organisation in collaboration with like-minded corporate and government entities. Road safety is particularly a key area of concern considering the statistics on road crashes in

Katika kipindi cha mwaka 2013 gharama ya matumizi pia iliweza kudhibitiwa, kiasi kwamba iliongezeka kwa asilimia 5 pekee, ikilinganishwa na kiwango wastani cha ongezeko la gharama ya maisha cha asilimia 5.8.

Gharama ya kifedha ilipungua kwa shillingi billioni 1.28 kutokana na uwekezaji wa kitita cha shillingi billioni 5.2 na kampuni hapo mwezi juni mwaka 2012 katika upanuzi, uwianishaji wa matumizi ya kampuni pamoja na upungufu wa viwango vya riba.

Faida kabla ya kulipa ushuru ya shillingi billioni 2.08 ilipatikana katika kipindi cha mwaka 2013 ikilinganishwa na hasara ya shilling millioni 64 katika mwaka 2012.Faida halisi katika kipindi hicho ilikuwa shillingi billioni 1.31 (2012:Hasara ya shillingi millioni 202).

Kampuni ilidumisha msingi thabiti wa kifedha katika kipindi hicho,ambapo kwa ujumla raslimali ziliongezeka kwa asilimia 21 kutoka shillingi billioni 32.98 mnamo mwaka 2012 hadi shillingi billioni 39.98 katika mwaka 2013. Hisa pia ziliongezeka kwa asilimia 8 kutoka shillingi billioni 14.19 hadi shillingi billioni 15.38.

UWEKEZAJI

Kampuni ya Total Kenya imeendelea kuwekeza kiasi kikubwa cha pesa katika soko la humu nchini, licha ya changamoto zinazohusiana na mazingira ambapo inaendeshea shughuli zake, ishara kwamba bodi ya kampuni ina imani katika soko la humu nchini. Kampuni ya Total Kenya iliwekeza jumla ya shillingi billioni 1.34 katika kipindi kinachoangaziwa, ikilinganishwa na shilling millioni 763 ambazo kampuni iliwekeza katika mwaka 2012, kiasi kinachowakilisha ongezeko la asilimia 75.

Baadhi ya miradi iliyotekelezwa na kampuni katika kipindi hicho ni ujenzi wa vituo vipya vya kuuza mafuta kote nchini, kukarabati na kurembesha vituo vilivyoko, kununua mitungi mipya ya gesi, na kuboresha njia za usambazaji mitungi hiyo kando na kuweka vifaa vipya katika vituo vyetu mbali mbali, kwa lengo la kuwahudumia wateja wetu kwa njia bora zaidi. Mwishoni mwa mwaka 2013, tulifungua kituo kikubwa zaidi cha malori katika eneo zima la Afrika mashariki na Kati, katika sehemu ya Jomvu, Kaunti ya Mombasa. Pia tunaendelea kuwekeza katika vifaa vya Usalama katika vituo vyetu vyote, kwa ajili ya usalama wa wateja, wafanyakazi wetu na majirani wetu.

WAJIBU KWA JAMII

Kampuni ya Total Kenya inaendelea kuwekeza katika mipango inayolenga kuboresha maisha ya wakazi wa maeneo ambako inaendeshea shughuli zake

Hapa nchini, tumedumisha ushiriki wetu katika miradi ya uhifadhi wa misitu kupitia mpango wetu wa uhifadhi wa mazingira wa TOTAL Eco challenge, ambao kwa ushirikiano na makundi mengine, umefanikisha upanzi wa mamillioni ya miti, na hivyo kuchangia juhudi za serikali za kuongeza eneo la misitu hapa nchini. Kauli mbiu ya mpango wa Eco Challenge itasalia kuwa: "Mtu mmoja, Tukio moja, Mti mmoja". Tumeshawishika kwamba Miti ni Mali, Miti Tosha! Kampuni yenu pia imeendelea kushiriki katika mipango ya uhifadhi wa mazingira, kwa ubia na makundi mengine kama vile wakfu wa Rhino Ark, shirika ambalo huandaa mashindano ya kuchangia uhifadhi wa misitu ya Rhino Charge. Pesa zinazotokana na mashindano hayo zimesaidia kuweka ua kwenye msitu wa Aberdare na vyanzo vingine muhimu vya maji, ili kuvikinga dhidi ya uvamizi. Kazi ya kuweka ua la mzunguko kwenye misitu ya Mt.Kenya na Mau Eburu pia inaendelea vyema. Ni matumaini yetu kwamba ushirikiano huo utadumishwa na kuimarishwa hata zaidi.

this country. Concerted efforts are needed from all stakeholders in the transport sector to work with all the relevant government agencies and the public to ensure that we reduce the deaths, injuries and other losses on our roads.

The company is also focused on the provision of renewable, clean and safe energy with our popular solar lanterns continuing to positively impact the lives of many Kenyans who now rely on them for their lighting needs. We will continue to make these products available as widely as possible to a greater part of the population that is not connected to the national grid with a warranty of quality.

Your company continues to support the less fortunate in the society such as the SOS villages where we have for a number of years adopted a house in both Nairobi and Mombasa. In 2013, we enhanced this partnership by adopting an additional house in Kisumu.

OUTLOOK FOR 2014

The operating environment has been fairly stable over the year under review and is expected to remain so in 2014. It is on the back of this stable macroeconomic environment, continuous participation in the oil industry tenders under the OTS agreement and expected return on planned investments that the Board is confident of a positive return in line with our growth strategy.

DIVIDENDS

In view of the good performance of the company and taking into account the need for continued investments in all the business segments and improved safety standards, the Directors are recommending for approval at this meeting the payment of a first and final dividend of Kshs 0.60 per share for the year ended December 31, 2013, subject to withholding tax where applicable (dividend payout has tripled compared to Kshs 0.20 per share in 2012).

ACKNOWLEDGEMENTS

I wish to acknowledge the support and goodwill we have continued to receive from our customers and other business partners. We thank them most sincerely. On behalf of the Board, I also wish to thank the management and the staff for their commitment and contribution towards the overall company performance in 2013. To you the shareholders, I thank you for the confidence you have shown by choosing to invest in Total Kenya Limited.

Finally, I wish to thank the members of the Board of Directors for their dedication and able support that has helped your company maintain its leadership position in this market.

Thank you very much.

Jonathan Molapo
Chairman

Pia tunapigia debe na kushiriki kwenye kampeini kuhusu usalama barabarani kupitia shirika la Safe Way Right Way kwa ushirikiano na mashirika na idara nyingine za serikali zinazohusika na Usalama Barabarani. Usalama wa barabarani ni swala linaloangaziwa zaidi hapa nchini, ikizingatiwa takwimu zinazonakiliwa kuhusu ajali za barabarani hapa nchini. Hata hivyo juhudi za pamoja zinahitajika kutoka kwa wadau wote kwenye sekta ya uchukuzi, ili kupunguza maafa, ajali na hasara zisizofaa zinazotokana na ajali za barabarani zinazoweza kuepukika hapa nchini

Kampuni yenu pia inatilia mkazo matumizi ya kawi safi ya kufanywa upya, huku Wakenya wengi wakianza kutumia taa zetu maarufu kama TOTAL Sola zinazotumia kawi ya jua. Tutaendelea kufanya juhudi kuhakikisha kwamba taa hizo zinapatikana kote nchini, hasa maeneo ambayo hayajaunganishwa kwenye mtandao wa kitaifa wa usambazaji nguvu za umeme.

Kampuni yenu pia inaendelea kuwasaidia wasiojiweza kwenye jamii kama vile makao ya watoto wa SOS, ambako kwa miaka kadhaa tumekuwa tukisimamia udumishaji wa nyumba mbili, moja katika jiji la Nairobi na ya pili jijini Mombasa. Mnamo mwaka uliopita tulipanua ushirikiano huo kwa kufadhili nyumba nyingine mjini Kisumu.

MATARAJIO KATIKA MWAKA 2014

Mazingira tunamohudumu yamekuwa thabiti kiasi katika mwaka 2013, na ni matumaini yetu kwamba hali hiyo itadumishwa katika mwaka huu wa 2014. Kutokana na hali hiyo ya utulivu, tutaendelea kushiriki katika utafutaji zabuni za kuuza mafuta chini ya mkataba wa mfumo wazi wa utoaji zabuni (OTS), hali ambayo hatuna shaka itasaidia kuongeza mapato ya kampuni .

MGAO WA FAIDA

Kufuatia matokeo mema ya biashara katika kipindi cha mwaka 2013, pamoja na haja iliopo ya kuendelea kuwekeza katika vitengo vyetu vyote vya biashara, wakurugenzi wanapendekeza kuidhinishwa kwenye mkutano huu malipo ya mgao wa kwanza na wa mwisho wa senti 60 kwa kila hisa katika kipindi cha mwaka uliomalizika tarehe 31 mwezi disemba mwaka 2013. (Malipo ya mgao wa faida yameongezeka mara tatu ikilinganishwa na senti 20 zilizolipwa mwaka 2012).

