TOTAL
COMMITTED TO BETTER ENERGY

TOTAL KENYA LIMITED
Annual Report & Financial Statements 2015

CONTENTS

NOTICE OF THE ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

NOTICE is hereby given that the 62nd Annual General Meeting of the Company will be held at Safari Park Hotel, The Jambo Ball Room, Thika Road, Nairobi on Friday, 10 June 2016 at 10.00 a.m. to transact the following business:-

AGENDA

ORDINARY BUSINESS

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

2. To confirm the minutes of the 61st Annual General Meeting held on 12 June 2015.

3. To receive, consider and adopt the Financial Statements for the year ended 31 December 2015 together with the Chairman's Statement and the reports of the Directors and the Auditor's reports thereon.

4. To declare a first and final dividend of Kshs 0.77 (2014; Kshs 0.70) per share in respect of the financial year ended 31 December 2015 payable to the holders of Ordinary Shares and Redeemable Preference Shares on record at the close of Business on 10 June 2016.

5. To approve the Directors' fees for the financial year ended 31 December 2015.

6. To note that Messrs Ernst & Young LLP continue in office as Auditors of the Company in accordance with the provisions of Section 159 (2) of the Kenyan Companies Act (Cap 486) and to authorise the Directors to fix their remuneration for the ensuing financial year.

7. To discuss Any Other Business of which due notice has been given.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

Date: 16 May 2016

Note

1. In accordance with Section 298 of the Companies Act, 2015, a member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, to speak and to vote on his or her behalf. A proxy need not be a member of the Company.

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

   To be valid, a Form of Proxy must be duly completed by the member and must either be lodged with the Company Secretary, P O Box 73248 - 00200 Nairobi email: jmaonga@maongandonye.com or the Shares Registrars on the above address so as to be received by not later than 10.00 a.m. on 8 June 2016, 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.

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS, HEAD OFFICE AND REGISTERED OFFICE
Regal Plaza, Limuru Road
P. O. Box 30736–00100
Nairobi, Kenya

DIRECTORS

Jean-Christian Bergeron*	(Non-executive)	Chairman – Appointed on 15 September 2015
Jonathan Molapo**	(Non-executive)	Chairman - Resigned on 15 September 2015
Anne-Solange Renouard*	(Executive)	Managing Director – Appointed on 1 November 2015 (Alternate to Jean-Christian Bergeron as Chairman)
Ada Eze***	(Executive)	Managing Director - Resigned on 1 November 2015
Alice Mayaka	(Non-executive)	
Aurore Delarue*	(Non-executive)	
Momar Nguer*	(Non-executive)	
Premanand Dhoomon****	(Executive)	Finance Director – Appointed on 1 November 2015 (Alternate to Anne-Solange Renouard)
Patrick Waechter*	(Executive)	Finance Director – Resigned on 11 June 2015
Maurice K'Anjejo	(Executive)	(Alternate to Momar Nguer and Aurore Delarue)

* French | ** South African | *** Nigerian | **** Mauritian

ADVOCATES

Njoroge Regeru and Company
Arboretum Drive, Milimani
P.O. Box 46856-00100
Nairobi, Kenya

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

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

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

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

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

Waruhiu Kowade & Ng'ang'a Advocates
Taj Towers, 4th Floor, Wing B
Upperhill Road
P.O. Box 47122-00100
Nairobi, Kenya

Kiarie Kariuki & Associates Advocates
Bemuda Plaza, 2nd Floor
Ngong Road
P.O. Box 13808-00100
Nairobi, Kenya

Bowyer Mahihu & Co Advocates
Hokmah House
Kirichwa Lane
P.O. Box 4317-00200
Nairobi, Kenya

Kibuchi & Co. Advocates
Finance House, 14th Floor
Loita Street
P.O. Box 28647-00200
Nairobi, Kenya

Muriu Mungai & Co. Advocates
MMC Arches, Ground Floor
Spring Valley Crescent
P.O. Box 75362-00200
Nairobi, Kenya

Mwaniki Gitau & Co. Advocates
Town House, 8th Floor
Kaunda Street
P.O. Box 15816-00100
Nairobi, Kenya

SECRETARY

J L G Maonga
Certified Public Secretary (Kenya)
Jadala Place, 3rd Floor
P.O. Box 73248-00200
Nairobi, Kenya

REGISTRARS

Comprite Kenya Limited
Crescent Business Centre, 2nd Floor
P.O. Box 63428-00619
Nairobi, Kenya

PRINCIPAL BANKERS

Citibank NA
Citibank House, Upper Hill Road
P.O. Box 30711-00100
Nairobi, Kenya

Standard Chartered Bank Kenya Limited
Chiromo, 48 Westlands Road
Nairobi, Kenya

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

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

CfC Stanbic Bank Limited
CfC Stanbic Center, Chiromo Road
P. O. Box 30550-00100
Nairobi, Kenya

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

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

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

AUDITORS

Ernst & Young LLP
Kenya Re Towers, Off Ragati Road
P. O. Box 44286 - 00100
Nairobi, Kenya

REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2015, which show the state of the affairs of Total Kenya Limited ("the company").

1. PRINCIPAL ACTIVITY

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

2. FINANCIAL RESULTS

The results for the year are as follows:

	2015 KShs '000	2014 KShs '000
Profit before tax	2,618,696	2,276,005
Tax charge	(1,003,693)	(851,917)
Profit for the year	1,615,003	1,424,088

3. DIVIDENDS

Subject to the approval of the shareholders at the Annual General meeting, the directors recommend payment of a first and final dividend of KShs 0.77 (2014: KShs 0.70) per ordinary share equivalent to a total sum of KShs 485 million (2014: KShs 441 million).

