TOTAL KENYA PLC

ANNUAL REPORT

& FINANCIAL STATEMENTS

OUR VISION

To be a leader in the quality of our products and services.
To be a leader in profitability and return to our stakeholders.
To be the most responsible and preferred company in the region.

OUR MISSION

The purpose of Total Kenya is to market quality petroleum products and services to its customers responsibly and profitably in an innovative way to ensure that the public will come and continue to turn to Total.

ABOUT US

Total has been operating since 1955 and plays a key role in the Kenyan economy. The Company has a widespread infrastructure for efficient and effective supply of quality products and services.

191	2	1	2	6	3
Service Stations	Fuel Depots	Lubricants Blending Plant	LPG Filling Plants	Aviation Depots	Lubes and LPG Warehouses

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NOTICE & AGENDA OF THE ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

NOTICE is hereby given that the **64th Annual General Meeting** of the Company will be held at Safari Park Hotel, Thika Road, Nairobi on **Wednesday, 27 June 2018** at **11.00 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 63rd Annual General Meeting held on 16 June 2017.
3. To receive, consider and adopt the Financial Statements for the year ended 31 December 2017 together with the Chairman's Statement and the reports of the Directors and the Auditors thereon.
4. To declare a first and final dividend of Kshs 1.30 (2016: Kshs 1.06) per share in respect of the Financial Year ended 31 December 2017 payable to the holders of Ordinary Shares and Redeemable Preference Shares on record at the close of business on 27 June 2018.
5. To approve the Remuneration Policy of the Company as detailed in the Annual Report.
6. To approve the Remuneration Report as detailed in the Annual Report for the Financial Year ended 31 December 2017.
7. To re-elect the following directors who are retiring in accordance with Article 70 of the Company's Articles of Association and, being eligible individually offer themselves for re-election:-

    a) Dr. Joe Muchekehu
    b) Mr. Jean-Christian Bergeron
    c) Mr. Stanislas Mittelman
    d) Ms. Margaret Shava
    e) Mr. Jerome Burban
    f) Mr. Joseph Karago

8. To individually re-elect the following directors who are members of the Board Audit Committee of the Company to continue to serve as members of this Committee in accordance with the provisions of Section 769 of the Companies Act, 2015:-

    a) Dr. Joe Muchekehu
    b) Ms. Margaret Shava
    c) Mr. Jerome Burban
    d) Mr. Joseph Karago

9. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company in accordance with the provisions of Section 723 (1) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year.
10. To discuss any other business of which due notice has been given.

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, email:- shares@comprite.com.

    To be valid, a Form of Proxy must be duly completed by the member and must be lodged with the Shares Registrars on the above address so as to be received by not later than 11.00 a.m. on 25 June 2018, 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 111(8) 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.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

Date: 28 March 2018.

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
Anne-Solange Renouard*	Executive	Managing Director (Alternate to Jean-Christian Bergeron)
Stanislas Mittelman*	Non-executive	
Jerome Burban*	Non-executive	
Margaret Shava	Non-executive	Independent Director
Joe Muchekehu	Non-executive	Independent Director
Joseph Karago	Non-executive	Independent Director
Premanand Dhoomon**	Executive	Finance Director (Alternate to Anne-Solange Renouard and Jerome Burban)
Macharia Irungu	Executive	Strategy and Corporate Affairs Director (Alternate to Stanislas Mittelman)
Maurice K'Anjejo	Executive	Retired on 14 November 2017 (Alternate to Stanislas Mittelman)

* French | ** Mauritian

PRINCIPAL ADVOCATES

Njoroge Regeru and Company
Arboretum Drive, Milimani
P.O. Box 46971-00100
Nairobi, Kenya

Hamilton, Harrison & Matthews
Delta Office Suites,
Waiyaki Way
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

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

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

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

COMPANY 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
P.O. Box 30003-00100
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
Karuna Close
Off Waiyaki Way
P.O. Box 69562 - 00400
Nairobi, Kenya

Stanbic Bank Limited
Stanbic Bank Center,
Chiromo Road
P. O. Box 72833-00200
Nairobi, Kenya

Kenya Commercial Bank Limited
Corporate Services, Moi Avenue
P.O. Box 48400-00100
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, Upper Hill
P. O. Box 44286 - 00100
Nairobi, Kenya

COMPANY **PROFILE**

CORPORATE STATUS

Total Kenya Plc is part of the global Total Group, which is the fourth largest integrated international energy company in the world. Total is deeply rooted in Kenya's economy and society, with long-term investments. Total has been operating in Kenya since 1955; it is the first multinational oil company to be quoted on the Nairobi Securities Exchange and is a key part of Kenya's essential services' infrastructure. It is one of the largest revenue generators for the exchequer, and has been a consistent leader in technical innovation, service quality and community project action.

CORE BUSINESS

Total Kenya's core business is the marketing and distribution of petroleum products and related services to industrial, transport, commercial and domestic users throughout Kenya.

GROWING NETWORK OF STATIONS

Total Kenya has a wide network of stations having invested in 10 new Stations in 2017 to bring the total number to 191. The stations are spread across the country availing Total's high quality products and services closer to the consumers and local communities. All Total stations are constructed to the Group's safety, health and environmental standards. Our service stations are a one-stop shop resulting in improved convenience and a pleasant shopping experience for customers. The products include Excellium Fuels, Lubricants, Car Care products, LPG and Solar Lanterns. In addition we have well-stocked Bonjour Shops which offer groceries, coffee, drinks and snacks amongst others. Other facilities include banking services, pharmacies, car wash, service bays, restaurants, coffee shops and mobile money services

COMPANY **PROFILE**

TEAM TOTAL

Total's vision and mission are driven by a diverse, agile and committed team of about 400 motivated people. The Human Resources department coordinates continuous training particularly on innovation, safety and business skills to ensure the best customer service to our stakeholders.

Communication with employees is also vital in achieving company objectives. This is done through seminars, staff bulletins, forums, the intranet, and individual performance reviews among others. Such interactions allow for continuous improvement, engagement and motivation.

LOGISTICS AND FACILITIES

Total manages its facilities in line with international safety and quality standards.

Industrial safety is of paramount importance with the key objective of zero accidents throughout our operations.

Total has elaborate safety management systems that are reinforced by training and maintained by constant monitoring and inspections.

TOTAL EXCELLIUM FUELS

In line with the commitment to provide better energy to Kenyans, Total Kenya continues to offer a new generation of additivized fuels, Excellium Petrol and Diesel, which were launched in December 2016. This is a revolutionary and an unmatched set of high-quality fuels that clean your engine km after km. Excellium fuels provide long-lasting protection to engines, ensure that they perform better, use less fuel, reduce up to 93% of deposits build up and reduce polluting emissions.

Excellium fuels are a culmination of many hours of engine lab tests, thousands of kilometers driven and more than 500 formulas that enabled the development of the 6 molecules comprised in the Excellium formulation. Excellium fuels are suitable for both old and new models of vehicles.

COMPANY **PROFILE**

LUBRICANTS

Total is the leading supplier of Lubricants in Kenya. Through continued research and product development in collaboration with major equipment manufacturers, Total produces high quality lubricants to meet the technological requirements of the engine makers, wide customer needs and the stringent environmental standards. Our Lubricants Blending Plant in Mombasa serves the Kenyan Market and the entire East African region.

To offer aftersales support to customers, Total ANAC Laboratory specializes in Oil analysis and Monitoring. Total in Kenya has strong partnerships with vehicle manufacturers that facilitate: customized lubrication solutions, skills and knowledge transfer and joint programs that focus on value creation for both Total and its customers.

LIQUEFIED PETROLEUM GAS (LPG)

Total gas is the leading LPG brand in Kenya. Total Kenya was the first to introduce the 6kg cooking/lighting unit under the brand name of Total Meko, revolutionizing cooking and lighting.

The filling and storage plant in Nairobi serves the LPG demand. Through the wide reach of our service stations, our countrywide presence brings our LPG products even closer to our customers.

In November 2017, Total Kenya was once again the first amongst the Oil Companies in Kenya, to introduce digital verification and validation of LPG to ensure its source and genuity in an initiative dubbed 'Usibahatishe, Thibitisha'.

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COMPANY PROFILE

SOLAR

Solar lanterns have greatly improved the quality of life for Kenyans who have no access to electricity, and are also a handy companion in all off-grid situations and during power outages.

Total Kenya has expanded its range that now includes A2, S2B, S20B, S30, S100, S500 portables and D30 or X850 Solar home systems all of which are available at Total service stations and other authorized distributor outlets countrywide.

TOTAL CARD

Total Card, popularly known as the Bon Voyage Card is the most established fuel card in the market having been introduced by Total Kenya in 1997.

The introduction of vehicle tagging together with the micro-chip technology enable Total Card to meet high standards of security. Its tracking tool for product usage helps to combat fraud.

In 2017, the Total Card was further upgraded and enabled to accept near real time mobile top ups for the pre-paid version.

CORPORATE **GOVERNANCE**

INTRODUCTION

Corporate Governance (CG) is the system of rules, practices and processes by which companies are directed, controlled and held to account. It essentially involves balancing the interests of the company's varied stakeholders. CG standards are set to improve value to our stakeholders by ensuring we remain transparent, accountable in our conduct, responsibly structured, responsibly operated and deliver accurate financial information.

The Company is guided by and always strives to comply with the applicable laws and regulations notably the Kenyan Capital Markets Authority (CMA) Code of Corporate Governance known as the Code of Corporate Governance Practices for the Issuers of Securities to the Public 2015 (the 2015 Code).

Total Kenya Plc, through the commitment of Directors, the establishment of Board Committees, the setting and implementation of policies and guidelines, aims at complying with the highest CG standards. CG standards and performance are regularly reviewed to ensure that the Company is always up to date in this dynamic field and remains compliant.

In addition, the Company has appointed an Ethics Officer as well as a Compliance Officer with specific mandates to ensure adherence to Company policies and to spearhead efforts towards mitigating compliance risks both internally and externally.

THE BOARD OF DIRECTORS

A. THE BOARD OF DIRECTORS CHARTER

The Board Charter ensures documentation of its corporate governance practices and principles, in recognition of the role of good governance in corporate performance, maximization of shareholder value, protection of investors' rights and promotion of the company's standards of self-regulation.

The Charter explicitly defines the composition, role, scope, mandate, Board members selection, requirements and duties of Board members. The Board reviews the Charter annually to ensure that it is always kept updated while taking into account best practices. Any amendments to the Charter require the approval of the Board.

B. BOARD STRUCTURE AND DIVERSITY

The Board is currently composed of seven directors, three of whom are independent directors.

Diversity is of key importance to the Board's composition. The Board remains particularly attentive to its constitution by offering a diverse and synergistic range of qualifications, skills, experience, professional and industry knowledge to enable it to provide judgment, independent of management on material Board matters. The Board determines its size and composition subject to the Articles of Association, Board Charter and applicable laws. This facilitates effective discussion and decision making.

C. ROLE OF THE BOARD

The Board of Directors is the ultimate authority of Total Kenya. Its role is to define Total Kenya's strategic vision, ensure that internal controls are operating effectively and oversee the quality of the information provided to shareholders and financial markets.

The Board has delegated authority to two Board Committees (Audit Committee and Risks & Governance Committee) to assist the Board in delivering its responsibilities and ensuring that there is appropriate independent oversight of internal control and risk management. Each of these Board Committees has established respective charters which are reviewed regularly to ensure that they remain in line with best practices and that the committees continue to have appropriate authority to fulfill their responsibilities without creating unnecessary duplication of work.

D. INDEPENDENCE

Independence is critical to performing the duties of a director as this ensures freedom of analysis, judgment, decision-making and action. All Board members have to comply with the Board's rules and declare any personal or potential conflict of interest that may arise.

The Board of Directors of Total Kenya is guided by the Conflict of interest Policy and the Code of Conduct of the Company that are developed by the Group, customized and adopted by Total Kenya.

E. CHAIRMAN AND MANAGING DIRECTOR

The roles and responsibilities of the Chairman and the Managing Director are separate and clearly defined. The scope of these roles is approved and kept under regular review by the Board so that no individual has unfettered decision-making powers. The Chairman is responsible for the leadership and governance of the Board while the Managing Director is responsible for the day-to-day management of the Company and implementation of strategy and policies approved by the Board.

CORPORATE **GOVERNANCE**

F. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Through the Board Chairman and the Company Secretary, processes are in place to:

- Enable Directors to have access to all relevant information and to senior management
- Assist the Directors discharge their duties and responsibilities
- Facilitate informed decision making

Directors are expected to strictly observe the provisions of the statutes applicable to the use and confidentiality of information, including the Company's Insider Trading Policy.

G. MEETINGS

The Board generally meets four times annually, with additional sittings as necessary to consider all matters relating to overall control, business performance and the company's strategy. The Chairman, in conjunction with the Managing Director and the Company Secretary, set the agenda for each meeting.

In the ordinary course of business, Board papers are circulated in good time prior to the meetings. Directors are entitled to request additional information where they consider further information is necessary to support informed decision making.

During the year ended 31 December 2017, the Board held four Board meetings, three Board Audit Committee meetings and two Board Risks and Governance Committee meetings. Details of Directors' attendance at Board and Board Committee meetings are set out below:-

Name of Director	Eligible No. of meetings	No. of meetings attended	Overall % attendance
Chairman			
Jean-Christian Bergeron	4	4	100%
Executive Director – Managing Director			
Anne-Solange Renouard	4	4	100%
Non- Executive Directors			
Stanislas Mittelman*	4	0	-
Jerome Burban	4	2	50%
Independent Directors			
Margaret Shava	4	4	100%
Joe Muchekehu	4	4	100%
Joseph Karago	4	4	100%
Alternate Directors			
Premanand Dhoomon (Alternate to Anne-Solange Renouard and Jerome Burban)		4	100%
Maurice K'Anjejo (Alternate to Stanislas Mittelman) (Retired on 14 November 2017)		3	75%
Macharia Irungu (Appointed as Alternate to Stanislas Mittelman on 14 November 2017)		0	-
Company Secretary			
John Maonga		4	100%

Note: *Stanislas Mittelman was represented by his Alternate Director.

CORPORATE **GOVERNANCE**

BOARD COMMITTEES

A. THE BOARD AUDIT COMMITTEE

The Capital Markets Act (Cap. 485A) and regulations require that "the Company shall have an effective and properly constituted Audit Committee" and that "the Board shall establish an Audit Committee with written terms of reference."

The Board Audit Committee assists the Board of Directors in fulfilling its Corporate Governance and oversight responsibilities for the:

- Company's process for monitoring compliance with laws, regulations and the code of conduct
- Financial reporting process
- System of internal control
- Audit function & process

The Board Audit Committee Charter clearly spells out the composition, role, scope, mandate, requirements and duty of the Committee and its members. Any amendments to the Charter require the approval of the Board. This Committee is composed of four directors and is chaired by an independent director. In selecting the members of the Committee, the Board pays particular attention to their financial and accounting qualifications and experience.

During the year 2017, members of the committee were:

Name of Member	Position	
Joe Muchekehu	Chairman	Independent Director
Jerome Burban		Non Executive Director
Margaret Shava		Independent Director
Joseph Karago		Independent Director

The Company's Audit Manager is the Secretary of the Board Audit Committee. The Committee held three formal meetings in 2017 (see details below) attended by the external auditors when discussing the Company accounts. The committee also meets with the Managing Director and the Finance Director as and when requested for, performs inspections and interviews company managers at any time deemed necessary.

Name of Member	Eligible No. of meetings	No. of meetings attended	Overall % attendance
Joe Muchekehu	4	4	100%
Joseph Karago	4	1	25%
Margaret Shava	4	4	100%
Jerome Burban	4	4	100%

The main responsibilities of the Committee are to:

i. Monitor the integrity of the financial statements including the review of half and full year results, annual reports and accounts and other significant financial announcements. It also reviews the critical accounting policies, going concern assumption and key judgmental areas contained therein.

ii. Consider and advise the Board in meeting its obligations to report fairly and in full compliance with all relevant requirements.

iii. Provide information necessary for shareholders to assess the Company's performance.

iv. Monitor auditor's independence, and review plans and audit strategy, the effectiveness of the external audit process, the qualifications, expertise and resources, and make recommendations for the re-appointment of the external auditor.

v. Approve the internal annual audit plan and resources, and monitor the audit framework and effectiveness of the internal audit function.

vi. Monitor the effectiveness of compliance processes and controls, and performance against the Company's compliance program.

ELLON KAMAU
AUDIT MANAGER

Ellon Kamau has 24 years working experience in the Total Group. Prior to joining Internal Audit, he was the Chief Accountant at Total Exploration and Production Kenya (TEPK) since September 2013. Other positions held include Finance & Administration Director (Total Jamaica 2008-2013), Group Auditor (Total UK 2005-2008), Internal Audit Manager, Treasury Manager, Reporting Manager, Special Projects Manager and acting Financial Accounting Manager.

He holds a Bachelor of Science in International Business Administration (USIU), an ACCA certificate in International Auditing and a Post Graduate Diploma in Business Administration – Finance from the University of Leicester (UK).

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CORPORATE GOVERNANCE

B. THE BOARD RISKS AND GOVERNANCE COMMITTEE

The Board Risks and Governance Committee (BRGC) assists the Board of Directors of Total Kenya in fulfilling its management's responsibility with regards to the uncertainties the Company faces. This includes all external and internal events, acts or omissions that have the potential to threaten the success and survival of the Company.

The Committee's roles and responsibilities are to:

- Ensure the executive team has identified and assessed all the inherent risks in the Company and has established mitigating measures.
- Ensure the division of risk-related responsibilities to each Board Committee as clearly as possible, performing a gap analysis and approving the company's risk management framework.
- Assist the Board of Directors by reviewing and making recommendations on the effectiveness of the organization governance structure and general by-laws.
- Ensure the control procedures and systems established within the Company are designed to manage rather than eliminate the risk of failure to meet business objectives. The risk framework requires that all of the Company's business and functions establish processes for identifying, evaluating and managing the key risks.
- Receive and review the Company's internal audit reports on the risk mapping report.

Total Kenya Management has an elaborate Risk Mapping and Management program. Under this program, the management have identified environmental and internal risk factors that may hinder the Company from achieving its overall objectives. Mitigation action plans have been developed and regular reviews are undertaken to track the progress of the mitigation actions and to identify any emerging risks.