SHUKRANI

Nawashukuru sana wateja na washirika wetu kibiashara kwa usaidizi wao katika kipindi cha mwaka 2013. Kwa niaba ya bodi ya kampuni, pia ninawashukuru wasimamizi na wafanyakazi wetu kwa juhudi na mchango wao kwa utendaji wa kampuni katika kipindi hicho. Na kwa wenye hisa wetu, nawashukuru kwa kuchagua kuwekeza katika Kampuni ya Total Kenya Limited, bila shaka uamuzi huo ni dhihirisho ya imani yenu kwenye kampuni hii.

Na hatimaye, nawashukuru sana wanachama wa halmashauri ya wakurugenzi kwa bidii na ushauri wao ambao umeiwezesha kampuni yenu kuendelea kuongoza katika soko hili.

Asateni sana.

Jonathan Molapo
Mwenyekiti

MANAGEMENT EXECUTIVES

From Left to Right:

Tom Maganga
(Operations Manager)
Irene Muinde
(Human Resource & Admin. Manager)
Maurice K'Anjejo
(Corporate Affairs Manager)
Charles Wambugu
(Chief Internal Auditor)
Ada EZE
(Managing Director)

From Left to Right:

Jean-Francois Schoepp
(Planning & Supply Manager)
Daniel Mayieka
(Specialities Manager)
James Kamau
(Health, Safety, Environment and Quality Manager)
Patrick Waechter
(Finance Director)
Alban Tarneaud
(Marketing Manager)

MANAGEMENT REPORT

OVERVIEW OF THE 2013 FINANCIAL YEAR FOR TOTAL KENYA LIMITED

In the Oil industry, Kenya pipeline Refinery stopped refining operations in Q3 2013, and imports of refined products were adjusted accordingly to assure the supply of the country. Significant challenges still remain concerning the closure of the KPRL toll mode period; pipeline pumping capacity limitation, mismatch between ullage allocation and market share in industry resulting in supply disruptions and unfair competition and queuing of ships at the port continued to persist sometimes occasioning stock outs in upcountry markets.

Domestic Petroleum consumption in 2013 remained stable compared to 2012 and below the economic growth of 4.7% in the year. The market was impacted by the slowed economic activities in the first half of the year following the prolonged election period.

SUMMARY OF RESULTS

The company's performance for the year ended December 31, 2013 was in line with the Board's projection. This was achieved through improved operating income and significant reduction in financing expenses arising from the impact of Kshs 5. 2 billion injected by the Total Group in June 2012, together with optimization of financing needs and lower interest rates.

Total Kenya global sales volume went up by 37% in 2013 (from 1,085 KMT in 2012 to 1,491KMT in 2013). This increase was attributable to sales to other Oil Marketing Companies (OMCs) after the company won several contracts to supply the industry with refined products under the Open Tender System (OTS) agreement. In addition, other sales channels, especially Network, Lubricants and Aviation recorded increased sales. As a result of the strong sales performance in the various channels, the company was able to retain inland market leadership position at the same market share of 20.5 %.

Net turnover increased by 32% from Kshs. 107.45 billion in 2012 to Kshs. 141.72 billion in 2013 due to increase in sales volumes. Cost of sales increased by 33%.

Gross profit which represents 4.5% of Net turnover increased by 8% from Kshs. 5,873 million in 2012 to Kshs. 6,347 million in 2013 as a result of increased sales in profitable channels and action plans implemented by management to improve the per unit margin.

Operating expenses decreased by 7% (Kshs.329 million) attributable to an exceptional item of a legal case filed against the company that crystallised in 2012. Without this exceptional settlement in 2012, the 2013 operating expenses were reasonably controlled and increased by only 5 % compared to the average annual inflation of 5.7%.

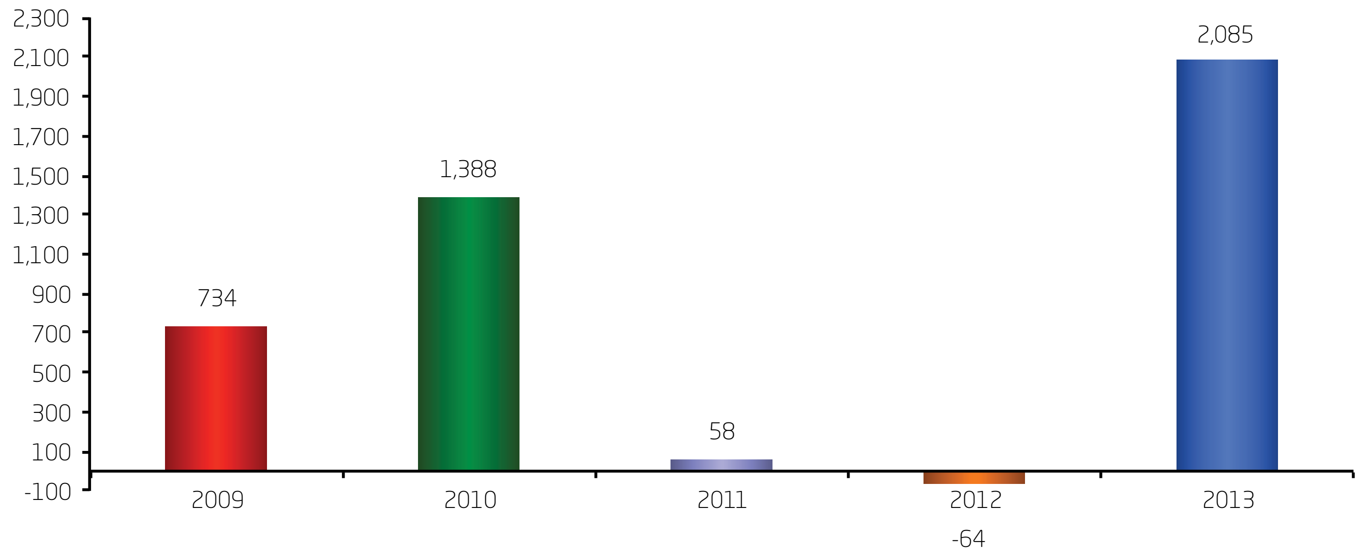
Finance expenses decreased by Kshs 1.28 billion due to the impact of Kshs 5. 2 billion injected by the Total group in June 2012 together with optimization of financing needs supported by a reduction in interest rates.

Profit before tax of Kshs 2.08 billion was realised in the year compared to a loss of Kshs 64 million in 2012.

Net profit for the year was Kshs 1.31 billion (2012: loss of Kshs 202 million).

Investments during the year amounted to Kshs. 1,340million. The investments mainly related to purchase and installation of equipment and construction works at network stations, consumer sites and depots.

Results Before Tax (MKShs)



ANALYSIS BY BUSINESS CHANNELS

The company's four business channels are:

- The Network channel, which includes the distribution of petroleum products and related services 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.

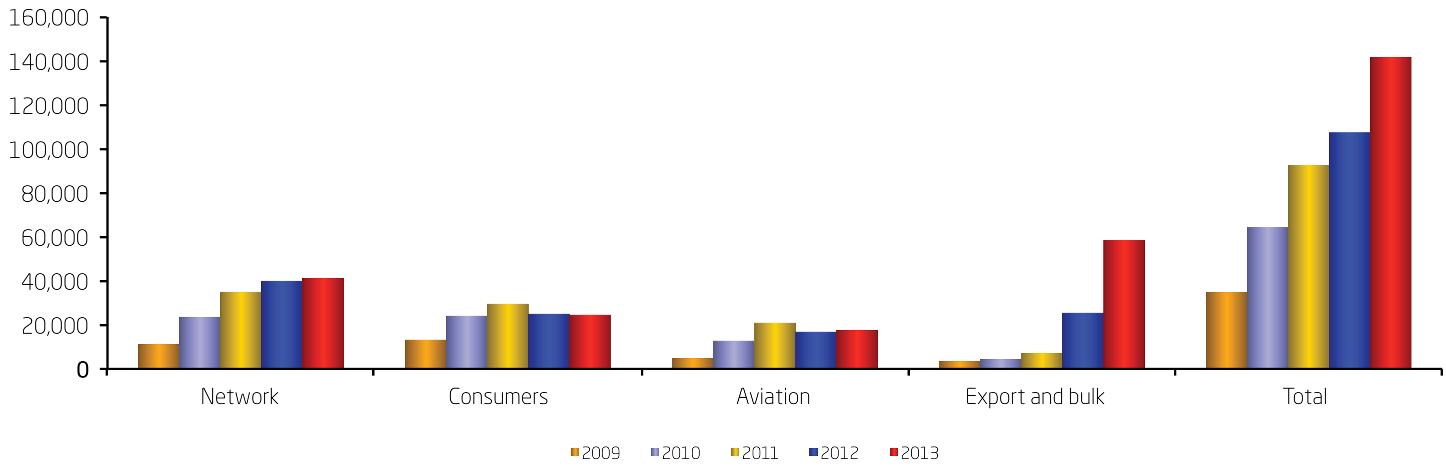
NETWORK

The network market environment was still very competitive. Despite the challenges that faced the industry in 2013, sales in this channel registered a growth of 4% from 373 KMT in 2012 to 389 KMT in 2013. The growth in sales is mainly attributable to market growth in this channel of 3.6%, provision of quality service to customers and increased investments.