4. DIRECTORS

The directors who served during the year and to the date of this report are set out on page 2.

5. AUDITORS

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

By Order of the Board

Secretary

30 March 2016

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 the financial 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.

Director

Director

30 March 2016

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	3,013,701	0.48
4	BENJAMIN, EMMETT JOSEPH	2,368,700	0.38
5	SHAH, RAJESH DHARAMSHI	1,728,386	0.27
6	BID PLANTATIONS LTD	1,252,100	0.20
7	THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED	566,736	0.09
8	CANNON ASSURANCE (KENYA) LIMITED	544,300	0.09
9	STANDARD CHARTERED NOMINEES NON RESD A/C 9306	499,600	0.08
10	RAHIM, AHMED MIAN ABDUR	459,960	0.07
		601,971,255	95.53

SHARE DISTRIBUTION SCHEDULE

i) BY NUMBER OF SHARE RANGE

Range	No. of Members	Total No. of Shares	Percentage
1 - 500	2,345	519,779	0.0826
501 - 1,000	946	818,922	0.1301
1,001 - 5,000	1,496	3,872,440	0.6151
5,001 - 10,000	392	2,929,563	0.4653
10,001 - 50,000	350	7,288,884	1.1578
50,001 - 100,000	63	4,546,869	0.7222
100,001 - 500,000	40	8,554,306	1.3588
500,001 - 1,000,000	2	1,111,036	0.1765
1,000,001 - 999,999,999,999	6	599,900,659	95.2915
	5,567	629,542,458	100.00

ii) BY CATEGORY OF SHAREHOLDER

No. of Members	Group	Total Quantity	Percentage
82	FOREIGN INVESTORS	593,006,065	94.196
5,156	**E.A.P.S. INDIVIDUALS	29,574,281	4.698
402	**E.A.P.S INSTITUTIONS	6,962,112	1.106
5,640	TOTALS	629,542,458	100.000

**East Africa Partner States

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF TOTAL KENYA LIMITED

Building a better working world

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Total Kenya Limited set out on pages 7 to 43, which comprise the statement of financial position as at 31 December 2015, 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 the notes, comprising a summary of significant accounting policies and other explanatory information.

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 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

iii) the company's statement of financial position and statement of profit or loss and other 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.1485.

Nairobi, Kenya

Wednesday, 30 March 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 KShs'000	2014 KShs'000
Gross sales		138,027,279	170,725,560
Indirect taxes and duties		(17,773,285)	(15,623,868)
Net sales	**3**	**120,253,994**	**155,101,692**
Cost of sales	4	(113,263,567)	(148,351,545)
Gross profit		**6,990,427**	**6,750,147**
Other income	5	766,065	487,693
Operating expenses	6	(4,905,099)	(4,548,854)
Finance income	7 (a)	127,073	8,541
Finance costs	7 (b)	(39,428)	(272,336)
Net foreign exchange loss	7 (c)	(320,342)	(149,186)
Profit before tax	**8**	**2,618,696**	**2,276,005**
Tax charge	9	(1,003,693)	(851,917)
Profit for the year		**1,615,003**	**1,424,088**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**1,615,003**	**1,424,088**
Earnings per share (basic and diluted) (KShs)	10	2.57	2.26

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 KShs'000	2014 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	8,942,783	8,619,679
Prepaid operating leases	13	824,398	708,176
Goodwill	14	416,679	416,679
Intangible assets	15	87,498	94,006
Deferred tax asset	16	495,486	463,123
		10,766,844	**10,301,663**
CURRENT ASSETS			
Inventories	17	10,017,977	11,159,064
Tax recoverable	9 (iii)	16,946	-
Trade and other receivables	18	9,418,304	8,608,970
Amounts due from related companies	19 (i)	1,365,040	1,943,569
Cash and cash equivalents	25 (ii)	2,615,560	498,965
		23,433,827	**22,210,568**
Non-current assets classified as held for sale	20	24,364	29,569
		23,458,191	**22,240,137**
TOTAL ASSETS		**34,225,035**	**32,541,800**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	9,974,771	9,974,771
Share premium	22	1,967,520	1,967,520
Retained earnings		5,657,455	4,483,132
		17,599,746	**16,425,423**
NON-CURRENT LIABILITIES			
Trade and other payables	23	1,244,627	1,192,167
CURRENT LIABILITIES			
Unclaimed dividends	11	6,748	6,748
Tax payable	9 (iii)	-	32,416
Trade and other payables	23	8,245,608	7,332,924
Amounts due to holding company	19 (iii)	2,979,970	194,100
Amounts due to related companies	19 (ii)	79,326	17,604
Short term borrowings	24	4,069,010	7,340,418
		15,380,662	**14,924,210**
TOTAL EQUITY AND LIABILITIES		**34,225,035**	**32,541,800**

The financial statements were approved and authorised for issue by the board of Directors on 30 March 2016 and were signed on its behalf by:

Director

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Total equity KShs'000
As at 1 January 2014	9,974,771	1,967,520	3,436,769	15,379,060
Dividends declared – 2013 (Note 11)	-	-	(377,725)	(377,725)
Profit for the year	-	-	1,424,088	1,424,088
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**1,424,088**	**1,424,088**
As at 31 December 2014	**9,974,771**	**1,967,520**	**4,483,132**	**16,425,423**
As at 1 January 2015	9,974,771	1,967,520	4,483,132	16,425,423
Dividends declared – 2014 (Note 11)	-	-	(440,680)	(440,680)
Profit for the year	-	-	1,615,003	1,615,003
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,615,003	1,615,003
As at 31 December 2015	**9,974,771**	**1,967,520**	**5,657,455**	**17,599,746**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 KShs'000	2014 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from /(used in) operations	25 (i)	8,912,909	(5,659,873)
Tax paid	9 (iii)	(1,085,418)	(1,423,566)
Net cash generated from /(used in) operating activities		**7,827,491**	**(7,083,439)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(1,496,485)	(1,314,189)
Purchase of prepaid operating leases	13	(248,078)	(111,736)
Purchase of intangible assets	15	(14,675)	(20,744)
Interest income on bank deposits	7 (a)	127,073	8,541
Proceeds on disposal of property, plant and equipment		15,979	24,531
Proceeds on disposal of assets held for sale		230,556	9,785
Net cash used in investing activities		**(1,385,630)**	**(1,403,812)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest expense on borrowings	7 (b)	(39,428)	(272,336)
Dividends paid	11	(440,680)	(375,932)
Net cash used in financing activities		**(480,108)**	**(648,268)**
Net increase/(decrease) in cash and cash equivalents		5,961,753	(9,135,519)
Effect of exchange rate changes on cash and cash equivalents		(573,750)	(190,809)
Cash and cash equivalents as at 1 January		(6,841,453)	2,484,875
Cash and cash equivalents as at 31 December	**25 (ii)**	**(1,453,450)**	**(6,841,453)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 in note 2 below on 'significant accounting judgments and key sources of estimation uncertainty' highlights the areas that involve a higher level of judgement, or where the estimates or assumptions used are significant to the financial statements.

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

b) New and amended standards, interpretations and improvements

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. These new standards did not have a material impact on the annual financial statements of the company. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. A list of the standards and amendments is below:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements 2010-2012 Cycle
  - IFRS 2: Share-based Payment
  - IFRS 3: Business Combinations
  - IFRS 8: Operating Segments
  - IAS 16: Property, Plant and Equipment and IAS 38 Intangible Assets
  - IAS 24: Related Party Disclosures
- Annual Improvements 2011-2013 Cycle
  - IFRS 3: Business Combinations
  - IFRS 13: Fair Value Measurement
  - IAS 40: Investment Property

The nature and the impact of the relevant new standard or amendment on the company is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the company, since it does not have a defined benefit plan.

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014.

They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments did not impact the company's financial statements or accounting policies since the company does not have such transactions. This improvement has a grant date on or after 1 July 2014.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the company's current accounting policy and, thus, this amendment did not impact the company's accounting policy. This improvement is effective for accounting periods beginning on or after 1 July 2014.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

These amendments are not applicable to the company since the entity is a single reportable segment. This improvement is effective for accounting periods beginning on or after 1 July 2014.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Annual Improvements 2010-2012 Cycle (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the company as the company carries its property, plant and equipment at cost and does not have revalued assets. This improvement is effective for accounting periods beginning on or after 1 July 2014.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the company as it neither provides management services to other entities, nor receives any management services from other entities. This improvement is effective for accounting periods beginning on or after 1 July 2014.

Annual Improvements 2011-2013 Cycle

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The company is not a joint arrangement, and thus this amendment is not relevant for the company. These improvements are effective from 1 July 2014.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The company does not apply the portfolio exception in IFRS 13. These improvements are effective from 1 July 2014.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the company. These improvements are effective from 1 July 2014.

Standards, improvements and amendments issued but not yet effective

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

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The company plans to adopt the new standard on the required effective date. During 2015, the company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the company in the future. Overall, the company expects no significant impact on its balance sheet and equity.

(a) Classification and measurement
The company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. The company currently has no financial instruments measured at fair value.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of goods sold. Thus, the company expects that these will continue to be measured at amortised cost under IFRS 9. However, the company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment
IFRS 9 requires the company to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The company does not expect a significant impact on its equity due to secured nature of its receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting

The company has no existing hedge relationships that qualify for hedge accounting under IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards, improvements and amendments issued but not yet effective (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the company as the company does not have such arrangements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the company is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The company plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

The company is in the business of selling petroleum products.

(a) Sale of goods

Contracts with customers in which sale of petroleum is the only performance obligation are not expected to have any impact on the company. The company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In applying IFRS 15, the company is considering the following:

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

(ii) Warranty obligations

The company does not provide warranties to its customers due to the nature of its business.

(iii) Loyalty points programme

The company does not currently have in place a loyalty programme offered to its customers.

(b) Rendering of services

The company does not provide services but deals in the sale of petroleum products.

The company plans to adopt the new standard on the required effective date using the full retrospective method.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the company given that the company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the company's financial statements as the company does not have such transactions.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards, improvements and amendments issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the company as the company does not have such transactions.

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan.
There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures
(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the company.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the company.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards, improvements and amendments issued but not yet effective (continued)

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features:

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

(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, rebates 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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations (continued)

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.

(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 gain 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leasing (continued)

(ii) Company as a lessee (continued)

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%
Property, plant and machinery	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 profit or loss when the asset is derecognised.

(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).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

(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 the fair value of the financial assets or financial liabilities 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 banks and related parties repayable within three months from the date of advance.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Cash and cash equivalents (continued)

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 overdrafts from banks and related parties.

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.

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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

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, 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 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 translated 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 translated using the exchange rates at the dates of the initial transactions.

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.

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.

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

(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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Tax (continued)

(ii) Deferred tax (continued)

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognised 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 value added tax, except:

(i) When the value added 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. 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.

Impairment losses are recognised as an expense immediately.

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.

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 2015 was KShs 416,679,000 (2014 – 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 26 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 18 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:

i) 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.
ii) 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.
iii) 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.
iv) the carrying amount of the net assets of the entity is more than its market capitalisation.
v) evidence is available of obsolescence or physical damage of an asset.
vi) 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
vii) 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.