The BRGC is comprised of four members and is chaired by an independent Director. The membership also includes a combination of executive and non-executive directors, commensurate with the company's size, complexity and capital structure. Committee members are appointed by the Board for 3 years.

The BRGC, meeting at least half-yearly, was established in 2016 and ratified by the Board on 28 March 2017. The members of the Risk and Governance Committee are as follows:

Name of Member	Position	
Margaret Shava	Chairperson	Independent Director
Joseph Karago		Independent Director
Anne-Solange Renouard		Managing Director
Premanand Dhoomon		Finance Director
John Maonga		Company Secretary

In the year 2017, the BRGC met twice as shown here below.

Name of Member	Eligible No. of meetings	No. of meetings attended	Overall % attendance
Margaret Shava	2	2	100%
Joseph Karago	2	2	100%
Anne-Solange Renouard	2	1	50%
Premanand Dhoomon	2	2	100%
John Maonga	2	2	100%

CHARLES WAMBUGU
RISK, GOVERNANCE AND COMPLIANCE MANAGER

Charles Wambugu holds a Bachelor of Science degree in Electrical Engineering from the University of Nairobi and is a Certified Public Accountant (CPA). Charles joined the Total Group during the Chevron take-over in 2009 and was appointed Chief Internal Auditor.

Before joining Total Kenya, he worked with Coopers & Lybrand as Senior Auditor, British Oxygen (BOC) Kenya Ltd as Audit Manager, Unga Group of companies in various roles.

Charles is currently the Risks Governance and Compliance Manager for Total Kenya.

CORPORATE **GOVERNANCE**

POLICIES

ETHICS CHARTER AND CODE OF CONDUCT

In line with the Ethics, Business Integrity and Compliance policies, Total Kenya is committed to establishing long-term relationships with all stakeholders including customers and distributors, suppliers and contractors, host countries, local communities, business partners, shareholders, investors and the civil society at large, in the most ethical and compliant manner.

The Company's ethical commitment is based on the following three shared values that guide its activities;

Respect: the source of sustainable, trust-based operations and relations.

Responsibility: towards others and in our jobs.

Exemplary conduct: which underpins the internal and external credibility of our actions.

All employees, suppliers, contractors and business partners are expected to understand, respect and apply standards and business principles outlined in the Code of Conduct.

Total Kenya adheres to the Total Group's Compliance Program. It calls for a zero-tolerance approach to corruption, fraud and anti-competitive practices and adheres to the highest standards of integrity. Employees and all stakeholders are expected to prevent, identify, report and address situations that might cross the line as soon as they arise. Total Kenya also respects all applicable national and international laws and norms. Where there is a difference between a legal requirement and our Code of Conduct, we seek to apply the most stringent standard.

To guide relations with suppliers, contractors and third parties, anti-corruption, anti-fraud and anti-competitive clauses are included in all contracts executed. A due diligence process is also concluded before initiating any formal relations with third parties. Training via e-learning is also made available to all our stakeholders.

Identifying and reporting existing or potential conflicts of interest by employees allows risks to be managed. Potential conflicts of interest can be minimized by avoiding acquiring any interest in the business of a competitor, supplier or customer without prior written approval from management. Employees are also required to declare and in defined cases seek approval for gifts, hospitality, donations and sponsorships to and from business partners. This is achieved through an electronic Gift and Hospitality register.

The Company is committed to respecting internationally recognized Human Rights standards especially those relating to employees' working conditions within all its diverse operations. A non-discriminatory recruitment program based solely on our requirements and the specific capabilities of individual applicants coupled with zero tolerance to harassment makes for a diverse and well motivated workforce.

INTEGRITY COMMITTEE

The Company has put in place an Integrity Commitee, composed of the Managing Director, Finance Director, Human Resources and Administration Manager, Audit Manager and the Risk Governance and Compliance Manager, to deal with all compliance related matters. The Integrity Commitee reviews cases declared by employees, customers, suppliers or any third party, via the 'Speak-Up campaign' and ethics email. The Integrity Committee calls for investigation if judged neccessary, takes note of recommendations of the investigations and applies disciplinary actions.

MANAGEMENT

Board of DIRECTORS

Jean-Christian Bergeron
Board Chairman

Stanislas Mittelman
Non-Executive Director

Anne-Solange Renouard
Managing Director

Joe Muchekehu
Independent Director

Premanand Dhoomon
Finance Director

Jerome Burban
Non-Executive Director

Joseph Karago
Independent Director

Margaret Shava
Independent Director

Macharia Irungu
Strategy & Corporate Affairs Director

John Maonga
Company Secretary

DIRECTORS' **PROFILES**

JEAN-CHRISTIAN BERGERON
BOARD CHAIRMAN

Mr. Jean-Christian Bergeron, aged 52, has over 26 years of experience in sales and marketing. He holds a Business School Degree from Audencia, France. Jean-Christian joined Total in 1990 and has served in various capacities in retail sales, project management and business strategy. In addition to various business responsibilities in France and Europe, he also served in Pakistan from 2000 to 2003 and in Cameroon from 2006 to 2009 as the Managing Director. In 2013, he was appointed as Executive Vice President for Retail, a position he held until 2015 when he was appointed to his current position as Executive Vice President for East & Central Africa. He was appointed as a company director and Chairman of the Board on 15th September 2015.

STANISLAS MITTELMAN
NON-EXECUTIVE DIRECTOR

Mr. Stanislas Mittelman, aged 52, has served in various capacities in the Total Group from the year 1990 to date. He is currently the Senior Vice President of the Africa Division Marketing and Services Branch of the Total Group. Stanislas graduated from France's EDHEC Business School and was appointed as a Company Director on 9th June 2016.

ANNE-SOLANGE RENOUARD
MANAGING DIRECTOR

Ms. Anne-Solange Renouard, aged 46, is a graduate of ESSEC Business School and Institute of Political Studies of Paris, France. She joined the Total Group in 1996 and has worked in different positions in logistics, audit, strategy, management control and marketing. She became Managing Director of Total Mauritius in 2012, a position she held until 1 November 2015 when she was appointed Managing Director of Total Kenya. In December 2017, she was elected Chairman of the Petroleum Institute of East Africa (PIEA) by the institute's Board of Directors. She is a member of Risks and Governance Committee of the Board.

DR. JOE MUCHEKEHU
INDEPENDENT DIRECTOR

Dr. Joe Muchekehu, aged 67, has over 40 years' experience in Accounting, Auditing, Consulting and Financial Management Services and has been instrumental in the development of the Accountancy Profession in East Africa having been a past chairman of ICPAK council, The founder Chairman and Trustee of KCA University. He served in IFAC Ethics Committee and was the First Country representative at the International Assembly of Chartered Certified Accountants. He was a fellow of the Association of Chartered and Certified Accountants (UK), a Certified Public Secretary of Kenya and a member of the Institute of Chartered Accountants of Nigeria. Dr. Muchekehu was appointed as a Director of the Company on 9 June, 2016. He is the Chairman of the Audit Committee of the Board.

JOSEPH KARAGO
INDEPENDENT DIRECTOR

Mr. Joseph Karago aged 55, is a Registered Practising Architect, and has expertise in strategy & policy formulation, programme & project formulation, technical audit project management, general management and team building. He holds a Bachelor of Architecture degree from the University of Nairobi and is a member of the Institute of Directors. He was appointed as a director of the Company on 9th June 2016 and currently is a member of both the Audit and the Risk and Governance Committees of the Board.

DIRECTORS' **PROFILES**

PREMANAND DHOOMON
FINANCE DIRECTOR

Mr. Premanand Dhoomon, aged 55, is a fellow member of the Chartered Association of Certified Accountant (ACCA). After five years in auditing practice, he joined the Finance Department of Esso Mauritius Limited in 1992. Following the acquisition of Esso activities by Total Mauritius in 2005, he was appointed as Finance Manager of the merged entities. In 2009, he joined the Group Audit Department in Paris and in 2012 he was appointed as the Marketing & Services Branch Fraud Risk Prevention Coordinator, a position he held until his appointment as Finance Director of Total Kenya Plc in May 2015. Premanand is also the Ethics Officer of the Company and alternate Director of the Board of Directors as well as a member of the Board Risks and Governance Committee.

MARGARET SHAVA
INDEPENDENT DIRECTOR

Ms Margaret Shava, aged 53, is an advocate of the High Court of Kenya, a practicing advocate, an independent consultant and a Certified Public Secretary (Kenya). Margaret has over 24 years working experience in law, management, legal consultancy and peace building & transitional justice. She has worked in various economic sectors, United Nations organizations and national & international non-governmental organizations. Margaret is a holder of a Master of Arts degree in Democratic Studies from the University of Leeds, UK, a Bachelor of Laws degree from the University of Buckingham, UK, a Certificate in Oil & Gas from Strathmore University and a Certificate in Competition Law from the Kenya School of Law. She was appointed a director of the Company on 9 June 2016. She is the Chairperson of Risks and Governance Committee of the Board and also a member of the Audit Committee of the Board.

DR. MACHARIA IRUNGU
STRATEGY & CORPORATE AFFAIRS DIRECTOR

Dr. Macharia Irungu, aged 52 years, holds a Doctorate of Philosophy (Strategic Management) and a Bachelor of Science (Industrial Chemistry) from the University of Nairobi along with a Masters in Business Management (Marketing) from Newport University (USA). He joined the Strategy and Corporate Affairs department in November 2017. He is also the Managing Director of Gulf Africa Petroleum Corporation (GAPCO) Kenya Ltd. He has over 27 years experience in different Senior Management roles in the Oil Industry in and outside Kenya. He is also a member of the American Chamber of Commerce and the Kenya Institute of Management and Institute of Directors. He has held several Director positions in charitable and government organizations as well as guiding and supervising Masters and PhD Candidates in his area of expertise. He is the current CEO of Safe Way Right Way (SWRW), an NGO handling road safety.

JEROME BURBAN
NON EXECUTIVE DIRECTOR

Mr. Burban Jerome, aged 39, has served in various capacities in the Total Group from the year 2002 to date. Jerome is currently a Corporate and Project Finance Manager of the Total Group. He is in charge of both European and US Refining and Chemicals entities and East African Marketing & Services entities. Jerome graduated from French Business School EM Lyon and is a holder of Masters in Business Law. He was appointed as a Company director on 9th June 2016. He is a member of the Audit Committee of the Board.

Mr. John Maonga, aged 57, has a B. A. Degree from University of Nairobi and is a Certified Public Secretary. He is a member and fellow of the Institute of Certified Public Secretaries of Kenya, a Member of the Institute of Directors, an Accredited Governance Auditor and has over 30 years of experience in Company Secretarial and Registration Services. He was appointed Company Secretary of Total Kenya Plc on 1st February, 1999.

JOHN MAONGA
COMPANY SECRETARY

Management
COMMITTEE

Premanand Dhoomon
Finance Director

Anne-Solange Renouard
Managing Director

Joshua Ouma
Operations Manager

Sandip Mukherjee
Commercial Manager B2B

Irene Muinde
Human Resources and Administration Manager

Macharia Irungu
Strategy and Corporate Affairs Director

Francois-Xavier Ruenes
Commercial Manager Retail and Lubricants

Susan Gacheru
Planning and Supply Manager

John Muchunu
HSEQ Manager

MANAGEMENT **EXECUTIVES**

ANNE-SOLANGE RENOUARD
MANAGING DIRECTOR

Ms. Anne-Solange Renouard, is a graduate of ESSEC Business School and Institute of Political Studies of Paris, France. She joined the Total Group in 1996 and has worked in different positions in logistics, audit, strategy, management control and marketing. She became Managing Director of Total Mauritius in 2012, a position she held until 1 November 2015 when she was appointed Managing Director of Total Kenya. In December 2017, she was elected Chairman of the Petroleum Institute of East Africa (PIEA) by the institute's Board of Directors. She is a member of Risks and Governance Committee of the Board.

PREMANAND DHOOMON
FINANCE DIRECTOR

Mr. Premanand Dhoomon, aged 55, is a fellow member of the Chartered Association of Certified Accountant (ACCA). After five years in auditing practice, he joined the Finance Department of Esso Mauritius Limited in 1992. Following the acquisition of Esso activities by Total Mauritius in 2005, he was appointed as Finance Manager of the merged entities. In 2009, he joined the Group Audit Department in Paris and in 2012 he was appointed as the Marketing & Services Branch Fraud Risk Prevention Coordinator, a position he held until his appointment as Finance Director of Total Kenya Plc in May 2015. Premanand is also the Ethics Officer of the Company and alternate Director of the Board of Directors as well as a member of the Board Risks and Governance Committee.

IRENE MUINDE
HUMAN RESOURCES & ADMINISTRATION MANAGER

Mrs. Irene Muinde joined Total Kenya in September 2013. She holds an Executive MBA in Human Resources from Moi University, Bachelor of Arts, University of Nairobi, Diploma in HRM from Kenya Institute of Management and is a Certified Psychometric Tester and Prince2 Practitioner (Project Methodology). Before joining Total Kenya she served as the Head of Human Resources, Sameer Africa from 2009 – 2013, Human Resources Manager - Housing Finance from 2005 - 2009, Manager: Benefits and Compensation - Housing Finance 2002-2005 and Human Resources Officer - Bestfoods (K) Limited 1998-2002.

DR. MACHARIA IRUNGU
STRATEGY & CORPORATE AFFAIRS DIRECTOR

Dr. Macharia Irungu aged 52 years, holds a Doctorate of Philosophy (Strategic Management) and a Bachelor of Science (Industrial Chemistry) from the University of Nairobi along with a Masters in Business Management (Marketing) from Newport University (USA). He joined the Strategy and Corporate Affairs department in November 2017. He is also the Managing Director of Gulf Africa Petroleum Corporation (GAPCO) Kenya Ltd. He has over 27 years experience in different Senior Management roles in the Oil Industry in and outside Kenya. He is also a member of the American Chamber of Commerce and the Kenya Institute of Management and Institute of Directors. He has held several Director positions in charitable and government organizations as well as guiding and supervising Masters and PhD Candidates in his area of expertise. He is the current CEO of Safe Way Right Way (SWRW), an NGO handling road safety.

JOSHUA OUMA
OPERATIONS MANAGER

Mr Joshua A. Ouma holds a Bachelor of Science degree in Mechanical Engineering, FCH from the University of Nairobi along with a CPA. He joined Total Kenya in 1996 as Depots & Distribution Assistant and rose to the ranks of Joint Venture Depot Manager and Depots & Distribution Manager respectively. He has served the Total Group in several countries, in 2004 as Operations Manager at Total Malawi, 2006 as Operations Manager at Total Mozambique and 2011 as Operations Manager at Total Tanzania. He was appointed Operations Manager of Total Kenya Limited in July 2015, a position he holds to date.

MANAGEMENT **EXECUTIVES**

SUSAN GACHERU
PLANNING AND SUPPLY MANAGER

Ms. Susan Gacheru joined Total Kenya as the Supply Manager in July 2017. She holds a Bachelor of Commerce degree in Accounting from Catholic University of East Africa and a Diploma in Supply and Purchasing from the Chartered Institute of Procurement and Supply. Previously she worked at GAPCO Kenya Ltd where she was the Supply & Trading Manager for a period of 3 years. Other positions she has held include Supply & Trading Coordinator at Hashi Energy Ltd between January 2012 and April 2014, Supply Planning Supervisor at Libya Oil Kenya Limited from December 2010 to December 2011 and previously held various roles within the Finance department at ExxonMobil (now Libya Oil Kenya Ltd) since January 2004.

FRANCOIS-XAVIER RUENES
COMMERCIAL MANAGER RETAIL & LUBRICANTS

Mr. Francois-Xavier Ruenes holds a Degree in Marketing from EDHEC Business School (Lille). He joined the Total Group in 1997 and has worked in France, Latin America and Africa in different positions including Territory Director, Business Developer, Communication and Promotion Manager, Exports Manager and Product Manager. He was the Sales & Marketing Director of Total Cameroon until August 2017 when he was appointed as Total Kenya Commercial Manager Retail & Lubricants.

JOHN MUCHUNU
HSEQ MANAGER

Mr. John Muchunu has worked for the Total Group for twenty nine years. During his tenure, he has held the following positions; Technical Marketing Representative (2 years), Senior Marketing Representative (3 years), Customer Services Manager (2 years), Aviation Manager (2 years). He was expatriated to Total Zambia in 2001 as the Marketing Manager, he then moved to Total Uganda in 2004 as the Sales and Marketing Manager. In 2009, John came back to Kenya as Commercial Development Manager and took over the position of Network Sales Manager in 2010. In 2014 he was appointed as HSEQ Manager, a position held to date. Prior to joining Total Group, Mr. Muchunu worked for BOC Kenya as Assistant Application Engineer for one year five months. He holds a Bachelor's Degree in Mechanical Engineering from the University of Nairobi.

SANDIP MUKHERJEE
COMMERCIAL MANAGER B2B

Mr. Sandip Mukherjee joined Total Kenya as the Commercial Manager B2B in Feb 2018. He holds an MBA from the Indian Institute of Management, Calcutta (IIMC) and a Bachelor of Science in Physics. Previously he has been associated with the GAPCO Group for seventeen years in various roles in East Africa. His last position was General Manager – Sales for GAPCO Kenya Ltd. He had also worked in India with MNCs like ESAB and has varied experience across engineering, management consultancy and international business development.

CORPORATE **SOCIAL RESPONSIBILITY**

Total Kenya believes Corporate Social Responsibility (CSR) initiatives must be integral to the core business itself, as well as extending outside it. They are part of the business thought process from the very beginning and are guided by the desire to ensure that our commercial, operational and support undertakings should have direct social benefits to the stakeholders and the communities where we operate. All programmes are long-term and based above all on the principle of sustainable outcomes.

Total Kenya has a broad CSR portfolio, embracing seven main themes : Entrepreneurship, Environment, Health, Road Safety, Access to Energy, Education and Youth Support, and Sports and Culture. The scale of this work involves Total Kenya in every cadre of society, across all elements of the economy and all regions of the country.

ENTREPRENEURSHIP

Total Kenya gives business opportunities to young Kenyans with capital support for station dealership while they gain the experience and stand-alone financial strength to stand on their own.
The careers of service station staff chosen for this programme are developed through training with the aim of becoming independent financial dealers over time, through disciplined savings of part of their profits, towards building their working capital. This model continues to produce business in our industry which was expanded in 2017. It will continue to receive our support as a way to invest in human capital in the local community.