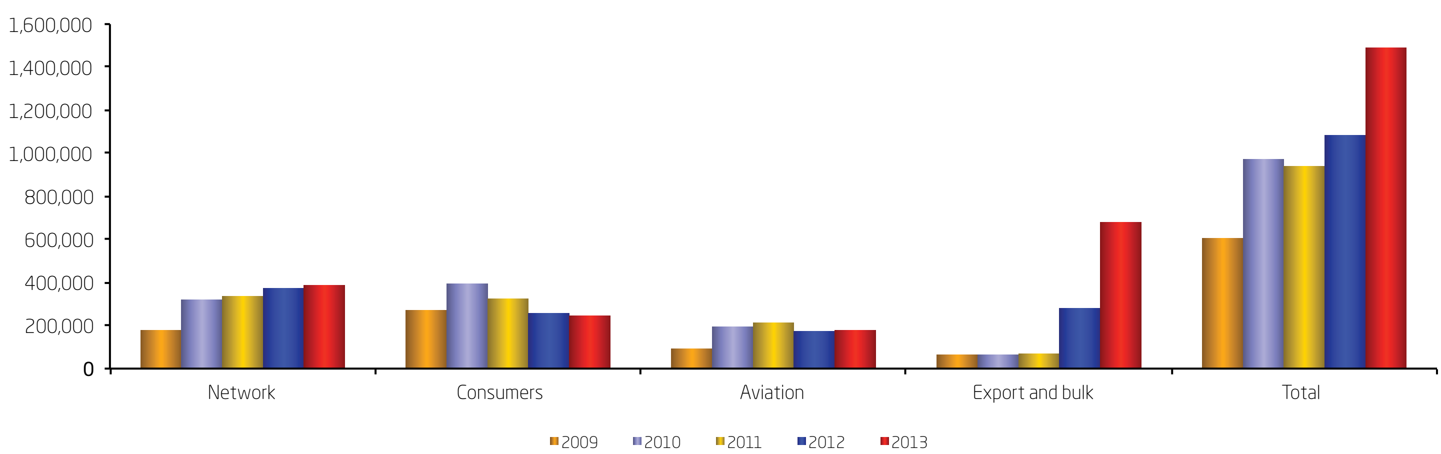
The company's objective is to continue investing in areas where population and traffic are growing. The range of our non-oil services has continued to grow. They include: convenient stores "bonjour shops", Auto Clean for car wash and Auto Express Service for pit-stop.

The TOTAL Bon Voyage card has remained popular amongst individuals and corporates and has ensured customer loyalty. Our objective is to remain competitive as we strive to fully meet the expectations of our customers.

Net Sales per business channel (MKshs)



Sales per business channel (MT)



Total Kenya is dedicated to offering technical support and ensuring quality products and services that meet international standards.

Network -Key figures	2013	2012	% CHANGE
Number of service stations	178	177	1%
Volumes sold in KMT	389	373	4%
Turnover- net of taxes (Kshs'million)	**41,188**	**40,076**	**3%**

GENERAL TRADE

The General Trade volumes decreased by 5% compared to 2012 (245 KMT in 2013 compared to 257 KMT in 2012) mainly attributed to an increase in the number of licensed marketers with no investments affecting the reseller market.

Turnover in General Trade channel decreased by 3% from Kshs. 25.0 billion in 2012 to Kshs 24.4 billion in 2013 as a result of a decrease in the sales volumes.

Consumer Key figures	2013	2012	% CHANGE
Volumes sold – KMT	245	257	-5%
Turnover- net of taxes (Kshs'million)	**24,433**	**25,069**	**-4%**

AVIATION

Sales volumes in this channel increased by 3% (from 173 KMT in 2012 to 178 KMT in 2013). The increase in the sales volume resulted from acquisition of new customers.

The increase in volumes sold led to an increase in turnover, from Kshs 16.9 billion in 2012 to Kshs 17.4 billion in 2013.

Aviation-Key figures	2013	2012	% CHANGE
Volumes sold (KMT)	178	173	3%
Turnover- net of taxes	**17,445**	**16,920**	**3%**

EXPORTS AND BULK

Export and Bulk sales increased by 141% from 281.4 KMT in 2012 to 679.5 KMT in 2013.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 131% from Kshs. 25,385 million in 2012 to Kshs. 58,652 million in 2013.

FINANCIAL POSITION

The company maintained a very strong statement of financial position. Total assets grew by 21% from Kshs 32.98 billion in 2012 to KShs. 39.98 billion in 2013. The shareholders equity grew by 8% from Kshs 14.19 billion to Kshs 15.38 billion.

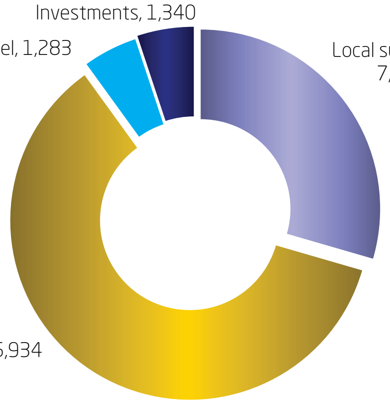
The cash generated from operations improved by 23% from KShs. 6.4 billion in 2012 to KShs. 8.32 billion in 2013. The 2013 position, KShs. 8.32 billion, is mainly attributable to the increase in operating cash flow.

This has enabled the company to continue investing substantially at Kshs. 1,340 million in the year (up by 75% from Kshs. 763 million in 2012) in line with the strategy to develop the business and safety standards.

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. 15.9 billion in 2012). The total financial impact on the economy in 2013 was KShs. 26.3 billion (2012 KShs. 24.6 billion) comprising the following in MKShs:

Contribution to the kenyan economy 2013 (MKShs)



2014 MANAGEMENT AGENDA

Total Kenya Limited 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 2014 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 Limited the reference oil marketing company in Kenya.

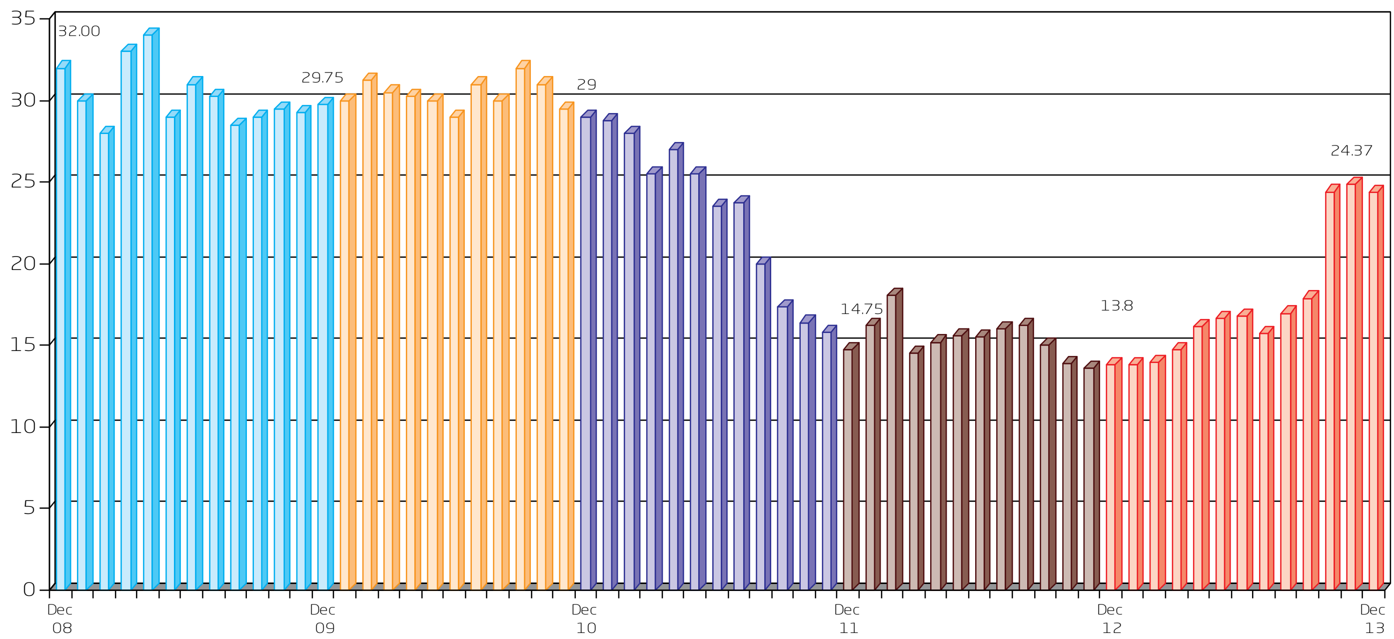
Therefore the management will:

- 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 2013, Total Kenya share price traded between Kshs. 13.05 and Kshs. 28.12 per share.

