TOTAL

TOTAL KENYA PLC
2019 ANNUAL REPORT & FINANCIAL STATEMENTS

OUR AMBITION

Become the responsible energy major.

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.

CONTENTS

NOTICE & AGENDA OF THE ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

NOTICE is hereby given that due to the ongoing COVID-19 pandemic, the related Public Health Regulations and restrictions on public gatherings by the Government of Kenya, the Sixty Sixth (66th) Annual General Meeting of the Company shall be held via Electronic Means on Friday, 26 June 2020 at 9.00 a.m. to transact the following business:-

AGENDA
ORDINARY BUSINESS

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

2. To confirm and adopt the minutes of the 65th Annual General Meeting held on 26 June 2019.

3. To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2019 together with the Chairman's Statement and the reports of the Directors and the Auditors thereon.

4. To approve the payment of a first and final dividend of KShs 1.30 per share in respect of the Financial Year ended 31 December 2019 (the same level as in 2018), payable on or around 31 July 2020 to the holders of Ordinary Shares and Redeemable Preference Shares on record at the close of business on 26 June 2020.

5. To approve the Directors' Remuneration Report as detailed in the Annual Report for the Financial Year ended 31 December 2019.

6. Retirement/Re-election of Director

   i) Dr Joe Muchekehu will retire as a Director in accordance with the provisions of Article 70 (1) of the Company's Articles of Association and in accordance with with Clause 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015.

   ii) Mr Stanislas Mittelman, a Director retiring by rotation in accordance with Article 70 (1) of the Company's Articles of Association and, being eligible, offers himself for re-election.

7. To individually appoint the following 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) Mr. Joseph Karago
   b) Ms. Margaret Shava
   c) Ms. Séverine Julien

8. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year.

9. To discuss any other business of which due notice has been received.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

Date: 22 May 2020

NOTE

1. The Company has appointed Image Registrars Limited to specifically provide their platform and to manage this virtual AGM.
2. Shareholders will be able to register to follow the meeting, vote electronically or by proxy and may ask questions in advance of the Annual General meeting in the manner detailed below:-

i) Any shareholder wishing to participate in the meeting should register for the Annual General Meeting (AGM) by dialling *483*809# for all networks and following the various prompts regarding the registration process. The charges applicable on the USSD are as follows (Safaricom at Kshs. 1, Airtel at KShs. 3 and Telkom at KShs.1). In order to complete the registration process, Shareholders will need to use their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number. For assistance, Shareholders should dial the following helpline number: (+254) 709170000 from 9 a.m. to 3 p.m. on working days. A Shareholder domiciled outside Kenya can send an email to Image Registrars via **info@image.co.ke** providing their details i.e Name, Passport/ID no., CDS no. and Mobile telephone number requesting to be registered. Image registrars shall register the shareholder and send them an email link once registered.

ii) The registration period opens on 8 June 2020 at 9.00 a.m. and will close on 24 June 2020 at 9.00 a.m. Shareholders will not be able to register for the AGM after Wednesday 24 June, 2020 at 9.00 a.m.

iii) A printed copy of Company's Annual Report and Audited Financial Statements for the year ended 31 December 2019 may be obtained from the Registered Office of the Company, Regal Plaza, Limuru Road, Nairobi.

iv) The following documents are available on the Company's website, **www.total.co.ke**: (i) The Company's Annual Report and Audited Financial Statements for the year ended 31 December 2019 (ii) a copy of this Notice and (iii) a copy of the No Objection issued by the CMA.

v) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so:

a) by dialing the USSD code above and selecting the option (ask Question) on the prompts (For shareholders who will have registered to participate in the meeting).

b) by sending their written questions by email to **info@image.co.ke**.

c) to the extent possible, physically delivering their written questions with a return physical address or email address to Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; or

d) sending their written questions with a return physical address or email address by registered post to Image Registrars' address at P.O. Box 9287 – 00100 Nairobi.

- Shareholders must provide their full details (full names, ID/ Passport Number/CDSC Account Number) when submitting their questions and clarifications.
- All questions and clarification must reach the Company on or before Tuesday 23 June, 2020 at 11.00 a.m.
- Following receipt of the questions and clarifications, the Directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 noon on Thursday 25th June 2020. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the Annual General Meeting.

vi) In accordance with Section 298 of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to **info@image.co.ke** or delivered to Image Registrars, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287– 00100 GPO, Nairobi so as to be received not later than Wednesday 24 June, 2020 at 9.00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Registrars no later than Wednesday 24 June, 2020 at 9.00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned not later than Thursday, 25 June 2020 to allow time to address any issues. A copy of the Proxy Form may be obtained from the Company's website **www.total.co.ke**

vii) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the annual general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/ USSD prompt shall be sent three hours ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in three hours' time and providing a link to the live stream.

viii) Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts or the web link.

ix) Results of the AGM shall be published on the Company's website, **www.total.co.ke** within 24 hours following conclusion of the AGM.

x) Shareholders are encouraged to continuously monitor the Company's website, **www.total.co.ke** for updates relating to the AGM. We appreciate the understanding of our shareholders as we navigate the changing business conditions posed by COVID-19 pandemic.

CORPORATE INFORMATION

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

DIRECTORS

Jean-Phillipe Torres*	Non-executive	Chairman
Olagoke Aluko***	Executive	Managing Director (Alternate to Jean-Phillipe Torres)
Premanand Dhoomon**	Executive	Finance Director - Retired on 30 June 2019
Lawrencia Gichatha	Executive	Finance Manager - (Alternate to Olagoke Aluko and Severine Julien) – Appointed on 01 July 2019
Macharia Irungu	Executive	Strategy and Corporate Affairs Director (Alternate to Stanislas Mittelman) – Retired on 02 January 2020
Stanislas Mittelman*	Non-executive	
Joe Muchekehu	Non-executive	Independent Director
Joseph Karago	Non-executive	Independent Director
Severine Julien*	Non-executive	
Margaret W.N. Shava	Non-executive	Independent Director

* French | ** Mauritian | *** British

PRINCIPAL ADVOCATES

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

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

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

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

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

Hamilton, Harrison & Matthews
Delta Office Suites,
Waiyaki Way
P.O. Box 30333-00100
Nairobi, Kenya

PRINCIPAL BANKERS

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

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

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

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

Standard Chartered Bank Kenya Plc
Chiromo, 48 Westlands Road
P.O. Box 40310-00100
Nairobi, Kenya

Bank of Africa Kenya Limited
Karuna Close
Off Waiyaki Way
P.O. Box 69562 - 00400 Nairobi, Kenya

KCB Bank Kenya Plc
Kencom House, Moi Avenue
P.O. Box 48400-00100
Nairobi, Kenya

NCBA Bank Kenya Plc
Mara and Ragati Roads,
Upper Hill
P.O. Box 30437-00100
Nairobi, Kenya

SECRETARY

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

REGISTRARS

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

AUDITORS

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

COMPANY PROFILE

CORE BUSINESS

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

CORPORATE STATUS

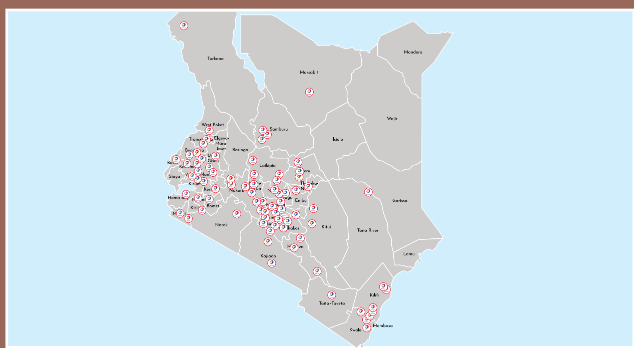
Total Kenya has been in operation since 1955, and has been a consistent leader in innovation, service quality and committed to sustainable development and community projects.

TEAM TOTAL

Total's vision and mission are driven by a diverse, agile, and committed team of over 400 direct employees and over 4,500 indirect employees.

GROWING NETWORK OF STATIONS

Total Kenya has a wide network of over 200 stations across the country offering a wide range of services in addition to the fuel products.



TOTAL EXCELLIUM FUELS

Total Kenya continues to offer a revolutionary set of high-quality fuels (Excellium Petrol and Diesel) that clean the car's engine, use less fuel, and reduce polluting emissions.

TOTAL CARD

Total Card is the most established fuel card in the market since 1997. Total Card a micro-chip technology is a Safe-Simple-Smart way of managing fuel expenses.

LUBRICANTS

Total Kenya is the leading supplier of Lubricants and through continued research & development produces high quality products with best engine protection and performance.

LIQUEFIED PETROLEUM GAS (LPG)

Total Kenya remains the market leader in supply of LPG in the country. The Company ensures availability and invests heavily on the safety of the gas cylinders installations.

SOLAR

Total Kenya offers solar lanterns for sale at service stations and authorized distributor outlets. This addresses lighting needs to those who lack access to electricity and have low incomes.

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 in our operations.

CORPORATE GOVERNANCE

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. At Total Kenya, the Board of Directors is mandated to control and direct the activities, affairs, operations and property of the Company with a view to maximizing stakeholders' value, increasing profitability and guaranteeing sustainable business.

Good corporate governance practices are essential to the delivery of sustainable stakeholders' value. The Board of Directors of Total Kenya is committed to uphold to principles of Corporate Governance by ensuring full compliance with all relevant applicable laws and regulations; notably the Kenyan Capital Markets Authority (CMA), Code of Corporate Governance Practices for the Issuers of Securities to the Public 2015 (the 2015 Code).

To facilitate discharging of its obligations, the Board has established and delegated authority to various Board Committees whose membership includes independent Directors with appropriate skill set and expertise to deal with specific issues falling under the various committees.

In addition, the Company has appointed a Country Ethics Officer and a Compliance Officer with specific mandates to spearhead efforts towards sensitisation and mitigating compliance risks both internally and with third parties who deal with the Company.

CODE OF CONDUCT

Our Values in Practice

THE BOARD OF DIRECTORS

A. THE BOARD OF DIRECTORS CHARTER

Total Kenya Plc has Charters in place that govern the operations of the Board and its Committees in the stewardship of the Company within the confines of the Memorandum and Articles of Association. Copies of these documents are available on the Company's website (http://www.total.co.ke/).

The Board fulfills its fiduciary obligations to the shareholders and other stakeholders by maintaining control over the strategic, financial, operational and compliance issues as guided by the Board Charter and other operating regulations.

The Board Charter explicitly defines the composition, role, scope, mandate, Board members selection, requirements and the duties of Board members. 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. The independent non-Executive Directors shall form at least one third of the total number of Board members. All non-executive and independent Directors are subject to periodic retirement and re-election to the Board, in accordance with the Articles of Association.

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 process.

C. ROLE OF THE BOARD

The Board of Directors is the ultimate authority of Total Kenya Plc. 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 the shareholders and financial markets.

The Board has delegated authorities to three Board committees (the Audit Committee, the Board Nomination Committee and the Risk and Governance Committee) to assist the Board in delivering its responsibilities and ensuring that there is appropriate independent oversight of internal control and risk management as well as smooth transition in the Board of Directors of the Company. Each of these committees has established terms of reference in the form of Committee Charters, which are reviewed regularly to ensure that they remain in line with the 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.

Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any business relationship or circumstances that would materially interfere with the exercise of objective judgement, having regard to the best interest of the organization and its stakeholders as a whole.

All Directors of Total Kenya must avoid any situation which might give rise to a conflict between their personal interest and that of the Company. The Directors are expected to make a disclosure on an annual basis to the Company Secretary in cases of actual or potential conflict of interest situations or as soon as such a situation arises. Any Director with a material personal interest in any matter being considered during a Board or Committee meeting is expected to disclose the same and will not vote on the matter or be present when the matter is being discussed.

The Board of Directors of Total Kenya is guided by the conflict of interest policy and the code of conduct that are developed by the Group, customized and adopted by Total Kenya Plc.

E. BOARD AND DIRECTOR EVALUATION

In line with prescribed regulatory stipulations, the Board undertook an annual evaluation of its own performance, individual members, the Managing Director, Board Committee Chairs and Company Secretary.

F. 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 management of the Company and implementation of the strategies and policies approved by the Board.

G. 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 to discharge their duties and responsibilities
- Facilitate informed decision making process

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.

H. MEETINGS

The Board meets once every quarter but may from time to time organize special meetings in response to business needs. Total Kenya has an annual work plan which guides the Board on areas of focus during the year. 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 date of the meeting. Directors are entitled to request additional information where they consider it necessary to make an informed decision.

During the year ended 31 December 2019, the Board held four Board meetings, four Board Audit Committee meetings and four Board Risk and Governance Committee meetings. The Annual General Meeting (AGM) was held on 26 June 2019 and all Directors were present in person save for Mr Stanislas Mittelman who was represented by his alternate Director, Dr Macharia Irungu. Details of Directors' attendance at board meetings are set out below:-

Name of Director	Eligible No. of meetings	No. of meetings attended	Overall % attendance
Chairman			
Jean-Philippe Torres	4	4	100%
Executive Director – Managing Director			
Olagoke Aluko	4	4	100%
Non- Executive Directors			
Stanislas Mittelman*	4	0	-
Séverine Julien	4	4	100%
Independent Directors			
Joe Muchekehu	4	4	100%
Joseph Karago	4	3	75%
Margaret Wambui Ngugi Shava	4	4	100%
Alternate Directors			
Premanand Dhoomon (Resigned on 30 June 2019) (Alternate to Olagoke Aluko and Séverine Julien)		2	100%
Lawrencia Gichatha (Appointed on 1 July 2019) (Alternate to Olagoke Aluko and Séverine Julien)		2	100%
Macharia Irungu (Alternate to Stanislas Mittelman)		4	100%
Company Secretary			
John Maonga		4	100%

Note: *Stanislas Mittelman was duly represented by his Alternate Director in the 4 meetings.

THE BOARD OF DIRECTORS

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."

Pursuant to Total Group's Risk Management, Internal Control and Audit Charter, Total ensures the control of its activities: it deploys an overall risk management system, an effective internal control framework and an internal audit policy adapted to its challenges. Audit is an independent function responsible for providing reasonable assurance to Management and to the Corporate Governance bodies concerning the level of control of the Company's activities.

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 and process

The Board Audit Committee Charter spells out the composition, role, scope, mandate, requirements and duties 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 to assure its independence. In selecting the members of the Committee, the Board pays particular attention to their financial and accounting qualifications and experience.

During the year 2019, members of the committee were:

Name of Member	Position
Joe Muchekehu	Independent Director- Chairman
Séverine Julien	Non-Executive Director
Margaret Shava	Independent Director
Joseph Karago	Independent Director

The Company's Internal Audit Manager is the Secretary to the Board Audit Committee. The Committee held four formal meetings in 2019 (see details below) and invited the external auditors when discussing the Company's accounts.

The Committee also invites the Managing Director and the Finance Manager to their meetings as and when required, performs inspections and interviews the Company managers at any time as may be deemed necessary.

Name of Member	Eligible No. of meetings	No. of meetings attended	Overall % attendance
Joe Muchekehu	4	4	100%
Joseph Karago	4	3	75%
Margaret Shava	4	3	75%
Séverine Julien	4	3	75%

The main responsibilities of the Committee are to:

i. Monitor the integrity of the Company's 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 obligation to report that the Annual Report is fair and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

iii. Monitor auditors' independence and external auditors' plans and audit strategy, the effectiveness of the external audit process, the external auditors' qualifications, expertise and resources, and make recommendations for the re-appointment of the external auditors.

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

v. Monitor the effectiveness of compliance processes and controls, and performance against the Company's compliance plan.

ELLON KAMAU
AUDIT MANAGER

Ellon Kamau has over 25 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 of Total Jamaica, Group Auditor at Total UK, Internal Audit Manager, Treasury Manager, Reporting Manager, Special Projects Manager and Acting Financial Accounting Manager of Total Kenya.

He holds a Post Graduate Diploma in Business Administration – Finance from the University of Leicester (UK), a Bachelor of Science in International Business Administration (USIU) and an ACCA certificate in International Auditing. He is also a Director of Kenya Oil and Gas Association (KOGA).

B. THE BOARD RISKS AND GOVERNANCE COMMITTEE

The Board Risk and Governance Committee (BRGC) assists the Board of Directors of Total Kenya Plc in fulfilling its management's responsibility with regards to the uncertainties the Company may face. The Committee is mandated to provide oversight on the entity-wide risk management process and ensure integrity and effectiveness of the Company's compliance monitoring framework.

The Committee's roles and responsibilities are to:

- Ensure that 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 that 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 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 management function

Total Kenya Management has implemented a Risk Mapping and Management program since 2014. The Company follows a specific, well-defined risk management process that is integrated with operations for identification, categorization and prioritization of political, operational, financial and strategic business risks. 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.

This Committee comprises two (2) Independent Directors, the Managing Director and the Finance Manager. Committee Members are appointed by the Board for a period of 3 years.