Total Kenya was a major participant in the Startupper of the Year challenge that was launched by the Group towards the end of 2015 to identity and support innovative business ideas for development.

We are onstantly providing coaching and appropriate mentorship to the winners of last year's challenge. We reviewed their performance and development twice last year to help stimulate the establishment of their small enterprises that deliver on employment creation.

ENVIRONMENT

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

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

It is important to note that we are rigorous in our investment policy that ensures our underground equipments are of the highest standards. This is to ensure that the risk of underground pollution is minimized.

In 2017, the Total Eco Challenge program underwent re-engineering process. Total Kenya staff in partnership with other stakeholders of mutual interest in the environment, participated in a couple of tree planting events.

HEALTH

The Total "Be Alive" programme provides peer educators and Voluntary Counselling and Testing (VCT) throughout the Company, with outreach to staff families and wider communities. It sets out a wholly non-discriminatory Company Policy. The programme also promotes staff wellness through regular health tips and clinics. Every year, Total Kenya marks World Aids Day through the various in-house and community outreach activities.
Our staff are regular participants in the annual Mater Heart Run and the Nairobi StanChart Marathons which raise funds for worthy causes, addressing the health needs of the less privileged members of our society.

CORPORATE **SOCIAL RESPONSIBILITY**

ROAD SAFETY

Total Kenya is a major partner and contributor of the Safe Way Right Way (SWRW) NGO promoting road safety along the Northern Corridor. It is also part of the National Road Safety Trust (a partnership of Kenya corporates and media promoting road safety awareness) and the International Roads Assessment Programme (IRAP) which assesses, grades and seeks to improve the in-built safety design of highways.
Safety being a core value to Total, road safety receives particular attention due to the prevalence of road accidents in Kenya. The frequency of road traffic accidents and the resultant loss of lives is a cause for concern that needs concerted efforts from all stakeholders.

We have invested in continuous training of drivers and in technology, that allows us to monitor and manage their safety behaviors. Through regular interactions, best practices are shared widely with our transporters.

ACCESS TO ENERGY

Total Kenya continues to run an initiative to improve the lives of people without access to the power grid by offering cost-effective lighting solutions. We have been involved in the distribution and sales, through the partnership with D-Light, of competitively priced solar lanterns through our wide network of service stations, and "Maskanis" which are the containers that have been conveniently located closer to residential areas, for easy access to a range of products like LPG, Lubricants and Solar Lanterns.

The focus is not just on the numbers but to develop channels especially on the 'last mile' to ensure that low income earners, who do not have access to electricity can benefit from this initiative.

In line with Total's philosophy of providing exceptional services and products to its customers, all solar lanterns sold through our network have a warranty of not less than one year and aftersale services are available, in all Total service stations and Maskanis, countrywide.

EDUCATION & YOUTH SUPPORT

The Company is actively involved in various educational and mentorship programmes with the aim of enriching young people's skills and talents. The Young Graduate Programme, the partnerships with universities and staff mentorship initiative in conjunction with Global Give Back Circle are among the many initiatives, that show our commitment to youth development in Kenya.
Total Kenya also partners with SOS Children's Villages in support of youth and vulnerable children. Through this initiative, both the employees and the Company sponsor four houses in Nairobi, Kisumu and Mombasa.

SPORTS, ART & CULTURE

The Total FC, a football team made up of Total Kenya staff participates in the Left Football League. The league is made up of various corporate teams currently featuring in Division Four of ranking countrywide.

The Kibera Black Stars, a team formed by the youth in Nairobi's Kibera slums continue to be our partner, as Total Kenya promotes their activities and provide them with the seed capital, that enable them sell our solar lanterns within the vicinity. This creates a revolving fund that helps generate income while they still engage in sports.

"The Company recorded strong perfomance in 2017... All our activities were guided by the company's core values namely Safety, Respect for each other, Pioneer spirit, Standing together and Performance mindedness."

MR. JEAN-CHRISTIAN BERGERON
CHAIRMAN OF THE BOARD

CHAIRMAN'S **STATEMENT**

CHAIRMAN'S REPORT

It gives me much pleasure to welcome you all to this 64th Annual General Meeting (AGM) of Total Kenya Plc and I am indeed delighted to present to you the Annual Report and Financial Statements for the Company for the year ended 31 December 2017. As has been the case in the past, your usual level of support that you continue to extend to your Company as evident from your active participation in our AGMs every year is highly appreciated. From these occasions, we are able to review our performance of the previous year and at the same time plan together for the future.

In our role as the Board of Directors, together with the Management and Staff, we are always encouraged by your confidence in us to steer the affairs of your company and remain committed to continuous growth and delivery of better returns.

ECONOMIC ENVIRONMENT/OUTLOOK

In 2017, the macroeconomic environment faced some challenges owing to the prolonged electioneering period particularly in the second half of the year. The Kenya shilling exchange rate depreciated against the US dollar, with petroleum prices rising steadily. The GDP growth rate for the year was 4.9% against the projected 6% at the beginning of the year also owing to persistent drought, the need for emergency food imports and government food subsidies and the consequences of the capping of interest rate negatively impacting access to credit. The country continued to undertake massive investments in the areas of infrastructure, with completion of the first phase of the new Standard Gauge Railway (SGR) that was commissioned in June 2017. The tourism sector, a key sector, was once again back on the recovery path.

Other areas of significant investment included roads, new KPC fuel pipeline, power generation projects, ICT, housing and phase two of the SGR. All these investments will continue to steer the country's economic growth in 2018.

PETROLEUM ENVIRONMENT

During the year, the new Energy bill was fully reviewed by stakeholders, Parliament, Senate and subsequently returned to Parliament for review of presidential comments. The revised bill is important since it has incorporated measures that will play a key role in improving the business environment and realization of energy plans as envisioned in the Energy policy.

Implementation of the Kenya Pipeline Corporation (KPC) strategic plan for the period 2016 - 2025 dubbed 'KPC Vision 2025' continued. Notable achievements included completion of the new 20" pipeline and increased storage capacity in Nairobi that are scheduled for commissioning in 2018. KPC equally began rehabilitation of storage and pipeline capacity at Kipevu Oil Storage Facility (KOSF) and Kenya Petroleum Refinery (KPRL) for both fuels and LPG. Realization of this vision will significantly improve product supply and contain demurrage costs.

The LPG Technical Committee chaired by the ERC reviewed the legal framework of the LPG business by revising Legal Notice No 121 to address key issues relating to LPG safety,

TAARIFA YA MWENYEKITI

Nina furaha kuu kuwakaribisha nyote kwa mkutano huu mkuu wa kila mwaka wa awamu ya 64 ya kampuni ya Total Kenya Plc, na pia nachukua fursa hii ya kipekee kuwasilisha kwenu ripoti ya kila mwaka na taarifa ya kifedha ya kampuni yetu kwa kipindi kilichomalizika tarehe 31 mwezi Disemba mwaka 2017. Na kama ilivyo desturi katika miaka iliyopita, natoa shukrani zangu za dhati kwenu kwa kuendelea kuunga mkono kampuni hii, azma ambayo imebainika kutokana na kujitolea kwenu kuhudhuria kwa wingi mikutano yetu mikuu ya kila mwaka, nasema asanteni sana. Mikutano hii hutupa fursa ya kutathmini utendaji wa kampuni katika kipindi cha mwaka uliopita, na pia kupanga pamoja jinsi ya kuboresha utendaji wa kampuni katika siku za usoni.

Kama bodi ya wakurugenzi, pamoja na wasimamizi na wafanyikazi kwa jumla, tumenyenyekezwa na imani ambayo mumeidhihirisha kwetu, kiasi cha kutunuku jukumu la kusimamia maswala ya kampuni, na tunaahidi kufanya bidii kutekeleza wajibu huo kwa uadilifu, ili kuhakikisha kuwa kampuni hii inafikia upeo mkubwa kibiashara na kuafikia matarajio ya wenye hisa kwa kunakili matokeo bora ya kifedha.

MAZINGIRA YA KIUCHUMI/MATARAJIO

Katika mwaka 2017, mazingira ya kiuchumi hapa nchini yalikumbwa na changamoto nyingi kutokana na kipindi kirefu cha kampeni za uchaguzi, hasa nusu ya pili ya mwaka huo. Katika kipindi hicho, thamani ya Shilingi ya Kenya dhidi ya dola ya kimarekani ilipungua, huku bei ya mafuta ya petroli ikiongezeka. Katika kipindi hicho, nchi hii ilinakili ukuaji wa uchumi wa asilimia 4.9, tofuati na ukuaji wa asilimia 6 uliobashiriwa mwanzoni mwa mwaka. Hali hiyo pia ilichangiwa na ukame, uagizaji wa dharura wa chakula, mpango wa serikali wa kufidia bei ya unga, na uwekaji kiwango cha riba ya mikopo, hatua iliyoathiri pakubwa upatikanaji wa mikopo. Hata hivyo nchi hii iliendelea kuwekeza kiasi kikubwa cha pesa katika upanuzi wa miundo msingi, huku awamu ya kwanza ya reli ya kisasa ya SGR ikikamilika, na kuzinduliwa rasmi mwezi Juni mwaka 2017. Sekta ya utalii, ambayo ni muhimu kwa pato la kigeni kwa nchi hii pia ilianza kuimarika.

Kando na reli, kiasi kikubwa cha pesa pia kililelekezwa katika ujenzi wa barabara, mabomba mapya ya kampuni ya usambazaji mafuta, miradi ya uzalishaji nguvu za umeme, upanuzi wa sekta ya teknolojia ya mawasiliano, ujenzi wa nyumba zaidi , na uzinduzi wa awamu ya pili ya ujenzi wa reli ya kisasa ya SGR. Miradi hiyo inatarajiwa kuchangia pakubwa katika ukuzi wa uchumi kwa kipindi cha mwaka 2018, ambapo ukuaji wa asilimia 6 unatarajiwa kuafikiwa.

MAZINGIRA YA MAFUTA YA PETROLI

Katika kipindi hicho, mswada mpya kuhusu kawi ulijadiliwa na wadau wote, bunge la taifa na lile la seneti na kisha kurejeshwa bungeni kukadiria maoni ya Rais. Mswada huo uliofanyiwa marekebisho ni muhimu kwa sababu unajumuisha hatua zinazolenga kuimarisha mazingira ya biashara hapa nchini, na hivyo kuwezesha kuafikiwa kwa malengo ya sera ya kitaifa kuhusu sekta ya kawi.

Pia utekelezaji wa mkakati wa kampuni ya Kenya Pipeline Corporation (KPC) kwa kipindi cha mwaka 2016 hadi 2025, almaarufu 'KPC Vision 2025' uliendelea vyema. Baadhi ya mafanikio ya mkakati huo ni kukamilika kwa ujenzi wa bomba jipya la upana wa 20", na kupanuliwa kwa matangi ya kuhifadhi mafuta jijini Nairobi, ambayo yanatarajiwa kuzinduliwa rasmi mwaka huu wa 2018. Kampuni ya Kenya Pipeline pia ilianza kukarabati kituo cha kuhifadhi mafuta cha Kipevu, (Kipevu Oil Storage Facility-KOSF) na kiwanda cha kusafisha mafuta cha Kenya Petroleum Refineries Limited (KPRL). Hatua hizo kwa ujumla zinalenga kupunguza gharama ya usafirishaji mafuta.

CHAIRMAN'S STATEMENT

accessibility and interchange. The new regulations are scheduled to be approved within the current year.

The long dispute between KPRL and Oil Marketing Companies (OMCs) after decommissioning of the refinery still remains unresolved. In 2017, KPRL partly compensated the OMCs on the claims for stocks. As shared with you previously, KPRL changed its mode of operation in 2012 from Toll to Merchant mode. More recently, it has changed to hospitality services for products delivered by OMCs. Total and other OMCs continue to take steps to recover what KPRL owes through collaborative engagements with the Energy Regulation Commission and Ministry of Petroleum and Mining.

We remain confident that with continuous good co-operation between the industry players, the regulator and the newly created Ministry of Petroleum and Mining, better efficiencies to the industry will be achieved that would further investment in the sector.

In December 2017, members of the Petroleum Institute of East Africa (PIEA) elected Total Kenya's Managing Director Ms Anne-Solange Renouard as the institute's new Chairperson for two years.

PERFORMANCE

The Company recorded strong performance in 2017, thanks to action plans set by management to grow the business in profitable segments, effective management of costs and cash, working capital requirements and through the dedication of the employees. All our activities were guided by the company's core values namely Safety, Respect for each other, Pioneer spirit, Standing together and Performance mindedness.

During the period under review, net sales increased by 25% compared to 2016 as a result of the increase in international oil prices and increased sales volumes. Gross margins increased by 5% from KShs. 7.85 billion in 2016 to KShs. 8.25 billion due to increased sales and strategic focus on more profitable business channels. Other income increased by KShs. 131 million as a result of our pursued strategy of development in non-fuel activities. Operating expenses were closely managed and were controlled at inflation. Net finance income grew by KShs. 137 million as a result of effective cash management. The depreciation of the Kenyan shilling against the US dollar in the second half of the year led to increased forex loss in the year from KShs 22 million in 2016 to KShs. 77 million. The Company recorded a profit before tax of KShs. 4.13 billion compared to KShs. 3.94 billion realised in 2016. Profit for the year increased by 23% to KShs. 2.74 billion (2016: KShs 2.23 billion).

INVESTMENTS

The Company remained steadfast by making significant investments in long-term assets totalling KShs 2.27 billion during the year in line with the strategy to develop our core activities and to tap business opportunities for sustained future growth. This growth in investments was quite significant considering the KShs 1.54 billion made in 2016. Key investments in the year included the construction of new stations and revamping of existing ones country-wide

Kamati ya ushauri kuhusu gesi ya kupika, chini ya uenyekiti wa tume ya kuthibiti sekta ya kawi ,nayo ilipendekeza kanuni mpya katika mfumo wa sheria kuhusu biashara hiyo, kwa kurekebisha arifa nambari 121 ili kushughulikia maswala ibuka kuhusu gesi ya kupika, kama vile usalama na upatikanaji na ubadilishanaji mitungi ya gesi. Kanuni hizo mpya zinatarajiwa kuidhinishwa mwaka huu.

Mzozo wa muda mrefu kati ya kampuni ya kusafisha mafuta ya KPRL na kampuni za kuuza mafuta (OMCs) baada ya kampuni ya KPRL kufungwa haukutatuliwa katika mwaka 2017. Hata hivyo kampuni ya KPRL ililipa sehemu ya fidia kwa kampuni za kuuza mafuta. Na kama nilivyowafahamisha hapo awali, kampuni ya KPRL ilibadilisha mfumo wa shughuli zake mnamo mwaka 2012 kutoka uhifadhi hadi uuzaji wa mafuta. Na hivi majuzi kampuni hiyo ilianza kutoa huduma ya uhifadhi kwa bidhaa zinazowasilishwa na kampuni za kuuza mafuta. Hata hivyo Total na kampuni nyingine za mafuta zinachukua hatua mbadala kupata pesa ambazo zinadai kampuni ya KPRL kupitia maelewano na tume ya kuthibiti sekta ya kawi na Wizara ya Mafuta na Madini .

Tuna imani kwamba kupitia ushirikiano mzuri uliopo kati ya wadau katika sekta hii, mthibiti wa sekta, na wizara mpya iliyobuniwa ya mafuta na uchimbaji madini, ufanisi mkubwa utapatikana katika sekta hii, na hivyo kuvutia uwekezaji zaidi. Mnamo mwezi Disemba mwaka 2017, wanachama wa taasisi ya mafuta ya petroli katika kanda ya Afrika Mashariki (PIEA) walimchagua mkurugenzi mkuu wa kampuni ya Total Kenya Bi. Anne-Solange Renouard kuwa mwenyekiti wake mpya kwa kipindi cha miaka miwili.

MATOKEO

Katika mwaka 2017, kampuni ilinakili matokeo mazuri katika biashara, kufuatia utekelezaji mkakati uliotatibiwa na wasimamizi, madhumuni yakiwa kukuza biashara na kuongeza mapato, kupitia upunguzaji gharama ya matumizi, kuongeza mtaji wa kampuni na kuhimiza bidii miongoni mwa wafanyakazi. Hata hivyo shughuli zetu zote ziliendelea kutekelezwa kuambatana na maadili msingi ya kampuni ya Total, ambayo ni usalama, kuheshimiana, ubunifu, ushirikiano na bidii. Katika kipindi cha mwaka unaoangaziwa, mauzo jumla yaliongezeka kwa asilimia 25 ikilinganishwa na mwaka 2016, kutokana na ongezeko la bei ya mafuta katika soko la kimataifa na ongezeko la mauzo. Mapato halisi yaliotokana na mauzo nayo yaliongezeka kwa asilimia 5 kutoka Shilingi bilioni 7.85 katika mwaka 2016, hadi Shilingi bilioni 8.25 kutokana na ongezeko la mauzo na upanuzi wa vitengo vinavyoleta faida kubwa.

Mapato mengine yaliongezeka kwa Shilingi millioni 131 kutokana na mpango wetu wa kuimarisha biashara zisizohusiana moja kwa moja na mafuta. Kampuni pia iliangazia zaidi uthibiti wa gharama ya matumizi sambamba na kiwango cha gharama ya maisha. Mapato halisi yaliongezeka kwa Shilingi millioni 137, hii ni kutokana na umakinifu katika matumizi ya pesa. Kupungua kwa thamani ya Shilingi ya Kenya dhidi ya dola ya Marekani katika nusu ya pili ya mwaka 2017 nako kulisababisha kuongezeka kwa hasara ya pato la kigeni kutoka Shilingi millioni 22 mnamo mwaka 2016 hadi Shilingi millioni 77. Na kabla ya kulipa ushuru, kampuni ilinakili faida ya Shilingi bilioni 4.13 ikilinganishwa na Shilingi bilioni 3.94 ambazo ilipata mwaka 2016. Faida halisi ya kampuni katika kipindi hicho iliongeza kwa asilimia 23 hadi Shilingi bilioni 2.74 kutoka Shilingi bilioni 2.23 katika mwaka 2016.

UWEKEZAJI

Kampuni iliwekeza jumla ya Shilingi bilioni 2.27 kwa raslimali za kudumu katika kipindi cha mwaka huo, sambamba na mkakati wake wa kupanua biashara zake kuu, kando na kutumia fursa ibuka za biashara ili kudumisha uendelevu katika shughuli zake. Kiwango hicho cha uwekezaji kilikuwa kikubwa ikilinganishwa na Shilingi bilioni 1.54 zilizowekezwa mwaka uliotangulia wa 2016.