Total Kenya Share Price (KShs)
Monthly closing rates (Dec 08 to Dec 13)



SHAREHOLDERS ANALYSIS

TOP 10 SHAREHOLDERS

Rank	Name	Shares Held	Percentage
1	Total Outre-Mer	580,804,822	92.26
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	The Jubilee Insurance Company Of Kenya Limited	566,736	0.09
7	APA Insurance Limited	565,700	0.09
8	Cannon Assurance (Kenya) Limited	544,000	0.09
9	Standard Chartered Nominees non Resd A/C 9306	499,600	0.08
10	Rahim, Ahmed Mian Abdur	459,960	0.07
		600,609,862	**95.40**

SHARE DISTRIBUTION SCHEDULE

i) BY NUMBER OF SHARE RANGE

Range	No. of Members	Total No. of Shares	Percentage
1 - 500	2,230	514,332	0.08
501 - 1,000	1,006	865,530	0.14
1,001 - 5,000	1,675	4,326,955	0.69
5,001 - 10,000	449	3,382,727	0.54
10,001 - 50,000	368	7,689,325	1.22
50,001 - 100,000	64	4,527,003	0.72
100,001 - 500,000	39	8,586,284	1.36
500,001 - 1,000,000	4	2,247,636	0.36
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
84	FOREIGN INVESTORS	592,927,171	94.18
5,304	**E.A.P.S. INDIVIDUALS	30,259,126	4.81
451	**E.A.P.S INSTITUTIONS	6,356,161	1.01
5,839	**TOTALS**	**629,542,458**	**100.000**

****East Africa Partner States**

REPORT OF THE INDEPENDENT AUDITORS

EY
Building a better working world

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 2013, and the statement of profit or loss and other 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 31 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 control 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.

AUDITOR'S 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 2013, 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.

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.

The engagement partner responsible for the audit resulting in this independent auditor's report is Herbert Chiveli Wasike – P/No. P.1485.

Ernst &Young
Certified Public Accountants
Wednesday, April 30, 2014
Nairobi

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 KShs'000	2012 KShs'000
Gross sales		154,626,092	119,788,989
Indirect taxes and duties		(12,908,050)	(12,338,455)
Net sales	3	141,718,042	107,450,534
Cost of sales	4	(135,371,011)	(101,577,075)
Gross profit		**6,347,031**	**5,873,459**
Other income	5	456,621	302,153
Operating expenses	6	(4,323,842)	(4,652,729)
Finance income	7 (a)	7,153	48,509
Finance costs	7 (b)	(278,695)	(1,554,715)
Net foreign exchange loss	7 (c)	(123,751)	(80,978)
Profit/(loss) before tax	**8**	**2,084,517**	**(64,301)**
Tax charge	9	(772,240)	(137,841)
Profit/(loss) for the year		**1,312,277**	**(202,142)**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**1,312,277**	**(202,142)**
Earnings/(loss) per share (basic and diluted)	10	2.08	(0.32)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 KShs'000	2012 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	8,358,986	8,168,038
Prepaid operating leases	13	713,782	680,726
Goodwill	14	416,679	416,679
Intangible assets	15	88,002	61,858
Deferred tax asset	17	369,452	304,844
		9,946,901	**9,632,145**
CURRENT ASSETS			
Inventories	18	14,953,214	13,794,942
Trade and other receivables	19	8,128,992	6,861,165
Due from related companies	20 (i)	1,942,885	2,151,599
Cash and cash equivalents	27 (ii)	4,979,505	499,174
		30,004,596	**23,306,880**
Non-current assets classified as held for sale	21	32,668	41,579
		30,037,264	**23,348,459**
TOTAL ASSETS		**39,984,165**	**32,980,604**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	9,974,771	9,974,771
Share premium	23	1,967,520	1,967,520
Retained earnings		3,436,769	2,250,385
		15,379,060	**14,192,676**
NON-CURRENT LIABILITIES			
Trade and other payables	**25**	**1,117,028**	**854,765**
CURRENT LIABILITIES			
Unclaimed dividends	11	4,955	5,723
Tax payable	9 (iii)	510,394	132,829
Trade and other payables	25	7,833,432	6,312,448
Due to holding company	20 (iii)	12,612,844	7,023,485
Due to related companies	20 (ii)	31,822	298,024
Short term borrowings	26	2,494,630	4,160,654
		23,488,077	**17,933,163**
TOTAL EQUITY AND LIABILITIES		**39,984,165**	**32,980,604**

The financial statements were approved and authorised for issue by the Board of Directors on 2 April 2014 and were signed on its behalf by:

Ada Eze
Managing Director

Patrick Waechter
Finance Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Total equity KShs'000
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**
As at 1 January 2013	9,974,771	1,967,520	2,250,385	14,192,676
Dividends declared – 2012 (note 11)	-	-	(125,893)	(125,893)
Profit for the year	-	-	1,312,277	1,312,277
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**1,312,277**	**1,312,277**
As at 31 December 2013	**9,974,771**	**1,967,520**	**3,436,769**	**15,379,060**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 KShs'000	2012 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27 (i)	8,316,517	6,738,395
Tax paid	9 (iii)	(459,283)	(37,412)
Net cash generated from operating activities		**7,857,234**	**6,700,983**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(1,178,110)	(682,044)
Purchase of prepaid operating leases	13	(123,260)	(80,874)
Purchase of intangible assets	15	(38,607)	(1,042)
Interest received	7 (a)	7,153	48,509
Proceeds on disposal of property, plant and equipment		27,301	14,886
Net cash used in investing activities		**(1,305,523)**	**(700,565)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7 (b)	(278,695)	(1,554,715)
Dividends paid	11	(126,661)	(129)
Issue of preference shares	22	-	5,200,000
Medium term loan repaid	24	-	(3,276,000)
Net cash (used in) / generated from financing activities		**(405,356)**	**369,156**
Net increase in cash and cash equivalents		6,146,355	6,369,574
Cash and cash equivalents as at 1 January		(3,661,480)	(10,031,054)
Cash and cash equivalents as at 31 December	**27 (ii)**	**2,484,875**	**(3,661,480)**

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. Accounting policy 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 represented by the statement of profit or loss and other 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 new and amended IFRS interpretations effective as of 1 January 2013.

- IFRS 7 Financial Instrument Disclosures (revised)
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 19 Employee Benefits (Revised)
- IAS 16 Property, Plant and Equipment — Classification of servicing equipment
- IAS 32 Financial Instruments: Presentation — Tax effects of distributions to holders of equity instruments
- IAS 34 Interim Financial Reporting — Interim financial reporting and segment information for total assets and liabilities

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.

IFRS 7 Financial Instrument Disclosures (revised) - effective for periods beginning on or after 1 January 2013.

The amendments require disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the entity:
(a) has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

These amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. If an entity chooses to early adopt IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32, it must make the disclosure required by IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7. IFRS 7 did not have an impact on the financial performance or the financial position of the company as the company does not have such arrangements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements - effective for annual periods beginning on or after 1 January 2013

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investor has:-

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee, and

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements - effective for annual periods beginning on or after 1 January 2013 (continued)

- The ability to use its power over the investee to affect the amount of the investor's returns

IFRS 10 also provides a number of clarifications on applying this new definition of control. IFRS 10 did not have any impact on the financial performance or the financial position of the company. As disclosed in Note 14, the company acquired Elf Oil Kenya Limited and Total Marketing Kenya Limited with effect from 1 November 2009. The two companies are dormant and no longer operational and have not been consolidated into the financial statements of Total Kenya Limited.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures - effective for annual periods beginning on or after 1 January 2013

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint operation — An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

Joint venture — An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures as defined in IFRS 11 using proportionate consolidation has been removed.

Under these new categories, the legal form of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances. IAS 28 has been amended to include the application of the equity method to investments in joint ventures.

IFRS 11 did not have an impact on the financial performance or the financial position of the company as the company does not have such arrangements.

IFRS 12 Disclosure of Interests in Other Entities – effective for annual periods beginning on or after 1 January 2013.

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries for example, where a subsidiary is controlled with less than a majority of voting rights. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

- Summarised financial information for each subsidiary that has non-controlling interests that are material to the reporting entity
- Significant judgements used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e., joint operation or joint venture), if applicable
- Summarised financial information for each individually material joint venture and associate
- Nature of the risks associated with an entity's interests in unconsolidated structured entities, and changes to those risks

The company has no subsidiaries with material non-controlling interests or unconsolidated structured entities. IFRS 12 thus had no impact on the company's financial position or performance.

IFRS 13 Fair Value Measurement - effective for annual periods beginning on or after 1 January 2013

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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the company.

IFRS 13 requires an entity to disclose additional information that helps users of its financial statements assess both of the following:

- for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 13 Fair Value Measurement - effective for annual periods beginning on or after 1 January 2013 (continued)

recognition, the valuation techniques and inputs used to develop those measurements

- for fair value measurements using significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income for the period.

The company has no non-financial assets or liabilities held at fair value. Disclosures relating to the fair value of financial assets and financial liabilities are provided in Note 32.

IAS 19 Employee Benefits (Revised) – effective for annual periods beginning on or after 1 January 2013

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures and in determining the discount rate used in accounting for employee benefit plans, an entity would include high quality corporate bonds issued by entities operating in other countries, provided that those bonds are issued in the currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds would be assessed at the currency level and not at the country level.