The Committee meets at least twice every year or more frequently as circumstances dictate. The members of the Risk and Governance Committee are as follows:

Name of Member	Position
Margaret Shava	Independent Director - Chairperson
Joseph Karago	Independent Director
Olagoke Aluko	Managing Director
Premanand Dhoomon (Ceased to be a member from 30 June 2019)	Finance Director
Lawrencia Gichatha (Became a member from 1 July 2019)	Finance Manager
John Maonga	Company Secretary

In the year 2019, the BRGC met four times as shown here below.

Name of Member	Eligible no. of meetings	No. of meetings attended	Overall % attendance
Margaret Shava	4	4	100%
Joseph Karago	4	4	100%
Olagoke Aluko	4	2	50%
Premanand Dhoomon	2	1	50%
Lawrencia Gichatha	2	2	100%
John Maonga	4	4	100%

In addition, meeting sessions were held to discuss specific matters to be escalated to the Board.

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 of Kenya (CPAK). 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 and with the Unga Group of companies in various management roles.
Charles is currently the Risks Governance and Compliance Manager for Total Kenya.

THE BOARD OF DIRECTORS

C. THE BOARD NOMINATION COMMITTEE

The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 expressly requires that "the Board shall appoint a nomination committee consisting mainly of independent and non-executive Board members with the responsibility of proposing new nominees for appointment to the Board and for assessing the performance and effectiveness of the Directors of the Company".

During the year 2019, the Board of Directors constituted its Nomination Committee to undertake the following functions:

- Review the required skills mix and expertise that the executive Directors as well as independent and non-executive Directors bring to the Board on an annual basis and make disclosure of the same in its annual report.
- Recommend to the Board candidates for directorships to be considered for appointment by the shareholders.
- Consider only persons of calibre, credibility and who have the necessary skills and expertise to exercise independent judgement on issues that are necessary to promote the company's objectives and performance in its area of business.
- Consider candidates for directorships proposed by all the shareholders including the majority shareholders.

The Board Nomination Committee Charter clearly spells out the composition, role, scope, mandate, requirements and the duty of the Committee and its members. Any amendments to the Charter require the approval of the Board. This Committee is composed of five Directors and is chaired by an Independent Director. One Independent Director shall also act as the Secretary to the Board Nomination Committee.

The following were appointed to serve as members of the committee:-

Name of Member	Position
Joseph Karago	Independent Director- Chairman
Margaret Shava	Independent Director
Jean-Philippe Torres	Non-Executive Director
Séverine Julien	Non-Executive Director
Olagoke Aluko	Executive Director

The Committee shall meet at least annually to perform its mandate in accordance to the Nomination Committee Charter.

The Committee aims at ensuring that the structure of the Board comprises a number of Directors, which fairly reflects the Company's shareholding structure and is not biased towards representation by a substantial shareholder but shall reflect the Company's broad shareholding structure putting into consideration the minority shareholders without undermining the collective responsibility of the Directors.

POLICIES

ETHICS CHARTER AND CODE OF CONDUCT

Total Kenya Plc is committed to establishing high quality long-term relationships with all stakeholders: customers and distributors, suppliers and contractors, host countries, local communities, business partners, shareholders and the civil society.

Our code of conduct is rooted in our values, which are:

- Safety,
- Respect for Each Other,
- Pioneer Spirit,
- Stand Together
- Performance-Minded

Our two core values, Safety and Respect for Each Other, are reflected in our organizations, procedures and guidelines to provide practical guidance for upholding the Code of Conduct in our day-to-day 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 Plc 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. The Company 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 higher standard.

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

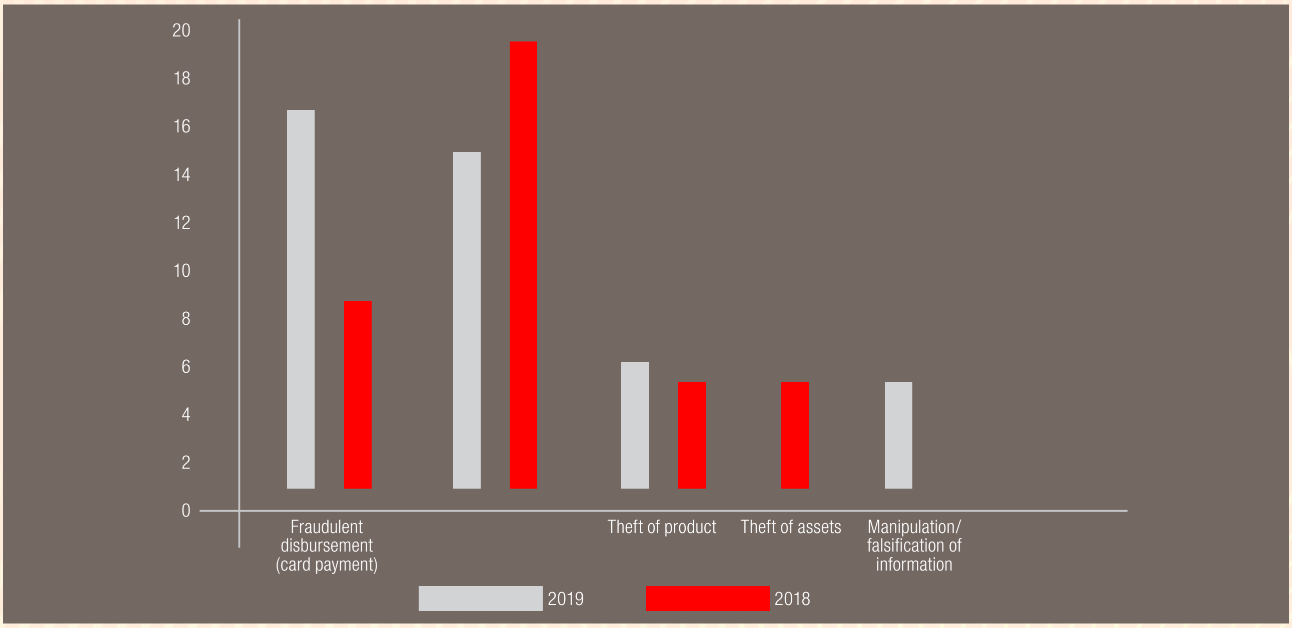
Identifying and reporting existing or potential conflicts of interest by employees allows risks to be managed. Potential conflicts of interest can be minimized by avoiding acquiring any interest in the business of a competitor, supplier or customer without prior written approval from management. Employees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

Like any organization of significant size and complexity, Total Kenya is inherently vulnerable to risks of fraud and corruption. In response to these risks, the Company has a range of mitigating controls including the Integrity Committee, Ethics Officer, Compliance Officer and an Internal Audit department. The Integrity Committee is composed of the Managing Director, Finance Manager (Ethics Officer), Human Resources and Administration Manager, Audit Manager and the Risk Governance and Compliance Manager (Compliance Officer). They deal with all compliance related matters. The Integrity Committee reviews cases declared by employees, customers, suppliers or any third party, via the 'Speak-Up Campaign' and ethics email of the Group and/or Total Kenya: ethics@total.com, or ethics@total.co.ke. The Integrity Committee calls for investigation if judged necessary, takes note of recommendations of the investigations and applies disciplinary actions.

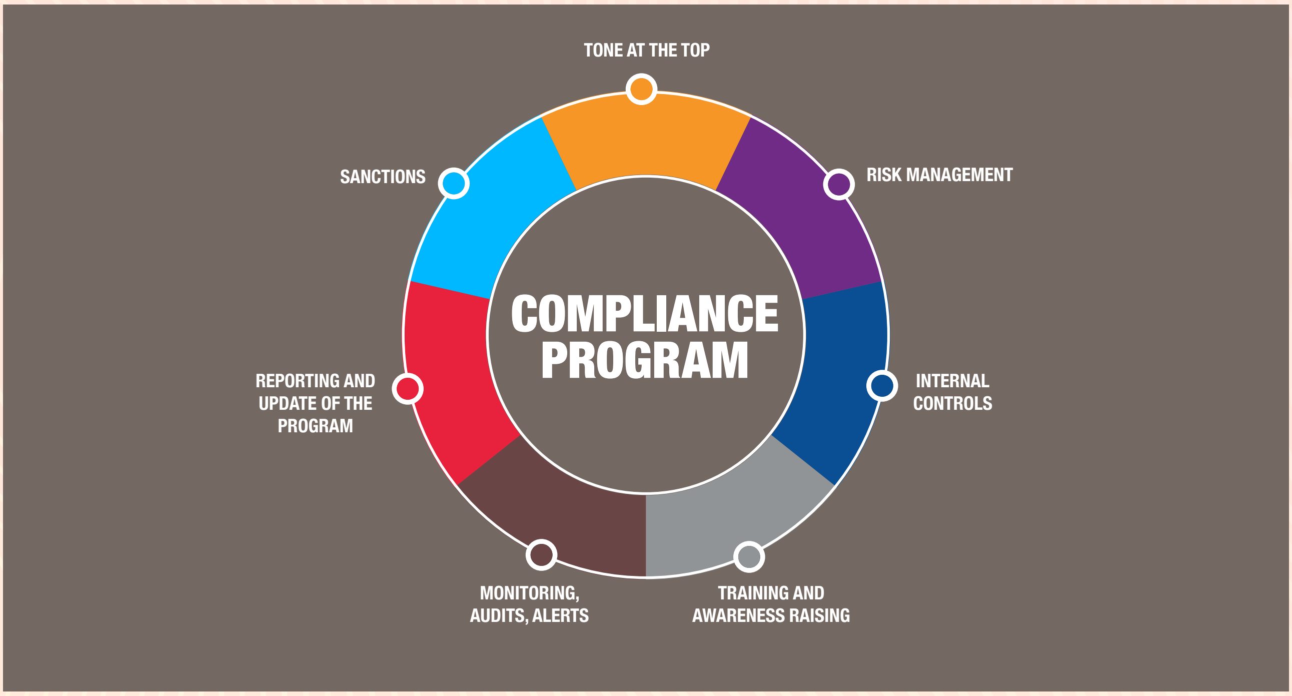
The graphical analysis provides a summary on the outcome of proactive and reactive anti-fraud and investigation work during 2018/19, with majority of the cases reported from Total service stations where amounts are usually not significant.



COMPLIANCE PROGRAM

To prevent risks of corruption, the Company has implemented a robust, regularly updated anti-corruption compliance program that has been rolled out to employees and third parties. The aim of this program is to promote a culture of compliance, transparency and dialog, components that are key in ensuring the sustainability of the Company's operations and activities, as well as to meet legal requirements and, in particular, to comply with applicable anti-corruption laws (international and local) as well as Group rules.

The Compliance program is based primarily on the following seven pillars: (i) Management commitment or "Tone at the Top", (ii) Risk assessment, (iii) Adoption of internal standards, (iv) Awareness raising and training of employees, (v) Feedback of information, including the whistleblowing system, (vi) Mechanisms for assessing and monitoring the implementation of the program, and (vii) Imposition of disciplinary sanctions in the event of misconduct.



Beyond the entity wide risk mapping, a risk mapping dedicated to the risks of corruption has been carried out with the aim of drawing up a suitable action plan.

COMPLIANCE WITH CMA CODE OF CORPORATE GOVERNANCE

Corporate governance continues to be a key priority of the Board in exercising its mandate as being responsible and accountable to all stakeholders. The Board has put in place procedures, systems and controls to safeguard their interests in line with the highest standards of corporate governance.

In fulfilment of the requirements of the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public (2015), the Company undertook a corporate governance audit in 2018 to ascertain the robustness and effectiveness of its governance structures.

On 16 October 2019, the Board formally wrote to the Capital Markets Authority (CMA) confirming the status of implementation of the Governance Audit recommendations by the Governance Auditors, Umzizi LLP and requesting that the Company be allowed to carry out the next Governance Audit in 2020 to allow time for implementation of the action plans. CMA consented to the Company's request for deferment of the Governance Audit to 2020 via their letter dated 18 November 2019.

On 2 January 2020, CMA issued a circular to all Issuers of Securities to the Public in Kenya advising that following stakeholder consultation on the second Report on the State of Corporate Governance of Issuers of Securities to the Public in Kenya published on 23rd October 2019, and after further consultations and engagements with the stakeholders, the Authority would be amending the Code in order to reschedule the governance audits to at least once in every 2 years with the option of the Authority increasing or decreasing the cycle based on a risk based approach.

The Board of Total Kenya Plc shall continue upholding high standards of Corporate Governance and undertaking Governance Audits as required by the regulating bodies for the benefit of the shareholders and stakeholders of the Company.

OUR CODE OF CONDUCT

ROOTED IN OUR VALUES

In addition to the reference standards, we are united by five values:

- Safety,
- Respect for Each Other,
- Pioneer Spirit,
- Stand Together
- Performance-Minded

These values are the principles that must guide everything we do.

Our two core values, Safety and Respect for Each Other, are reflected in our organizations, procedures and guidelines to provide practical guidance for upholding the code of conduct in our day-to-day actions.

SAFETY

Safety is the core component of an industrial company's responsibility; it is also the foundation of its long-term viability. A company that is not safe or reliable is not a sustainable company. That means that we are uncompromising when it comes to Safety. Cost does not enter the equation, because safety is a value that we respect above everything else.

Safety is a daily battle that is waged with humility and vigilance. We must never drop our guard. Accidents are not inevitable. Every accident, no matter how minor, can be avoided. All of us at Total, at every level of the organization, are mindful of our rules regarding safety, and rigorously observe those rules at all times. Each of us has a personal responsibility —and the personal authority — to step in when we observe a breach of those rules or feel a situation is unsafe.

In choosing our business partners, we give preference to those who can apply a policy equivalent to ours. Upholding our core value of safety and putting it into practice at all times is essential for fulfilling our ambition to become the responsible energy major.

RESPECT FOR EACH OTHER

Respect for Each Other is a cornerstone of our collective principles and our way of demonstrating exemplary conduct. Respect for Each Other means listening to each other.

Respect for Each Other goes hand in hand with honesty, unwavering business integrity and, as a result, the rejection of corruption and fraud in any form. It also means honoring the contracts and agreements we sign.

Respect for Each Other is respect for human rights. We are uncompromising on this point in our operations worldwide.

Respect for Each Other includes respect for the environment and health, consistent with our strategy of responsible and sustainable development.

Respect for Each Other means making people the core focus of our collective undertaking, valuing diversity and paying attention to the quality of employee dialogue within the Company.

EXAMPLES OF UNACCEPTABLE BEHAVIOR

- Offering a payment or item of value (gifts, travel, hospitality, etc.) to a public official, a member of that official's staff or family, or any person claiming to have influence with that official in return for the issuance of a government permit that is needed to start a project.
- Receiving a gift or hospitality of value from a supplier participating in a call for tenders that could affect the impartiality of the selection process.
- Engaging a person to represent Total without first:
  - Evaluating the risks posed by that relationship.
  - Defining and delimiting that person's responsibilities.

This will help to ensure that, for example, the representative does not abuse his or her influence or promise or offer advantages of any kind to public officials to obtain an advantage in return.

INTEGRITY – FRAUD AND CORRUPTION

We maintain a policy of zero tolerance for fraud of any kind, particularly bribery and corruption, influence peddling and violations of antitrust law.

We do not tolerate any form of corruption or influence peddling, defined as follows:

Promising or granting a payment or benefit of any kind to a public official, private individual or company, either directly or indirectly (through a third party or intermediary), despite its illegality, in return for:

- Performing, failing to perform, facilitating, delaying or expediting an action related to official or professional duties, or
- Using undue influence to obtain a favorable decision or benefit of any kind from a public authority.

Soliciting, accepting or receiving a payment or undue advantage of any kind in return for performing, failing to perform, facilitating, delaying or expediting an action related to official or professional duties.

Acts of corruption and influence peddling or violations of antitrust law shall render the culprits and the Company alike liable to harsh disciplinary action, both civil and criminal, regardless of the country in which the fraudulent behavior occurred, in accordance with applicable laws and regulations. Total employees are invited to review the Company's Anti-Corruption Compliance Program to ensure they are abiding by its principles at all times.