CORPORATE INFORMATION | MANAGEMENT | FINANCIAL STATEMENTS | APPENDIX

TAARIFA YA MWENYEKITI

and further modernization of our Lubricants Blending Plant in Mombasa to ensure we match local and regional demand for Total lubricants.

During the second half of 2017, Total Kenya implemented two innovative solutions in our quest to remain at the forefront of offering superior solutions to customers. We launched an LPG anti-counterfeit solution enabling customers to verify, using an SMS short code application, that the gas they are about to purchase is genuine and confirm the source as filled by Total. The solution dubbed 'Usibahatishe, Thibitisha' was a first in this market. Total also implemented a near real time solution for topping up pre-paid Total Card via Mpesa.

CORPORATE SOCIAL RESPONSIBILITY

Total Kenya is committed to the communities it operates in. We endeavour to understand the needs and aspirations of these communities. Over the years, we have supported initiatives in the key pillars of road safety, education, entrepreneurship, health and environment.

We have continued to impact the youth through the young dealer scheme. The scheme is an entrepreneurship initiative that develops the careers of young service station employees to become independent dealers. In 2017, five (5) young dealers graduated to become Financial dealers.

Your Company has continued to support the finalists of the inaugural Total Startupper Challenge of 2016 through organising engagement sessions with the jury members of the challenge who are eminent Kenyan personalities as well as providing linkages to key support faculties for further development of the projects finalists'.

Safe Way Right Way is an organisation that champions road safety advocacy among key stakeholders including motorists, motorcyclists, pedestrians and the general public. Through these stakeholders, SWRW has continued to influence the society at large on road safety awareness. In 2017, we increased our tally of the schools enrolled in the road safety program to 94. SWRW also completed the Black Spot Mapping for the Nothern Corridor and Nairobi routes in close collaboration with NTSA and other government bodies.

Total Kenya also supported children from vulnerable backgrounds through the SOS Children's villages. Four homes in the villages have been adopted by Total Kenya while Total Staff through monthly contributions have adopted one home.

Our commitment to environmental conservation is key. The Eco Challenge program is undergoing a re-engineering process. Total Kenya staff in partnership with other partners with mutual interest in the environment participated in a couple of tree planting events in 2017.

Impacting the society through Corporate Social Responsibility will continue to be an important and active element of the Total Kenya objectives.

Baadhi ya miradi muhimu ambapo kampuni iliwekeza katika kipindi hicho ni ujenzi wa vituo vipya vya kuuza mafuta kote nchini, kuboresha vile vilivyoko na kuimarisha utendaji wa kiwanda chetu cha kuchanganya mafuta laini huko Mombasa, kwa lengo la kukidhi mahitaji yanayoongezeka ya mafuta laini ya Total hapa nchini na pia katika kanda hii.

Katika nusu ya pili ya mwaka 2017, kampuni ya Total Kenya ilizindua mipango miwili muhimu katika azma ya kuboresha shughuli zake. Kwanza, ilizindua mpango wa kukabiliana na ughushi katika biashara ya gesi ya kupika. Chini ya mpango huo, wateja wanaweza kuthibitisha kama gesi wanayoinunua imejazwa na kampuni ya Total Kenya, kwa kutuma arafa fupi wakitumia nambari maalumu kwenye mtungi wa gesi. Mpango huo kwa jina 'Usibahatishe, Thibitisha' ndiyo wa kwanza wa aina yake katika soko la bidhaa hiyo. Kampuni pia ilianza kutekeleza mpango wa kuongeza salio papo hapo kwa njia ya M-pesa kwenye kadi ya Total kulipia huduma.

WAJIBU KWA JAMII

Kampuni ya Total Kenya imejitolea kuboresha maisha ya wakazi wa maeneo ambapo inaendesha shughuli zake. Tutaendelea kujizatiti kufahamu mahitaji na matarajio ya jamii hizo kwa lengo la kuzisaidia. Baadhi ya mipango ya kusaidia jamii ambapo kampuni ya Total Kenya imeshiriki kwa miaka kadhaa iliyopita, ni usalama barabarani, uhifadhi wa mazingira, elimu, afya na ujasiria mali miongoni mwa nyingine.

Pia tumesaidia kuboresha maslahi ya vijana kupitia mpango wetu wa kujenga nyenzo kwa chipukizi katika sekta hii, kwa lengo la kuwawezesha kujitegemea baadaye kwa jina Young Dealer Scheme. Mwaka uliopita (2017) chipukizi watano (5) walifuzu kupitia mpango huo.

Kampuni yetu pia imeendelea kuunga mkono shindano lililoanzishwa kutambua na kukuza ubunifu kwa jina Total Startupper Challenge. Kampuni inachangia shindano hilo kwa kuandaa vikao na wana jopo, ambao ni Wakenya tajika, na pia kutoa ushauri kwa wadau kuhusu namna ya kufanikisha mpango huo.

Kuhusu usalama barabarani, tutaendelea kufanya kazi kwa ushirikiano na idara husika za serikali na shirika la Safe Way Right Way. Shirika hilo ndilo linaongoza kampeni ya hamasisho kuhusu usalama barabarani miongoni mwa waendeshaji magari, pikipiki na hata watembeaji kwa miguu. Mpango huo umeendelea kunakili ufanisi mkubwa katika jitihada za kusaidia kupunguza ajali za barabarani. Katika mwaka 2017, tuliongeza idadi ya shule zinazoshiriki kwenye mpango huo hadi 94. Shirika hilo pia lilikamilisha utafiti wake wa kutambua maeneo ambayo ajali hutokea mara kwa mara, hasa katika barabara ya pembeni ya Kaskazini (Northern Corridor) na barabara nyingine za kuelekea jijini Nairobi, mpango ambao ulitekelezwa kwa ushirikiano na halmashauri ya usalama barabarani (NTSA).

Kampuni ya Total Kenya pia iliendelea kuwasaidia watoto mayatima kupitia makao mbali mbali ya watoto. Kwa sasa kampuni imechukua ufadhili wa makao matatu ya watoto ya SOS, huku wafanyakazi wa kampuni nao kupitia michango yao ya kila mwezi, wakichukua ufadhili wa makao moja.

Pia tungali tumejitolea kwa mpango wa uhifadhi wa mazingira wa Eco Challenge. Upanuzi unaendelea katika utekelezaji wa mpango huo ili kuupanua hata zaidi. Wafanyakazi wa kampuni na wadau wengine wameshiriki katika hafla tatu tofauti za upanzi wa miti mwaka uliopita (2017). Kushiriki katika mipango ya kuinua hali ya maisha ya jamii kutaendelea kuwa moja ya ajenda kuu za kampuni ya Total Kenya.

TAARIFA YA **MWENYEKITI**

OUTLOOK FOR 2018

I shared with you last year about the acquisition of GAPCO activities in Tanzania, Kenya and Uganda by our holding company, Total Outre-Mer. During the year, the acquisition process was successfully completed thus enabling management to focus on developing business opportunities for both companies while building on our respective strengths.

The Kenyan post-election economic growth is projected to recover and reach around 6% in 2018 and the Board is confident that the Company is well placed to take full advantage of business opportunities. We are convinced that the sustained investments, experienced management and staff with a clear business strategy combined with our wide and expanding network are perfect ingredients that will allow us to profitably deliver the needs of the evolving and expanding economy. Management has put in place robust projects in various sectors of the business to ensure among others, better service delivery, quality products and services, and enhanced safety of our installations to continuously satisfy our customers in a sustainable manner. The new generation of additivised Total Excellium Petrol and Diesel remain as unmatched market leaders.

DIVIDENDS

In view of continued improvement in our financial performance and the need to further invest in safety and business growth, the Directors are recommending for the approval at this Annual General Meeting the payment of a first and final dividend of KShs. 1.30 per share for the year ended 31 December 2017 compared to KShs. 1.06 per share in 2016. This represents a 23% payout increase as compared to 2016 subject to the shareholders' approval at this meeting. Dividend will be payable to shareholders on the register of members at the close of business on 27 June 2018, subject to withholding tax where applicable.

ACKNOWLEDGEMENTS

The stability of the economic environment in which we operated for the year under review, was commendable and we thank the government for such steady stewardship. Total remains customer-focused and I am indebted to our customers, dealers, transporters and other key stakeholders for their support for the past year. We are proud and grateful to them for their continued commitment to our relationships which we believe delivers mutual benefits.

On behalf of the Board, I also wish to thank the management and their staff for their commitment and contribution towards the overall performance in 2017. To you Shareholders, I thank you for the confidence you have shown us by choosing to invest in Total Kenya.

Finally, I wish to thank the Board of Directors for their dedication and able support that has helped your Company to remain a major player in our economy.

Jean-Christian Bergeron
Chairman

MATARAJIO MWAKANI 2018

Mwaka uliopita niliwajulisha mipango yetu ya kununua huduma za kampuni ya GAPCO katika nchi za Tanzania, Kenya na Uganda kupitia tawi letu la Total Outre-Mer. Wakati wa kipindi tunachoangazia, mipango ya ununuzi wa huduma hizo ilikamilika kwa njia shwari, na hivyo kuwapa wasimamizi wa kampuni muda wa kutosha kupanga mikakati ya kuboresha na kupanua biashara kwa kampuni zote mbili kwa pamoja.

Na baada ya kukamilika kwa kipindi cha uchaguzi, inabashiriwa kwamba uchumi wa nchi hii utakuwa asilimia 6 katika mwaka huu wa 2018, na bodi ya kampuni inachukua fursa hii kuwahakikishia wenye hisa wake kuwa imejiandaa vilivyo kutumia fursa hiyo kupanua biashara za kampuni.

Tuna imani kwamba tukiendelea kuwekeza katika upanuzi wa biashara, uwepo wa wasimamizi mahiri na wafanyakazi walio na ujuzi mkubwa pamoja na uzingativu wa mkakati bainifu wa kampuni na mtandao wake mkubwa, tutatimiza matarajio ya wateja wetu na kisha kunakili matokeo mazuri ya biashara.

Wasimamizi wa kampuni wameanzisha miradi mikubwa katika sekta tofauti za biashara, miongoni mwao huduma bora, bidhaa za ubora wa hali ya juu na uimarishaji usalama katika vituo vyetu vya biashara kwa manufaa ya wateja wetu. Bidhaa yetu mpya ya Total Excellium Petrol na Diesel vinaendelea kuwa uvuto mkubwa katika sekta ya mafuta hapa nchini.

MGAO WA FAIDA

Kutokana na kuimarika kwa mapato ya kampuni pamoja na haja ya kuendelea kuwekeza katika usalama na upanuzi wa biashara yetu kwa ajili ya ukuaji wa kasi, wakurugenzi wanapendekeza katika mkutano huu mkuu wa mwaka kuidhinisha malipo ya mgao wa faida wa kwanza na mwisho wa Shilingi moja na senti thelathini (KShs 1.30) kwa kila hisa kwa kipindi kilichomalizika tarehe 31 mwezi Disemba mwaka 2017 ikilinganishwa na mgao wa faida wa Shilingi moja na senti sita (KShs 1.06) kwa kila hisa uliolipwa katika kipindi cha mwaka 2016. Hii ni nyongeza ya asilimia 23 ikilinganishwa na mwaka 2016. Mgao huu wa faida utalipwa kwa wenye hisa waliokuwa kwenye sajili ya kampuni kufikia tarehe 27 mwezi Juni mwaka 2018, baada ya kutozwa ushuru wa mapato.

SHUKRANI

Naishukuru serikali kwa kuhakikisha uwepo wa mazingira thabiti ya kiuchumi katika kipindi kinachoangaziwa.

Kampuni ya Total itaendelea kutekeleza shughuli zake kwa kutilia umuhimu mkubwa matarajio ya wateja wake. Pia nawashukuru sana wateja wetu, wauzaji bidhaa zetu, wachukuzi na wadau wengine kwa usaidizi wao mwaka uliopita .

Kwa niaba ya bodi, pia nawashukuru wasimamizi na wafanyakazi kwa bidii na uadilifu wao, ambao umeiwezesha kampuni hii kunakili matokeo bora ya biashara katika mwaka 2017. Na nyinyi wenye hisa, nawashukuru kwa imani mliotuonyesha kwa kuwekeza katika kampuni ya Total Kenya.

Mwisho, nawashukuru wanachama wa bodi ya wakurugenzi ya Total Kenya Plc, kwa jitihada na usaidizi wao, ambao umeiwezesha kampuni hii kusalia mdau muhimu katika sekta ya mafuta hapa nchini.

Asanteni

Jean-Christian Bergeron
Mwenyekiti

CORPORATE INFORMATION | MANAGEMENT | FINANCIAL STATEMENTS | APPENDIX

MANAGEMENT **REPORT**

2017 FINANCIAL YEAR - AN OVERVIEW

SUMMARY OF RESULTS

The Company recorded a 23% growth in net profit for the year ended 31 December 2017, a performance attributed to the efforts and action plans set by Management and the Board of Directors.

Net sales grew by 25% mainly due to increase in both sales volume and international oil prices. The company also recorded an increase in margins by 5% from KShs 7.85 billion in 2016 to KShs 8.25 billion driven by increased sales and strategic focus on more profitable business segments.

Operating expenses increased by 8% mainly due to inflation and impact of depreciation as a result of new investments in the Network channel and Depots. Net finance income of KShs 274 million in the year resulted mainly from positive cash position in Kenya shillings arising from effective management of working capital, net of interest paid on USD facility.

As a result of depreciation of the Kenya Shilling against the US dollar in the second half of the year, the company incurred a foreign exchange loss of KShs 77 million (2016: KShs 22 million loss).

Profit before tax increased by 5% to KShs 4.1 billion (2016: KShs 3.9 billion). Net profit for the year improved from KShs 2.2 billion realised in 2016 to KShs 2.7 billion for 2017.

ANALYSIS BY BUSINESS CHANNEL

The company's four business channels are:

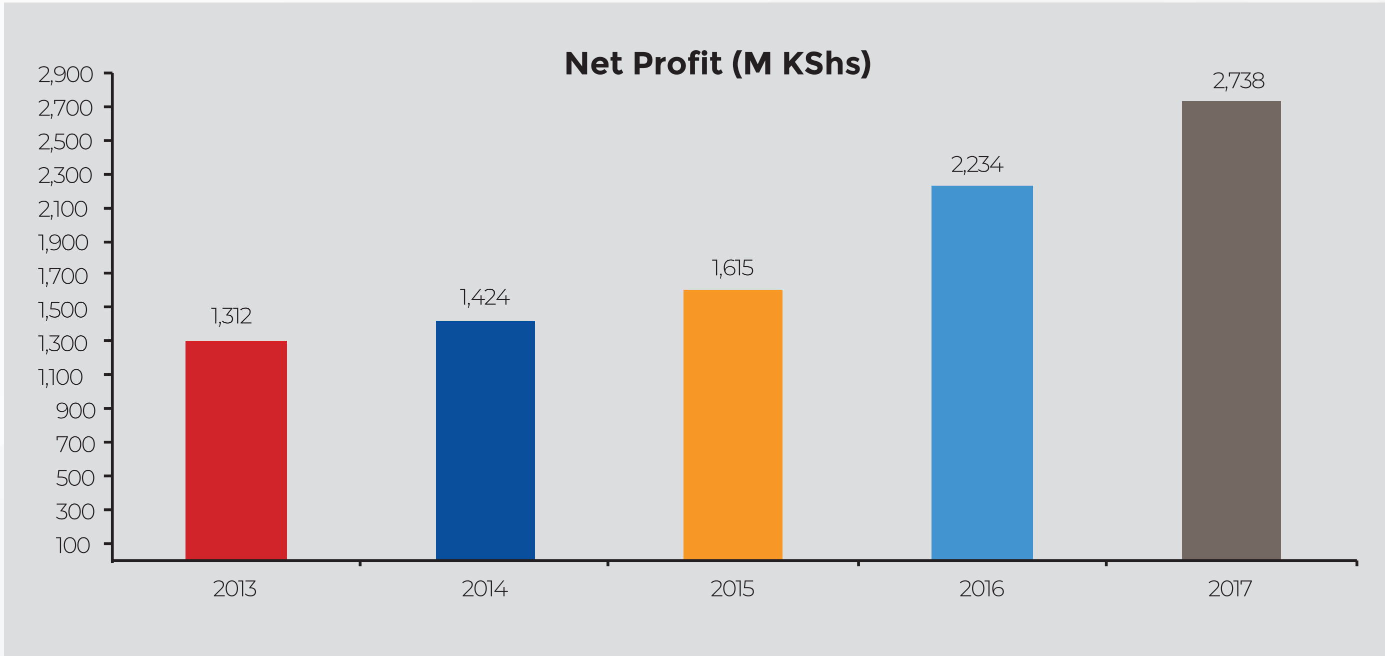
- The Network channel, which includes the distribution of petroleum products through service stations located across the country;
- The General Trade channel, which includes sales of a broad range of products to all sizes of industrial consumers;
- The Aviation channel, which comprises of sales of Jet A1 and aviation gasoline to local and international air carriers;
- The Exports and Bulk channel, which comprises of sales of our full range of products to neighbouring countries and other industry players.

NETWORK

The network market environment remained competitive with continued growth in the number of service stations. The market was impacted by the long electioneering period which slowed down economic growth in the second semester of the year.

Total Kenya registered a growth of 3% in sales in this channel to 483 KMT. The Company has continued to provide quality products and services to its customers.

The launch of additivised fuels TOTAL EXCELLIUM PETROL and TOTAL EXCELLIUM DIESEL in the last quarter of 2016 confirms the Company's strong commitment to innovation in pursuit of better products and services to its customers.



MANAGEMENT **REPORT**

The Company's objective is to continue investing in areas where population and traffic are growing and continue diversifying services (Bonjour shops, Restaurants, Total Wash and Lubes Bays, Tyre Centres) to meet customer needs.

The Company became a franchisee of the South African Mugg & Bean On-The-Move brand and opened the first outlet to the public in October 2017 at our Limuru Road station. The company continued its partnership with Kentucky Fried Chicken (KFC Brand) by opening a branch at the Waiyaki Way Total Service Station in Westlands.

Total Card remains popular amongst individuals and companies by rewarding customers and promoting customer loyalty. Our objective is to remain competitive as we continue to improve customer experience.