IAS 19R did not have any significant impact on the financial performance or the financial position of the company. The company's employment benefits are disclosed in Note 6 (a) and include wages and salaries, defined contribution plan and provision for leave. The short-term benefits which include salaries and wages and provision for leave meet the definition of employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. The company's measurement of these benefits in previous years was already in line with this new definition.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 - effective from 1 July 2012

The amendments to IAS 1 require an allocation of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the company's financial position or performance.

The following improvements to International Financial Reporting Standards – 2009 -2011 Cycle were effective for annual periods beginning on or after1 January 2013

IAS 1 Clarification of the requirement for comparative information (Amendment) - effective from 1 July 2012

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments also clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendment did not have impact on the company's financial statements as the company did not have any retrospective restatement or reclassification in its financial statements.

IAS 16 Property Plant and Equipment (amendment) Classification of servicing equipment- effective for annual periods beginning on or after 1 January 2013

This amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The improvement had no impact on the company's financial statements.

IAS 32 Financial Instruments: Presentation (amendment) -Tax effects of distributions to holders of equity instruments- effective for annual periods beginning on or after 1 January 2013

This amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The improvement had no impact on the company's financial statements.

IAS 34 Interim Financial Reporting (amendment) - Interim financial reporting and segment information for total assets and liabilities- effective for annual periods beginning on or after 1 January 2013

This improvement clarifies the requirements in IAS 34 relating to segment information for total assets and

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The following improvements to International Financial Reporting Standards – 2009 -2011 Cycle were effective for annual periods beginning on or after1 January 2013 (continued)

liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The improvement had no impact on the company's financial statements.

The following standards have been issued or revised and will become effective for the January 2014 year end:

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" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. The company does not expect this amendment to have material financial impact in future financial statements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the company, since none of the entities in the company would qualify to be an investment entity under IFRS 10.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The company had no derivatives during the current period. However, these amendments would be considered for future novations.

IFRS 9 Financial Instruments
IFRS 9, as issued in November 2009 and October 2010, 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 and Transitional Disclosures, issued in December 2011, moved the mandatory date to 1 January 2015. On 19 November 2013, the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (IFRS 9 (2013)), which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. The standard does not have a mandatory effective date, but it is available for immediate application. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. 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 the company's financial liabilities. The company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levythat is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The company does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36 - effective for annual periods beginning on or after 1 January 2014
The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. In addition, additional disclosure requirements have been added as follows:

(a) Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
(b) Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The company does not expect the amendment to have any material financial impact in future financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Annual Improvements December 2013
These improvements will not have an impact on the company, but include:

- IFRS 2 Share-based Payment - Definition of vesting condition
- IFRS 3 Business Combinations-Accounting for contingent consideration in a business combination
- IFRS 3 Business Combinations-Scope exceptions for joint ventures
- IFRS 8 Operating Segments-Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 Fair Value Measurement-Short-term receivables and payables
- IFRS 13 Fair Value Measurement-Scope of paragraph 52 (portfolio exception)
- IAS 16 Property, Plant and Equipment-Revaluation method—proportionate restatement of accumulated depreciation
- IAS 24 Related Party Disclosures-Key management personnel
- IAS 38 Intangible Assets-Revaluation method—proportionate restatement of accumulated amortisation
- IAS 40 Investment Property - Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying investment property or owner-occupied property.

These improvements are effective for annual periods beginning effective on or after 1 July 2014.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of products and customer acceptance and is stated net of value added tax, returns and rebates. The sales are stated net of value added tax and discounts.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit or loss.

Rental income
Rental income is recognised when the company's right to receive the rent payment is established. The company sublets some of its station shops to dealers.

Commission income
Commission income arises from charges to stations for business provided through bon voyage customers. Commission income is recognised when the company's right to receive the commission payment is established.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition-date fair values and the amount of any non-controlling interest in 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 (CGU) 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. 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 expenses 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 and recognised in profit or loss under operating expenses.

(iii) Company as a lessor

Leases in which the company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(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.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets acquired separately and in business combinations

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, they are reported at cost less accumulated amortisation and accumulated impairment losses.

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 the 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 not amortised but 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.

The impairment policy on non-financial assets is discussed under note 1 (r).

(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 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 previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Impairment of non-current assets held for sale

The company assesses at each reporting date whether there is objective evidence that non-current assets held for sale are impaired. Non-current assets held for sale are deemed to be impaired if fair value less costs to sell is lower than carrying amounts.

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 fair value less costs to sell, and is recognised in profit or loss.

The company recognises a gain in the profit or loss for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been previously recognised. The company also recognises a gain or loss not previously recognised by the date of the sale of a non-current asset at the date of derecognition.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Trade receivables and amounts due from related companies

Trade 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 operating expenses.

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.

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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (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 effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Derecognition
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; and either (a) the company has transferred substantially all the risks and rewards of the asset, or(b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of the company's continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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. The company's equity instruments include redeemable preference shares.

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 recognised initially at fair value, and 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.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process described above.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Other financial liabilities (continued)
as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(l) Foreign currencies

In preparing the financial statements of the company, transactions in currencies other than Kenyan shillings, the entity's functional currency, i.e. 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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 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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Tax (Continued)

(ii) Deferred tax (Continued)

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 outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Value added tax

Expenses and assets are recognised net of the amount of sales tax, except:

i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable, and
ii) When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(n) Employee entitlements

i) Retirement benefit costs

The company operates two defined contribution pension plans: one registered locally and the other registered off-shore for its employees. The assets of the plans are held in separate trustee administered funds. The plans 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 plans. 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.

ii) Leave

Employee entitlements to annual leave are recognised when they expected to be paid to employees. A provision is made for the estimated liability for annual leave at the reporting date.

iii) Bonus

An accrual is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal and constructive obligation to pay this amount as a result of past service provided by the employee, the obligation can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

(o) Dividends

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

(p) Earnings per share

Earnings per share are calculated by dividing the profit/ (loss) after tax by the weighted average number of ordinary shares and redeemable preference shares outstanding during the year.

q) Borrowing costs

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

(r) 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. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of non-financial assets (Continued)

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised as an expense immediately.

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.

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Further details are contained in note 2 (b).

(s) 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.

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 2013 was KShs 416,679,000 (2012 – KShs 416,679,000) and no impairment loss was recognised during the year.

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The company reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. In reviewing the useful lives of property, plant and equipment, the company considers the remaining period over which an asset is expected to be available for use. Management also looks at the number of production or similar units expected to be obtained from the property, plant and equipment. Judgment and assumptions are required in estimating the remaining useful period and estimates of the number of production or similar units expected to be obtained from the property, plant and equipment. Further details on property, plant and equipment are given in note 1 (g) and 12.

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 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. See Note 19 for further details.

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. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the company considers the following indications:

a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
d) the carrying amount of the net assets of the entity is more than its market capitalisation.
e) evidence is available of obsolescence or physical damage of an asset.
f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite
g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Further details on property, plant and equipment are given in Note 12, goodwill in Note 14, intangible assets in Note 15 and inventories in Note 18.

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

Income taxes

The company is subject to income taxes in Kenya. Significant judgement is required in determining the company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Further details on income taxes are disclosed in Note 9 and 17.

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. Net sales by business channel are shown below.

(i) Business channels

	2013 KShs'000	2012 KShs'000
General trade	24,432,895	25,069,231
Network	41,187,991	40,075,807
Aviation	17,444,570	16,920,196
Export and bulk	58,652,586	25,385,300
Total net sales	141,718,042	107,450,534
(i) Geographical analysis		
Local sales	134,912,064	100,820,909
Export sales	6,805,978	6,629,625
Total net sales	141,718,042	107,450,534

4. COST OF SALES

	2013 KShs'000	2012 KShs'000
Product purchases	130,234,123	96,747,119
Other variable costs	5,136,888	4,829,956
	135,371,011	**101,577,075**

5. OTHER INCOME

	2013 KShs'000	2012 KShs'000
Rental income	226,303	220,995
Commission income	130,320	75,189
Gain/(loss) on disposal of property, plant and equipment	5,783	(23,934)
Other income*	8,970	7,020
Doubtful debts write back	85,245	22,883
	456,621	**302,153**

**Other income relates to storage fee income on joint storage facilities with other oil marketers, as well as management fees where joint facilities with other oil marketers are run by the company.*

6. OPERATING EXPENSES

	2013 KShs'000	2012 KShs'000
Directors' emoluments – fees	1,600	1,600
- other emoluments	115,571	99,063
Payroll and staff costs[Note 6 (a)]	1,282,564	1,118,859
Depreciation on property, plant and equipment	965,644	926,138
Amortisation of prepaid operating leases	90,204	84,774
Amortisation of intangible assets	12,463	60,526
Repairs and maintenance	496,859	502,828
Technical assistance (Note 20 (v))	303,127	290,683
Utilities	216,850	205,450
Operating lease rentals	165,063	227,504
Other expenses	140,157	652,443
Legal and other professional fees	82,259	177,290
Advertising and promotion	201,583	130,483
Increase in doubtful debt provision	81,467	26,544
Travelling and reception	102,120	83,472
Insurance	60,531	59,292
Auditors' remuneration	5,780	5,780
	4,323,842	**4,652,729**