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 16.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

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

	2015 KShs'000	2014 KShs'000
General trade	20,324,907	22,701,062
Network	37,817,656	44,317,653
Aviation	8,742,419	13,427,612
Export and bulk	53,369,012	74,655,365
Total net sales	**120,253,994**	**155,101,692**

(ii) Geographical analysis

Local sales	114,610,033	146,246,601
Export sales	5,643,961	8,855,091
Total net sales	**120,253,994**	**155,101,692**

4. COST OF SALES

Product purchases	106,698,902	142,590,601
Other variable costs	6,564,665	5,760,944
	113,263,567	**148,351,545**

5. OTHER INCOME

Rental income	363,138	287,311
Commission income	89,698	86,989
Gain on disposal of property, plant and equipment	41	16,591
Gain on disposal of assets classified as held for sale	225,351	6,686
Other income*	18,439	2,562
Doubtful debts written back (Note 18)	69,398	87,554
	766,065	**487,693**

*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

	2015 KShs'000	2014 KShs'000
Directors' emoluments – fees (Note 19 (vii))	2,300	1,600
- other emoluments (Note 19 (vii))	97,583	119,360
Payroll and staff costs[Note 6 (a)]	1,288,449	1,279,158
Depreciation of property, plant and equipment (Note 12)	1,157,443	1,045,556
Amortisation of prepaid operating leases (Note 13)	131,856	117,342
Amortisation of intangible assets (Note 15)	19,345	14,740
Repairs and maintenance	446,168	489,001
Technical assistance [Note 19 (v)]	423,894	342,761
Utilities	295,600	242,147
Operating lease rentals	182,380	144,930
Other expenses*	227,354	166,395
Legal and other professional fees	95,911	101,072
Advertising and promotion	278,880	212,252
Increase in doubtful debt provision (Note 18)	75,995	88,917
Travelling	99,927	107,445
Insurance	74,228	70,109
Loss on disposal of intangible assets	1,838	-
Auditor's remuneration	5,948	6,069
	4,905,099	**4,548,854**

*Other expenses relate mainly to expensed reverse VAT, bank charges, and seminar and conference costs.

6 (a) PAYROLL AND STAFF COSTS

	2015 KShs'000	2014 KShs'000
Wages and salaries	914,675	896,924
Pension costs – defined contribution plan and NSSF	113,063	104,237
Staff medical costs	32,907	30,411
Staff training costs	12,811	18,196
Provision for accrued leave	9,446	8,443
Staff motor vehicle, mileage and other costs	205,547	220,947
Total personnel expenses	**1,288,449**	**1,279,158**
Average number of employees (permanent staff)	366	378

7. (a) FINANCE INCOME

Interest income on bank deposits	127,073	8,541

(b) FINANCE COSTS

Interest expense on borrowings	39,428	272,336

(c) NET FOREIGN EXCHANGE LOSS

Realised foreign exchange loss	363,584	153,363
Unrealised foreign exchange gain	(43,242)	(4,177)
Net foreign exchange loss	**320,342**	**149,186**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

8. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:	2015 KShs'000	2014 KShs'000
Staff costs [Note 6 (a)]	1,288,449	1,279,158
Depreciation on property, plant and equipment (Note 12)	1,157,443	1,045,556
Amortisation of prepaid operating leases (Note 13)	131,856	117,342
Amortisation of intangible assets (Note 15)	19,345	14,740
Loss on disposal of intangible assets (Note 6)	1,838	-
Directors' emoluments (Note 6):		
- Fees	2,300	1,600
- Other emoluments	97,583	119,360
Auditors' remuneration (Note 6)	5,948	6,069
And after crediting:		
Gain on disposal of property, plant and equipment (Note 5)	41	16,591
Gain on disposal of assets classified as held for sale (Note 5)	225,351	6,686

9. TAX

(i) Tax charge

	2015 KShs'000	2014 KShs'000
Current income tax:		
- Current income tax charge	1,006,750	949,700
- Adjustment in respect of current income tax of previous years	29,306	(4,112)
	1,036,056	945,588
Deferred tax:		
- Relating to origination and reversal of temporary differences [Note 16 (ii)]	(32,363)	(93,671)
	1,003,693	**851,917**

(ii) Reconciliation of tax charge to expected tax based on accounting profit

	2015 KShs'000	2014 KShs'000
Accounting profit before tax	2,618,696	2,276,005
Tax at the applicable rate of 30%	785,609	682,802
Adjustment in respect of current income tax of previous years	29,306	(4,112)
Tax effect of expenses not deductible for tax	188,778	173,227
Tax charge	**1,003,693**	**851,917**

(iii) Tax recoverable/(payable)

	2015 KShs'000	2014 KShs'000
Balance at 1 January	(32,416)	(510,394)
Adjustment in respect of current income tax of previous years	(29,306)	4,112
Charge to profit or loss	(1,006,750)	(949,700)
Payments during the year	1,085,418	1,423,566
Balance at 31 December	**16,946**	**(32,416)**

10. EARNINGS PER SHARE

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

	2015 KShs'000	2014 KShs'000
Profit after tax	1,615,003	1,424,088
Basic earnings per share Weighted average number of ordinary and redeemable preference shares used in the calculation of basic earnings per share (in thousands of shares)	629,542	629,542
Basic and diluted earnings per share (KShs)	**2.57**	**2.26**