Network -Key figures	2017	2016	% CHANGE
Number of service stations	191	183	4%
Volumes Sold in KMT	483	468	3%

GENERAL TRADE

The General Trade channel remained competitive with increased number of resellers. Total Kenya sales volumes in this channel increased by 6% from 244KMT in 2016 to 258KMT in 2017.

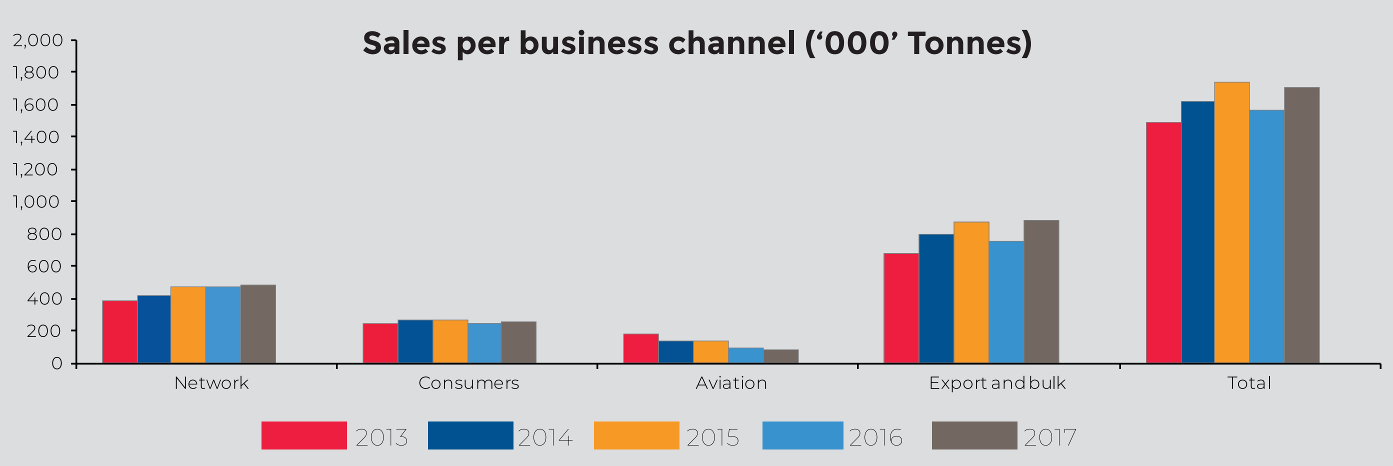
During the year, the company re-introduced the Elf range of lubricant products and launched an anti-counterfeit Liquified Petroleum Gas (LPG) program aimed at safeguarding customers by enabling them to confirm they purchase genuine gas cylinders filled by Total.

AVIATION

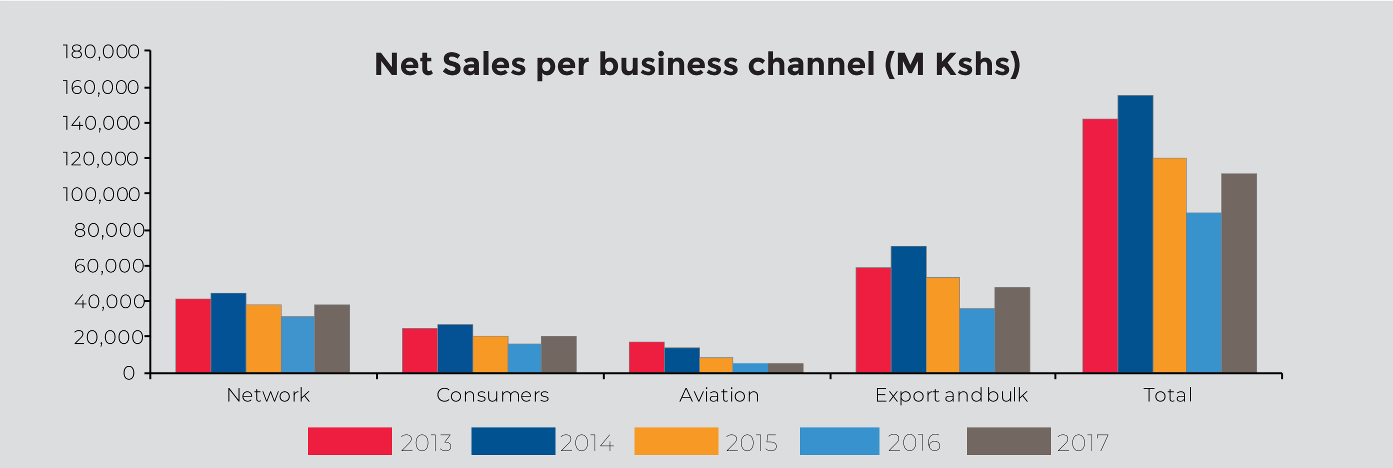
Strong competition in the aviation market led to a decrease in sales by 16% from 96 KMT in 2016 to 81 KMT in 2017.

EXPORTS AND BULK

The sales in this channel increased by 16% from 747KMT in 2016 to 869KMT. This resulted from the Company's continued participation and winning of several contracts to supply the industry with refined products under the OTS agreement.



Sales per business channel ('000' Tonnes)



Net Sales per business channel (M Kshs)

MANAGEMENT **REPORT**

FINANCIAL POSITION

The Company's statement of financial position remained strong with a growth in total assets by 5% from KShs 36.19 billion in 2016 to KShs 38.01 billion in 2017.

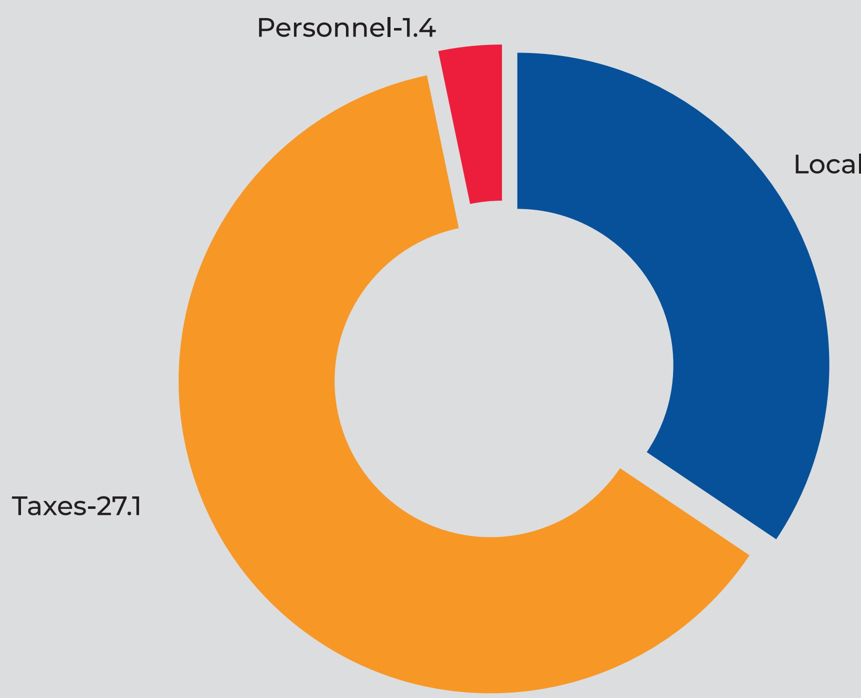
Investments totalling KShs 2.27 billion were made in the year compared to KShs 1.54 billion in 2016, representing a significant increase of 47% in line with the strategy to enhance safety standards and develop the business.

CONTRIBUTION TO THE KENYAN ECONOMY

Total Kenya remains one of the top tax contributors in the country, having paid direct and indirect taxes of over KShs 27 billion (KShs 24 billion in 2016).

The financial impact on the economy in 2017 was KShs 43 billion (2016 KShs 39 billion) comprising the following in billion KShs:

Contribution to the Kenyan economy 2017 (Billion KShs)



MANAGEMENT **REPORT**

2018 MANAGEMENT AGENDA

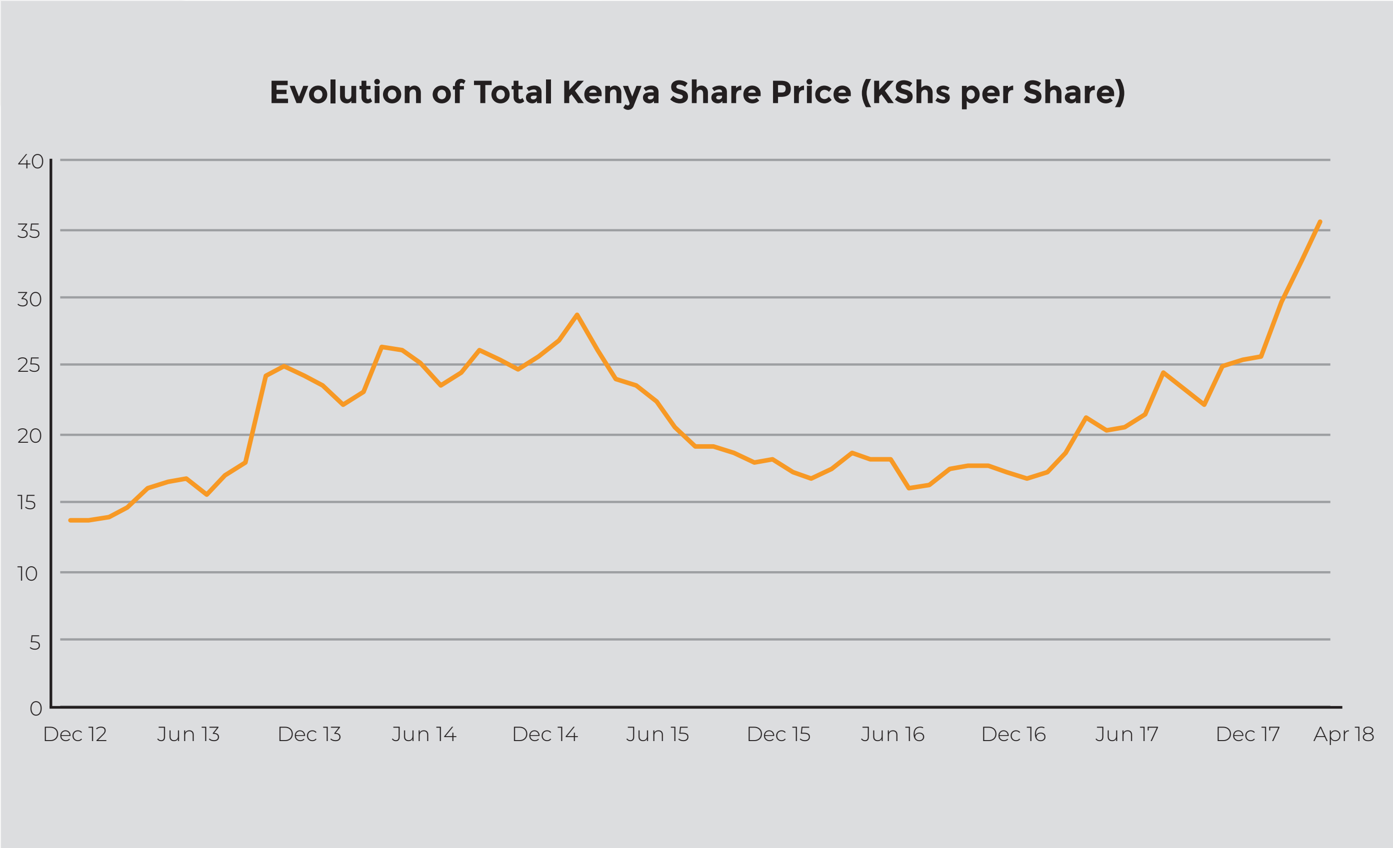
Given Total Kenya's sustained investments, clear strategies on all business channels and skilled workforce, the Company is well positioned to tap business opportunities in the Kenyan and regional markets resulting from expected economic growth.

The management will continue to:

- Ensure safety standards at all company installations and operations.
- Harness the opportunities in the market and enhance profitable growth.
- Focus on innovation in various segments including new Energies to diversify its products and services
- Attract, develop and retain best talent.
- Strengthen the brand through expansion, bring value to the community through our business activities and actions as a responsible corporate citizen.

SHARE PRICE EVOLUTION

In 2017, Total Kenya share price gained significantly by 48% to close at an average of KShs 25.5 per share from KShs 17.25 at the end of December 2016.



SHAREHOLDERS **ANALYSIS 2017**

TOP 10 SHAREHOLDERS (INCLUDING REDEEMABLE PREFERENCE SHARES)

Rank	Name	Shares Held	Percent
1	TOTAL OUTRE-MER*	580,804,822	92.26%
2	TOTAL AFRICA LIMITED	10,732,950	1.70%
3	BENJAMIN, EMMETT JOSEPH	2,506,400	0.40%
4	SHAH, RAJESH DHARAMSHI	1,674,813	0.27%
5	BID PLANTATIONS LTD	1,653,600	0.26%
6	KIMANI, JOHN KIBUNGA	1,322,301	0.21%
7	SAYANI INVESTMENTS LTD	1,000,000	0.16%
8	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE001966	1,000,000	0.16%
9	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002670	864,400	0.14%
10	THE JUBILEE INSURANCE COMPANY OF KENYA LTD	566,736	0.09%
		602,126,022	**95.65%**

SHARE DISTRIBUTION SCHEDULE

i) By number of Share Range

Share Range	No. Of Members	No. Of Shares Held	% of issued Share Capital
1 - 500	2,538	543,824	0.09%
501 - 1,000	924	798,024	0.13%
1,001 - 5,000	1,467	3,769,736	0.60%
5,001 - 10,000	377	2,798,812	0.44%
10,001 - 50,000	328	6,882,955	1.09%
50,001 - 100,000	60	4,289,693	0.68%
100,001 - 500,000	38	7,789,392	1.24%
500,001 - 1,000,000	5	3,975,136	0.63%
1,000,001 - 999,999,999,999	6	598,694,886	95.10%
TOTAL	**5,743**	**629,542,458**	**100.00%**

ii) By category of Shareholder

Group	No. Of Members	No. Of Shares Held	% of issued Share Capital
Foreign Investors	90	595,036,830	94.52%
East Africa Individual Investors	5,273	28,407,124	4.51%
East Africa Institutional Investors	380	6,098,504	0.97%
TOTAL	**5,743**	**629,542,458**	**100.00%**

*Includes 454,477,752 authorised redeemable preference shares (see note 21).

REPORT OF THE **DIRECTORS**
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2017, which show the state of the affairs of Total Kenya Plc ("the Company").

1. INCORPORATION
The Company is domiciled in Kenya where it is incorporated as a public company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 5.

2. CHANGE OF NAME
In compliance with the Kenyan Companies Act 2015, Total Kenya Limited changed its name to Total Kenya Plc on 23 June 2017.

3. PRINCIPAL ACTIVITY
The principal activity of the Company is the marketing and sale of petroleum products.

4. FINANCIAL RESULTS
The results for the year are as follows:

	2017	2016
	KShs '000	KShs '000
Profit before tax	4,131,816	3,935,363
Tax charge	(1,393,600)	(1,701,071)
Profit for the year	**2,738,216**	**2,234,292**

5. 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 1.30 (2016: KShs 1.06) per share equivalent to a total sum of KShs 818 million (2016: KShs 670 million).

6. DIRECTORS
The directors who served during the year and to the date of this report are set out on page 5.

7. BUSINESS REVIEW
In 2017, Total Kenya Plc invested substantially to tap business opportunities, enhance safety in its operations and increase shareholders' return. To this end, the Company reorganised its Customer Service Centre to have a one-stop shop for customers and strengthen customer relations management. The Commercial Department was also adapted to meet the evolving customer needs, changing business environment and to ensure quality service delivery.

The Company prides in its skilled workforce and continues to invest in employees through training and development and provides overseas posting opportunities. Communication with employees is vital in order to achieve the Company objectives. Through staff forums, seminars, surveys, staff bulletins, intranet, newsletters and individual performance reviews, management keeps the employees informed of the Company's strategy, objectives and performance.

REPORT OF THE **DIRECTORS**
FOR THE YEAR ENDED 31 DECEMBER 2017

7. BUSINESS REVIEW (continued)

Total Survey that takes place every two years within Total Group was held in November 2017 with a 99% local participation rate. The survey provided an opportunity to employees to give feedback, express ideas and views about the Company's performance, strategy, management and their expectations.

During the year, the Company introduced a new range of lubricant products (Elf brand), expanded the network by opening 10 service stations in the country, launched anti-counterfeit Liquified Petroleum Gas (LPG) campaign aimed at assisting the customers to confirm what they purchase as genuine gas cylinders filled by Total, and launched other various projects in logistics in line with the strategy to expand business operations to meet the growing demand and venture into renewable energy.

Also, the Company became a franchisee of the South African Mugg & Bean On-The-Move brand and opened the first outlet to the public in October 2017 at our Limuru Road station. The Company continued its partnership with Kentucky Fried Chicken (KFC Brand) by opening a branch at the Waiyaki Way Total Service Station in Westlands.

Risks and challenges

The Company has taken steps to mitigate the impact of volatility of petroleum prices at the international market through the implementation of a price risk management model.

The Energy Tribunal established by the government and stakeholders in the energy sector plays a key role in addressing long outstanding and ongoing industry issues. Among them, the "Yield shift" and "Dead stock" issue between Kenya Petroleum Refinery Limited (KPRL) and oil marketing companies after decommissioning of the refinery. The discussions have been ongoing and the management and Board of Directors are optimistic of a positive outcome in 2018.

To address the challenges relating to supply and flow of products in the country, the Kenya Pipeline Corporation (KPC) adopted a new strategic plan for the period 2016-2025 to increase pipeline capacity by laying a new 20 inch refined fuel pipeline along the existing 14 inch line as well as expanding the storage capacity by taking over KPRL facilities. We look forward to the commissioning of those facilities to better enhance our capacity to supply to our customers. The regulated margins in the Network channel by the Energy Regulatory Commission (ERC) have remained at the same level since 2011 despite the inflation impact on the costs. The Government of Kenya launched a study in 2017 to review the retail price structure whose outcome is being awaited by the industry.

An LPG Technical Committee chaired by ERC was set up to review the legal framework of LPG business and address issues concerning LPG safety; more particularly illegal refilling of LPG cylinders and challenges affecting management of LPG Exchange Pool.