6 (a) PAYROLL AND STAFF COSTS

	2013 KShs'000	2012 KShs'000
Wages and salaries	804,424	708,993
Pension costs – defined contribution plan and NSSF	96,897	84,193
Staff medical costs	28,076	22,224
Staff training costs	22,434	15,050
Provision for accrued leave	3,200	6,587
Other costs - staff mileage	327,533	281,812
Total personnel expenses	**1,282,564**	**1,118,859**
Average number of employees (permanent staff)	376	369

7. (a) FINANCE INCOME

	2013 KShs'000	2012 KShs'000
Interest income on bank deposits	7,153	48,509

(b) FINANCE COSTS

	2013 KShs'000	2012 KShs'000
Interest on borrowings	278,695	1,554,715

(c) NET FOREIGN EXCHANGE LOSS

	2013 KShs'000	2012 KShs'000
Realised foreign exchange loss	(149,968)	(1,937)
Unrealised foreign exchange gain /(loss)	26,217	(79,041)
Net foreign exchange loss	**(123,751)**	**(80,978)**

8. PROFIT/ (LOSS) BEFORE TAX

The profit/(loss) before tax is arrived at after charging:

	2013 KShs'000	2012 KShs'000
Staff costs (Note 6 a)	1,282,564	1,118,859
Depreciation on property, plant and equipment (Note 12)	965,644	926,138
Amortisation of prepaid operating leases (Note 13)	90,204	84,774
Amortisation of intangible assets (Note 15)	12,463	60,526
Directors' emoluments (Note 6):		
Fees	1,600	1,600
Other emoluments	115,571	99,063
Auditors' remuneration (Note 6)	5,780	5,780

9. TAX

(i) Tax charge

	2013 KShs'000	2012 KShs'000
Current tax based on adjusted profit for the year at 30%	836,848	295,730
Deferred tax credit recognized in profit or loss (Note 17 (ii))		
Current deferred tax credit	(64,608)	(157,889)
	772,240	**137,841**

9. TAX (continued)

	2013 KShs'000	2012 KShs'000
(ii) Reconciliation of tax charge to expected tax based on accounting profit/ (loss)		
Accounting profit/(loss) before tax	2,084,517	(64,301)
Tax at the applicable rate of 30%	625,355	(19,290)
Tax effect of expenses not deductible for tax	146,885	157,131
Tax charge	**772,240**	**137,841**
(iii) Tax payable		
Balance at 1 January	(132,829)	125,489
Charge to profit or loss	(836,848)	(295,730)
Payments during the year	459,283	37,412
Balance at 31 December	**(510,394)**	**(132,829)**

10. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/ (loss) per share is calculated by dividing the profit/ (loss) after tax attributable to shareholders by the weighted average number of ordinary and redeemable preference shares in issue during the year, as shown below:

	2013 KShs'000	2012 KShs'000
Profit/ (loss) after tax	1,312,277	(202,142)
Basic earnings/ (loss) per share Weighted average number of ordinary and redeemable preference shares used in the calculation of basic earnings/ (loss) per share (in thousands of shares)	629,542	629,542
Basic and diluted earnings/(loss) per share (KShs)	**2.08**	**(0.32)**

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

11. DIVIDENDS

	2013 KShs'000	2012 KShs'000
a) Unclaimed dividends The movement in unclaimed dividend is as follows:		
At 1 January	5,723	5,852
Final dividend declared	125,893	-
Dividend paid	(126,661)	(129)
Balance at 31 December	**4,955**	**5,723**

11. DIVIDENDS (continued)

	2013 KShs'000	2012 KShs'000
b) 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):	377,725	125,893
Dividends per share on declared/proposed dividends for the year (based on number of shares per Note 22)	KShs 0.60	KShs 0.20

In respect of the current year, the Directors propose that a final dividend of KShs 0.60 (2012-KShs 0.20) per share equivalent to a total sum of KShs 377,725,000 (2012: KShs 125,893,000) 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 company, withholding tax is only deductible where the shareholding is below 12.5%.

12. PROPERTY, PLANT AND EQUIPMENT

(i) Year ended 31 December 2013

	Land and buildings	Plant, property and office equipment	Furniture, fittings and equipment	Capital work in Progress	Total KShs'000
COST					
At 1 January 2013	3,467,898	10,840,187	724,021	204,571	15,236,677
Additions	226,638	750,827	58,024	142,621	1,178,110
Transfers	40,678	86,425	(5,648)	(121,455)	-
Disposals	(7,843)	(88,911)	(23,046)	-	(119,800)
At 31 December 2013	**3,727,371**	**11,588,528**	**753,351**	**225,737**	**16,294,987**
DEPRECIATION					
At 1 January 2013	1,235,993	5,215,067	617,579	-	7,068,639
Charge for the year	169,060	747,110	49,474	-	965,644
Disposals	(5,996)	(71,449)	(20,837)	-	(98,282)
At 31 December 2013	**1,399,057**	**5,890,728**	**646,216**	**-**	**7,936,001**
NET CARRYING AMOUNT					
At 31 December 2013	**2,328,314**	**5,697,800**	**107,135**	**225,737**	**8,358,986**
(ii) Year ended 31 December 2012					
At 1 January 2012	3,466,635	10,491,052	672,394	282,107	14,912,188
Additions	41,306	449,057	53,279	138,402	682,044
Transfers	-	199,448	13,332	(212,780)	-
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					
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**

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 capitalised during the year ended 31 December 2013 (2012: Nil).

Based on an impairment review performed by the directors as at 31 December 2013 no indications of impairment of property, plant and equipment were identified (2012: none).

Commitments to acquire property, plant and equipment as at year end are included in note 28 (c).

13. PREPAID OPERATING LEASES

	2013 KShs'000	2012 KShs'000
COST		
At 1 January	1,258,684	1,177,810
Additions	123,260	80,874
At 31 December	**1,381,944**	**1,258,684**
AMORTISATION		
At 1 January	577,958	493,184
Amortisation for the year	90,204	84,774
At 31 December	**668,162**	**577,958**
NET CARRYING AMOUNT		
At 31 December	**713,782**	**680,726**

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.

14. GOODWILL

	2013 KShs'000	2012 KShs'000
COST		
Balance at beginning and end of year	528,879	528,879
Accumulated impairment losses		
Balance at beginning and end of year	(112,200)	(112,200)
Net carrying amount	**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**

14. GOODWILL (Continued)

a) Goodwill arising from acquisition of Elf Oil Kenya Limited (continued)
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 2013, no impairment loss was assessed (2012: nil).

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

	2013 KShs'000	**2012 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 (2012:11% per annum). Cash flows beyond that ten-year period have been extrapolated using a steady 3% (2012: 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.

14. GOODWILL (Continued)

a) Goodwill arising from acquisition of Total Marketing Kenya Limited (continued)
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 2013, no impairment loss was assessed (2012: nil).

The two subsidiary companies, Elf Oil Kenya Limited and Total Marketing Kenya Limited are dormant and no longer operational having transferred their assets and liabilities to Total Kenya Limited.

15. INTANGIBLE ASSETS

	2013 KShs'000	2012 KShs'000
COST		
At 1 January	384,545	383,503
Additions	38,607	1,042
At 31 December	**423,152**	**384,545**
AMORTISATION		
At 1 January	322,687	262,161
Charge for the year	12,463	60,526
At 31 December	**335,150**	**322,687**
NET CARRYING AMOUNT		
At 31 December	**88,002**	**61,858**

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

16. OTHER ASSETS

	2013 KShs'000	2012 KShs'000
At 1 January	-	70,417
Expensed during the year	-	(70,417)
At 31 December	-	-
Maturity analysis:		
Current	-	-
Non current	-	-
At 31 December	-	-

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 as at 1 January 2012 was fully amortised after the full reimbursement of the medium term loan in 2012.

17. DEFERRED TAX ASSET

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

	2013 KShs'000	2012 KShs'000
Accelerated depreciation	237,185	200,004
Unrealised exchange gain	(526,238)	(484,164)
Unrealised exchange loss	454,238	420,028
Leave provision	15,063	14,441
Provision for retirement benefits	22,510	18,117
Bonus provision	4,298	4,712
Stock obsolescence provision	21,816	21,233
Legal costs provision	140,580	110,473
Net deferred tax asset	**369,452**	**304,844**

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

	2013 KShs'000	2012 KShs'000
At 1 January	304,844	146,955
Deferred tax credit recognized in profit or loss (Note 9 (i))		
Current deferred tax credit	64,608	157,889
At 31 December	**369,452**	**304,844**

Deferred tax is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2012 - 30%).

18. INVENTORIES

	2013 KShs'000	2012 KShs'000
Refined products	12,962,795	11,551,762
Raw material and crude oil	1,575,340	2,040,240
Consumables and accessories	487,799	273,844
Provision for obsolete and defective stocks	(72,720)	(70,904)
	14,953,214	**13,794,942**

19. TRADE AND OTHER RECEIVABLES

	2013 KShs'000	2012 KShs'000
Trade receivables	7,567,958	6,260,835
Allowance for doubtful debts	(465,510)	(469,288)
	7,102,448	**5,791,547**
Recoverable taxes	758,833	925,492
Other receivables and prepayments	267,711	144,126
	8,128,992	**6,861,165**

19. TRADE AND OTHER RECEIVABLES (Continued)

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 to 90 days.