Diluted Earnings per share

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

11. DIVIDENDS

(a) Unclaimed dividends	2015 KShs'000	2014 KShs'000
The movement in unclaimed dividend is as follows:		
At 1 January	6,748	4,955
Final dividend declared 2014 and 2013	440,680	377,725
Dividend paid	(440,680)	(375,932)
Balance at 31 December	**6,748**	**6,748**
(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):	484,748	440,680
Dividends per share on declared/proposed dividends for the year (based on number of shares per Note 21)	**KShs 0.77**	**KShs 0.70**

In respect of the current year, the Directors propose that a final dividend of KShs 0.77 (2014-KShs 0.70) per share equivalent to a total sum of KShs 484,747,693 (2014: KShs 440,679,721) 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 company 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 2015

	Land and buildings KShs'000	Property, Plant and machinery KShs'000	Furniture, fittings and equipment KShs'000	Capital work in Progress KShs'000	Total KShs'000
COST					
At 1 January 2015	3,925,708	12,206,041	780,744	553,436	17,465,929
Additions	172,641	853,347	63,908	406,589	1,496,485
Transfers	82,563	329,702	25,861	(438,126)	-
Disposals	(7,188)	(40,992)	(1,902)	-	(50,082)
At 31 December 2015	**4,173,724**	**13,348,098**	**868,611**	**521,899**	**18,912,332**
DEPRECIATION					
At 1 January 2015	1,580,425	6,576,107	689,718	-	8,846,250
Charge for the year	197,895	906,911	52,637	-	1,157,443
Disposals	(3,335)	(29,070)	(1,739)	-	(34,144)
At 31 December 2015	**1,774,985**	**7,453,948**	**740,616**	**-**	**9,969,549**
NET CARRYING AMOUNT					
At 31 December 2015	**2,398,739**	**5,894,150**	**127,995**	**521,899**	**8,942,783**

(ii) Year ended 31 December 2014

COST					
At 1 January 2014	3,727,371	11,588,528	753,351	225,737	16,294,987
Additions	118,721	688,177	27,966	479,325	1,314,189
Transfers	91,754	53,272	6,600	(151,626)	-
Disposals	(12,138)	(123,936)	(7,173)	-	(143,247)
At 31 December 2014	**3,925,708**	**12,206,041**	**780,744**	**553,436**	**17,465,929**
DEPRECIATION					
At 1 January 2014	1,399,057	5,890,728	646,216	-	7,936,001
Charge for the year	191,629	803,407	50,520	-	1,045,556
Disposals	(10,261)	(118,028)	(7,018)	-	(135,307)
At 31 December 2014	**1,580,425**	**6,576,107**	**689,718**	**-**	**8,846,250**
NET CARRYING AMOUNT					
At 31 December 2014	**2,345,283**	**5,629,934**	**91,026**	**553,436**	**8,619,679**

(iii) Capital work-in-progress

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 2015 (2014: Nil).

Based on an impairment review performed by the directors as at 31 December 2015 no indications of impairment of property, plant and equipment were identified (2014: none).

Commitments to acquire property, plant and equipment as at year end are included in note 26 (c).

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(iv) Impact of the Enactment of the Land Registration Act No. 3 2012 on the Company's Land Holding Status

The revised Constitution, enacted on 27 August 2010, introduced significant changes in the landholding by non-citizens. The Constitution no longer allows foreigners and foreign bodies to own freehold land and leasehold land in excess of 99 years. Freehold land and leasehold land of more than 99 years owned by foreigners and foreign bodies automatically become 99 year leases upon enactment of the required legislation under Articles 65 (4) of the revised constitution. These changes in the landholding took effect on 2 May 2012 upon the enactment of the Land Registration Act No. 3 of 2012.

As per the definition in Article 65 (3) of the Constitution, the company is a non-citizen, since it is not wholly owned by Kenyan citizens, and hence the status of its freehold land changes to 99 years lease.

The company has assessed the impact of the amended land laws, and concluded that they do not impact significantly on these financial statements. Under the revised International Accounting standards No. 17 (IAS 17), a 99 year lease qualifies for a finance lease classification if the lessor transfers significantly risks and rewards incidental to the ownership of the land to the company. Accordingly, the 99 year lease would qualify as finance leases. The company currently accounts for its land previously classified as freehold in a similar manner to finance leases.

The company is waiting for the National Land Commission to issue guidelines that will operationalise the provisions of the constitution and the revised land laws. The company will continue to reassess the impact of the revised land laws on the financial statements as the guidelines are issued.

13. PREPAID OPERATING LEASES

	2015 KShs'000	2014 KShs'000
COST		
At 1 January	1,493,680	1,381,944
Additions	248,078	111,736
At 31 December	**1,741,758**	**1,493,680**
AMORTISATION		
At 1 January	785,504	668,162
Amortisation for the year	131,856	117,342
At 31 December	**917,360**	**785,504**
NET CARRYING AMOUNT	**824,398**	**708,176**

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

	2015 KShs'000	2014 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)
CARRYING AMOUNT	**416,679**	**416,679**

The goodwill is analysed below:

(a) Goodwill arising from acquisition of Elf Oil Kenya Limited

	2015	2014
Cost	448,804	448,804
Accumulated impairment losses	(112,200)	(112,200)
	336,604	**336,604**

14. GOODWILL (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 2015, no impairment loss was assessed (2014: nil).

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

	2015 KShs'000	2014 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 carrying amount 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 (2014: 11% per annum). Cash flows beyond that ten-year period have been extrapolated using a steady 3% (2014: 3%) per annum growth rate in sales volume.