Performance

Total Kenya recorded a 23% growth in profit after tax for the year ended 31 December 2017. This performance is attributed to the success of efforts and action plans set by management and the Board of Directors.

The Company also recorded an increase in gross profit by 5% from KShs 7.85 billion in 2016 to KShs 8.25 billion led by increased sales and strategic focus on more profitable business channels. Operating expenses increased by 8% mainly due to inflation and higher depreciation as a result of new investments in the Network channel and depots.

Net finance income of KShs 274 million in the year resulted mainly from positive cash position in Kenya shillings arising from effective management of working capital.

As a result of the above initiatives, profit after tax grew by 23% from KShs 2.2 billion in 2016 to KShs 2.7 billion resulting in growth in earnings per share by 23% from KShs 3.55 per share in 2016 to KShs 4.35 in 2017.

Entrepreneurial Programmes

Total Kenya continues to support local entrepreneurship initiatives to promote innovation, tap top talent and promote start-up companies that come up with original ideas and create new products.

The Company is also actively involved in various educational and mentorship programmes with the aim of enriching young people's talents. This is achieved through the Young Graduate Management Trainee program, annual Youth Arcade, the TOTAL summer school, TOTAL career days and other staff mentorship initiatives.

The Young Dealer scheme which is an entrepreneurship programme that develops service station employees to become independent dealers has successfully produced businessmen in our industry and will continue to receive our support as a way of investing in the skills of the local community.

The Start-upper of the Year challenge, another vibrant entrepreneurship initiative, was launched by Total towards the end of 2015 to identify and motivate young people with innovative ideas for business development. The winners and finalists for the challenge are being coached and mentored with the aim of ensuring that their innovative businesses grow and create opportunities towards the development of our economy.

REPORT OF THE **DIRECTORS**
FOR THE YEAR ENDED 31 DECEMBER 2017

Social Programmes

Total Kenya has partnered with the relevant government agencies and the private sector to promote road safety via Safe Way Right Way. The organization champions road safety advocacy among the key stakeholders including motorists, motorcyclists, pedestrians and the general public.

The Company has also partnered with Kibera Black Stars, a soccer team formed by the youth in Nairobi's Kibera slum. Through this partnership, Total Kenya promotes the activities of the team by enabling them to sell solar lanterns within the slum and generate income for their soccer club, thereby promoting business and sports in the community.

The Company has maintained a long-standing partnership with SOS Children's Villages in support of youth and vulnerable children. Through this initiative, both employees and the Company sponsor four houses in Nairobi, Kisumu and Mombasa's SOS homes.

Outlook for 2018

Given Total Kenya's sustained investments, clear strategies on all business segments and skilled workforce, the Board is confident that the Company will continue to take advantage of business opportunities in the Kenyan and regional markets.

8. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

a) there is, so far as the person is aware, no relevant audit information of which the Company's auditor is unaware; and,

b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

9. AUDITORS

Ernst & Young LLP continues in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 7,130,700 has been charged to profit or loss in the year.

By Order of the Board

....

J L G Maonga

Secretary

28th March 2018

STATEMENT OF THE **DIRECTORS' RESPONSIBILITIES**
ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 28 March 2018 and signed on its behalf by:

....

Director: Anne-Solange Renouard

....

Director: Premanand Dhoomon

DIRECTORS REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors' Remuneration Report sets out the policy that the Company has applied to remunerate executive and non-executive directors. The report has been prepared in accordance with the relevant provisions of the CMA code of Corporate Governance and the requirements of the Kenyan Companies Act, 2015, and the Companies (General) (Amendments) (No.2) Regulations, 2017.

Executive Directors

Executive directors are remunerated in accordance with the Employer's remuneration policy. Determination of the pay is based on the established salary scale. Annual objectives are set at the beginning of the year and a performance assessment carried out to determine the annual bonus and annual increment. The remuneration package comprises basic salary, pension and other benefits. There has been no major change relating to directors' remuneration during the year under review.

Non-Executive Directors

Local non-executive/independent directors are paid a fixed annual fee plus a sitting allowance for attending board meetings. Foreign non-executive directors are not remunerated for board attendance.

The Directors' fees are approved by shareholders at Annual General Meetings.

Contract of service

In accordance with the Capital Market Authority regulations on non-executive directors, a third of the Board is elected at every Annual General Meeting by the shareholders for a term of 3 years on rotation basis.

The executive directors have employment contracts with the Company.

The table shows the executive and the non-executive directors in respect of qualifying services for the year ended 31 December 2017. The aggregate directors' emoluments are shown in Note 19 (vii).

DIRECTORS REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Director	Role	Category	Gross earnings including pension contribution	Annual Bonus	Directors fees	Sitting allowances	Benefits*	Total
31 December 2017			**KShs'000'**	**KShs'000'**	**KShs'000'**	**KShs'000'**	**KShs'000'**	**KShs'000'**
Jean-Christian Bergeron	Chairman	Non-executive	-	-	-	-	-	-
Anne-Solange Renouard	Managing Director	Executive	32,128	5,054	-	-	14,133	51,315
Premanand Dhoomon	Finance Director	Executive	18,841	997	-	-	9,478	29,316
Maurice K'Anjejo	Retired on 14 November 2017	Executive	11,080	598	-	-	5,207	16,885
Macharia Irungu	Strategy and Corporate Affairs Director	Executive	-	-	-	-	-	-
Stanislas Mittelman		Non-executive	-	-	-	-	-	-
Joe Muchekehu		Non-executive	-	-	1,600	900	-	2,500
Joseph Karago		Non-executive	-	-	1,600	600	-	2,200
Jerome Burban		Non-executive	-	-	-	-	-	-
Margaret W.N. Shava		Non-executive	-	-	1,600	900	-	2,500
Totals			**62,049**	**6,649**	**4,800**	**2,400**	**28,818**	**104,716**
Summary								
Cash emoluments			62,049	6,649	4,800	2,400	3,975	79,873
Non-cash emoluments			-	-	-	-	24,843	24,843
Totals			**62,049**	**6,649**	**4,800**	**2,400**	**28,818**	**104,716**

Jean-Christian Bergeron, Stanislas Mittelman and Jerome Burban are remunerated by Total SA, the parent company and thus not remunerated as a board member. Macharia Irungu joined the Board of directors on 14 November 2017 and was not remunerated as director during the year ended 31 December 2017.

The gross earnings including pension contribution and annual bonus for Anne-Solange Renouard and Premanand Dhoomon are paid by Total Group and recharged to Total Kenya Plc in Euros and Swiss Francs respectively, through the Group's internal invoicing arrangements. For local payroll processing and local tax computation, the recharged amounts are converted into Kenya shillings using the Central Bank of Kenya mean rate as at transaction date.

*Benefits include house, vehicle, telephone, utilities and domestic employees.

DIRECTORS **REMUNERATION REPORT (Continued)**

FOR THE YEAR ENDED 31 DECEMBER 2017

Director	Role	Category	Gross earnings including pension contribution	Annual Bonus	Directors fees	Sitting allowances	Benefits*	Total
31 December 2016			**KShs'000'**	**KShs'000'**	**KShs'000'**	**KShs'000'**	**KShs'000'**	**KShs'000'**
Jean-Christian Bergeron	Chairman	Non-executive	-		-	-	-	-
Anne-Solange Renouard	Managing Director	Executive	29,846	3,092	-	-	13,459	46,397
Premanand Dhoomon	Finance Director	Executive	17,918	892	-	-	9,248	28,058
Maurice K'Anjejo	Corporate Affairs Director	Executive	10,263	592	-	-	1,385	12,240
Stanislas Mittelman		Non-executive	-		-	-	-	-
Joe Muchekehu		Non-executive	-		800	600	-	1,400
Joseph Karago		Non-executive	-		800	600	-	1,400
Alice Mayaka		Non-executive			1,600	400	-	2000
Jerome Burban		Non-executive	-		-	-	-	-
Margaret W.N. Shava		Non-executive	-	-	800	500	-	1,300
Totals			**58,027**	**4,576**	**4,000**	**2,100**	**24,092**	**92,795**
Summary								
Cash emoluments			58,027	4,576	4,000	2,100	-	68,703
Non-cash emoluments			-	-	-	-	24,092	24,092
Totals			**58,027**	**4,576**	**4,000**	**2,100**	**24,092**	**92,795**

Jean-Christian Bergeron, Stanislas Mittelman and Jerome Burban are remunerated by Total SA, the parent company and thus not remunerated as Board members.

The gross earnings including pension contribution and annual bonus for Anne-Solange Renouard and Premanand Dhoomon are paid by Total Group and recharged to Total Kenya Plc in Euros and Swiss Francs respectively, through the Group's internal invoicing arrangements. For local payroll processing and local tax computation, the recharged amounts are converted into Kenya shillings using the Central Bank of Kenya mean rate as at transaction date.

*Benefits include house, vehicle, telephone, utilities and domestic employees.

REPORT OF THE **INDEPENDENT AUDITORS**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Total Kenya Plc set out on pages 46 to 88, which comprise the statement of financial position as at 31 December 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key matter
Accounting for fuel inventories held by Kenya Petroleum Refineries Limited (KPRL)	
As disclosed in Note 17 to the financial statements, the Company has significant amounts of inventories held by KPRL. These inventories relate to products and yield shifts that arose up to 2013 when KPRL operations were under toll mode. Subsequently, KPRL changed its operations to merchant mode and, most recently, to fuel hospitality services only. We focused on these inventories because they are material to the financial statements, arose in the period to 2013 and had not been recovered by year-end. The determination of whether there was sufficient supporting evidence for the continued recognition of these inventories in the financial statements involved robust discussions with management. We also considered that the disclosures on this matter in Note 17 to the financial statements are significant to the understanding of the Company's inventories account balance.	We performed the following audit procedures in response to this matter: a) Reviewed the following:- • the available KPRL statement and confirmation of the inventories due to the Company; • the forensic audit report of the KPRL yield shift numbers commissioned under the direction of the Ministry of Petroleum and Mining (MoP&M); and, • the Company's reconciliations of the fuel quantities in the Company's books of account to the KPRL statement and confirmation of inventories due to the Company. b) We compared the inventories quantities in the Company's books of account to the KPRL statement and confirmation and checked that the differences were reconciled. c) We held periodic meetings with management and checked that the correspondence between the Company, Oil Marketing Companies, KPRL, the Energy Regulatory Commission and the MoP&M supported the recoverability of the inventories. d) We evaluated the Company's disclosures on this matter in Note 17 to the financial statements.

REPORT OF THE **INDEPENDENT AUDITORS**

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors, as required by the Kenyan Companies Act, 2015, and the Directors' Remuneration Report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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REPORT OF THE **INDEPENDENT AUDITORS**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

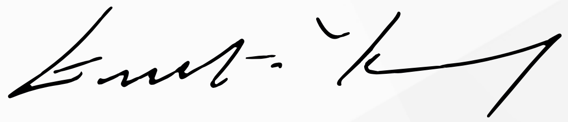
REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i. in our opinion, the information given in the report of the directors on pages 36 to 38 is consistent with the financial statements; and,

ii. in our opinion, the auditable part of directors' remuneration report on pages 41 and 42 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is Herbert Chiveli Wasike –P.1485.



Nairobi, Kenya

Friday, 27th April 2018.

STATEMENT OF **PROFIT OR LOSS**
AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 KShs'000	2016 KShs'000
Gross sales		137,096,919	110,582,420
Indirect taxes and duties		(25,673,365)	(21,521,496)
Net sales	**3**	**111,423,554**	**89,060,924**
Cost of sales	4	(103,171,526)	(81,209,334)
Gross profit		**8,252,028**	**7,851,590**
Other income	5	1,094,244	962,996
Operating expenses	6	(5,410,544)	(4,994,353)
Finance income	7 (a)	328,054	163,492
Finance costs	7 (b)	(54,520)	(26,834)
Net foreign exchange loss	7 (c)	(77,446)	(21,528)
Profit before tax	**8**	**4,131,816**	**3,935,363**
Tax charge	9	(1,393,600)	(1,701,071)
Profit for the year		**2,738,216**	**2,234,292**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**2,738,216**	**2,234,292**
Earnings per share (basic and diluted) (KShs)	10	4.35	3.55

STATEMENT OF **FINANCIAL POSITION**
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 KShs'000	2016 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	9,841,398	9,008,721
Prepaid operating leases	13	866,964	886,448
Goodwill	14	416,679	416,679
Intangible assets	15	72,805	74,779
Deferred tax asset	16	335,743	419,295
		11,533,589	**10,805,922**
CURRENT ASSETS			
Inventories	17	12,461,179	12,080,556
Tax recoverable	9 (iii)	240,168	-
Trade and other receivables	18	9,759,025	8,714,085
Amounts due from related companies	19 (i)	1,175,161	1,035,039
Cash and bank balances	25 (ii)	2,818,629	3,525,406
		26,454,162	25,355,086
Non-current assets classified as held for sale	20	24,364	24,364
		26,478,526	**25,379,450**
TOTAL ASSETS		**38,012,115**	**36,185,372**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	9,974,771	9,974,771
Share premium	22	1,967,520	1,967,520
Retained earnings		9,474,928	7,406,999
		21,417,219	**19,349,290**
NON-CURRENT LIABILITIES			
Trade and other payables	23	856,436	891,531
Provisions	23	482,770	534,903
		1,339,206	**1,426,434**
CURRENT LIABILITIES			
Unclaimed dividends	11	2,290	-
Tax payable	9 (iii)	-	243,992
Trade and other payables	23	8,117,137	7,803,954
Amounts due to holding company	19 (iii)	1,911,249	3,545,644
Amounts due to related companies	19 (ii)	56,661	11,826
Short term borrowings	24	5,168,353	3,804,232
		15,255,690	**15,409,648**
TOTAL EQUITY AND LIABILITIES		**38,012,115**	**36,185,372**

The financial statements were approved and authorised for issue by the Board of Directors on 28th March 2018 and were signed on its behalf by:

Director - Anne-Solange Renouard

Director - Premanand Dhoomon

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium	Retained earnings	Total equity
	KShs'000	KShs'000	KShs'000	KShs'000
As at 1 January 2016	9,974,771	1,967,520	5,657,455	17,599,746
Dividends declared – 2015 (Note 11)	-	-	(484,748)	(484,748)
Profit for the year	-	-	2,234,292	2,234,292
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**2,234,292**	**2,234,292**
As at 31 December 2016	**9,974,771**	**1,967,520**	**7,406,999**	**19,349,290**
As at 1 January 2017	9,974,771	1,967,520	7,406,999	19,349,290
Dividends declared – 2016 (Note 11)	-	-	(670,287)	(670,287)
Profit for the year	-	-	2,738,216	2,738,216
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**2,738,216**	**2,738,216**
As at 31 December 2017	**9,974,771**	**1,967,520**	**9,474,928**	**21,417,219**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		**KShs'000**	**KShs'000**
Cash generated from operations	25 (i)	2,175,343	4,964,933
Tax paid	9 (iii)	(1,794,208)	(1,363,942)
Net cash flows from operating activities		**381,135**	**3,600,991**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(2,070,412)	(1,304,318)
Purchase of prepaid operating leases	13	(189,138)	(227,533)
Purchase of intangible assets	15	(9,166)	(4,939)
Interest income on bank deposits	7 (a)	328,054	163,492
Proceeds on disposal of property, plant and equipment		211,296	65,813
Net cash used in investing activities		**(1,729,366)**	**(1,307,485)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest expense on borrowings	7 (b)	(54,520)	(26,834)
Dividends paid	11 (a)	(667,997)	(484,748)
Net cash flows used in financing activities		**(722,517)**	**(511,582)**
Net (decrease)/ increase in cash and cash equivalents		(2,070,748)	1,781,924
Effect of exchange rate changes on cash and cash equivalents		(150)	(607,300)
Cash and cash equivalents as at 1 January		(278,826)	(1,453,450)
Cash and cash equivalents as at 31 December	**25 (ii)**	**(2,349,724)**	**(278,826)**

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

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, 2015. 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, which is also the Company's functional currency, and rounded to the nearest thousand (KShs' 000), except where otherwise stated.

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 circumstances, actual results may differ from those estimates. Note 2 below on 'significant accounting judgments and key sources of estimation uncertainty' highlights the areas that involve a higher level of judgement, or where the estimates or assumptions used are significant to the financial statements.

For purposes of reporting under the Kenyan Companies Act, 2015, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

b) New and amended standards, interpretations and improvements

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2017.

The Company has not early adopted any standard, amendment or interpretation that has been issued but is not effective. The new standards and amendments effective of as of 1 January 2017 are listed below:

- IAS 7 Disclosure Initiative – Amendments to IAS 7
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- IFRS 12 "Disclosure of Interests in Other Entities" - Clarification of the scope of the disclosure requirements in IFRS 12

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments require entities to provide disclosure about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments have no impact on the Company's financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses.

Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12.

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments have no impact on the Company's financial statements.

Standards issued but not yet effective

The list of standards, improvements and amendments that are effective for periods beginning on or after 1 January 2018 are listed below:

Effective for annual periods beginning on or after 1 January 2018

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRS 2 Classification and Measurement of Share-based Payment Transactions- Amendments to IFRS 2
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
- Transfers of Investment Property (Amendments to IAS 40)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements 2014-2016 cycle
  - o AIP IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
  - o AIP IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice.

Effective for annual periods beginning on or after 1 January 2019

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- AIP IFRS 3 Business Combinations – Previously held Interests in a joint operation
- AIP IFRS 11 Joint Arrangements – Previously held Interests in a joint operation
- AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- AIP IAS 23 Borrowing Costs – Borrowing costs eligible for capitalization

Effective for annual periods beginning on or after 1 January 2021

- IFRS 17 Insurance Contracts

Deferred effective date

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The standards improvements and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements which are relevant to the Company 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 which reflects all phases of the financial instruments project and 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 statement of financial position 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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

(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, since it only has trade receivables which are short term in nature and related party balances which have low credit risk. The Company does not, therefore, expect a significant impact on its equity due to the 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.

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.

The Company is in the business of selling petroleum products.

The Company has performed an analysis in order to evaluate the impact of IFRS 15. The main issues analysed are related to take or pay, International Commercial Terms, excise duties, principal vs agent considerations and variable price adjustment clauses.