“ SAFETY IS A DAILY BATTLE THAT IS WAGED WITH HUMILITY AND VIGILANCE

“ RESPECT FOR EACH OTHER MEANS LISTENING TO EACH OTHER

BOARD OF DIRECTORS

MR JEAN-PHILIPPE TORRES
CHAIRMAN OF THE BOARD

MR STANISLAS MITTELMAN
NON-EXECUTIVE DIRECTOR

MR OLAGOKE ALUKO
MANAGING DIRECTOR

LAWRENCIA GICHATHA
FINANCE MANAGER

MS SÉVERINE JULIEN
NON-EXECUTIVE DIRECTOR

JOHN MUCHUNU
STRATEGY AND CORPORATE AFFAIRS DIRECTOR

FCPA, DR JOE MUCHEKEHU
INDEPENDENT DIRECTOR

MR JOSEPH KARAGO
INDEPENDENT DIRECTOR

MS MARGARET SHAVA
INDEPENDENT DIRECTOR

MR. JOHN MAONGA
COMPANY SECRETARY

DIRECTORS' PROFILES

MR JEAN-PHILIPPE TORRES
CHAIRMAN OF THE BOARD

Born in 1966, Mr Jean-Philippe Torres holds a Diploma in Economics from the University of Lille (France), a Master in Finance from The ESCEM School of Business and Management (France) and a Master of Science in Management from the IESEG School of Management (France). He is currently the Executive Vice President of East and Central Africa Division of the Marketing and Services branch of Total Group (Paris La Défense, France) and has previously served as a Senior Executive for the Total Group in various countries including Nigeria, Panama, Germany, France, Congo, Togo, The Gambia, Senegal and Zaire.

MR OLAGOKE ALUKO
MANAGING DIRECTOR

Mr Olagoke Aluko, aged 45, holds a Master of Science degree in Finance and Accounting from London School of Economics. He has 20 years experience in the Downstream Oil & Gas sector within Total Group with Management, Operations, HR, Finance & Accounting, Mergers & Acquisition, Information Systems as well as Audit and Internal Controls experience. He has held several cross functional roles within the Group including; CFO Total Guinea, General Manager HR & Corporate Affairs Total Nigeria Plc, and prior to this appointment, he was the General Manager Operations at Total Nigeria Plc.

MR STANISLAS MITTELMAN
NON-EXECUTIVE DIRECTOR

Mr. Stanislas Mittelman, aged 54, 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.

MS SÉVERINE JULIEN
NON-EXECUTIVE DIRECTOR

Born in 1973, Ms Séverine Julien graduated from French Business School HEC Paris and holds a master's in international Tax Law from University of Paris-XI and the French Certificate of Lawyer Profession. She is currently a Corporate and Project Finance Manager of the Total Group; she is in charge of both European Refining and Chemicals entities and North and East African Marketing & Services entities. Previously she served as the Risk Manager of Total S.A. She also worked in Singapore, Vietnam and France in various tax and risk management positions including Regional Tax Manager of Total Oil Asia-Pacific, Compliance and Risk Manager of Schneider Electric Vietnam and Tax Lawyer in Paris.

LAWRENCIA GICHATHA
FINANCE MANAGER

Born in 1977, Lawrencia Gichatha holds a Master's in Business Administration, Strategic Management from Moi University, Kenya and a Degree in Bachelor of Commerce (B.Com.), Accounting from the University of Nairobi, Kenya. She is a qualified and registered member of ICPAK. Lawrencia joined Total Kenya in 2002 and has served in several positions within the Total Group. She is currently the Finance Manager of Total Kenya and has previously served as a Corporate & Project Finance Manager, Marketing & Services (MS) Branch - Africa perimeter based in France, SAP Program Manager for MS, Africa Perimeter based in France, Controlling Manager, SAP Coordinator and Financial Accountant at Total Kenya Plc. Lawrencia is also the Country Ethics Officer and an alternate Director to Severin Julien as well as a member of the Risks and Governance Committee of the Board. In addition to the Total Kenya roles, she is a Director for the Total solar companies in Kenya specifically, Isiolo project Limited and, Isiolo PV Property limited and also holds the role of the Treasurer of the Safe-Way-Right-Way NGO.

JOHN MUCHUNU
STRATEGY & CORPORATE AFFAIRS DIRECTOR

Born in 1962, Mr. John Muchunu has worked for the Total Group for thirty one years. During his tenure, he has held the following positions; Technical Marketing Representative (2 years), Senior Marketing Representative (3 years), Area Retail Sales Manager (4years), Customer Service Manager (2 years), Aviation Manager (2 years). He was expatriated to Total Zambia in 2001 and appointed to the position of the Commercial Manager, he then moved to Total Uganda in 2004 to hold the same position. In October 2009, John came back to Kenya as Commercial Development Manager for one year. He took over the position of Network Sales Manager in October 2010. In November 2014 he was appointed HSEQ Manager. In February 2020 he was appointed Strategy and Corporate Affairs Director. He also serves as the MD for Gapco Kenya Limited and CEO for SWRW (Safe Way Right Way). Prior to joining Total Group, Mr. Muchunu also worked for BOC Kenya. He holds a bachelor's degree in Mechanical Engineering from the University of Nairobi and was appointed as alternate Director to Stanislas Mittelman effective 12th May 2020.

MS MARGARET SHAVA
INDEPENDENT DIRECTOR

Ms Margaret Shava, aged 55, is an advocate of the High Court of Kenya, a practicing advocate, an independent consultant and a Certified Public Secretary (Kenya). Margaret has over 25 years working experience in law, management, legal consultancy and peace building & transitional justice. She has worked in various economic sectors, United Nations organization 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 is a Member of Committee on Budget and Finance at the International Criminal Court (ICC) and the Vice Chairperson of the Audit Committee of ICC. 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..

FCPA, DR JOE MUCHEKEHU
INDEPENDENT DIRECTOR

Dr. Joe Muchekehu, aged 69, 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.

MR JOSEPH KARAGO
INDEPENDENT DIRECTOR

Mr. Joseph Karago aged 57, is a Registered Practicing 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 is currently a member of both the Audit and Risks and Governance Committees of the Board and Chairman of Nominations Committee.

MR. JOHN MAONGA
COMPANY SECRETARY

Mr. John Maonga, aged 59, is a holder of B. A. Degree from the University of Nairobi and is a Certified Public Secretary. He is a registered Practising Company Secretary and a fellow of the Institute of Certified Public Secretaries of Kenya. He is a Member of the Institute of Directors and an Accredited Practicing Governance Auditor. He has over 30 years of experience in Company Secretarial, Share Registration and Trustee Services. He was appointed Company Secretary of Total Kenya Plc on 1st February 1999.

MANAGEMENT COMMITTEE

MR OLAGOKE ALUKO
MANAGING DIRECTOR

LAWRENCIA GICHATHA
FINANCE MANAGER

JAMES KAMAU
HSEQ MANAGER

GÉRARD OBERTI
OPERATIONS MANAGER

SUSAN GACHERU
PLANNING AND SUPPLY MANAGER

FRANCOIS-XAVIER - RUENES
COMMERCIAL MANAGER RETAIL & LUBRICANTS

IRENE MUINDE
HEAD OF HUMAN RESOURCES AND ADMINISTRATION

SANDIP MUKHERJEE
COMMERCIAL MANAGER B2B

JOHN MUCHUNU
STRATEGY & CORPORATE AFFAIRS DIRECTOR

MANAGEMENT EXECUTIVES

MR OLAGOKE ALUKO
MANAGING DIRECTOR

Mr Olagoke Aluko, aged 45, holds a Master of Science degree in Finance and Accounting from London School of Economics. He has 20 years experience in the Downstream Oil & Gas sector within Total Group with Management, Operations, HR, Finance & Accounting, Mergers & Acquisition, Information Systems as well as Audit and Internal Controls experience. He has held several cross functional roles within the Group including; CFO Total Guinea, General Manager HR & Corporate Affairs Total Nigeria Plc, and prior to this appointment, he was the General Manager Operations at Total Nigeria Plc.

LAWRENCIA GICHATHA
FINANCE MANAGER

Born in 1977, Lawrencia Gichatha holds a Master's in Business Administration, Strategic Management from Moi University, Kenya and a Degree in Bachelor of Commerce (B.Com.), Accounting from the University of Nairobi, Kenya. She is a qualified and registered member of ICPAK. Lawrencia joined Total Kenya in 2002 and has served in several positions within the Total Group. She is currently the Finance Manager of Total Kenya and has previously served as a Corporate & Project Finance Manager, Marketing & Services (MS) Branch - Africa perimeter based in France, SAP Program Manager for MS, Africa Perimeter based in France, Controlling Manager, SAP Coordinator and Financial Accountant at Total Kenya Plc. Lawrencia is also the Country Ethics Officer and an alternate Director to Severin Julien as well as a member of the Risks and Governance Committee of the Board. In addition to the Total Kenya roles, she is a Director for the Total solar companies in Kenya specifically, Isiolo project Limited and, Isiolo PV Property limited and also holds the role of the Treasurer of the Safe-Way-Right-Way NGO.

JAMES KAMAU
HSEQ MANAGER

Mr. James Kamau has worked for the Total Group for twenty-six years. During his tenure, he has held the following positions; Safety, Health & Environment coordinator (6 years), Safety, Health & Environment Manager (14 years). In 2014 he was expatriated to M&S Competency Center (MSCC) in Johannesburg -South Africa and appointed to the position of Regional HSE Coordinator for East /Southern Africa & Indian Ocean Islands (AFA/ACE/OCI). In September 2017 following the closure of MSCC hub, he returned to Total Kenya and continued to serve AFA & ACE zones. In February 2020 he was appointed HSEQ Manager, a position held to date. Prior to joining Total Group, Mr. Kamau worked for Directorate of Occupational Health and Safety service as an Industrial Hygienist for (7 years). He holds a bachelor's degree in Biochemistry from the University of Nairobi and a master's degree in Industrial Hygiene from University of Newcastle Upon Tyne -UK.

MS. SUSAN GACHERU
PLANNING AND SUPPLY MANAGER

Ms. Susan Gacheru joined Total Kenya as the Planning & Supply Manager in July 2017. She has over 16 years' experience in the Oil Industry, majority of it being in the Supply & Logistics field. 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, and functions within Supply & Finance departments at Ola Energy Limited (previously ExxonMobil) from January 2004 to December 2011.

JOHN MUCHUNU
STRATEGY & CORPORATE AFFAIRS DIRECTOR

Born in 1962, Mr. John Muchunu has worked for the Total Group for thirty one years. During his tenure, he has held the following positions; Technical Marketing Representative (2 years), Senior Marketing Representative (3 years), Area Retail Sales Manager (4years), Customer Service Manager (2 years), Aviation Manager (2 years). He was expatriated to Total Zambia in 2001 and appointed to the position of the Commercial Manager, he then moved to Total Uganda in 2004 to hold the same position. In October 2009, John came back to Kenya as Commercial Development Manager for one year. He took over the position of Network Sales Manager in October 2010. In November 2014 he was appointed HSEQ Manager. In February 2020 he was appointed Strategy and Corporate Affairs Director. He also serves as the MD for Gapco Kenya Limited and CEO for SWRW (Safe Way Right Way). Prior to joining Total Group, Mr. Muchunu also worked for BOC Kenya. He holds a bachelor's degree in Mechanical Engineering from the University of Nairobi and was appointed as alternate Director to Stanislas Mittelman effective 12th May 2020.

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.

SANDIP MUKHERJEE
COMMERCIAL MANAGER B2B

Mr. Sandip Mukherjee joined Total Kenya as the Commercial Manager B2B in February, 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.

GÉRARD OBERTI
OPERATIONS MANAGER

Mr Gérard Jean-Pierre OBERTI holds a Master's Degree in Mechanical Engineering from the Ecole National Supérieure des Arts et Métiers - ENSAM, Paris (France) as well as a Master's Degree in Geophysics from French Petroleum Institute (IFP- Paris, France). He joined Total in 1998 as Aviation fuels project manager and rose to the ranks of Aviation JIG inspector and Aviation Joint Venture Depot Manager (Total-BP) respectively. He has then served the Total Group in several countries, in 2007 as Terminal Operations Manager at Total UK Ltd in North London (UK), 2014 as HSE assistant Director at Total Americas zone in Panama and 2017 as Major Incidents Chief Investigation Officer for Total Group Holding HSE division. He was appointed Operations Manager of Total Kenya Limited in December 2019, a position he holds to date.

IRENE MUINDE
HEAD OF HUMAN RESOURCES AND ADMINISTRATION

Mrs Irene Muinde joined Total Kenya Plc in September 2013 and has diverse experience spanning over 20 years acquired from Manufacturing and Banking Sectors. She holds an Executive MBA in Human Resources from Moi University, Bachelor of Arts from the University of Nairobi, Diploma in HRM from Kenya Institute of Management and is a Certified Psychometric Tester and Prince2 Practitioner (Project Methodology).

CAF | TOTAL
OFFICIAL PARTNER

"In 2019, Total Kenya made important advances in aligning its sustainability strategy with the Group's Energy Outlook. The Energy transition is material for our sustainability strategy. We took on energy efficiency as a key driver to reduce emissions and set out to optimize the energy usage of our facilities

Olagoke Aluko
Managing Director

SUSTAINABILITY REPORT

Scaling even greater heights in the energy transition

MESSAGE FROM OUR MANAGING DIRECTOR

The oil and gas industry continues to go through significant and unprecedented changes. The demand for energy delivered in new ways, with fewer emissions continues to be the defining issue of our times. The COP21 Climate Conference held in Paris in 2015 generated heightened awareness of climate issues. The push for a decline in greenhouse gas emissions has prompted changes in the global energy mix. At Total, we continue to make bold changes across the Group as part of our commitment to reduce greenhouse gas emissions. We are pragmatically and sustainably diversifying our energy mix, with the conviction that pairing complementary forms of energy can yield synergies, create value and unleash technological advances.

In 2019, Total Kenya made important advances in aligning its sustainability strategy with the Group's Energy Outlook. The Energy transition is material for our sustainability strategy. We took on energy efficiency as a key driver to reduce emissions and set out to optimize the energy usage of our facilities. Our collective target is to achieve an average of 1% per year improvement in the energy efficiency of our facilities from 2010 to 2020. Beyond our operations at Total Kenya, we offer our customers energy efficiency solutions to help them optimize their energy usage and reduce their greenhouse gas emissions. More information on this is covered in this report.

In November 2019, Total reaffirmed its commitment to Climate Action through a document providing strategic direction for all its subsidiaries. Total Kenya is aligned to this commitment and is backing this up with clear targets in the coming months.

Our portfolio of products includes fuels and lubricants that help improve engine efficiency and reduce emissions. The Total Ecosolutions label, which includes excellium fuels, lubricants and SunPower solar panels, marked its tenth anniversary in 2019. In 2019, we sold 638,448,479 liters of Total excellium fuels (Diesel and Gasoline) in the Kenyan market. Our goal in 2020 is to measure, in more accurate terms, the environmental direct impact of our continued sale of Total excellium fuel in Kenya.

Our safety performance at Total Kenya is paramount. We deploy a rigorous, structured operational approach that involves identifying risks, taking preventive action and monitoring on a regular basis. While we welcome the improvement seen in our key safety measures in 2019, our attention is always on caring for the people behind the numbers. This extends to our business partners, and you'll find updates in this report on some of our key activities in 2019.

Only by operating as a responsible and reliable business do we earn the trust of our stakeholders as we play our part in advancing a more energy efficient future.

Olagoke Aluko
Managing Director

2019 SUSTAINABILITY HIGHLIGHTS

Our Business

One of the Leading Oil and Gas Companies in Kenya
Part of the Total Group with a worldwide presence in **130 countries**

Ksh 33.4bn (increase 10%)
Total Taxes

29.5 Million (increase 5%)
Total Corporate Giving

2002 Applications (increase 60%)
StartUpper Challenge

Close to
5000 employees
400 direct employees and 4,500 indirect employees as at 31st Dec 2019

31%
Female Employees

24%
Women in Management

88%
Employee Survey Engagement Score

The Energy Transition

36466 Number of Lamps Sold (target 45000)

160,451
Lives Impacted

0.44MW (increase 32%) (target 0.5 MW)
Solar Power

Safety Performance

81%
of planned inspections at all sites implemented

120
(10 Per Month)
Safety and Security Drills conducted

78%
of planned HSEQ trainings conducted

2019 - The Year
Spearheaded the annual marine Oil Spills Emergency training

Over 175 service stations have been upgraded to double skin tanks and over 100 tanks stratified
(increase) All stations by 2023

253
total recordable incidents which is a 20% decline (decrease 20%)

12 incidents
investigated within 48hrs

2036 near misses
reported which is an increase of 6% (increase 6%)

Governance and Ethics

2019 - The Year
Board Charter reviewed and validated

3-No. of directorships
a board member can hold

137 - Trained
employess on anti-bribery and corruption

76 - Suppliers
trained on supplier code of conduct

31 - Suppliers
due diligence reports completed

Responsible Growth

23%
decrease in greenhouse gas emissions since 2010 in our operated scope

Ksh 50 million
contribution to Research and Development for more efficient fuel

23,900 (target 1,000,000)
Trees Planted

638,448,479 litres
equivalent to 503 KMT
Amount of Fuel Sold

TOTAL

KEY
- Increase
- Target
- Decrease

ABOUT TOTAL KENYA

Total Kenya Plc is a marketing affiliate of Total Group, which is the fourth largest integrated international energy company in the world. Total has been operating in Kenya since 1955 and was the first multinational oil company to be quoted on the Nairobi Securities Exchange.