Other receivables and prepayments relate to amounts advanced to and recoverable from staff and deposits with suppliers of the fuel products. Other receivables are non-interest bearing and are generally on terms of 60- 90 days.

As at 31 December 2013, trade receivables of an initial value of KShs 465,510,000 (2012: KShs 469,288,000) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

	2013 KShs'000	2012 KShs'000
At beginning of year	(469,288)	(465,627)
Increase in doubtful debt provision in the year (Note 6)	(81,467)	(26,544)
Doubtful debts write back (Note 5)	85,245	22,883
At end of year	**(465,510)**	**(469,288)**

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

	2013 KShs'000	2012 KShs'000
Air Total International	1,028,256	1,206,360
NETCO Management Limited	190,350	79,992
Total Uganda Limited	513,402	818,172
Total Malawi	(417)	33,173
Total RDC S.A.R.L	187,683	5,944
Total Tanzania Limited	10,449	7,555
Other related companies	13,162	403
	1,942,885	**2,151,599**

(ii) Amounts due to related companies

	2013 KShs'000	2012 KShs'000
Total Uganda Limited	1,021	241,880
Total Marketing Services	25,741	32,298
Air Total International	1,726	18,011
Total Middle East	3,334	5,835
	31,822	**298,024**

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	2013 KShs'000	2012 KShs'000
(iii) Amounts due to holding company		
Total Outre-Mer	**12,612,844**	**7,023,485**
(iv) Cash deposits with and financial overdraft from related party		
Cash deposits with related party (Note 27 (ii))	4,096,913	-
Financial overdraft from related party (Note 26)	-	(2,597,644)
	4,096,913	**(2,597,644)**

Cash deposits with related party relates amounts held in accounts with the Total SA Treasury department on terms similar to those offered by unrelated financial institutions. Additional disclosures for the cash deposits with the related party are in Note 27 (ii).

Financial overdraft from related party relates to an overdraft from Total SA Treasury department. Additional disclosures for the financial overdraft are in Note 26).

(v) Transactions with related companies
During the year, the company made purchases amounting to KShs 63,143 million (2012 – KShs 35,834 million) from the holding company and other companies related to it by virtue of common shareholding. The company also earned revenue of KShs 5,645 million (2012- KShs 5,150 million) from related companies.

The company purchased plant and equipment amounting to KShs 270 million (2012- KShs 180 million) from the holding company and other companies related to it by virtue of common shareholding. The company also has general agreement with the holding company for which it paid technical fees for the year amounting to KShs 303 million (2012- KShs 291 million) as disclosed on Note 6

(vi) Key management compensation
The remuneration of directors and other members of key management were as follows:

	2013 KShs'000	2012 KShs'000
Salaries and other short-term employment benefits	209,473	190,097
Post-employment benefits	6,528	6,114
	216,001	**196,211**
(vii) Directors' remuneration		
Fees for services as a Director	**1,600**	**1,600**
Other emoluments		
Salaries and other short-term employment benefits	113,169	96,921
Post-employment benefits	2,402	2,142
	115,571	**99,063**
	117,171	**100,663**

Terms and conditions of transactions 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. For the year ended 31 December 2013, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2012: 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. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2013 KShs'000	2012 KShs'000
Property, plant and equipment	30,062	38,262
Prepaid operating leases	2,606	3,317
	32,668	41,579

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 2013 as the expected proceeds on disposal exceed the net carrying amounts of the assets.

22. SHARE CAPITAL

	2013 KShs'000	2012 KShs'000
Authorised ordinary shares 181,163,000 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	5,200,000
Issued ordinary share capital	875,324	875,324
Issued redeemable preference share capital	9,099,447	9,099,447
	9,974,771	**9,974,771**
Issued capital comprises:		
175,064,706 fully paid ordinary shares of KShs 5 each	875,324	875,324
123,478,388 fully paid redeemable preference shares KShs 31.58 each	3,899,447	3,899,447
330,999,364 fully paid redeemable preference shares KShs 15.71 each	5,200,000	5,200,000
	9,974,771	**9,974,771**

22. SHARE CAPITAL (Continued)

	2013		2012	
Fully paid ordinary and preference shares	**Number of Shares '000**	**Share Capital KShs'000**	**Number of Shares '000**	**Share Capital KShs'000**
At 1 January				
Ordinary shares	175,065	875,324	175,065	875,324
Redeemable preference shares	454,477	9,099,447	123,478	3,899,447
	629,542	**9,974,771**	**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**	**629,542**	**9,974,771**

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 have issue prices of KShs 31.58 and KShs 15.71, 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

	2013 KShs'000	2012 KShs'000
At 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.
The share premium is the excess of the cash received for ordinary shares above the par value of KShs 5.

24. MEDIUM TERM BORROWINGS

	2013 KShs'000	2012 KShs'000
Secured - at amortised cost		
At beginning of the year	-	3,276,000
Repayments during the year	-	(3,276,000)
At end of the year	-	-

The medium term facility was made available to finance a portion of the consideration for the purchase of Total Marketing Kenya Limited. This loan was repaid in full during the previous year.

25. TRADE AND OTHER PAYABLES

	2013 KShs'000	2012 KShs'000
Trade payables	7,345,915	5,561,613
Other payables and accruals	1,604,545	1,605,600
Total payables	**8,950,460**	**7,167,213**
Non-current	1,117,028	854,765
Current	7,833,432	6,312,448
	8,950,460	**7,167,213**

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

	2013 KShs'000	2012 KShs'000
Financial overdraft – from a related party	-	2,597,644
Bank overdraft – from local banks	2,494,630	363,010
	2,494,630	**2,960,654**
Short term loan from local banks	-	1,200,000
	2,494,630	**4,160,654**

Financial overdraft - from a related party
In 2012, the company received an overdraft from a related party, Total Treasury whose interest is pegged to the 3 month 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. The short term loan as at 31 December 2012 was an import financing facility that is payable in demand. No collateral is held for this facility.

Analysis by currency

	2013 KShs'000	2012 KShs'000
In USD	-	2,597,665
In Euro	-	157,053
In KShs	2,494,630	1,405,936
	2,494,630	4,160,654

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Notes	2013 KShs'000	2012 KShs'000
Profit/(loss) before tax		**2,084,517**	**(64,301)**
Adjustments for:			
Finance income	7(a)	(7,153)	(48,509)
Finance costs	7(b)	278,695	1,554,715
Depreciation on property, plant and equipment	12	965,644	926,138
Amortisation		111,578	155,141
(Gain)/loss on disposal of property, plant and equipment		(5,783)	23,934
Operating profit before working capital changes		**3,427,498**	**2,547,118**
Increase in inventories		(1,158,272)	(1,755,928)
(Increase)/decrease in trade and other receivables		(1,267,827)	2,545,709
Increase / (decrease) in trade and other payables		1,783,247	(154,448)
Increase in amounts due to holding company		5,589,359	3,411,378
(Increase)/decrease in balances with related companies		(57,488)	74,149
Decrease in other assets	16	-	70,417
Cash generated from operations		**8,316,517**	**6,738,395**

(ii) Analysis of cash and cash equivalents

	Notes	2013 KShs'000	2012 KShs'000
Cash and cash equivalents			
Cash and bank balances		882,592	499,174
Cash deposits with related party	20 (iv)	4,096,913	-
		4,979,505	**499,174**
Bank overdrafts	26	(2,494,630)	(2,960,654)
Short term loans	26	-	(1,200,000)
		2,484,875	**(3,661,480)**

Cash and cash equivalents

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

Cash and bank balances are generally non-interest bearing.

28. COMMITMENTS AND CONTINGENCIES

(a) Contingent Liabilities

	2013 KShs'000	2012 KShs'000
Total commitments given	1,939,224	2,729,034
Total commitments received	1,591,323	1,537,109

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.

(b) Contingent liability relating to parent company

An amount of KShs 209 million (USD 2,427,388) exists as at 31 December 2013 (2012: KShs 208 million (USD 2,427,388) for an unsettled invoice to the parent company, Total Outre-mer, and has not been provided for in the Total Kenya Limited's books as the goods were not received by Total Kenya Limited. Management is keenly following up on the matter and is of the view that the ultimate resolution of this matter will not have any impact on the company's financial position or liquidity.

(c) Capital commitments

	2013 KShs'000	2012 KShs'000
Authorised and contracted for	471,182	549,333
Authorised but not contracted for	1,312,272	1,218,356

29 OPERATING LEASE COMMITMENTS

	2013 KShs'000	2012 KShs'000
Maturing within one year	41,125	28,269
Maturing over one year to five years	251,904	2,749
Total operating lease commitments	**293,029**	**31,018**

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

30. RETIREMENT BENEFIT PLANS

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

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 902,400 (2012 – KShs 884,800).

The total expense recognised in the profit/loss for the year of KShs 96 million (2012: KShs 84 million) represents contributions payable to the plans by the company at rates specified in the rules of the plans.

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 2012.