From this analysis, the Company has no significant variable consideration in its pricing hence the impact on the Company's financial statements is not expected to be significant. The Company will apply the modified retrospective method: comparative information will not be restated and the cumulative impact of the first application will be presented as an adjustment to opening equity at January 1, 2018.

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.

The Company has set up a working group to evaluate the impact of the application of this standard and to manage the transition. The working group has proceeded to take inventory of the existing leases as of December 31, 2016.

Analysis and quantification of the expected impact across the Company will continue into 2018 on the basis of the contracts as at December 31, 2017 and hence the impact assessment and transition method is in progress.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

NOTES TO THE **FINANCIAL STATEMENTS**
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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. The IASB has deferred the effective date of these amendments indefinitely. Early application of the amendments is still permitted. These amendments are not expected to have any impact on the Company.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business combinations (continued)

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

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

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.

Other contingent consideration that is within the scope of IAS 39 is measured at fair value at each reporting date and changes in fair value are recognised in profit or loss.

Contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date and changes in fair value are 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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

f) Leasing

(i) Determination

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

(ii) Company as a lessee

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

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

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease and recognised in profit or loss under operating expenses.

(iii) Company as a lessor

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

g) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are met. 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 & 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets. Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The Company did not have any intangible assets with indefinite useful lives.

Derecognition of intangible assets

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

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

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

i) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

Impairment of non-current assets held for sale

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the fair value less costs to sell, and is recognised in profit or loss.

The Company recognises a gain in 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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.

The Company's classification of financial assets and financial liabilities is as follows:

Description of asset/liability	Classification
Trade and other receivables and amounts due from related companies [Notes 18 & 19 (i)]	Loans and receivables
Cash and cash equivalents - Cash and bank balances [Note 25 (ii)]	Loans and receivables
Short term borrowings (Note 24)	Loans and borrowings
Trade and other payables and amounts due to related companies and amounts due to holding company [Notes 23, 19 (ii) & 19 (iii)]	Loans and borrowings

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 financial overdraft from related party repayable within three months from the date of advance.

Cash on hand and in banks and short term deposits which are held to maturity are carried at cost plus interest earned but not yet received at the reporting date.

For the purpose of the statement of cash flows, cash and cash equivalents comprise 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 have 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 group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

Financial assets (continued)

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

Financial liabilities

Financial liabilities are classified as financial liabilities 'at FVTPL', loans and borrowings, or 'other financial liabilities'.

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

Loans and borrowings, and 'other financial liabilities'

Loans and borrowings, and 'other financial liabilities' 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.

Derecognition

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 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, or 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 translated 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 profit or loss and other 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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Tax (continued)

(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 nor accounting profit or loss.

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

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

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

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

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

(iii) 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.

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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 are 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 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

r) Impairment of non-financial assets

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

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

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

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.

For all assets excluding goodwill, 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, or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**
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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Impairment of non-financial assets (continued)

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying amount 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 1 (e) and 2.

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.

t) Consolidation

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

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

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NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

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:

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 2017 was KShs 416,679,000 (2016 – KShs 416,679,000) and no impairment loss was recognised during the year. Further details on goodwill are given in Note 1 (e) and 14.

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 the related liabilities.

However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Allowance for bad and doubtful debts

The Company reviews its trade receivables at each reporting date to assess whether an allowance for bad and doubtful debts should be recorded in profit or loss.

In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. See Note 18 for further details.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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, and 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 Notes 9 and 16.

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NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

3. NET SALES

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

	2017	2016
	KShs'000	KShs'000
General trade	19,980,138	16,117,859
Network	38,439,591	31,931,817
Aviation	5,425,416	5,249,763
Export and bulk	47,578,409	35,761,485
Total net sales	**111,423,554**	**89,060,924**

(ii) Geographical analysis

Local sales	108,034,034	84,396,104
Export sales	3,389,520	4,664,820
Total net sales	**111,423,554**	**89,060,924**

4. COST OF SALES

Product purchases	96,853,532	74,683,480
Other variable costs	6,317,994	6,525,854
	103,171,526	**81,209,334**

5. OTHER INCOME

Rental income	580,109	453,839
Commission income	144,391	146,188
Gain on disposal of property, plant and equipment	166,914	23,061
Other income*	127,705	266,670
Doubtful debts written back (Note 18)	75,125	73,238
	1,094,244	**962,996**

*Other income mainly relates to write back of provisions resulting from continuous business risks assessments.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

6. OPERATING EXPENSES

	2017 KShs'000	2016 KShs'000
Directors' emoluments - fees [Note 19 (vii)]	7,200	6,100
- other cash emoluments [Note 19 (vii)]	71,546	61,335
- post-employment benefits [Note 19 (vii)]	1,127	1,268
Payroll and staff costs [Note 6 (a)]	1,422,009	1,348,617
Depreciation on property, plant and equipment (Note 12)	1,221,892	1,195,628
Amortisation of prepaid operating leases (Note 13)	180,083	165,483
Amortisation of intangible assets (Note 15)	11,140	17,658
Repairs and maintenance	504,720	472,313
Technical assistance [Note 19 (v)]	503,206	410,377
Utilities	320,725	321,582
Operating lease rentals	164,028	167,762
Other expenses*	183,574	209,045
Legal and other professional fees	129,770	72,490
Advertising and promotion	313,403	257,275
Increase in doubtful debt provision (Note 18)	134,295	88,772
Travelling	137,010	96,376
Insurance	97,685	95,682
Auditors' remuneration	7,131	6,590
	5,410,544	**4,994,353**

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

(a) PAYROLL AND STAFF COSTS

	2017 KShs'000	2016 KShs'000
Wages and salaries	1,005,646	977,891
Pension costs – defined contribution plans and NSSF	124,176	114,921
Staff medical costs	42,806	29,688
Staff training costs	20,244	13,762
Staff motor vehicle, mileage and other costs	229,137	212,355
Total personnel expenses	**1,422,009**	**1,348,617**
Average number of employees (permanent staff)	**373**	**369**

7. (a) FINANCE INCOME

	2017	2016
Interest income on bank deposits	**328,054**	**163,492**

(b) FINANCE COSTS

	2017	2016
Interest expense on borrowings	**54,520**	**26,834**

(c) NET FOREIGN EXCHANGE LOSS

	2017	2016
Realised foreign exchange loss	88,164	16,119
Unrealised foreign exchange (gain)/ loss	(10,718)	5,409
Net foreign exchange loss	**77,446**	**21,528**

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

8. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:	2017 KShs'000	2016 KShs'000
Staff costs [Note 6 (a)]	1,422,009	1,348,617
Depreciation on property, plant and equipment (Note 12)	1,221,892	1,195,628
Amortisation of prepaid operating leases (Note 13)	180,083	165,483
Amortisation of intangible assets (Note 15)	11,140	17,658
Directors' emoluments (Note 6):		
- Fees	7,200	6,100
- Other emoluments	72,673	62,603
Non-cash emoluments [Note 19(vii)]	24,843	24,092
Auditors' remuneration (Note 6)	7,131	6,590
Foreign exchange loss [Note 7 (c)]	77,446	21,528
And after crediting:		
Gain on disposal of property, plant and equipment (Note 5)	**166,914**	**23,061**

9. TAX

(i) Tax charge

	2017	2016
Current income tax:		
- Current income tax charge	1,310,048	1,371,510
- Adjustment in respect of current income tax of previous years	-	253,370
	1,310,048	1,624,880
Deferred tax:		
- Relating to origination and reversal of temporary differences [Note 16 (ii)]	83,552	76,191
	1,393,600	**1,701,071**

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

	2017	2016
Accounting profit before tax	4,131,816	3,935,363
Tax at the applicable rate of 30%	1,239,545	1,180,608
Adjustment in respect of current income tax of previous years	-	253,370
Tax effect of expenses not deductible for tax	154,055	267,093
Tax charge	**1,393,600**	**1,701,071**

(iii) Tax recoverable/(payable)

	2017	2016
Balance at 1 January	(243,992)	16,946
Adjustment in respect of current income tax of previous years	-	(253,370)
Charge to profit or loss	(1,310,048)	(1,371,510)
Payments during the year	1,794,208	1,363,942
Balance at 31 December	**240,168**	**(243,992)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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:

	2017 KShs'000	2016 KShs'000
Profit after tax	2,738,216	2,234,292
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)	4.35	3.55

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

	2017 KShs'000	2016 KShs'000
a) Unclaimed dividends		
The movement in unclaimed dividend is as follows:		
At 1 January	-	6,748
Final dividend declared 2016 and 2015	670,287	484,748
Dividend paid	(667,997)	(484,748)
Transferred to Unclaimed Financial Assets Authority (UFAA)	-	(6,748)
Balance at 31 December	2,290	-
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):	818,405	670,287
Dividends per share on declared/proposed dividends for the year (based on number of shares per Note 21)	KShs 1.30	KShs 1.06

In respect of the current year, the directors propose that a final dividend of KShs 1.30 (2016-KShs 1.06) per share equivalent to a total sum of KShs 818 million (2016: KShs 670 million) 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%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT

(i) Year ended 31 December 2017

COST	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
At 1 January 2017	4,309,171	14,315,777	779,998	493,822	19,898,768
Additions	331,629	1,121,982	69,976	546,825	2,070,412
Transfers	96,665	211,068	11,179	(318,912)	-
Disposals	(7,323)	(189,321)	(27,756)	-	(224,400)
At 31 December 2017	4,730,142	15,459,506	833,397	721,735	21,744,780
DEPRECIATION					
At 1 January 2017	1,956,641	8,280,971	652,435	-	10,890,047
Charge for the year	210,100	947,096	64,696	-	1,221,892
Disposals	(6,575)	(174,525)	(27,457)	-	(208,557)
At 31 December 2017	2,160,166	9,053,542	689,674	-	11,903,382
NET CARRYING AMOUNT					
At 31 December 2017	2,569,976	6,405,964	143,723	721,735	9,841,398

No items of property, plant and equipment have been pledged as security for liabilities.

(ii) Year ended 31 December 2016

COST	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
At 1 January 2016	4,173,724	13,348,098	868,611	521,899	18,912,332
Additions	153,954	748,058	43,241	359,065	1,304,318
Transfers	17,480	351,556	18,106	(387,142)	-
Disposals	(35,987)	(131,935)	(149,960)	-	(317,882)
At 31 December 2016	4,309,171	14,315,777	779,998	493,822	19,898,768
DEPRECIATION					
At 1 January 2016	1,774,985	7,453,948	740,616	-	9,969,549
Charge for the year	201,954	935,060	58,614	-	1,195,628
Disposals	(20,298)	(108,037)	(146,795)	-	(275,130)
At 31 December 2016	1,956,641	8,280,971	652,435	-	10,890,047
NET CARRYING AMOUNT					
At 31 December 2016	2,352,530	6,034,806	127,563	493,822	9,008,721

No items of property and equipment have been pledged as security for liabilities..

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(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 2017 (2016: Nil).

Based on an impairment review performed by the directors as at 31 December 2017, no indications of impairment of property, plant and equipment were identified (2016: none).

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

(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 became 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 International Accounting standards No. 17 (IAS 17) Leases, a 99 year lease qualifies for a finance lease classification if the lessor transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Accordingly, the 99 year lease would qualify as a finance lease. 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

COST	2017 KShs'000	2016 KShs'000
At 1 January	1,969,291	1,741,758
Additions	189,138	227,533
Disposal	(48,659)	-
At 31 December	**2,109,770**	**1,969,291**
AMORTISATION		
At 1 January	1,082,843	917,360
Amortisation for the year	180,083	165,483
Disposal	(20,120)	-
At 31 December	**1,242,806**	**1,082,843**
NET CARRYING AMOUNT	**866,964**	**886,448**

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. GOODWILL

	2017 KShs'000	2016 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

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

Goodwill amounting to KShs 448,804,000 arose from the acquisition of a subsidiary, Elf Oil Kenya Limited, in March 2001. With effect from 1 January 2005, the operations of Elf Oil Kenya Limited were merged with those of Total Kenya Plc 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 Plc.

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 Company has used a ten year period in line with its ten year long term strategic plan. The calculation of value in use is most sensitive to the following assumptions; throughput volumes, unit margins, rental income, gross margins on variable expenses and direct fixed costs. The projected cash flows have been reassessed to compare the assumptions at initial recognition to the current performance of the cash generating units.

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 2017, no impairment loss was assessed (2016: nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. GOODWILL (continued)

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

	2017 KShs'000	2016 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 Plc. 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 Plc. 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 (2016: 11% per annum). Cash flows beyond that ten-year period have been extrapolated using a steady 3% (2016: 3%) per annum growth rate in sales volume.

The Company has used a ten year period in line with its ten year long term strategic plan. The calculation of value in use is most sensitive to the following assumptions; throughput volumes, unit margins, depot throughput costs, investment expenditure, growth rates used to extrapolate cash flows beyond the forecast period and discount rates. The projected cash flows have been reassessed to compare the assumptions at initial recognition to the current performance of the cash generating units.

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 2017, no impairment loss was assessed (2016: 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 Plc.

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15. INTANGIBLE ASSETS

	2017 KShs'000	2016 KShs'000
COST		
At 1 January	461,671	456,732
Additions	9,166	4,939
At 31 December	**470,837**	**461,671**
AMORTISATION		
At 1 January	386,892	369,234
Charge for the year	11,140	17,658
At 31 December	398,032	386,892
NET CARRYING AMOUNT		
At 31 December	**72,805**	**74,779**

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:

	2017 KShs'000	2016 KShs'000
Accelerated depreciation	97,334	98,729
Unrealised exchange loss	92,017	70,341
Unrealised exchange gain	(122,575)	(97,684)
Leave provision	21,204	18,008
Provision for retirement benefits	20,103	21,299
Bonus provision	5,721	5,488
Inventory provision	23,649	109,162
Legal costs provision	144,832	160,471
Provision for doubtful debts	53,458	33,481
Net deferred tax asset	**335,743**	**419,295**

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

	2017	2016
At 1 January	419,295	495,486
Deferred tax credit/ (charge) recognized in profit or loss (Note 9 (i))	(83,552)	(76,191)
At 31 December	**335,743**	**419,295**

Deferred tax is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2016 - 30%).

NOTES TO THE **FINANCIAL STATEMENTS**
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17. INVENTORIES

	2017 KShs'000	2016 KShs'000
Refined products*	10,742,790	9,504,337
Raw materials	1,562,601	2,157,448
Consumables and accessories	155,788	418,771
	12,461,179	**12,080,556**

*Included in the value of refined products are balances relating to fuel inventories at the Kenya Petroleum Refineries Limited (KPRL). The carrying amount of these inventories has not been separately disclosed since there are ongoing discussions involving several other parties and doing so may compromise the Company's capacity to recover the full amount of the inventories.

In 2012, KPRL changed its mode of operations from Toll Mode to Merchant Mode and most recently to hospitality services where it receives, stores and delivers fuel products on behalf of its clients. At the time of the change to Merchant Mode, KPRL had fuel inventories owing to the Oil Marketing Companies (OMCs). Subsequently, in 2013, OMCs and KPRL, under the direction of Ministry of Energy (currently, Ministry of Petroleum and Mining), agreed to carry out a forensic audit of the fuel inventory balances including yield shifts with KPRL. As part of the forensic audit procedures, KPRL confirmed to the Company their fuel balances which were then reconciled to the books of account and the balances reported in the forensic audit report. The necessary adjustments were made to tally the two records.

As at 31 December 2017, the Company had taken appropriate measures together with other OMCs to recover these inventories. These measures include ongoing discussions with KPRL, the Ministry of Petroleum and Mining and the Energy Regulatory Commission to agree on the modalities of how and when these inventories will be refunded.

As part of the Company's policy, management evaluates the net realisable values of all inventories including those at KPRL, and writes down inventories to their net realisable values, if necessary, in the books of account to ensure that inventories are fairly stated and reported as per the requirements of the International Financial Reporting Standards (IFRS).

As at 31 December 2017, management is confident that the full value of the inventories under the custody of KPRL is fully recoverable and no further adjustment is required.

18. TRADE AND OTHER RECEIVABLES

	2017 KShs'000	2016 KShs'000
Trade receivables	9,597,445	8,748,113
Allowance for doubtful debts	(548,174)	(489,004)
	9,049,271	8,259,109
Recoverable taxes	627,336	346,236
Other receivables and prepayments	82,418	108,740
	9,759,025	**8,714,085**

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.

NOTES TO THE **FINANCIAL STATEMENTS**
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18. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2017, trade receivables of an initial value of KShs 548 million (2016: KShs 489 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

	2017 KShs'000	2016 KShs'000
At beginning of year	(489,004)	(473,470)
Increase in doubtful debt provision in the year (Note 6)	(134,295)	(88,772)
Doubtful debts write back (Note 5)	75,125	73,238
At end of year	**(548,174)**	**(489,004)**

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 Plc 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

	2017 KShs'000	2016 KShs'000
Air Total International	292,455	208,672
Netco Management Limited	-	127,289
Total Uganda Limited	644,220	663,966
Gapco Kenya Limited	189,610	-
Total RDC S.A.R.L	35,084	31,151
Total Tanzania Limited	10,367	-
Other related companies	3,425	3,961
	1,175,161	**1,035,039**

(ii) Amounts due to related companies

	2017	2016
Total Marketing Services	55,161	11,826
Total Middle East	1,500	-
	56,661	**11,826**

(iii) Amounts due to holding company

	2017	2016
Total Outre-Mer	**1,911,249**	**3,545,644**

(iv) Financial overdraft from related party

	2017	2016
Financial overdraft from Total SA Treasury (Note 24)	**5,168,353**	**.3,804,232**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(v) Transactions with related companies

	2017 KShs'000	2016 KShs'000
Purchases of petroleum products from the holding company	61,053,377	47,794,765
Purchases of petroleum products from other related companies	109,807	12,293
Revenue on sale of petroleum products to related companies	4,768,542	4,391,444
Purchases of plant and equipment from the holding company and other related companies	64,261	34,539
Technical assistance (Note 6)	503,206	410,377

(vi) Key management compensation

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

	2017 KShs'000	2016 KShs'000
Salaries and other short-term employment benefits	190,406	196,895
Post-employment benefits	7,667	7,524
	198,073	**204,419**

(vii) Directors' remuneration

	2017	2016
Fees for services as a director	7,200	6,100
Other emoluments		
Salaries and other short-term employment benefits		
- Cash emoluments	71,546	61,335
- Non-cash emoluments	24,843	24,092
	96,389	85,427
Post-employment benefits	1,127	1,268
	104,716	**92,795**

Non-cash emoluments mainly relate to house, vehicle, telephone, utilities and domestic employees.