The company, whose headquarter is in Nairobi, has a wide network of over 200 service stations spread across the country and a diverse, agile and committed team of motivated staff who drive our vision and mission.

As at 31st December 2019, the company had over 400 direct employees and over 4,500 indirect employees, 31% of our staff is comprised of women, 3 of whom are in the management team. We have a youthful and dynamic team of staff members with majority (151 staff) being of an average age of 31 to 40 years.

SALES PERFORMANCE

Sales in KMT	R18	R19	Var 19/18
Network	491	517	26
B2B (Inc. Resellers)	262	240	-22
Lubes	28	31	3
LPG	16	16	0
Aviation	18	26	8
Local Sales	815	830	15
Exports	54	46	-8
Bulk	401	601	200
Total Sales	1,270	1,477	207

More information about the company can be found in the 2019 Annual Report and on the company website – www.total.co.ke

In Kenya, Total has been operating since 1955 and is a leading oil company. Total Group is the 4th integrated international energy company in the world.

NETWORK OF OVER

200 service stations spread across the country

DIRECT EMPLOYEES

400 and over 4,500 indirect employees

31% of our staff is comprised of women, 3 of whom are in the management team

PREFACE

SCOPE

This annual sustainability report outlines Total Kenya's sustainability strategy, programs and performance during the calendar year 2019. It is aimed at stakeholders who want to learn more about our commitment and approach to sustainability. Unless otherwise stated, the information and data cover all our activities and sites.

REPORT CONTENT AND SIGNIFICANT CHANGES

The report focuses on the four material topics of our sustainability strategy, which are aligned with our business priorities. The topics include environmental, social, economic and governance priorities and opportunities. We identified these topics in 2018 through a materiality exercise that considered the sustainability context and involved a review of stakeholder concerns. The topics are unchanged in this year's report as they are still relevant for Total Kenya in 2019. For each material topic we defined our goals, and programs. In response to our stakeholders' expectations and for a better understanding of our performance, we disclose data and information from previous years. There is no significant restatement of information given in previous reports.

GLOBAL REPORTING INITIATIVE (GRI)

This report has been prepared in accordance with the GRI Standards: Core option. We list all references to GRI Standards and the corresponding page numbers in the GRI Content Index found at the end of the report. The report represents a balanced and reasonable presentation of our organization's economic, environmental and social performance. It also demonstrates our commitment to the UN Global Goals.

Reasonable efforts have been made to ensure consistency of the summary of financial information with the financial reporting contained in this annual report.

ALIGNMENT WITH THE UN SDGS (UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS)

The UN Sustainable Development Goals (SDGs) aim to overcome global challenges such as poverty, hunger, inequality and climate change.

Total Kenya's contributions to the Sustainable Development Goals (SDGs) are based on a thorough assessment of the business risks and opportunities of the goals. In 2019, we identified our potential impacts on these SDGs. We also reviewed the 169 SDG targets to help identify connections between the goals and classified them according to a comparative level of relevance to our business. Our core business of commitment to better energy contributes directly to goals 5, 7, 8, 9, 10,15 and 16.

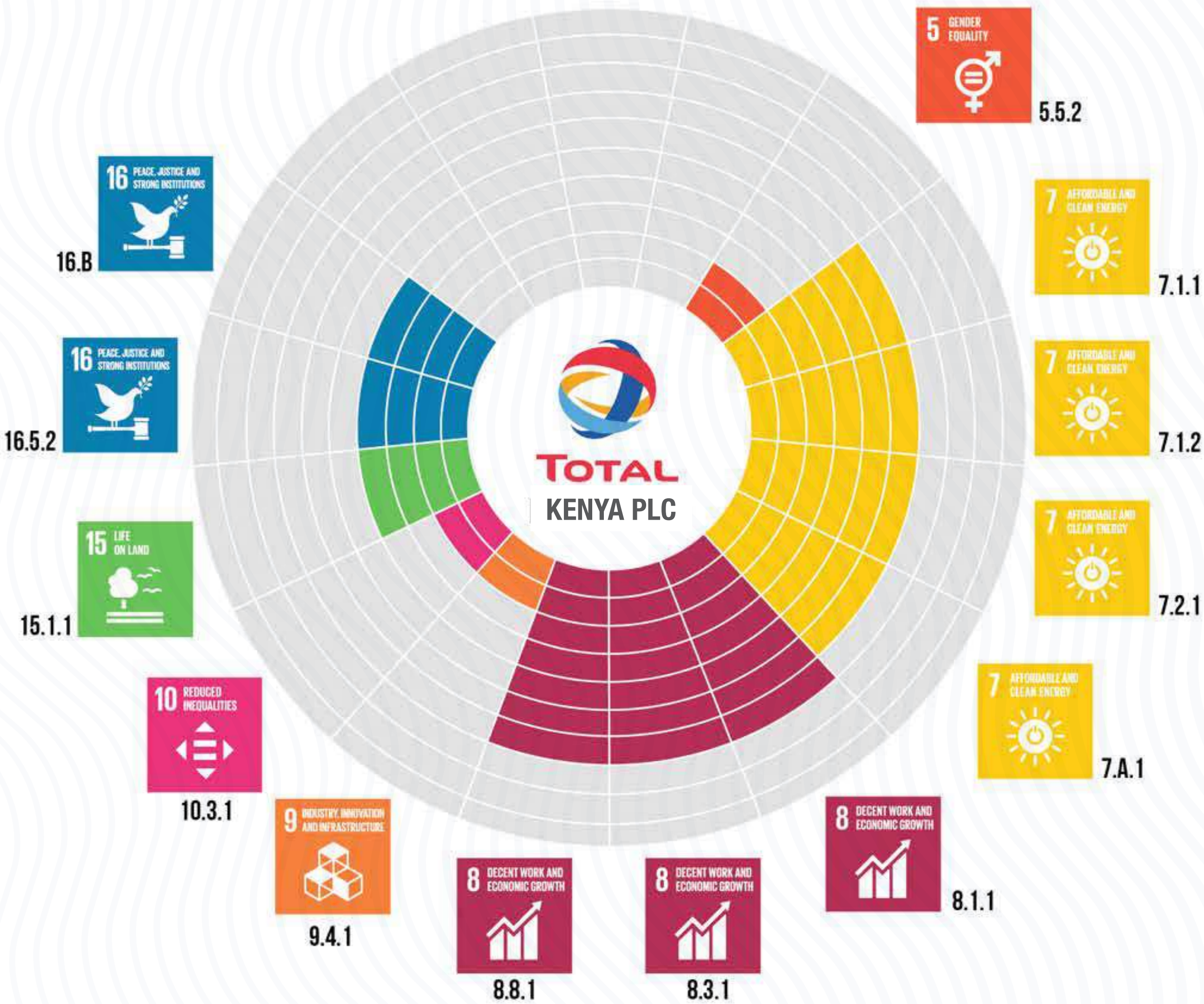


Figure 2 Total Kenya 2019 SDGs Wheel

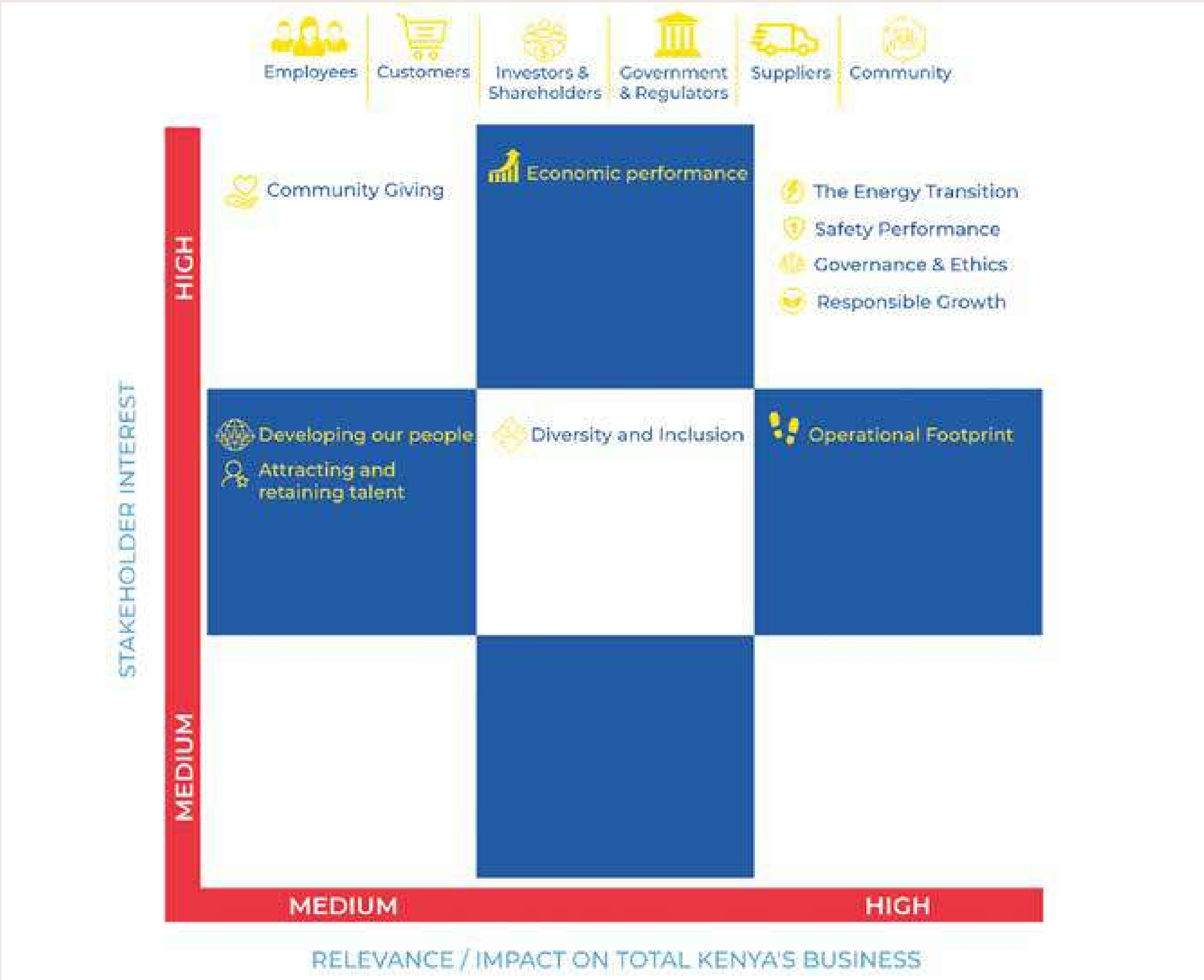
SOME EXAMPLES OF HOW WE ARE CONTRIBUTING TO THE GOALS ARE OUTLINED BELOW.

Goal	Relevance	Target	Total Kenya's Impact
5 GENDER EQUALITY	31%	**5.5 -** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	• The proportion of women employed across Total Kenya is higher than ever before, with female representation at 31% in 2019. In 2019, women filled 24% of the management positions at Total Kenya
7 AFFORDABLE AND CLEAN ENERGY	60%	**7.1** By 2030, ensure universal access to affordable, reliable and modern energy services **7.2** By 2030, increase substantially the share of renewable energy in the global energy mix **7.A** By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology	• We sold 36,466 solar lamps through our outlets and therefore impacting 160, 451 lives. Our goal in 2020 is to increase this by 23% to 45,000 lamps • 50 Total Kenya stations were solarized in 2019 bringing the number of solarized stations to 66. We have a target of solarizing 41 stations in 2020 • KShs. 50 Million contributed to Research and Development for energy efficient fuel in 2019
8 DECENT WORK AND ECONOMIC GROWTH	70%	**8.1** Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries **8.3** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services **8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	• In 2019, we paid KShs. 33B in taxes, KShs. 12B to local suppliers, KShs. 2B in investments and KShs. 2B in salaries and wages • Our Young Dealer program had 34 applications while the StartUpper challenge had 1651 applications with 27% women participation • In 2019, there was prompt investigation of 12 reported incidents with a preliminary report given within 48 hours • Also we had a100% preparation of safety alerts within 1 week, cause tree report within 4 weeks for 5 incidents and 100% sharing of registered reports and safety alerts to target recipients
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	20%	**9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	• In 2019, we sold 638,448,479 liters of Total Excellium fuel (Diesel and Gasoline) in the Kenyan market
10 REDUCED INEQUALITIES	20%	**10.3** Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard	• 39 concerns or enquires recorded through Total Kenya's confidential helpline in 2019 • Our businesses dismissed 7 employees for non-conformance with our code of conduct or unethical behavior
15 LIFE ON LAND	40%	**15.1** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	• We are replacing all our single wall underground tanks with a capacity greater than 15 cubic metres and older than 15 years. In 2019 we replaced 5 stations with double skin underground tanks and have over 175 double wall tanks installed to date. The target is to have all stations done by year 2023 • We are part of the industry's Safe Waste Oil Disposal (SWOD) initiative and the Oil Spill Mutual Aid Group Society (OSMAG) membership and oil spill drills
16 PEACE AND JUSTICE STRONG INSTITUTIONS	40%	**16.5** Substantially reduce corruption and bribery in all their forms	• 137 employees completed anti-bribery and corruption training in 2019 • 76 suppliers trained on anti-bribery and corruption, conflict of interest scenarios and grievance processes and issued with supplier code of conduct • 31 Supplier due diligence reports completed in 2019

OUR MATERIAL TOPICS

Our material topics around sustainability are environmental, social, economic and governance priorities and opportunities for our company and all our stakeholders. Consistent with GRI's materiality guidance, we identified and prioritized new and emerging issues important to our stakeholders when developing the content for this report.

This was determined through input from different stakeholders including investors, regulators and business partners, who collectively represent some of our main stakeholder groups. We also carried out a document-based assessment of key stakeholder perspectives and Total Kenya's operational and regulatory risks.



We assessed the issues by:

a) Prioritizing the issues according to how important they are to our stakeholders and how they could impact Total Kenya's ability to deliver its strategy.

b) Validating this with representatives from our operations, audit, planning supply, finance, human resources, corporate affairs and communications teams, as well as with the Managing Director and Finance Manager at board-level.

c) Material issues tend to be relatively consistent year to year. Energy efficiency of our products, as well as diversity and inclusion, were issues that gained greater prominence in 2019. We also focused on aligning our business with the Sustainable Development Goals (SDGs).

We include issues in our sustainability report that we consider being of high or medium importance in terms of stakeholder interest and potential business impact. This, and the next section, describes our three most material topics, how they affect our operations and how we respond to them as a Company. As part of our ongoing commitment to the SDGs, we have included those goals to which we have aligned our efforts this year in each chapter.

1. THE ENERGY TRANSITION

Key SDGs

The world economy must be profoundly reshaped to keep the average global temperature rise to below 2°C above pre-industrial levels by 2100. Energy consumption, which represents nearly 70% of global greenhouse gas emissions — with the rest due primarily to agriculture and industry — is a key factor in the balancing act required. According to the International Energy Agency's (IEA) Sustainable Development Scenario, oil, which currently accounts for 30% of the global energy mix, will fall to about 20% by 2040.

Total is a front-runner in establishing a robust position in future energy growth markets. We are advancing the energy transition and transforming from a traditional oil and gas producer to a full range energy company.

Globally, Total is increasingly active across the energy value chain from oil and gas exploration and production to refining, chemicals, trading, shipping, and marketing as well as in power generation and the renewable sector.

The climate has been fully integrated into our business and strategic vision, as well as our organizational structure. Our goal is to have low-carbon businesses account for close to 20% of our portfolio in 2035.

In November 2019, Total Group reaffirmed its commitment to climate action through a document providing strategic direction for all its subsidiaries. The Total Group purposed all initiatives guided by four strategic focuses.

FOUR CLIMATE-ORIENTED STRATEGIC FOCUSES

NATURAL GAS
Expand our presence across the entire natural gas chain, reduce our methane emissions and make LNG more energy efficient.

LOW-CARBON ELECTRICITY
Expand our operations in the non-regulated portion of the value chain (i.e., excluding power transmission), from power generation using renewables and natural gas to sales to end customers and energy storage (batteries and hydrogen).

PETROLEUM PRODUCTS
Avoid expensive oil, reduce emissions at our facilities, and promote both sparing oil use and sustainable biofuels.

CARBON NEUTRALITY
Develop businesses that will help achieve carbon neutrality through providing energy efficiency services to our customers and by investing in natural carbon sinks such as forests and wetlands, and in carbon capture, utilization and storage (CCUS).


TOTAL
MUGG & BEAN
ON THE ★ MOVE
bonjour

SOLAR ENERGY

Renewables are the fastest-growing energy source in the world today and we estimate they could provide at least 15% of the global energy mix by 2040. Total has been in the renewable energy business for more than 20 years. We remain one of the largest operators among our peers and we continue to expand in areas where we see opportunities for growth.