The capital structure of the company consists of debt, which includes borrowings disclosed in notes 25, and 26 respectively, less bank and cash balances and equity attributable to equity holders, comprising issued capital, 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	2013 KShs'000	2012 KShs'000
Short term borrowings	26	2,494,630	4,160,654
Bank and cash balances	27 (ii)	(4,979,505)	(499,174)
Net borrowings		(2,484,875)	3,661,480
Equity*		15,379,060	14,192,676
Net debt to equity ratio		-	26%

**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.

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.

32. FINANCIAL RISK MANAGEMENT (Continued)

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 risk

The company purchases its products mainly in US Dollars and mainly buys US Dollars via spot deals as opposed to forward deals.

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'000
31 December 2013			
Assets			
Trade and other receivables	68,792	3,315,403	3,384,195
Bank balances	82,908	4,561,124	4,644,032
Total assets	**151,700**	**7,876,527**	**8,028,227**
Liabilities			
Bank overdrafts and short term loans	-	-	-
Trade and other payables	(290,959)	(11,740,743)	(12,031,702)
Total liabilities	**(290,959)**	**(11,740,743)**	**(12,031,702)**
Net exposure position	**(139,259)**	**(3,864,216)**	**(4,003,475)**
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)	(2,597,665)	(2,754,718)
Trade and other payables	(386,125)	(7,088,495)	(7,474,620)
Total liabilities	**(543,178)**	**(9,686,160)**	**(10,229,338)**
Net exposure position	**(540,340)**	**(5,538,082)**	**(6,078,422)**

32. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk (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 bank balances, and payables at the year-end. The Euro impact is mainly attributable to the exposure on outstanding Euro 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	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
USD impact	386,421	557,924	270,495	390,546
Euro impact	13,926	54,034	9,748	37,824

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

	2013 KShs'000	2012 KShs'000
Short term borrowings (Note 26)	2,494,630	4,160,654

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the company's profit before tax for the year ended 31 December 2013 would decrease/increase by KShs 12.5 million (2012: by KShs 20.8 million) and the company's equity would decrease/increase by KShs 8.7 million (2012: by KShs 14.6 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. 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 customers' ability to service the credit advanced to them and, where appropriate, credit guarantee is requested.

32. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management (Continued)

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 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 2013 and 31 December 2012 is analysed in the table below:

31 December 2013	Fully Performing KShs'000	Past due KShs'000	Impaired amount KShs'000	Total KShs'000
Amounts due from related companies	1,942,885	-	-	1,942,885
Trade receivables				
Network	384,437	72,821	91,971	549,229
Non-Network	4,399,908	2,245,282	373,539	7,018,729
	4,784,345	2,318,103	465,510	7,567,958
Other receivables	267,711	-	-	267,711
Bank balances	4,979,505	-	-	4,979,505
31 December 2012				
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

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.

Collateral held on trade receivables

The company holds collateral against credit advanced to customers in the form of cash deposits and bank guarantees. Estimates of fair value are based on the value of collateral assessed at the time of advancing the credit and generally are not updated except when a receivable is individually assessed as impaired.

Collateral is usually not held against bank balances and amounts due from related parties, and no such collateral was held at 31 December 2013 or 2012.

Management assessed that the fair value of the collaterals – cash deposits and bank guarantees approximate their carrying amounts largely due to the short-term maturities of these instruments.

32. FINANCIAL RISK MANAGEMENT (Continued)

Collateral held on trade receivables (Continued)
An estimate of the fair value of collateral held against financial assets is shown below:

Fair value of collateral held against loans and advances to customers as at 31 December 2013 was

	KShs '000
Cash deposit collateral	
Network	229,421
Non-Network	213,599
Bank guarantees collateral	
Network	216,850
Non-Network	1,358,048
Total	**2,017,918**

There is no collateral held against cash and cash equivalents.

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

Financing facilities

	2013 KShs'000	2012 KShs'000
Unsecured bank loans and overdraft, payable at call and reviewed annually		
Amount used	2,494,630	1,563,010
Amount unused	**23,134,083**	**21,468,059**

The table below shows the breakdown of amounts used with 6 main banks at the end of the reporting period.

Bank	**2013 KShs'000**	**2012 KShs'000**
Standard Chartered Bank Kenya Limited	-	1,200,000
The Co-operative Bank of Kenya Limited	-	6,560
Barclays Bank of Kenya Limited	362,304	-
Citibank NA	2,132,326	347,765
Commercial Bank of Africa Limited	-	-
Bank of Africa Kenya Limited	-	8,685
Total	**2,494,630**	**1,563,010**

32. FINANCIAL RISK MANAGEMENT (Continued)

Collateral held on trade receivables (Continued)

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 2013	Up to 1 month KShs'000	1-3 months KShs'000	4-12 months KShs'000	> 1 year KShs'000	Total KShs'000
Bank overdrafts	2,494,630	-	-	-	2,494,630
Trade payables	7,345,915	-	-	-	7,345,915
Financial guarantees given	-	-	1,939,224	-	1,939,224
Total financial liabilities	**9,840,545**	**-**	**1,939,224**	**-**	**11,779,769**
At 31 December 2012					
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**

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

There are no 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,	2013 KShs'Million'	2012 KShs'Million'	2011 KShs'Million'	2010 KShs'Million'	2009 KShs'Million'
ASSETS					
Non-current assets					
Property, plant, equipment and leases	9,072.8	8,848.6	9,135.6	9,574.3	3,999.9
Goodwill	416.7	416.7	416.7	416.7	6,396.7
Intangible assets	88.0	61.9	160.0	138.1	227.5
Deferred tax assets	369.4	304.9	147.0	132.0	113.4
Total non-curent assets	**9,946.9**	**9,632.1**	**9,859.3**	**10,261.1**	**10,737.5**
Current assets					
Inventories	14,953.2	13,795.0	12,039.0	9,516.9	7,876.5
Other current assets	10,071.9	9,012.8	11,578.4	9,580.6	12,404.5
Cash and cash equivalent	4,979.5	499.1	1,670.1	874.7	509.7
	30,004.6	**23,306.9**	**25,287.5**	**19,972.2**	**20,790.7**
Assets classified as held for sale	32.7	41.6	51.4	142.3	-
TOTAL ASSETS	**39,984.2**	**32,980.6**	**35,198.2**	**30,375.6**	**31,528.2**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	9,974.8	9,974.8	4,774.7	4,774.7	4,774.7
Share premium	1,967.5	1,967.5	1,967.5	1,967.5	1,967.5
Revenue reserves	3,436.8	2,250.4	2,452.6	2,837.5	2,219.9
Total capital and reserves	**15,379.1**	**14,192.7**	**9,194.8**	**9,579.7**	**8,962.1**
Non current liabilities					
Medium term loan	-	-	2,574.0	3,276.0	3,978.0
Other payables	1,117.0	854.8	446.5	428.9	-
Total Non current liabilities	**1,117.0**	**854.5**	**3,020.6**	**3,704.9**	**3,978.0**
Current liabilities					
Trade and other payables	20,993.4	13,772.5	10,579.7	10,491.7	8,703.5
Short term borrowings	2,494.6	4,160.6	11,701.2	5,897.3	9,182.6
Medium term loan		-	702.0	702.0	702.0
Total current liabilities	**23,488.1**	**17,933.1**	**22,982.9**	**17,091.0**	**18,588.1**
TOTAL EQUITY AND LIABILITIES	**39,984.2**	**32,980.6**	**35,198.2**	**30,375.6**	**31,528.2**

FIVE-YEAR SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31,	2013 KShs'Million'	2012 KShs'Million'	2011 KShs'Million'	2010 KShs'Million'	2009 KShs'Million'
Gross sales	154,626.1	119,789.0	105,590.4	79,206.6	41,311.5
Indirect taxes and duties	(12,908.1)	(12,338.5)	(13,055.3)	(14,844.8)	(8,634.4)
Net sales	**141,718.0**	**107,450.5**	**92,535.1**	**64,361.8**	**32,677.1**
Cost of sales	(135,371.0	(101,577.0)	(87,860.7)	(59,044.5	(29,868.1)
Gross profit	**6,347.0**	**5,873.5**	**4,674.4**	**5,317.3**	**2,809.0**
Expenses and other income	(3,991.0)	(4,431.6)	(3,024.7)	(2,975.3)	(1,549.1)
Interest charges, net	(271.5)	(1,506.2)	(1,591.8)	(953.6)	(526.3)
Profit/(loss) before taxation	2,084.5	(64.3)	57.9	1,388.4	733.6
Taxation	(772.2)	(137.8)	(129.3)	(472.2)	(251.1)
Profit/(loss) for the year	**1,312.3**	**(202.1)**	**(71.4)**	**916.2**	**482.5**

PROXY FORM

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

I/WE ....

OF ....

Being a member(s) 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 Friday, 13 June 2014 and at any adjournment thereof.

As witness our/my hand this .... day of 2014

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.

NOTES

see you at

www.total.co.ke

TOTAL

Marketing & Services
Total Kenya Limited
Regal Plaza, Limuru Road,
P.O. Box 30736, 00100 Nairobi.
Tel: (+254-20) 289 7000
Fax: (+254-20) 266 1767

@totalkenya Total Kenya