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

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

At 31 December 2015, no impairment loss was assessed (2014: 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

15. INTANGIBLE ASSETS

	2015 KShs'000	2014 KShs'000
COST		
At 1 January	443,896	423,152
Additions	14,675	20,744
Disposals	(1,839)	-
At 31 December	**456,732**	**443,896**
AMORTISATION		
At 1 January	349,890	335,150
Charge for the year	19,345	14,740
Accumulated depreciation on disposals	(1)	-
At 31 December	**369,234**	**349,890**
NET CARRYING AMOUNT		
At 31 December	**87,498**	**94,006**

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

16. DEFERRED TAX ASSET

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

	2015 KShs'000	2014 KShs'000
Accelerated depreciation	157,037	255,662
Unrealised exchange gain	(168,060)	(533,638)
Unrealised exchange loss	139,095	460,384
Leave provision	19,539	16,509
Provision for retirement benefits	23,135	25,510
Bonus provision	5,165	1,601
Stock provision	166,033	92,135
Legal costs provision	146,971	144,960
Provision for doubtful debts	6,571	-
Net deferred tax asset	**495,486**	**463,123**

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

	2015 KShs'000	2014 KShs'000
At 1 January	463,123	369,452
Deferred tax credit recognized in profit or loss (Note 9 (i))	32,363	93,671
At 31 December	**495,486**	**463,123**

Deferred tax is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2014 - 30%).

17. INVENTORIES

	2015 KShs'000	2014 KShs'000
Refined products	8,199,561	8,836,571
Raw material and crude oil	1,362,571	1,830,036
Consumables and accessories	455,845	492,457
	10,017,977	**11,159,064**

During 2015, no expense was recognised in cost of sales for inventories carried at net realisable value (2014: KShs 236 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

18. TRADE AND OTHER RECEIVABLES

	2015 KShs'000	2014 KShs'000
Trade receivables	9,286,641	8,448,793
Allowance for doubtful debts	(473,470)	(466,873)
	8,813,171	**7,981,920**
Recoverable taxes	518,584	581,323
Other receivables and prepayments	86,549	45,727
	9,418,304	**8,608,970**

Recoverable taxes relate to advance import duties on petroleum products and value added tax. 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 other advance payments. Other receivables are non-interest bearing and are generally on terms of 60- 90 days.

As at 31 December 2015, trade receivables of an initial value of KShs 473 million (2014: KShs 467 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

	2015 KShs'000	2014 KShs'000
At beginning of year	(466,873)	(465,510)
Increase in doubtful debt provision in the year (Note 6)	(75,995)	(88,917)
Doubtful debts write back (Note 5)	69,398	87,554
At end of year	**(473,470)**	**(466,873)**

19. 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 shareholding.

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

	2015 KShs'000	2014 KShs'000
Air Total International	320,825	994,817
NETCO Management Limited	201,302	118,063
Total Uganda Limited	717,103	703,617
Total RDC S.A.R.L	122,525	124,375
Other related companies	3,285	2,697
	1,365,040	**1,943,569**
(ii) Amounts due to related companies		
Total Uganda Limited	-	2,936
Total Marketing Services	-	11,559
Total Malawi Limited	941	945
Total Tanzania Limited	303	2,164
Total Marketing Middle East	78,082	-
	79,326	**17,604**
(iii) Amounts due to holding company		
Total Outre-Mer	2,979,970	194,100

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(iv) Financial overdraft from related party

	2015 KShs'000	2014 KShs'000
Financial overdraft from Total SA Treasury (Note 24)	**(4,069,010)**	**(5,919,348)**

Financial overdraft from related party relates to an overdraft from Total SA Treasury department. Additional disclosures for the financial overdraft are in Note 24.

(v) Transactions with related companies

	2015 KShs'000	2014 KShs'000
Purchases of petroleum products from the holding company	65,043,858	82,123,116
Purchases of petroleum products from other related companies	495,412	232,758
Revenue on sale of petroleum products to related companies	5,609,000	8,765,000
Purchases of plant and equipment from the holding company and other related companies	142,692	316,000
Technical assistance (Note 6)	423,894	342,761

(vi) Key management compensation

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

	2015	2014
Salaries and other short-term employment benefits	171,131	210,092
Post-employment benefits	6,748	6,983
	177,879	**217,075**

(vii) Directors' remuneration

	2015	2014
Fees for services as a director	2,300	1,600
Other emoluments		
Salaries and other short-term employment benefits	96,014	116,716
Post-employment benefits	1,569	2,644
	97,583	119,360
	99,883	**120,960**

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 2015, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2014: 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.

20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2015 KShs'000	2014 KShs'000
Property, plant and equipment	22,324	27,529
Prepaid operating leases	2,040	2,040
	24,364	**29,569**
The movement in the non-current assets classified as held for sale is as follows:		
At 1 January	29,569	32,668
Disposed during the year	(5,205)	(3,099)
At 31 December	**24,364**	**29,569**

The company intends to dispose off some service stations and other facilities in the next 12 months.

No impairment loss was recognized on assets classified as held for sale as at 31 December 2015 as the expected proceeds on disposal exceed the net carrying amounts of the assets.

21. SHARE CAPITAL

	2015 KShs'000	2014 KShs'000
Authorised ordinary shares 181,630,000 ordinary shares of KShs 5 each	908,150	908,150
Authorised redeemable preference shares 123,478,388 shares of KShs 31.58 each	3,899,447	3,899,447
Authorised redeemable preference shares 330,999,364 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 of KShs 31.58 each	3,899,447	3,899,447
330,999,364 fully paid redeemable preference shares of KShs 15.71 each	5,200,000	5,200,000
	9,974,771	**9,974,771**

21. SHARE CAPITAL (continued)

	2015		2014	
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	454,477	9,099,447
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.