Recent trends indicate that solar could generate 12% of total global power by 2040. Our solar power operations are conducted through Total Solar, an affiliate that sells distributed photovoltaic systems for industrial and commercial customers. Total Solar is also developing ground-based solar arrays in Europe, the Middle East, Japan and South Africa. In addition, through our stake in California-based Sun Power, Total markets solar panels around the world. Sun Power's photovoltaic cells are used on commercial and residential rooftops and in the construction of solar power plants. Total Kenya started the solar power campaign in 2018. In 2019, we installed more than 0.44 MW of new capacity, compared to 0.30 MW in 2018. Our target for 2020 is to install 0.50 MW.

Today more than one billion people don't have any access to electricity – that's 15 out of every 100 people on the planet. And the global population is still growing, heading towards nine billion by 2040. A 2019 report by the World Bank states that eighteen million Kenyans do not have access to electricity. Total Kenya supports the Government's efforts to have every household connected to electric power through grid expansions and use of off-grid sources by 2022 through offering solar lanterns in our business portfolio.

Under the banner Beba Stima Bila Bills the Company aims to address lighting needs for Kenyans who do not have access to electricity, have low incomes and unreliable electricity supply. The Company is committed to availing solar lamps to each & every home in Kenya and has opened up its extensive service station network to be points of sale for Total Solar lamps. In addition, the Company has reseller outlets and has partnered with various organizations to increase accessibility to this solution. In 2019, the Company introduced the Sunshine range of solar products that are built to the very highest quality standard of materials and workmanship. The Company sold 36,466 solar lamps through our outlets and therefore impacting 160, 451 lives. The Company's goal in 2020 is to increase the sale by 23% to 45,000 lamps.

36,466

No. of solar lamps sold in 2019 impacting 160, 451 lives

45,000

Targeted No. of solar lamps to be sold in 2020

2. SAFETY PERFORMANCE

Key SDGs

Safety is a prerequisite in our business. We can't operate without it. At Total, we deploy a rigorous, structured operational approach that involves identifying risks, taking preventive action and monitoring on a regular basis. This approach shapes the daily work of our employees and partners. Our company's reliability and sustainability depend on safety, which explains why it is so crucial to understand industrial risks and be rigorous and systematic in applying safety rules.

TOTAL'S GOLDEN RULES

1. High-risk situations
2. Traffic
3. Body mechanics and tools
4. Protective equipment
5. Work permits
6. Lifting operations
7. Powered systems
8. Confined spaces
9. Excavation work
10. Work at height
11. Change management
12. Simultaneous operations or co-activities

Total's Golden Rules on safety at work are based on feedback and experiences. They set out what must and must not be done by all Total stakeholders. We track our safety performance using industry metrics and work to continuously improve personal and process safety across the Company. The golden rules inform our safety approach and create the conditions for achieving our objective of being the benchmark for safety in our industry. There is always more we can do and we remain focused on achieving better results today and in the future.

We do that by:

i. Promoting a culture that encourages everyone to speak up and care.

ii. Risk Management and focusing on the systematic and disciplined application of our processes.

iii. Training and a commitment to continuous performance improvement.

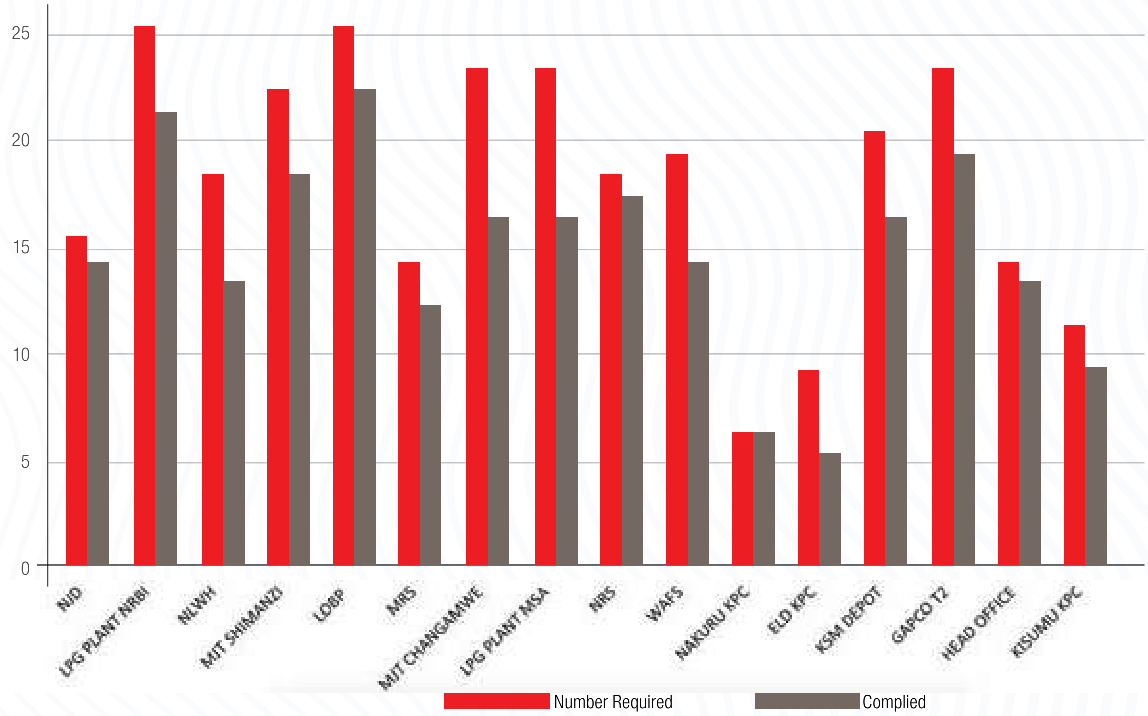
For Total Kenya, the safety of our key stakeholders (customers, staff, contractors, distributors) is paramount and has been accorded topmost priority in our day today operations.

Total Kenya's performance against the 12 Golden Rules can be summarized as follows:

i. SAFETY CULTURE

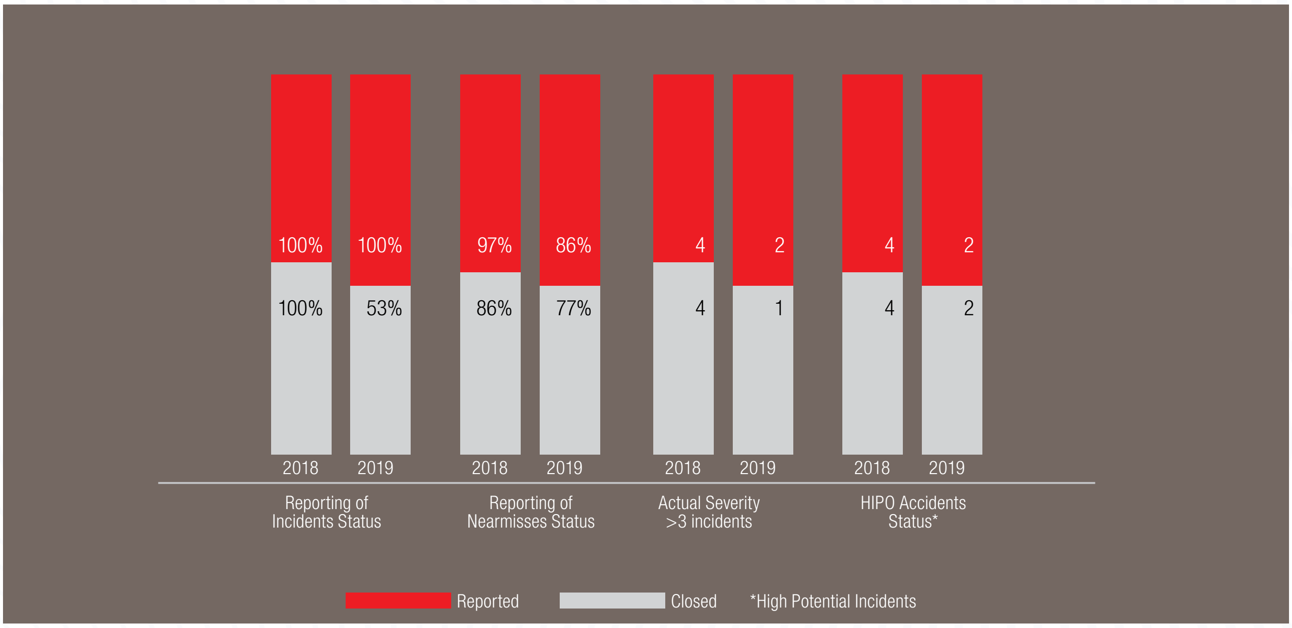
To ensure safety every day, our first focus is to create a culture of high standards. This means working in accordance with specific rules and technical standards. In complying with the Kenyan regulations and Group Requirements, 16 of Total Kenya's sites complied with 231 (81%) of the 285 valid license and statutory requirements. In October 2019, a gap analysis and action plans formulation and execution was conducted on five HSEQ company rules (procedures), which had been revised/re-issued by Total Group. These rules covered the areas of Industrial Hygiene, Management of Change and HSE requirements for Contractors, Excavation works and Works at height.

Review of regulatory Compliance



There was an approved derogation, from Group HSEQ expectations, for 50kph instead of 30kph on urban roads for one contracted fleet granted until 31 December 2019. Total Kenya reverted to the 30kph limit effective 01 January 2020. The relevant transporters were formally notified. Derogations for LPG storage tanks and equipment fitting are currently under review.

To strengthen our safety performance, we investigate incidents and near misses, take corrective action, apply what we have learned and focus on continually improving how we work. Our systematic approach to learning is also informed by good practices from other industries such as aviation. In 2019, there was prompt investigation of reported incidents with a preliminary report given for 12 incidents within 48 hours. We achieved 100% preparation of safety alerts within 1 week, cause tree report within 4 weeks for 5 incidents and 100% sharing of the Return on Experience (REX) and safety alerts to target recipients.



ii. RISK MANAGEMENT

At Total Kenya, we also limit risks by performing inspections. Monitoring involves verifying compliance with our operating procedures. Drills are regularly carried out to ensure that our maintenance work and inspections are effective. In addition, we continuously monitor the expertise of all the stakeholders of the Company.

In 2019, we documented risk assessment for all sites through a half-day workshop in June. The risk register has been documented and a proposal for a detailed 3-day training by a facilitator from the Group is under review. We achieved 90% documentation of technical and operational changes via the adopted Management of Change (MOC) process through a workshop done in June 2019 with the Group rule published in July 2019. The new company rule gap analysis review meeting was held in October 2019.

We have various controls in place such as HSEQ Internal Audits of ONE MAESTRO, ISO 9001:2015, ISO 14001:2015 % SMS. HSEQ External Audits were fully completed with the ISO 9001 surveillance audit done in March and 2nd stage ISO 14001:2015 certification audit also completed in the same month. We achieved the re-certification to the ISO 14001:2015 environmental management system standard at the Lube Oil Blending Plant (LOBP) by the second quarter of the year. Re-certification to the ISO 9001:2015 quality management system was executed in June-July 2019. M/s Bureau VERITAS conducted the re-certification audit. 81% of planned inspections at all sites were implemented with trainings done and inspections executed. Behavior observations for critical tasks were completed at a rate of 1 per month per site. In 2019, we also fully updated the listing of all safety critical barriers and reported on the testing of critical safety barriers on a monthly basis. We are updating security plans for all our sites, which will be done in line with the new security template shared in December 2019. There was 100% systematic implementation of the risk controls for all critical operations.

The Company surpassed its emergency response preparedness key indicators (KPI's) target for 2019 with 120 safety and security drills (10 drills per month). We also had an evacuation drill at the head office in September 2019. Total Kenya participated in the oil industry joint emergency evacuation drill, which was conducted at M/s OilCom Nairobi Depot in May. We also participated in the industry Highway emergency response drill in the same month. Total Kenya also spearheaded an industry marine emergency response drill, which was conducted in the month of November. Emergency response plans (ERP's) reflex sheets were updated at all the major depots.

iii. CONTINUOUS PERFORMANCE IMPROVEMENT

People, and how they interact with equipment, processes and each other, underpin any safe working environment. At Total Kenya, we create a safety culture in order to continuously improve our performance, by distributing the Total 12 Golden Rules of Safety to as many people as possible, raising awareness among staff about safety issues, increasing training and offering effective tools, we are investing in safety every day so that it becomes an integral part of our working habits. Our focus is on keeping employees and contractors safe and alert to potential hazards in their work. We share what we have learned with our contractors, as their skills and performance are vital to our ability to carry out our work safely.

Our standard model contracts include health, safety and security requirements. We define how our safety management system co-exists with those of our contractors to manage risks on a site. We conduct quality, technical, health, safety and security audits before awarding contracts to contractors working on more hazardous assignments. We then continue to monitor their safety performance and work together to resolve issues.

In 2019, we met and surpassed our KPIs in management involvement in HSE risk reduction in all operations through specific targets and actions. These actions include contract owner meetings [CO] & safety tours [ST], participation in Toolbox meetings by Line and direct managers. We had 2 best near-miss quarterly awards and 6 bi-monthly HSEQ quizzes. The 2018 dealer point system quarterly award was presented during the dealer seminar in February 2019 while Green Contractors were awarded during the ICC contractor meeting in September. The proposed driver recognition system award is under review. 53 out of 65 (82%) critical business partners were vetted for safety commitment and compliance. Also all station dealers, major contractors and suppliers participated in the 2019 World Day for Safety (WDFS) & other planned seminars such as the dealer convention held in February 2019 and the WDFS held in April, the Transporters seminar was held in July and the Contractors meeting in September 2019.

We achieved 584 of the 749 days (78%) of planned HSEQ training and provided techniques that help teams to analyze and redesign specific tasks to reduce the chance of mistakes occurring. Our training target was reviewed due to change in the LV policy for defensive driving. 39 out of the 41 modules (88%) of the Group 'Safety Pass' training for new staff was achieved. The remaining training was achieved in the last quarter of 2019. We are integrating these human performance techniques into our existing practices, such as incident investigation, risk assessment and the way we design facilities and equipment, to help prevent errors. There was 86% output close out for management review meetings for performance improvement with 2 meetings being held.

Another way we are improving our safety standards is by working with our peers on consistent standards. For example, Total has been a founder member of Petroleum Institute of East Africa (PIEA) and is also a founder member of the Oil Spill Mutual Aid Group Society (OSMAG). We are also the current Secretariat for the Society since November 2016. Total Kenya in conjunction with OSMAG and the Kenya Ports Authority spearhead the annual marine oil spill emergency response training and drill exercise for the industry held in November every year. The exercise involves a two-day classroom training followed by practical equipment familiarization training on the third day and the drill on the fourth day. We conducted the 2019 training and drill between 26th and 29th November and 91 delegates attended it.

We also part of the Safe Waste Oil Disposal (SWOD) initiative launched in 2017. We dispose waste oil via high temperature incineration at Lafarge Bamburi Cement Factory through an affiliate of Bamburi known as Geocycle who have contracted a National Environment Management Authority (NEMA) licensed hazardous waste collector who provides dedicated trucks for used oil collection countrywide. The oil is collected from all PIEA member company service stations and consumer customer sites, which have registered for the initiative. The used oil generating sites store the used oil in drums and once full, they send an e-mail request directly to the Geocycle and PIEA analyst copied to Total Kenya to facilitate evacuation. Collection is via a milk run process, route by route and the collection trucks are fitted with GPS tracking systems.

Loading and tracking documents are issued in line with NEMA requirements and, depending on the location, the waste-oil is delivered to either Bamburi Athi River Grinding plant or the Bamburi Cement Factory in Mombasa.

All Total Kenya stations that provide car wash services are fitted with an interceptor (oil and water separator) for primary treatment of the water prior to disposal. The treated wastewater (effluent) is discharged either directly to the environment or to the county sewer system and all stations obtain an Effluent Discharge License from NEMA prior to disposal of the wastewater as required. Quarterly sampling and analysis is conducted via a NEMA licensed environmental firm of experts in line with the requirements of the Environmental Management and Coordination (Water Quality) Regulations, 2006. The results of the sampling vary on a site-by-site basis. 100% compliance is expected at all sites in each round of sampling and in the event a particular site does not fully meet the parameters for one reason or another, applicable corrective actions are executed by our Engineering and Network teams.

We have also developed a replacement program for all our single wall underground tanks with a capacity greater than 15 cubic metres and older than 15 years. In 2019 we replaced 5 stations with double skin underground tanks and have over 175 double wall tanks installed to date. The target is to have all the stations done by year 2023.

Dealers seminar held in February 2019 at the Moven Pick Hotel in Nairobi

Transporters seminar held on 17th July 2019 at the Safari Park Hotel

Contractors seminar held on 13th November 2019 at Kempinsky Hotel in Nairobi

Business Ethics day held on 9th December 2019 at the Head Office, Regal Plaza

3. GOOD GOVERNANCE AND CONDUCTING OUR BUSINESS ETHICALLY

10 REDUCED INEQUALITIES

16 PEACE AND JUSTICE STRONG INSTITUTIONS

Key SDGs

We attribute our planned commercial sustainability to sound governance, ethical behaviour and study compliance to local and international standards. We appreciate that in our pursuit for robust value creation for our business and stakeholders, we must conduct our business transparently, efficiently and honestly. We seek to remain accountable to our goal of maintaining high stakeholder trust and confidence in how we conduct business.