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 or commitments provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2016: 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.

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FOR THE YEAR ENDED 31 DECEMBER 2017

20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2017 KShs'000	2016 KShs'000
Property, plant and equipment	22,324	22,324
Prepaid operating leases	2,040	2,040
	24,364	**24,364**

The movement in the non-current assets classified as held for sale is as follows:

	2017 KShs'000	2016 KShs'000
At 1 January	24,364	24,364
Disposed during the year	-	-
At 31 December	**24,364**	**24,364**

Non-current assets classified as held for sale relate to an interest in a joint facility (Nairobi Joint Depot) that is to be disposed of following the purchase of Chevron Kenya Limited by Total Kenya Plc.

There have been discussions with the partner in the joint facility to purchase the interest, which was gazetted under the Competition Authority of Kenya.

The Company is committed to its plan to dispose of these assets.

No impairment loss was recognized on assets classified as held for sale as at 31 December 2017 as the expected proceeds on disposal exceed the net carrying amounts of the assets.

21. SHARE CAPITAL

	2017 KShs'000	2016 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**

NOTES TO THE **FINANCIAL STATEMENTS**
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21. SHARE CAPITAL (continued)

Fully paid ordinary and preference shares	2017 Number of shares	2017 Share Capital	2016 Number of shares	2016 Share Capital
	KShs'000'	KShs'000	KShs'000'	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

	2017 KShs'000	2016 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, 2015.

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

	2017 KShs'000	2016 KShs'000
Trade payables	7,990,908	7,439,288
Other payables and accruals	1,465,435	1,791,100
Total payables	**9,456,343**	**9,230,388**
Classified as:		
Non-current – trade payables	856,436	891,531
Non-current – provisions	482,770	534,903
Current – trade and other payables	8,117,137	7,803,954
	9,456,343	**9,230,388**

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.

NOTES TO THE **FINANCIAL STATEMENTS**
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24. SHORT TERM BORROWINGS

	2017 KShs'000	2016 KShs'000
Financial overdraft – from Total SA Treasury	5,168,353	3,804,232

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 bank
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. As at 31 December 2017, the Company had not utilized the available bank overdraft facility. The facility is available as disclosed in Note 30 (iii).

25. NOTES TO THE STATEMENT OF CASH FLOWS

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

		2017 KShs'000	2016 KShs'000
Profit before tax		4,131,816	3,935,363
Adjustments for:			
Effect of exchange rate changes on cash and cash equivalents		150	607,300
Finance income	7 (a)	(328,054)	(163,492)
Finance costs	7 (b)	54,520	26,834
Provision for doubtful debts	18	134,295	88,772
Provisions for legal matters		75,000	45,000
Provision for slow moving and obsolete stock		106,019	125,577
Leave provision		10,656	(5,107)
Depreciation on property, plant and equipment	12	1,221,892	1,195,628
Amortisation of prepaid leases and intangible assets		191,223	183,141
Gain on disposal of property, plant and equipment	5	(166,914)	(23,061)
Operating profit before working capital changes		5,430,603	6,015,955
Increase in inventories		(486,642)	(2,188,156)
(Increase)/ decrease in trade and other receivables		(1,179,235)	615,447
Increase / (decrease) in trade and other payables		271,420	(300,368)
(Decrease)/increase in amounts due to holding company		(1,634,395)	565,674
(Increase)/ decrease in amounts due from related companies		(140,122)	330,001
Increase/ (decrease) in amounts due to related companies		44,835	(67,500)
Legal provisions paid		(127,133)	-
Retirement benefits paid		(3,988)	(6,120)
Cash generated from operations		**2,175,343**	**4,964,933**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

25. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(ii) Analysis of cash and cash equivalents

	Notes	2017 KShs'000	2016 KShs'000
Cash and bank balances		2,818,629	3,525,406
Financial overdraft – from Total SA Treasury	24	(5,168,353)	(3,804,232)
		(2,349,724)	**(278,826)**

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. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Legal matters

The Company is involved in a number of legal proceedings which are yet to be concluded upon. Management have evaluated the pending cases and determined that no material liabilities are likely to arise from these cases which arose in the normal course of business. The Company has an in-house legal department that assessed the court cases in arriving at the above conclusion.

(b) Contingent liabilities

	2017 KShs'000	2016 KShs'000
Total commitments given	700,251	574,877
Total commitments received	1,480,854	1,174,797

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.

(c) Contingent liability relating to parent company

An amount of KShs 251 million (USD 2,427,388) exists as at 31 December 2017 (2016: KShs 249 million (USD 2,427,388) for an unsettled invoice from the parent company, Total Outre-mer, and has not been booked in the Total Kenya Plc's books as the goods were not received by Total Kenya Plc. The amount relates to shipping costs of crude oil imported by the Company from Total Outre-Mer that was rejected by Kenya Petroleum Refinery Limited (KPRL).
The ultimate liability lies with KPRL and not with Total Kenya. 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.

(d) Capital commitments

	2017 KShs'000	2016 KShs'000
Authorised and contracted for	754,013	818,373
Authorised but not contracted for	2,143,562	2,360,239

NOTES TO THE FINANCIAL STATEMENTS
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27. OPERATING LEASE COMMITMENTS

(a) Company as a lessee	2017 KShs'000	2016 KShs'000
Maturing within one year	383,000	248,010
Maturing over one year to five years	1,082,000	823,612
Maturing after five years	105,000	803,147
Total operating lease commitments	**1,570,000**	**1,874,769**

All the commitments relate to future rent payable for the head office (Regal Plaza) and leased land for the service stations based on the existing contracts and projected renewals. The lease agreements are between Total Kenya Plc and the landlords and have no provisions relating to contingent rent payable. The terms of renewal vary from one lease to another and may include a written notice to the lessors before the expiration of the leases and the lessors will grant to the lessee new leases of the said premises/properties for a further term as may be mutually agreed by the parties.

The escalation rate varies from property to property and is factored into the operating lease commitment values presented above.

(b) Company as lessor	2017 KShs'000	2016 KShs'000
Maturing within one year	474,334	302,850
Maturing over one year to five years	1,992,204	1,273,288
Maturing after five years	2,608,838	1,823,578
Total operating lease commitments	**5,075,376**	**3,399,716**

All the commitments relate to future rent payable for various properties and leased land for the service stations based on the existing contracts and projected renewals. The lease agreements are between Total Kenya Plc and tenants and have no provisions relating to contingent rent receivable. The terms of renewal vary from one lease to another and may include a written notice to the Company, as lessor before the expiration of the leases, and the Company will grant to the lessee new leases of the said premises/properties for a further term as may be mutually agreed by the parties.

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 3,803,040 (2016: KShs 3,457,010).

The total expense recognised in profit or loss for the year of KShs 124 million (2016: KShs 115 million) represents contributions payable to the plans by the Company at rates specified in the rules of the plans.

NOTES TO THE **FINANCIAL STATEMENTS**
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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 2016.

The capital structure of the Company consists of debt, which includes borrowings disclosed in Note 24, 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	2017 KShs'000	2016 KShs'000
Short term borrowings	24	5,168,353	3,804,232
Bank and cash balances	25 (ii)	(2,818,629)	(3,525,406)
Net borrowings		2,349,724	278,826
Equity*		21,417,219	19,349,290
Net debt to equity ratio		11.0%	1.4%

*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 trade and other receivables, bank balances, trade and other payables, short term borrowings, short-term borrowings and deposits with financial institutions.

NOTES TO THE **FINANCIAL STATEMENTS**
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30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES & POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument 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 currencies 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 currency risk, the Company maintains bank accounts in foreign currencies, mainly US dollars and Euro, to facilitate transactions in foreign currency. The Company also negotiates with its bankers to get favourable exchange rates when converting foreign currencies to the Kenya shilling. 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.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 2017			
Assets			
Trade and other receivables	-	1,993,644	1,993,644
Amounts due from related companies	-	985,551	985,551
Bank balances	345,886	523,431	869,317
Total assets	**345,886**	**3,502,626**	**3,848,512**
Liabilities			
Financial and bank overdrafts	-	(5,168,353)	(5,168,353)
Trade and other payables	-	(42,033)	(42,033)
Amounts due to holding and related parties	(252,038)	(1,715,872)	(1,967,910)
Total liabilities	**(252,038)**	**(6,926,258)**	**(7,178,296)**
Net exposure position	**93,848**	**(3,423,632)**	**(3,329,784)**
31 December 2016			
Assets			
Trade and other receivables	-	4,712,774	4,712,774
Amounts due from to related companies	-	1,035,039	1,035,039
Bank balances	71,308	899,891	971,199
Total assets	**71,308**	**6,647,704**	**6,719,012**
Liabilities			
Financial and bank overdrafts	-	(3,804,232)	(3,804,232)
Amounts due to holding and related parties	(48,979)	(3,508,491)	(3,557,470)
Trade and other payables	-	(25,120)	(25,120)
Total liabilities	**(48,979)**	**(7,337,843)**	**(7,386,822)**
Net exposure position	**22,329**	**(690,139)**	**(667,810)**

NOTES TO THE **FINANCIAL STATEMENTS**
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30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES & POLICIES (continued)

i) Market risk (continued)

Foreign currency risk (continued)
The following sensitivity analysis shows how profit and equity would (decrease)/ increase 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.

	Profit or loss before tax		Equity	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
USD impact	(342,363)	(69,014)	(239,654)	(48,310)
Euro impact	9,385	2,233	6,569	1,563

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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:

	2017	2016
	KShs'000	KShs'000
Short term borrowings (Note 24)	5,168,353	3,804,232

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 2017 would decrease/increase by KShs 25.8 million (2016: by KShs 19.0 million) and the Company's equity would decrease/increase by KShs 18.1 million (2016: by KShs 13.3 million).

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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.

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.

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 and within credit limits assigned to each bank. Bank credit limits are reviewed by the Company's Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a bank's potential failure to make payments. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2017 and 2016 is the carrying amounts as illustrated below. The Company's maximum exposure relating to financial guarantees is also included in the liquidity table. The Company's maximum exposure to credit risk as at 31 December 2017 and 31 December 2016 is analysed in the table below:

31 December 2017	Fully Performing	Past due but not impaired	Total
	KShs'000	KShs'000	KShs'000
Amounts due from related companies	726,650	448,511	1,175,161
Trade receivables			
Network	1,005,635	141,828	1,147,463
Non-network	5,274,119	2,627,689	7,901,808
	6,279,754	2,769,517	9,049,271
Other receivables	64,822	-	64,822
Bank balances	2,817,467	-	2,817,467
Financial guarantees given	700,251	-	700,251
	10,588,944	**3,218,028**	**13,806,972**
31 December 2016			
Amounts due from related companies	981,539	53,500	1,035,039
Trade receivables			
Network	749,078	123,856	872,934
Non-network	3,816,500	3,569,675	7,386,175
	4,565,578	**3,693,531**	**8,259,109**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

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

ii) Credit risk (continued)

31 December 2016	Fully Performing KShs'000	Past due but not impaired KShs'000	Total KShs'000
Other receivables	79,716	-	79,716
Bank balances	3,524,122	-	3,524,122
Financial guarantees given	574,877	-	574,877
	9,725,832	**3,747,031**	**13,472,863**

As at 31 December, the ageing analysis of net trade receivables is as follows:

	Carrying amount	Neither pastdue nor Impaired	Past due but not impaired				
			< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2017	9,049,271	6,279,754	-	1,148,470	90,582	49,654	1,480,811
2016	8,259,109	4,565,578	-	2,257,984	78,789	107,153	1,249,605

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 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 2017 or 2016.

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.

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 2017 was:

	2017 KShs'000	2016 KShs '000
Cash deposit collateral		
Network	540,561	459,818
Non-Network	338,056	324,371
Bank guarantees collateral		
Network	212,235	216,485
Non-Network	1,270,061	956,626
Total	**2,360,913**	**1,957,300**

There is no collateral held against cash and cash equivalents.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

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

iii) Liquidity risk

This is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management includes maintaining sufficient cash to meet the Company's obligations.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	2017 KShs'000	2016 KShs'000
Unsecured overdraft, including financial overdraft from Total SA Treasury, payable on call and reviewed annually		
Amount used	5,168,353	3,804,232
Amount unused – Total Treasury	5,161,647	6,450,768
Amount unused – Local Banks	15,587,200	14,500,000

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 2017

	Up to 1 month KShs'000	1-3 months KShs'000	4-12 months KShs'000	> 1 year KShs'000	Total KShs'000
Short term borrowings	5,168,353	-	-	-	5,168,353
Trade and other payables - current	8,046,456	-	-	-	8,046,456
Trade and other payables - non current	-	-	-	789,427	789,427
Due to holding and related companies	1,967,910	-	-	-	1,967,910
Financial guarantees given	-	-	700,251	-	700,251
Total financial liabilities	**15,182,719**	**-**	**700,251**	**789,427**	**16,672,397**

At 31 December 2016

	Up to 1 month KShs'000	1-3 months KShs'000	4-12 months KShs'000	> 1 year KShs'000	Total KShs'000
Short term borrowings	3,804,232	-	-	-	3,804,232
Trade and other payables - current	7,743,929	-	-	-	7,743,929
Trade and other payables - non current	-	-	-	820,534	820,534
Due to holding and related companies	3,557,470	-	-	-	3,557,470
Financial guarantees given	-	-	574,877	-	574,877
Total financial liabilities	**15,105,631**	**-**	**574,877**	**820,534**	**16,501,042**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

31. INCORPORATION

Total Kenya Plc is a limited liability company incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015. The parent company is Total Outre Mer while the ultimate holding company is Total S.A, both incorporated in France.

32. EVENTS AFTER THE REPORTING PERIOD

There are no events that have occurred after the reporting period which require adjustments to, or disclosure, in the financial statements.

FIVE YEAR SUMMARIZED **STATEMENT OF FINANCIAL POSITION**

APPENDIX 1

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER	2017	2016	2015	2014	2013
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
ASSETS					
Non-current assets					
Property, plant ,equipment and leases	10,708,362	9,895,169	9,767,181	9,327,855	9,072,768
Goodwill	416,679	416,679	416,679	416,679	416,679
Intangible assets	72,805	74,779	87,498	94,006	88,002
Deferred tax asset	335,743	419,295	495,486	463,123	369,452
Total non-current assets	**11,533,589**	**10,805,922**	**10,766,844**	**10,301,663**	**9,946,901**
Current assets					
Inventories	12,461,179	12,080,556	10,017,977	11,159,064	14,953,214
Other current assets	11,174,354	9,749,124	10,800,290	10,552,539	10,071,877
Cash and cash equivalents	2,818,629	3,525,406	2,615,560	498,965	4,979,505
Total current assets	**26,454,162**	**25,355,086**	**23,433,827**	**22,210,568**	**30,004,596**
Assets classified as held for sale	24,364	24,364	24,364	29,569	32,668
	26,478,526	25,379,450	23,458,191	22,240,137	30,037,264
TOTAL ASSETS	**38,012,115**	**36,185,372**	**34,225,035**	**32,541,800**	**39,984,165**
EQUITY AND LIABILITIES					
Equity					
Share capital	9,974,771	9,974,771	9,974,771	9,974,771	9,974,771
Share premium	1,967,520	1,967,520	1,967,520	1,967,520	1,967,520
Retained earnings	9,474,928	7,406,999	5,657,455	4,483,132	3,436,769
Total equity	**21,417,219**	**19,349,290**	**17,599,746**	**16,425,423**	**15,379,060**
Non-current liabilities					
Medium term loan	-	-	-	-	-
Trade and other payables	1,339,206	1,426,434	1,244,627	1,192,167	1,117,028
Total Non-current liabilities	**1,339,206**	**1,426,434**	**1,244,627**	**1,192,167**	**1,117,028**
Current liabilities					
Trade and other payables	10,087,337	11,605,416	11,311,652	7,583,792	20,993,447
Short term borrowings	5,168,353	3,804,232	4,069,010	7,340,418	2,494,630
Total current liabilities	**15,255,690**	**15,409,648**	**15,380,662**	**14,924,210**	**23,488,077**
TOTAL EQUITY AND LIABILITIES	**38,012,115**	**36,185,372**	**34,225,035**	**32,541,800**	**39,984,165**

FIVE YEAR SUMMARIZED
STATEMENT OF PROFIT OR LOSS

APPENDIX II

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	2017	2016	2015	2014	2013
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Gross sales	137,096,919	110,582,420	138,027,279	170,725,560	154,626,092
Indirect taxes and duties	(25,673,365)	(21,521,496)	(17,773,285)	(15,623,868)	(12,908,050)
Net sales	**111,423,554**	**89,060,924**	**120,253,994**	**155,101,692**	**141,718,042**
Cost of sales	(103,171,526)	(81,209,334)	(113,263,567)	(148,351,545)	(135,371,011)
Gross profit	**8,252,028**	**7,851,590**	**6,990,427**	**6,750,147**	**6,347,031**
Operating expenses and other income	(4,316,300)	(4,031,357)	(4,139,034)	(4,061,161)	(3,867,221)
Finance income (costs) and net foreign exchange gain (loss)	196,088	115,130	(232,697)	(412,981)	(395,293)
Profit before tax	**4,131,816**	**3,935,363**	**2,618,696**	**2,276,005**	**2,084,517**
Taxation	(1,393,600)	(1,701,071)	(1,003,693)	(851,917)	(772,240)
Profit for the year	**2,738,216**	**2,234,292**	**1,615,003**	**1,424,088**	**1,312,277**

CORPORATE INFORMATION | MANAGEMENT | FINANCIAL STATEMENTS | APPENDIX

PROXY **FORM**

TOTAL

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

I/WE ....

OF ....

Being a member of the above Company, hereby appoint:

....

OF ....

Whom failing ....

OF ....

my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on **Wednesday, 27th June 2018** and at any adjournment thereof.

As witness my/our hand this ....day of 2018

Signed .... Signed ....

Notes:

1. In accordance 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 received by the Company's Shares Registrars, Crescent Business Centre, 2nd Floor, Off Parklands Road, Nairobi, email:- shares@comp-rite.com not less than 48 hours before the time of holding the meeting or any adjournment thereof.

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As a responsible corporate citizen, we focus on ensuring that our operations in more than 130 countries worldwide consistently deliver economic, social and environmental benefits.

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