22. SHARE PREMIUM

	2015 KShs'000	2014 KShs'000
As 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.

23. TRADE AND OTHER PAYABLES

	2015 KShs'000	2014 KShs'000
Trade payables	7,901,825	7,438,151
Other payables and accruals	1,588,410	1,086,940
Total payables	**9,490,235**	**8,525,091**
Classified as:		
Non-current	1,244,627	1,192,167
Current	8,245,608	7,332,924
	9,490,235	**8,525,091**

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 and legal provisions.

24. SHORT TERM BORROWINGS

	2015 KShs'000	2014 KShs'000
Financial overdraft – from Total SA Treasury	4,069,010	5,919,348
Bank overdraft – from local banks	-	1,421,070
	4,069,010	**7,340,418**

Financial overdraft – from Total SA Treasury

The company received an overdraft from a related party, Total SA Treasury whose interest is pegged to the 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.

25. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Notes	2015 KShs'000	2014 KShs'000
Profit before tax		**2,618,696**	**2,276,005**
Adjustments for:			
Effect of exchange rate changes on cash and cash equivalents		573,750	190,809
Finance income	7 (a)	(127,073)	(8,541)
Finance costs	7 (b)	39,428	272,336
Depreciation on property, plant and equipment	12	1,157,443	1,045,556
Amortisation of prepaid leases and intangible assets		151,201	132,082
Gain on disposal of assets held for sale	5	(225,351)	(6,686)
Loss on disposal of intangible assets	6	1,838	-
Gain on disposal of property, plant and equipment	5	(41)	(16,591)
Operating profit before working capital changes		**4,189,891**	**3,884,970**
Decrease in inventories		1,141,087	3,794,150
Increase in trade and other receivables		(809,334)	(479,978)
Increase/(decrease) in trade and other payables		965,144	(425,369)
Increase/(decrease) in amounts due to holding company		2,785,870	(12,418,744)
Decrease/(increase) in balances due from related companies		640,251	(14,902)
Cash generated from operations		**8,912,909**	**(5,659,873)**

(ii) Analysis of cash and cash equivalents

	Notes	2015	2014
Cash and cash equivalents			
Cash and bank balances		2,615,560	498,965
Financial overdraft – from Total SA Treasury	24	(4,069,010)	(5,919,348)
Bank overdraft – from local banks	24	-	(1,421,070)
		(4,069,010)	(7,340,418)
		(1,453,450)	**(6,841,453)**

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash in 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 financial and bank overdrafts.

26. COMMITMENTS AND CONTINGENCIES

(a) Contingent liabilities

	2015 KShs'000	2014 KShs'000
Total commitments given	752,511	1,431,408
Total commitments received	1,523,582	1,630,750

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 248 million (USD 2,427,388) exists as at 31 December 2015 (2014: KShs 220 million (USD 2,427,388) for an un-settled 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

	2015 KShs'000	2014 KShs'000
Authorised and contracted for	623,622	486,783
Authorised but not contracted for	1,595,754	2,143,403

27. OPERATING LEASE COMMITMENTS

	2015 KShs'000	2014 KShs'000
Maturing within one year	46,770	43,872
Maturing over one year to five years	159,947	206,717
Total operating lease commitments	**206,717**	**250,589**

All the commitments relate to future rent payable for the head office (Regal plaza) based on the existing contracts. The lease agreement is between Total Kenya Limited and Regal Plaza Limited and has no provisions relating to contingent rent payable. The terms of renewal are a written notice to the lessor at least three calendar months before the expiration of the lease and the lessor will grant to the lessee a new lease of the said premises for a further term of six years at such rent as may be mutually agreed by the parties.

The escalation rate is not a fixed percentage and is factored into the operating lease commitment values presented above.

28. 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. Contributions to this scheme during the year amounted to KShs 4,277,880 (2014: KShs 2,840,680).

The total expense recognised in profit or loss for the year of KShs 113 million (2014: KShs 104 million) represents contributions payable to the plans by the company at rates specified in the rules of the plans.

29. 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 2014.

The capital structure of the company consists of debt, which includes borrowings disclosed in notes 24 and 25 respectively, less bank and cash balances and equity attributable to equity holders, comprising issued capital, share premium as disclosed in notes 21 and 22 and retained earnings.

Gearing ratio

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

	Note	2015 KShs'000	2014 KShs'000
Short term borrowings	24	4,069,010	7,340,418
Bank and cash balances	25 (ii)	(2,615,560)	(498,965)
Net borrowings		**1,453,450**	**6,841,453**
Equity*		17,599,746	16,425,423
Net debt to equity ratio		**8.3%**	**41.7%**

*Equity includes capital and reserves.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's financial liabilities comprise trade and other payables, amounts due to holding company, amounts due to related companies and short-term borrowings and financial guarantee contracts. The main purpose of these financial liabilities is to finance the company's operations and provide guarantees to support its operations.

The company's financial assets include trade and other receivables, amounts due from related companies and cash and cash equivalents that derive directly from its operations.

The company is exposed to market risk, credit risk and liquidity risk.

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.

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. The Group's Treasury reviews and agrees policies for managing each of these risks which are summarized below.

(i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk that affects the company is foreign currency risk and interest rate risk.

Financial instruments affected by market risk include short term borrowings and deposits with financial institutions.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenue or expense is denominated in a foreign currency) and certain monetary assets and liabilities denominated in foreign currency mainly trade and other receivables, bank balances, short term borrowings, trade and other payables, and amounts due to and due from related companies.