The Board of Directors of Total Kenya is the primary custodian of the governance framework, keeping internal governing bodies in check. The company has 7 Directors comprising of 3 independent Directors as per the requirements of the CMA Code of Corporate Governance. The Board has 3 key committees i.e. The Board Nomination Committee, Board Audit Committee and Risk and Governance Committee. The Board reviewed and validated the Total Kenya Board Charter in 2019, taking into account the global organization of the Company. Some of the key inclusions made in the Charter are clearly documented procedures for nomination and appointment of directors which are published on the Company's website. The Charter also emphasizes the need for diversity. Current Board members have diverse skills and experience including accounting/auditing, legal and architecture. The reviewed Charter also limits the number of directorship a member of the Board may hold in public companies to a maximum of 3 at any given time.

The Risk & Governance Committee is responsible for oversight of the strategic and compliance risks management using the established risk management framework. Ethical and sustainability risks are part of the risk management process. The Company is guided by good ethics rooted in our code of conduct, Ethics and Business Integrity Directive and our core values.

Total Kenya has an independent external party to carry out assessment and monitoring of the Company's ethical commitment through compliance and governance audits and also internally by Group Audit. The independence and competence of the auditors is ensured through the Board Audit Committee.

More information on our Board and governance can be found in the financial section of this report.

ETHICS

Total Kenya also establishes high quality long-term relationships with its stakeholders. We maintain open communication with our shareholders, employees, customers and other stakeholders through our website and other reports. This is guided by our communication policy. We also conduct our business in an ethical, transparent way, using our values and code of conduct to guide us. We expect our employees to treat others with respect, fairness and dignity. Our code of conduct sets clear expectations for how we work at Total Kenya. It applies to all employees and members of the Board. We also expect our contractors and their employees to act in a way that is consistent with our code. If those expectations are not met, we take appropriate action.

The Company trains its employees on how to apply the code of ethics in their daily work. In 2019, the training focused on anti-fraud and anti-corruption.

Total Kenya establishes high quality long-term relationships with its stakeholders by conducting its business in an ethical and transparent way guided by its values and code of conduct.

We expect our employees to treat others with respect, fairness and dignity. Our code of conduct sets clear expectations of how we work at Total Kenya. It applies to all employees and members of the Board. We also expect our contractors and their employees to act in a way that is consistent with our code. If those expectations are not met, we take appropriate action. We train our employees on how to apply the code of ethics in their daily work. In 2019 this training focused on anti-fraud and anti-corruption.

SPEAKING UP

We want our employees, contractors and other third parties to feel comfortable speaking up whenever they have a question or concern about our conduct or if they see something that they feel is unethical or unsafe.

That's why we encourage employees to discuss their questions or concerns with their managers, supporting teams or via Total Kenya's confidential helpline. A total of 39 concerns or enquiries were recorded in 2019 through these channels.

Total has zero tolerance for retaliation against anyone, who seeks advice, raises a concern, reports misconduct or participates in an investigation. The consequences for misconduct or retaliation range from coaching and performance management through to dismissal.

ENGAGING WITH SUPPLIERS

We hold sessions with suppliers to help them understand our code of conduct and how we do business. We held an event in 2019 with 76 suppliers to share Total Kenya's expectations of working. Topics discussed included anti-bribery and corruption, conflict of interest scenarios and grievance processes. We also issued our supplier expectations to our key suppliers.

ANTI-BRIBERY AND CORRUPTION

Total Kenya operates in an environment where bribery and corruption present a high risk. Our code of conduct explicitly prohibits engaging in bribery or corruption in any form. Our company-wide anti-bribery and corruption policy and procedures include measures and guidance to assess risks, understand relevant laws and report concerns. We provide training to employees appropriate to the nature or location of their role. A total of 137 employees completed anti-bribery and corruption training in 2019.

We assess any exposure to bribery and corruption risk when working with suppliers and business partners. Where appropriate, we put in place a risk mitigation plan or we reject them if we conclude that risks are too high.

We also conduct due diligence reviews for suppliers when contracts are in place. We completed a total of 31 due diligence reports in 2019. We take corrective action with suppliers and business partners who fail to meet our expectations, which may include terminating contracts. We encourage our employees, customers, distributors, suppliers and contractors to report cases of unethical behaviour including corruption, bribery, fraud, theft or non-compliance with laws using our dedicated and confidential email addresses: ethics@total.com.

4. RESPONSIBLE GROWTH

Key SDGs

We acknowledge that our business exists in the natural environment and we continue to remain cognizant that our actions and business processes may affect it. Since 2010, Total Group had over a 23% decrease in greenhouse gas emissions in its operated scope.

Total's portfolio of products includes fuels and lubricants that help improve engine efficiency and reduce emissions. We believe that gains in fuel and vehicle efficiency are tremendously important in meeting the climate goals of the Paris Agreement, which calls for the world to rapidly reduce greenhouse gas emissions.

The Total ecosolutions label marked its tenth anniversary in 2019. During that time, it has consistently pursued one objective:offer innovative solutions that deliver better environmental performance than the leading products in the market. Among the criteria used to award the label is whether a product or service reduces carbon emissions. At the beginning of 2019, nearly 100 Total products and services bore the Total ecosolutions label including excellium fuels and lubricants and Sun Power solar panels.

In Kenya, Total Excellium fuels stand apart for their selection of performance additives, added in exactly the right amounts. Each additive has a specific function ensuring excellent quality of air/fuel mixing, engine power and therefore preserves the performance of the car's engine over its lifetime. This action contributes to a reduction in polluting emissions (particulates, carbon monoxide, unburnt hydrocarbons and Nitrogen oxide).

Furthermore, the reduction in consumption directly results in a reduction in CO2 emissions. For example, studies show that use of Total excellium diesel concentrate enables a reduction in polluting emissions at the exhaust of a heavy-duty vehicle in the following ways

- Carbon monoxide: -32%
- Unburnt hydrocarbons: -55%
- Nitrogen oxides: -21%
- Particulates: non-significant reduction (-16%)

Furthermore, the reduction in fuel consumption directly results in equivalent reductions in CO2 emissions: -4.2%.

In 2019, we sold 638,448,479 liters equivalent to 503 KMT of Total excellium fuel (Diesel and Gasoline) in the Kenyan market. Our goal in 2020 is to measure, in more accurate terms, the environmental direct impact of our continued sale of Total excellium fuel in Kenya. Total Kenya also contributed KShs. 50 million to the Group's research and development efforts in developing ever more innovative fuels.

In the East Africa region, Total is committed to minimizing the impact of its activities on biodiversity wherever it does business and throughout the entire life cycle of its facilities products. Total E&P Uganda is mindful of the sensitive nature of the Tilenga project due to its proximity to Murchison Falls National Park and Lake Albert while the focus of the EACOP project in Uganda and Tanzania where the pipeline route was chosen to minimize environmental and social impact.

Total Excellium CO2 Reductions

The boundaries of the operating areas were defined by taking into account the natural habitat of several species and the savannah corridors. These and several other elements are central to Total's approach, which is based on International Finance Corporation standards:

In Kenya, our objective is to minimise the impact of our business operations on the environment, the landscape, and biodiversity. Even if we do not operate large-scale conventional assets any more, we still build and operate distribution networks and consume energy as well as other resources at our facilities and offices. In order to retain our stakeholders' trust and our license to operate we have to ensure that we comply with all International and National environmental laws and regulations.

We conduct our processes and facilities in ways that are least harmful to the environment, 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.

We are committed to environment protection and ensuring resilience of local communities by preserving and restoring ecosystems as well as storing carbon naturally by preserving and restoring forests, mangroves and wetlands and improving biodiversity.

Among the campaigns sponsored by the Total Foundation in Kenya is the Total Eco-Challenge.

This is an action focused public on education and awareness campaign that is centered on "inspiration" and "enablement". The Eco Challenge has emphasized that trees outside indigenous forests can be used in many different ways sustainably. Hence, the campaign's slogan, "Miti ni Mali! Miti Tosha!" broadly translated to mean "Trees are Wealth! Trees are enough to sustain us".

The Eco-Challenge campaign champions the idea of "one person, one event, one tree", encouraging all Kenyans to commemorate every important moment in their lives (passing an exam, buying a car, getting married, having a baby…) by planting a tree. In 2019 we planted 23,900 trees; however this program is being re-engineered to make it more impactful.

In 2020, we plan to plant 200,000 trees and also inspire the planting of 1,000,000 trees. We also plan to have an environmental conservation partner organisation on board to support achieve these targets. The Eco-Challenge technical advisor and the Corporate Affairs Manager will be in-charge of these targets. One full-time support staff member will be assigned to the managers responsible.

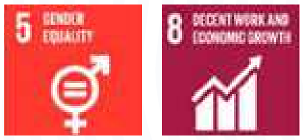
STAKEHOLDER ENGAGEMENT

Our stakeholders are the many individuals and organizations that are affected in some way by Total Kenya's activities – whether it is in our role as a retailer, an employer or as a business that helps advance the community through jobs and revenue. We engage with our stakeholders and listen to their differing needs and priorities in our daily work. The input and feedback we receive helps inform the decisions we make.

There have been no significant changes to the categories of stakeholders from last year. Listening and responding to stakeholder needs and feedback remains an important aspect of our business. This includes stakeholders such as our investors with whom we have ongoing conversations through our programme of roadshows, one-to-one meetings and the annual general meeting. We in turn keep them informed of our strategy and plans from both financial and non-financial perspectives. We also engage with the Kenya Government on many fronts such as policy debates, financial transparency, security and human rights, and safety. We held various sessions with our contractors on topics including safety and our code of conduct in 2019. Our standard model contracts include health, safety, human rights and security requirements.

This section defines some of the key stakeholder relationships with whom we engage formally and informally in what we consider to be constant dialogue where we learn and are able to make decisions and take actions when shaping the sustainability strategies and priorities of the Company.

1. EMPLOYEES

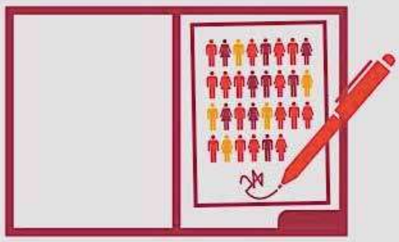


Key SDGs

Our people are our biggest asset, so we are creating an environment where everyone feels valued and able to contribute their unique skills and perspectives. Globally, Total Kenya employs over 400 direct employees and over 4,500 indirect employees. This diversity secures us a variety of points of view on the challenges before us. It is a source of innovative solutions as well as new opportunities. Our commitments to our employees include:

1. To be a benchmark employer for everyone, wherever we are in the world, by implementing exemplary safety, ethics and corporate social responsibility practices.
2. To promote equality of diversity and opportunity. We have signed numerous national and international agreements to combat all forms of discrimination, and to ensure that our employees are safe and secure and that their fundamental rights are respected.
3. To provide an environment where we stimulate our employees with access to numerous opportunities for training and functional and geographical mobility.
4. To maintain regular dialogue with our employees in order to listen to their expectations, improve our social performance and the way we operate. For example, we regularly conduct a global employee survey, the results of which are shared with the whole company. This survey enables us to identify and commit to initiatives, including the creation of a better work/life balance.

Benchmark Employer



Equality of Diversity and Education

Access to Opportunity

Regular Dialogue

We have aligned with these Group company commitments at Total Kenya by working to attract, develop and retain the best talent in the country. We continually develop our employees' skills and promote diversity. We make time to listen to our staff and create a variety of opportunities for open and honest conversations with them. These include regular one-to-one meetings with line managers, our annual employee engagement survey and our intranet and employee forums. Senior leaders also regularly engage with employees through briefings.

We have also put in place the following policies and guidelines:

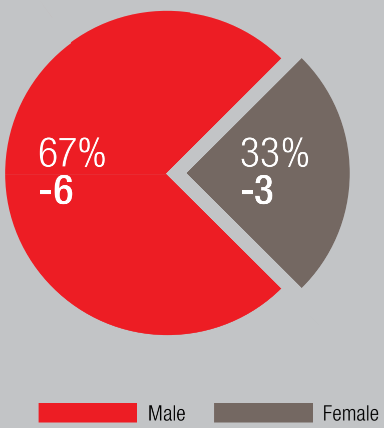
- Code of Conduct
- Ethics and Business Integrity
- Health Safety Environment and Quality
- Universal Declaration of Human Rights
- Drug and Alcohol Abuse
- HIV-AIDS
- Fire
- Transport
- Whistle Blowing

DIVERSITY

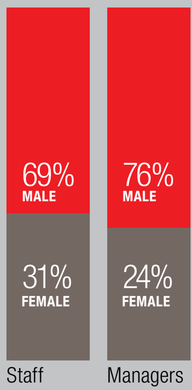
As at 31 December 2019, we had 385 permanent employees with 30 being under the age of 31, 293 between 31 and 50, and 62 older than 50. We also have 6 graduate trainees on 18-month contracts thorugh our Young Graduate Management Trainee program. In 2019, we also hosted 6 regional positions in Kenya.

KEY DIVERSITY STATISTICS

Management



Distribution by Gender



Distribution by age (Av.40yrs)

Age category	Number
21-30	38
31-40	152
41-50	141
51-60	54
Grand Total	385

Distribution by seniority (Av.11yrs)

Seniority category	Number
0-9	181
10-19	153
20-29	43
30-39	8
Grand Total	385

Research shows that diverse, inclusive groups make better, faster decisions and that diversity of thought inspires greater innovation and productivity. Creating this environment starts with our recruitment process and is driven by our people.

The proportion of women employed across Total Kenya is higher than ever before, with female representation at 31% in 2019. In 2019, women filled 24% of the management positions at Total Kenya. However, while we are making progress, women make up half the world's population and we still have a lot more to do.

Shifting the gender imbalance will require a significant change in both our industry and society at large. One of the ways in which we can support this change is by having the right policies in place. For example, our diversity and inclusion policy promotes diversity in our job shortlists and interview panels.

We are also using mentoring, sponsorship and coaching to help more women progress through their careers and are working to improve and implement policies that support flexible career development for all.

Diversity Week 2019

ENGAGING OUR EMPLOYEES

Total Kenya is committed to creating a positive and empowering work environment in which all employees feel valued for the work they do and the impact they make. To better understand how employees feel about Total Kenya we conduct a bi-annual survey. The overall employee engagement score in 2019 was 88%.

The areas of strength identified in the survey are confidence in the leadership and management of the organization, safety & compliance, diversity and innovation. The areas where our employees scored us as needing attention was in additional focus on customer orientation, enhancing operational efficiency, improvement on training & career management. We know we still have work to do based on the feedback received through the survey. We invest in our employees' training and development – with an average cost of KShs.25 million per year. This includes online and classroom-based courses and resources, supported by a wide range of on-the-job learning and mentoring programs.

We reward our employees based on what they deliver and the way in which they demonstrate behavior that reflects our values. All employees must set priorities on their contribution to safety and creating value.

WELLNESS PROGRAMS

At Total Kenya, we take our employees' wellness very seriously. We offer a lactation room for our new mothers at our offices.

We also offer aerobics and Zumba classes run by professional instructors thrice a week at our head office. Our employees and their spouses also have access to annual medical wellness checks and we mark our wellness week every year in October whereby we run the medical check clinics at all our depots and head office. The medical check covers the full array of tests including screening for lifestyle illnesses, cancer screening, and optical, dental and nutritional advice. In addition we have health talks on key wellness topics by wellness experts.

We also mark World Aids Day in December during which we provide VCT services to our staff and the community around us.

Total Kenya also sponsors 20-25 employees every year to participate in the Mt. Kenya Hike Challenge. We also have various team-building activities at the departmental level and management conferences for our management staff.

The Total football teams in Mombasa and Nairobi participate in the Amateur League of Left Foot Tournament with each team practicing twice a week to develop formidable skills that have won various awards in the tournaments they participate in.

2. GOVERNMENT AND REGULATORS

Our 'Zero Tolerance' stance means we endeavor to always uphold the highest standards of compliance to the regulations and obligations that are unique to our business. Our engagements with regulators include the following: Energy and Petroleum Regulatory Authority (EPRA), Ministry of Petroleum and Mining, Kenya Bureau of Standards (KEBS), Kenya Revenue Authority (KRA), Kenya Airports Authority (KAA), National Environmental Management Authority (NEMA), Kenya Ports Authority (KPA) and the Kenya Maritime Authority. These can be summarized as follows:

AREA OF INFLUENCE	POLICY MANDATE	APPROACH	FREQUENCY	AREA OF ENGAGEMENT
Health and Safety Performance	The Occupational Safety and Health Act, 2007; The Environmental Management and Coordination Act, 1999 ('EMCA')	• OSHA • NEMA • Fire Safety Audits • Fire safety drills by Kenya Maritime Authority – KMA	• Annual • Annual • Annual • Quarterly	• Employee Safety • HSEQ Environmental impact assessments and audits • E-waste management Energy management regulations • Air quality regulations
Product Quality	Petroleum (Exploration and Production) Act, Chapter 308 of the Laws of Kenya ('PEPA') The Competition Act, 2010;	• Mandatory checks and testing at point of entry (KEBS, KRA etc) • Spot checks by EPRA • Competition Authority of Kenya	• On receipt • Random	• Licensing • Consumer Affairs & Compliance • Supply • HSEQ • Competition and trade practices • Consumer affairs
Economic	The Code of Corporate Governance The Ninth Schedule to the Income Tax Act	• CMA (Integrated Reporting) • Taxes, Levies, Duties etc (KRA)	Annual As per reporting requirements	Governance Taxation

3. CONTRIBUTING TO COMMUNITIES

Total Kenya is committed to creating jobs and growing local businesses in Kenya. We provide access to development opportunities to a wide range of young people and create social investment programmes that can provide sustainable benefits.

We invest in community projects that align with local needs and our business activities. We consider how these projects support the UN Sustainable Development Goals, which aim to overcome worldwide challenges such as poverty, hunger, inequality and climate change.

We routinely analyze the environmental and community impact of our operations and products and are constantly innovating and looking for new ways to undertake business that reduces our environmental footprint.

THE TOTAL FOUNDATION

Total Foundation encompasses the citizenship initiatives conducted every day worldwide by our sites, affiliates and corporate foundation. Through this global program, Total aims to contribute to development, alongside partners, in communities. With a special focus on young people, our four priority areas of action are road safety, climate and environment, youth inclusion and education, and cultural dialogue and heritage. In Kenya, the Foundation implements these pillars in the following ways:

ROAD SAFETY

Our trucks cover more than 700 million kilometres every year and we supply fuel to some 4 million road users every day. For this reason, we have drawn up stringent rules and procedures for all the transporters. We have partnered with Safe Way Right Way (SWRW) NGO to reduce the number of road traffic casualties along the Northern Corridor. Total Kenya in conjunction with the Michelin Corporate Foundation developed a worldwide road safety education program targeting school children aged between 10 and 18 years.

Total Kenya supports the African Road Safety Observatory in implementing a range of training programs targeting different local stakeholders, including policymakers, police forces, NGOs and journalists. In 2019, we set a budget of KShs. 2 million towards these programs. We will be measuring the value and impact of these initiatives in 2020.

1. ROAD SAFETY

- Training and education on road safety targeting school children
- Advocacy and support to the authorities to raise standards
- Safe Way Right Way NGO

2. CLIMATE & FORESTS

- Training and education about environment protection with a focus on young people
- Environment protection: store carbon naturally by preserving and restoring forests, mangroves and wetlands, improve biodiversity and the quality of life of local communities by preserving and restoring ecosystems
- Ecochallenge Program that inspires tree planting across the country

3. YOUTH INCLUSION & EDUCATION

- Support for academic success and soft skills
- Development of training programs
- Support for entrepreneurship
- StartUpper Challenge
- Young Dealer Program

4. CULTURAL DIALOGUE & HERITAGE

- Preservation and sharing our heritage
- Support for young contemporary artists
- Access to cultural activities arts and Education

Some of Total Foundations key commitments include:

- ***Working in the Heart of Our Host Regions***

Support from the Total Foundation along the road to sustainable development through strong ties with communities and networks with stakeholders such as nonprofits and public authorities. These close relationships have helped us work in effective partnerships. In addition, the geographical scale of our projects means that we can implement tailor-made solutions in line with daytoday realities.

- ***Working Together***

Tackling today's immense social and environmental challenges requires the energy of the entire community. That is why Total Foundation is developing an approach to corporate philanthropy that leverages collective intelligence. This approach also includes our employees, whose commitment, time and skills can be immensely valuable. For this reason, the Foundation supports employees who wish to get involved in meaningful humanist projects with local frontline nonprofits in the areas where they live and work. For example, in 2019 Total Kenya donated KShs. 1 million towards cancer awareness campaign through an NGO called Women for Cancer. Annually, Total Kenya also sponsors its staff members to participate in health marathon campaigns like the Standard Chartered Nairobi Marathon, Mater Heart Run and Beyond Zero campaign. Total Kenya had a budget of Kshs. 29.5 million in 2019, which is up form Kshs. 28 million in 2018. The budget allocation is in line with the Foundation's focus areas and the country priority areas.

YOUTH INCLUSION AND EDUCATION

We want to foster creativity and innovation, and we therefore take a targeted approach to offering support in academic success and soft skills, entrepreneurship and development and training programs through The Total Start-Upper challenge and the Young Dealer program.

THE TOTAL STARTUPPER CHALLENGE

The first edition of Total StartUpper challenge was in 2015-2016. The next edition was completed last year. 2002 entrepreneurs applied to this second edition of the competition with 1,651 participating and 807 completing the entire challenge. Applications to the StartUpper Challenge were assessed according to: social, innovativeness and feasibility and development potential of the idea/project. Of the participants, 27% were women. To encourage participation by women Total Kenya introduced a new category with an award for the top female entrepreneur. This category was not included in the first edition of the competition.

YOUNG DEALER PROGRAM

We provide young Kenyans with capital while they gain the experience and learn the independence they need to run their own service stations. Often, service station staff members who show promise are chosen for this programme. Their business skills are developed through various training programs with the aim of making them independent dealers over time, through disciplined savings of part of their profits towards building their working capital. In 2019 our Young Dealer program had 34 applications, 31 were male and 3 were female.

CONTINUED SUPPORT INITIATIVES

We also plan to continue to support 4 homes at SOS Children's villages with a budget of KShs. 1.8 million, donate fuel to the Rhino Charge worth KShs. 700,000 and support our staff to participate in health runs such as the Beyond Zero, Mater Heart Run and Standard Chartered Marathons. The Corporate Affairs Manager and the Corporate Programs Coordinator will be in charge of these targets supported by 2 contract staff members. The Company usually has contracts with standard clauses on arbitration and guidance on grievance resolution when engaging third parties or contract staff.

SUSTAINABILITY PERFORMANCE DATA

OUR TARGETS AND ACHIEVEMENTS

Topic	Current Performance	Target 2020 & beyond	Ref Section and Data
Social Inclusion			
Total StartUpper	2002 entrepreneurs applied to this second edition of the competition with 1,651 participating and 807 completing the entire challenge.		Contributing to communities Pg. 55
Young Dealer Program	In 2019 our young dealer program had 34 applications, 31 were male and 3 were female applicants.		Contributing to Communities Pg. 55
Environmental Protection			
Solar Energy	In 2019, we installed more than 0.44 MW of new capacity, compared to 0.30 MW in 2018.	Our target for 2020 is to install 0.50 MW.	The Energy transition Pg.40
Total Eco Challenge	In 2019, we planted 23,900 trees; however this program is being re-engineered to make it more impactful.	In 2020, we plan to plant 200,000 trees and also inspire the planting of 1,000,000 trees.	Protecting the environment Pg.48
Underground Tanks We are replacing all our single wall underground tanks with a capacity greater than 15 cubic metres and older than 15 years.	Over 175 service stations have been upgraded to double skin tanks and over 100 tanks stratified.	The target is to have all stations done by year 2023.	Safety performance Pg.42
Business Integration			
Statutory Regulations & Compliance	16 of Total Kenya's sites complied with 231 (81%) of the 285 valid license and statutory requirements.	100% compliance for all sites.	Safety Performance Pg.42

This section contains data related to the Human Resources performance of Total Kenya.

	Topic	2019	Ref Section and Data
Key Diversity Statistics	Total number of employees	384	Employees Pg. 51
	Thereof: men %	69%	
	Thereof: women %	31%	
	% of Women in management	24%	
Age Structure	30 years or under	38	Employees Pg. 52
	31 years – 50 years	292	
	Over 50 years	54	
Training	Average training expenses per employee	KShs. 65,000	Employees Pg. 56

ADDITIONAL SUSTAINABILITY PERFORMANCE

Topic	2019	Ref Section and Data
The UN SDGs		The UN SDGs Pg. 36,37
Total Corporate Giving	KShs. 29.5M	Contributing to communities Pg. 55

GRI INDEX

GENERAL DISCLOSURES –GRI 102

1. Organizational Profile		
		Page No.
102-1	Name of Organization	34
102-6	Market Served	34
102-7	Scale of organization	34
102-8	Information on employees and other workers	51,52,53
102-12	External Initiatives	37,54,55
102-13	Membership of Associations	37,45
2. Strategy		
102-14	Statement from senior decision makers	32
102-15	Impacts, risks and opportunities	44
3. Ethics and Integrity		
102-16	Values, principles, standards and norms of behavior	46,47
102-17	Mechanisms, advice and concern about ethics	46,47
4. Governance		
102-18	Governance structure	46
5. Stakeholder Engagement		
102-40	List of stakeholder groups	50
102-42	Identification and selection of stakeholders	50
102-43	Approach to stakeholder engagement	50
102-44	Key topics	50-55
6. Reporting practice		
102-47	List of material topics	38
102-55	GRI content index	57
Disclosure 201 – Economic Performance		
	General Disclosures	
102-35	Remuneration Policies	Annual Report
102-36	Process of determining remuneration	Annual Report
	Economic Performance	
201-1	Direct economic value generated and distributed	Annual Report, 37
201-3	Defined benefit plans obligations and other retirement plans	Annual Report
Disclosure 302 – Energy		
302-1	Energy consumption within the organization	37
302-3	Energy intensity	37
303-4	Reduction of energy consumption	39
303-5	Reduction in energy requirements of products and services	39
Disclosure 401 - Employment		
401-1	New employee hires and employee turn over	51
Disclosure 403 – Occupational Health and Safety		
403-1	Occupational Health and Management System	42
403-2	Hazard identification, risk assessment and incident investigation	43
403-3	Occupational Health Services	42,43,52
403-5	Worker training on OHS	44,45
403-6	Promotion of worker health	53
403-7	Prevention and mitigation of OHS impacts directly linked by business relationship	44
403-8	Worker covered by an OHS management system	44
403-9	Work related injuries	43
Disclosure 404 – Education and Training		
404-1	Average hours of training per year per employee	53,56
404-2	Programs for upgrading employee skills and transition assistance programs	44, 45,53
Disclosure 405 – Diversity and Equal Employment		
	Diversity and Equal Employment General Disclosures	51,52
405-1	Diversity of governance bodies and employees	52

"

The Company invested KShs. 2 billion during the year, to heighten our core activities and tap on business opportunities for sustained future growth.

Mr Jean-Philippe Torres
Chairman of The Board

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Distinguished Shareholders, I am pleased to welcome you all to the 66th Annual General Meeting (AGM), and to present to you the Annual Report and Financial Statements for the Company for the year ended 31st December 2019.

At the same time, honourable members, I am delighted to introduce to you the new Finance Manager, Ms. Lawrencia Gichatha who replaced Mr. Premanand Dhoomon.

It is my great pleasure to review the activities and the performance of your Company and with your support to build the future taking into consideration the Company's core values namely Safety, Respect for each other, Pioneer spirit, Stand together and Performance-minded.

Honourable Shareholders, we are currently operating in a unique environment. The world continues to face a major pandemic in 2020, that is, the Novel Coronavirus Disease or COVID-19. This pandemic has clearly brought a new way of working that protects our employees, customers and other stakeholders. The entire world is facing a major crisis following the spread of the Covid-19 virus leading to lockdowns aimed at containing the spread. This has had an impact on economies and businesses.

Management has assessed the risks and developed measures of mitigating the risks both to our human resources, customers and other stakeholders. This is a continuous process owing to the dynamic nature of the pandemic. In this regard, the Company partnered with the Kenya Government and blended hand sanitizers that were distributed to the public. Hand Sanitizers were also blended and distributed to our retail sites, our contractors, our customers and to all our employees. The Company has also ensured that all its sites observe strictly the guidelines issued by the Ministry of Health. It is worth noting that as part of the measures to protect our staff and their families, the Company implemented its business continuity plan allowing the head office staff to work from home while ensuring that the sales order process carried on smoothly since mid-March 2020 in order to continue to serve our Kenyan consumers.

TAARIFA YA MWENYEKITI

Waheshimiwa wanahisa, nina furaha kuwakaribisha nyote kwa mkutano huu mkuu wa kila mwaka wa awamu ya sitini na sita (66) ya Total Kenya Plc, na pia nachukua nafasi hii ya kipekee kuwasilisha kwenu ripoti ya kila mwaka na taarifa ya kifedha ya kampuni yetu kwa mwaka uliomalizika tarehe 31 Desemba, 2019.

Vile vile waheshimiwa wanahisa, nina furaha kumtambulisha kwenu mkurugenzi wa uhasibu, Bi. Lawrencia Gichatha aliyechukua nafasi ya Bw. Premanand Dhoomon.

Ni faraja kubwa kwangu kutathmini shughuli na utendaji wa Kampuni hii yenu na kwa ushirikiano wenu, kuimarisha siku zijazo kwa kuangazia maadili ya kimsingi ya Kampuni kama vile Usalama, Kuheshimiana, Ubunifu, Ushirikiano na Utendaji wa kazi bora.

Waheshimiwa wanahisa, utendakazi wetu katika wakati huu ni kwa mazingira ya kipekee. Ulimwengu unaendelea kukumbwa na janga kuu mwaka huu wa 2020 linaloletwa na virusi vya corona au Covid-19. Janga hili la Korona limechangia kubuni njia mpya za kuwalinda wafanyikazi wetu, wateja na washikadau wengine. Janga la COVID-19 limelazimisha kusitishwa kwa mienendo ya raia wa nchi nyingi ulimwenguni ili kuzuia usambazaji. Hali hii imeathiri uchumi na biashara katika nchi nyingi ulimwenguni.

Kupitia utathmini wa uongozi wa kampuni, hatua zilichukuliwa ili kupunguza uhatarishaji wa rasilimali, wafanyi kazi, wateja wetu na wadau wengine. Hatua hizi ni endelevu kutokana na hali tata ya huu ugonjwa. Kwa ajili ya swala hili, Kampuni ilishirikiana na serikali ya Kenya kutengeneza vitakasa mkono (hand santizers) vilivyosambazwa kwa umma, vituo vyetu vya kuuza mafuta, wanakandarasi, wateja wetu na hata pia wafanyikazi wetu. Aidha, Kampuni imehakikisha taratibu zote za wizara ya afya zimefuatwa katika vituo vyetu vyote vya kazi. Inapaswa kufahamika ya kwamba uongozi wa kampuni uliweka mikakati fulani ili kuwalinda wafanyikazi na jamii zao na hivyo basi wafanyikazi wa offisi kuu wamekuwa wakifanyia kazi manyumbani tangu Machi 2020 ili kuendelea kuwahudumia wateja wetu.

CHAIRMAN'S STATEMENT

ECONOMIC ENVIRONMENT AND OUTLOOK

Kenya has continued to make significant political, structural and economic reforms in addition to increased efforts to combat illicit trade through the Multi-agency initiative and protect genuine businesses.. On the economic aspect, the Gross Domestic Product (GDP) is estimated to have grown by 5.6% in 2019 compared to 6.3% in 2018. The GDP growth was supported by the agricultural sector, SMEs and a robust private sector credit growth coupled with infrastructural projects under the Big Four agenda and a stable macro-economic environment.

Inflation remained stable during the year at an average of 5.2% compared to 4.7% in 2018. This was due to favourable weather conditions and prudent macro-economic policies. The Kenya Shilling remained relatively stable against the US dollar mainly resulting from a prudent monetary policy by the Central Bank of Kenya and the increased foreign remittances by citizens in the diaspora. The Government also launched new currency notes as from 01 June 2019 with the old KShs. 1,000 being demonetized as from 01 October 2019.

The government has continued to put focus on the war against corruption. The fight against this vice has been intensified and it is encouraging to note all the efforts undertaken by the relevant authorities on the same. Maintaining of the momentum is key so as to continue attracting Foreign Direct Investments.

The execution of the Big 4 pillars of the economy (Manufacturing, Food Security, Universal Healthcare and Affordable Housing) remains a key government objective and this is expected to spur the economic growth in 2020. However, with the recent global impact of corona virus (Covid-19), Central Bank has revised the growth rate to 3.4%.

PETROLEUM ENVIRONMENT

The Petroleum environment in the country remains dynamic with the year 2019 witnessing some acquisitions and new entrants. These changes resulted in Total Kenya Plc being the only listed oil company on the Nairobi Securities Exchange. The acquisition and new entrants have equally changed the competitive landscape and level of competition.