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 favorable exchange rates when converting foreign currencies to the Kenya shilling. The company also 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.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Market risk (continued)

(a) Foreign currency risk (continued)

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 2015			
Assets			
Trade and other receivables	4,181	2,015,191	2,019,372
Bank balances	552,870	429,455	982,325
Total assets	**557,051**	**2,444,646**	**3,001,697**
Liabilities			
Financial and bank overdrafts	(298,367)	(3,770,643)	(4,069,010)
Trade and other payables	(1,658,407)	(753,990)	(2,412,397)
Total liabilities	**(1,956,774)**	**(4,524,633)**	**(6,481,407)**
Net exposure position	**(1,399,723)**	**(2,079,987)**	**(3,479,710)**
31 December 2014			
Assets			
Trade and other receivables	1,367	2,726,958	2,728,325
Bank balances	212,326	97,133	309,459
Total assets	**213,693**	**2,824,091**	**3,037,784**
Liabilities			
Financial and bank overdrafts	-	(5,919,348)	(5,919,348)
Trade and other payables	(287,398)	(560,654)	(848,052)
Total liabilities	**(287,398)**	**(6,480,002)**	**(6,767,400)**
Net exposure position	**(73,705)**	**(3,655,911)**	**(3,729,616)**

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 10% at the end of the reporting period 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 trade and other receivables, bank balances, and payables at the year-end. The Euro impact is mainly attributable to the exposure on outstanding Euro bank and payables balances 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.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Market risk (continued)

(a) Foreign currency risk (continued)

	Profit or loss		Equity	
	2015 KShs'000	2014 KShs'000	2015 KShs'000	2014 KShs'000
USD impact	207,998	365,591	145,599	255,914
Euro impact	139,972	7,370	97,980	5,159

(b) Interest rate risk

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.

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

	2015 KShs'000	2014 KShs'000
Short term borrowings (Note 24)	4,069,010	7,340,418

Interest rate sensitivity analysis

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the company's profit before tax for the year ended 31 December 2015 would decrease/increase by KShs 20.3 million (2014: by KShs 36.7 million) and the company's equity would decrease/increase by KShs 14.2 million (2014: by KShs 25.7 million). This is mainly attributable to the company's exposure to interest rates on its short-term borrowings.

(ii) Credit risk

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.

(a) Trade receivables

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.

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.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Credit risk (continued)

(b) Cash deposits

Credit risk from balances with banks is managed by the company's treasury department in accordance with the company's policy. Investments of surplus funds are made only with approved banks. The company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2015 and 2014 is the carrying amounts as illustrated below except for financial guarantees. The company's maximum exposure relating to financial guarantees is noted in the liquidity table.

The company's maximum exposure to credit risk as at 31 December 2015 and 31 December 2014 is analysed in the table below:

31 December 2015	Fully Performing KShs'000	Past Due KShs'000	Impaired amount KShs'000	Total KShs'000
Amounts due from related companies	1,365,040	-	-	1,365,040
Trade receivables				
Network	457,972	-	96,329	554,301
Non-network	8,355,199	-	377,141	8,732,340
	8,813,171	**-**	**473,470**	**9,286,641**
Other receivables	86,549	-	-	86,549
Bank balances	2,615,560	-	-	2,615,560
31 December 2014				
Amounts due from related companies	1,943,569	-	-	1,943,569
Trade receivables				
Network	577,260	-	92,647	669,907
Non-network	5,727,029	1,677,631	374,226	7,778,886
	6,304,289	**1,677,631**	**466,873**	**8,448,793**
Other receivables	45,727	-	-	45,727
Bank balances	498,965	-	-	498,965

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 2015 or 2014.

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.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Credit risk (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 trade receivables as at 31 December 2015 was:

	2015 KShs'000'	2014 KShs '000
Cash deposit collateral		
Network	345,164	261,505
Non-Network	313,066	297,850
Bank guarantees collateral		
Network	253,585	266,435
Non-Network	1,256,878	1,130,993
Total	**2,168,693**	**1,956,783**

There is no collateral held against cash and cash equivalents.

(iii) Liquidity risk

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

	2015 KShs'000	2014 KShs'000
Unsecured overdraft, including financial overdraft from Total SA Treasury, payable on call and reviewed annually		
Amount used	4,069,010	7,340,418
Amount unused	13,850,990	13,058,782

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

Bank	2015 KShs'000	2014 KShs'000
Citibank NA	-	323,588
Total Treasury	4,069,010	5,919,348
Bank of Africa Kenya Limited	-	1,097,482
Total	**4,069,010**	**7,340,418**

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity risk (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 2015

	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	4,069,010	-	-	-	4,069,010
Trade payables	7,901,825	-	-	-	7,901,825
Financial guarantees given	-	-	752,511	-	752,511
Total financial liabilities	**11,970,835**	**-**	**752,511**	**-**	**12,723,346**
At 31 December 2014					
Bank overdrafts	7,340,418	-	-	-	7,340,418
Trade payables	7,438,151	-	-	-	7,438,151
Financial guarantees given	-	-	1,431,408	-	1,431,408
Total financial liabilities	**14,778,569**	**-**	**1,431,408**	**-**	**16,209,977**

31. 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.

32. CURRENCY

The financial statements are presented in thousands of Kenya Shillings.

33. 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.

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, 10th June 2016** and at any adjournment thereof.

As witness our/my hand this .... day of 2016

Signed .... Signed ....

Note:

1) In accordance to the with Section 298 of the Companies Act, 2015, a Member entitled to attend and vote is entitled to appoint a proxy to attend, to speak and to vote on his/her behalf 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) Proxy Forms must be in the hands of either the Secretary, John Maonga, Maonga Ndonye Associates, Jadala Place, Third Floor, P O Box 73248, 00200 Nairobi, email: jmaonga@maongandonye.com or the Company's Shares Registrars, Comprite Kenya Limited, Crescent Business Centre, 2nd Floor, Off Parklands Road, Nairobi not less than 48 hours before the time of holding the meeting or any adjournment thereof.

see you at

www.total.co.ke

TOTAL

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