Revision and creation of new regulations aligned to the Petroleum act were started in 2019 to foresee an improved regulatory environment. The new Energy Act and Petroleum Act that were assented in March 2019 and gazetted in April 2019 established three key national energy entities to manage and regulate energy resources in the country; Energy & Petroleum Regulatory Authority, the Rural Electrification & Renewable Energy Corporation and the Nuclear Power & Energy Agency. These entities are expected to play key roles in improving the business environment and realization of national energy plans as envisioned in the energy policies.

The Petroleum Act, among other things, provides the framework for contracting, exploring, developing and producing petroleum. During the year, the New Legal Notice No 100 guiding the legal framework of the LPG business was gazetted. It replaced LN121 of 2009. Application of this new legal notice is expected to reduce illegal LPG business and promote the usage of the product.

As highlighted in the report of the external auditor Ernst & Young LLP as a Key Audit Matter, the recovery of fuel inventories at KPRL remains pending at year end 2019. The recovery of these inventories has been and is still a matter of discussion between the industry through PIEA, KPRL, the Ministry of Mining and Petroleum (MoMP) and the Energy and Petroleum Regulatory Authority (EPRA). These discussions have progressed well, and we are optimistic of recovering the amounts receivable from KPRL.

It is with great pleasure that I inform you, honourable shareholders, that the recommendations on the review of the price structure following the COSSOP study yielded positive results; and the Government gazetted the new price structure in the 4th quarter of 2019. We would like to recognise the contribution of the Petroleum Institute of East Africa (PIEA) and EPRA on this key matter.

We remain confident that with continuous co-operation between the industry and relevant authorities, better efficiencies will be achieved that will in turn promote investments in the sector.

PERFORMANCE

The Company recorded a 10% growth in profit for the year 2019 of KShs 2.5 billion (2018: KShs 2.3 billion) in a competitive environment coupled with volatility in oil prices. Distinguished Shareholders, you will recall that in 2018 the Company implemented a price risk management model that enables close monitoring of the market and to adapt pricing offers to our customers. This action plan together with strategic plans put in place by Management to grow the business in profitable segments enabled the Company to record increased margins in 2019 compared to 2018.

During the year under review, net Revenues increased by 4% resulting from increased sales volumes. Gross profit increased to KShs 8.6 billion driven by increased sales in Retail and Lubricants, optimization of stocks and the results of the price risk management model. Other incomes increased to KShs 1.5 billion resulting from the continued investments in Shop, Food and Services (SFS), partnership with third parties and other revenues related with increased sales to Other Oil Marketing Companies (OMCs). Operating expenses were closely managed in line with inflation. Net finance result remained positive at KShs 197 million (2018: KShs 130 million) as a result of effective

> “Gross profit increased to KShs 8.6 billion driven by increased sales in Retail, optimization of stocks and the results of the price risk management model.

TAARIFA YA MWENYEKITI

MAZINGIRA YA UCHUMI NA MTAZAMO

Taifa la Kenya limeendelea kushuhudia mabadiliko muhimu ya kisiasa, kimuundo na kiuchumi mbali na juhudi zilizoimarishwa katika kupambana na biashara haramu kupitia ushirikiano kati ya sekta mbalimbali ili kuzilinda biashara halali. Pato la kitaifa (GDP) limeongezeka kwa takribani asilimia 5.6% katika mwaka wa 2019 ikilinganishwa na 6.3% katika mwaka wa 2018. Ukuzaji wa Pato la Kitaifa ulitokana na sekta ya kilimo, biashara ndogo (SMEs), sekta za kibinafsi, ukuzaji wa mikopo pamoja na miradi ya kimiundo msingi chini ya ajenda ya 'Big Four' pamoja na uthibiti wa mazingira makuu ya kiuchumi.

Gharama ya Maisha ilisalia thabiti takribani asilimia 5.2% katika mwaka wa 2019 ikilinganishwa na 4.7% katika mwaka wa 2018. Hii ilisababishwa na hali sambamba ya hewa pamoja na sera nzuri za kuichumi. Shilingi ya Kenya ilikuwa thabiti dhidi ya dola ya Umarekani kwa ajili ya sera nzuri za usimamizi wa maswala ya kifedha zilizotekelezwa na Benki Kuu ya Kenya pamoja na ongezeko la fedha kutoka kwa Wakenya wanoishi ughaibuni. Pia, Serikali ya Kenya ilizindua sarafu mpya tarehe 1.6.2019 na kupiga marufuku sarafu za zamani za elfu moja kutoka 1.10.2019.

Serikali imeendelea kutilia mkazo vita dhidi ya ufisadi. Vita hivi vimeimarishwa maradufu na inatia moyo kuona jitihada zinazowekwa na viongozi wahusika. Uendelezaji wa jitihada hizi una umuhimu wa kuwa kivutio kwa wawekezaji kutoka nchi za kigeni.

Utekelezaji wa nguzo za kiuchumi 'Big Four' (Ukuaji wa Viwanda, Utoshelezo wa chakula, Afya kwa wote na Makazi bora) umesalia kuwa lengo kuu la serikali linalokadiriwa kuimarisha uchumi mwaka wa 2020. Walakin, kutokana na athari zinazoshuhudiwa duniani kote kufuatia mlipuko wa Virusi vya Korona (COVID-19), benki kuu imetathmini viwango vya ukuaji huo kuwa asilimia 3.4.

MAZINGIRA YA PETROLI

Mazingira ya sekta ya petroli nchini inaendelea kuchukua mikondo tofauti kutokana na ununuzi wa Kampuni zingine na wahisani wapya. Hii ilisababisha Total Kenya Plc kuwa kampuni pekee ya mafuta iliyoorodheshwa kwenye Soko la Hisa la Nairobi (NSE). Ununuzi na uwepo wa wamiliki wapya umebadili mazingira na viwango vya ushindani.

Uchapishaji wa taratibu mpya zinazo ambatana na sheria za kawi ulianzishwa mwaka 2019 ili kuimarisha mazingira ya utendakazi. Sheria mpya za nishati na petroli zilizochapishwa magazetini Machi 2019 zilizindua halmashauri tatu kuu za kusimamia na kudhibiti rasilimali za nishati nchini; Mamlaka ya Uthibiti wa Nishati na Petroli (EPRA), Shirika la Umeme Vijijini na Shirika la Nishati Mubadala na Wakala wa Nishati ya Nyuklia. Vyombo hivi vinatarajiwa kuimarisha mazingira ya kibiashara na utambuzi wa mipango ya nishati ya kitaifa yaliyo katika taratibu za nishati. Sheria ya petroli ni mojawapo ya chombo kinachochangia katika mfumo wa kandarasi, uchunguzi, uendelezaji na uzalishaji wa petroli. Mwaka huo, taarifa mpya ya kisheria nambari 100 inayotoa mwongozo wa mfumo wa kisheria unaosimamia biashara ya LPG ulichapishwa magazetini. Mfumo huu ulibadilisha LN121 ya mwaka 2009. Utekelezaji wa taarifa hii ya kisheria inakusudiwa kupunguza biashara haramu za LPG ukiimarisha matumizi ya bidhaa hiyo.
Kama ilivyoangaziwa kwenye ripoti ya Mkaguzi mkuu wa Ernst & Young LLP kama swala kuu la uhakiki, ufufuzi wa orodha ya mafuta katika KPRL bado halijakamilika kufikia mwisho wa mwaka wa 2019. Ufufuzi wa orodha hii umesalia kuwa, na hadi sasa ni suala la majadiliano kati ya kampuni za Mafuta nchini kupitia taasisi ya Mafuta Afrika Mashariki (PIEA), KPRL, Wizara ya Madini na Petroli (MoMP) na Mamlaka ya Udhibiti wa Kawi na Mafuta (EPRA) . Majadiliano haya yameendelea vyema na tuna matumaini ya kupata suluhisho na matokeo mazuri.

Waheshimiwa wanahisa, ni furaha kuwajulisha kuwa majadiliano kuhusu uhakiki wa faida ya kibiashara kupitia COSSOP unaoangazia gharama za kampuni za kuuza mafuta umetuletea matukio mema; na Serikali ilichapisha magazetini muundo mpya wa bei ya mafuta katika robo ya nne ya mwaka 2019. Tungependa kutambua mchango wa taasisi ya petroli ya Afrika Mashariki (PIEA) na EPRA kwa jambo hili muhimu.

Tuna imani ya kwamba ushirikiano maradufu kati ya sekta ya petroli na mamlaka husika utaimarisha ufanisi na uzalishaji katika sekta ya uekezaji.

MATOKEO

Kampuni iliongeza faida kwa asilimia 10% katika mwaka 2019 (shillingi bilioni 2.5) ikilinganishwa na shillingi bilioni 2.3 mwaka wa 2018, katika mazingira ya ushindani mkuu uliokuwa na mabadiliko makali ya bei ya mafuta. Waheshimiwa wanahisa, mutakumbuka ya kwamba mwaka 2018, Kampuni ilitekeleza mfumo wa kukabiliana na athari za biashara zinazotakana na mabadiliko ya bei ya mafuta ulimwenguni ambao umewezesha kufuatilia soko kwa ukaribu na kuwezesha utoaji wa bei maradufu kwa wateja wetu. Mpango huu tekelezi, pamoja na mikakati iliyowekwa na usimamizi wa Kampuni kukuza sehemu zinazoiletea Kampuni faida ya kibiashara, ziliwezesha kuimarika kwa faida katika mwaka wa 2019 ikilinganishwa na mwaka wa 2018.

Katika mwaka tunaotathmini, mauzo yote yaliongezeka kwa asilimia 4% kutokana na ongezeko la mauzo. Faida kabla ya makato iliongezeka hadi shillingi bilioni 8.6 kutokana na ongezeko la mauzo katika soko la rejareja na mafuta ya 'lubricants', usimamizi mwema wa bidhaa pamoja na matukio mema ya mfumo wa kupunguza athari zinazotokana na change moto za kubadilika kwa bei ya mafuta ulimwenguni. Mapato mengine yaliongezeka kwa shilingi

CHAIRMAN'S STATEMENT

cash management. The foreign exchange loss of KShs 106 million is attributable to the valuation of liabilities in foreign currency at the end of the year. During the financial year, the Company implemented IFRS 16 on leases accounting in compliance with the International Financial Reporting Standards. This reporting standard requires the recognition of all the leases within scope in the financial statements. Therefore, the assets were impacted by right-of-use of assets by KShs 1.9 billion and lease liability of KShs 1.1 billion as non-current portion and KShs 284 million as the current portion. In addition, Net profit for the year was impacted by KShs 108 million being the finance cost on the lease liabilities.

INVESTMENTS

As communicated in this forum last year, we continue to make significant investments in long-term assets in line with our strategic plan. Indeed, I am pleased to announce that the Company invested KShs 2.0 billion during the year to heighten our core activities and tap on business opportunities for sustained future growth. We are also investing in previously remote locations to get closer to our customers. Key investments during the year included the construction of new service stations integrated with service offers, revamping of existing stations, and expansion and modernization of our Lubricants warehouses and Blending Plant to meet local and regional customer demands.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Distinguished Shareholders, this is the second year to present to you Total Kenya's Sustainability Report, which is found within this annual report. This is a transparent and voluntary disclosure of the company's economic, social and environmental performance. It encapsulates Total Kenya's commitment and pro-active action in contributing meaningfully to the country's sustainable and inclusive development in line with the Sustainable Development Goals – SDGs adopted by all UN member States in 2015. Total Kenya's sustainability initiatives also support the global community's efforts in building a secure future for the generations to come.

I wish to inform you, Honorable shareholders, that the Annual Report for the year 2018 was subjected to review by the Kenya Institute of Certified Public Accountants of Kenya (ICPAK), the accounting body in Kenya. During the Financial Reporting (FiRe) Awards ceremony, the Company emerged second in the category of Sustainability Reporting.

The Company is committed to the sustainable development goals and to the environment, focusing on maximizing its positive impacts and mitigating the negative impacts through the continued alignment with its goals.

Affordable and Clean Energy: The Company is geared towards ensuring clean and accessible energy. This is being achieved through the distribution and sale of affordable solar lanterns in all its service stations countrywide. The Company endeavors to deliver quality and safe Liquified Petroleum Gas to its customers and excellium fuels that protect the engine and environment at no additional cost to consumers.

Societal Action and Economic Growth: The Company is actively involved in various educational and mentorship programmes with the aim of enriching young people's talents. This is achieved through the Young Graduate Trainee Program, Annual Youth Arcade, the Total Summer School, Total Career Days and other Staff Mentorship Initiatives.

The Company gives business opportunities to young Kenyans with capital support for station dealership while they gain experience and build financial strength to stand on their own. The Young Dealer scheme which is an entrepreneurship programme that develops service station employees to become independent dealers has successfully produced businessmen in the local oil industry and will continue to receive the Company's support as a way of investing in the skills of the local community.

The Company is a key participant in the Total "Start upper'' of the year challenge, yet another vibrant entrepreneurship initiative that was launched by the Group towards the end of 2015 to identify and motivate young people with innovative ideas for business development. The winners and finalists for the first challenge in 2016 are constantly being coached and mentored with the aim of ensuring that their innovative businesses grow and create opportunities towards the development of its economy. The second challenge was held in the first quarter of 2019.

Social programmes: The Company is a major partner and contributor of the Safe Way Right Way (SWRW) an NGO promoting road safety along the Northern Corridor. The organization champions road safety advocacy among the public and key stakeholders including motorists, motorcyclists, and pedestrians.

> "The Company invested KShs. 2.0 billion during the year to heighten our core activities and tap on business opportunities for sustained future growth

OUTLOOK FOR 2020

The world is going through a health crisis coupled with an economic one. COVID-19 has negatively affected all aspects of the world economy. The Government of Kenya has undertaken extra ordinary measures to minimize the spread of corona virus and contain the COVID-19 disease. These measures which include a curfew and travel bans will significantly impact the economy and businesses including the oil industry. The Board is confident and fully supports the action plans set by management to grow the business while mitigating challenges of a dynamic environment and minimise impacts of COVID-19 pandemic.

TAARIFA YA MWENYEKITI

bilioni 1.5 kutokana na uwekezaji endelevu kupitia maduka, vyakula na huduma(SFS), ushirikiano na wahusika wengine na mauzo zaidi kwa makampuni ya masoko ya mafuta (OMCs). Gharama ya matumizi ilithibitiwa kwa kuzingatia gharama ya Maisha. Matukio ya kifedha yalibakia ya kutia moyo kwa shillingi milioni 197 (2018: shillingi milioni 130) kwa ajili ya usimamizi bora wa kifedha. Hasara kutokana na ubadilishaji wa fedha za kigeni ya shillingi milioni 106 ulitokana na hesabu ya dhima kwa fedha hizi mwisho wa mwaka.

Katika mwaka huo wa kifedha, kampuni ilitekeleza IFRS 16 kupitia uhasibu wa kukodisha ikizingatia viwango vya kimataifa vya ripoti ya kifedha. Mfumo huu wa utoaji wa taarifa unahitaji utambuzi wa kodi ndani ya taarifa za kifedha. Kwa hivyo, mali iliathirika kwa kiwango cha shillingi bilioni 1.9 pamoja na dhima ya kodi ya shillingi bilioni mojanukta moja kama sehemu ya mali isiyo ya sasa na shillingi milioni 284 ikiwa mali ya sasa. Zaidi ya hayo, faida baada ya makato ya mwaka iliathirika kwa shillingi milioni 108 ikitokana na gharama za kifedha na dhima ya kodi.

UWEKEZAJI

Kama mlivyo fahamishwa kwenye mkutano mkuu wa mwaka uliopita, tunaendelea kuwekeza katika raslimali za kudumu, kuambatana na mikakati yetu ya kibiashara.. Hakika, ninayo furaha kutangaza ya kwamba kampuni iliekeza shillingi bilioni mbili wakati wa mwaka wa uangalizi ili kuinua shughuli zetu za kupanua biashara ili kuendeleza ukuaji wake. Tunaendelea kuekeza kwenye maeneo ya mashinani ili kukaribia wateja wetu. Uwekezaji muhimu mwaka huu ulifanyika kupitia kwa ujenzi wa stesheni za huduma mpya zilizounganishwa na utoaji wa huduma zinginezo, ufufuaji wa stesheni zilizopo, upanuzi na uimarishaji wa mabohari ya kuhifadhi mafuta laini yaani Lubricants na kuimarisha utendakazi wa kiwanda cha kuchanganya mafuta ili kukidhi mahitaji ya hapa nchini na pia kimataifa.

UENDELEVU NA UWAJIBIKAJI WA UHUSIANO BORA KWA JAMII

Waheshimiwa wanahisa, huu ni mwaka wa pili wa uwasilishaji wa taarifa ya masuala endelevu ya Total Kenya Plc inayopatikana ndani ya ripoti hii ya mwaka. Huu ni ufichuzi wa kiuwazi na wa hiari kuhusu utendaji wa kampuni katika sekta za uchumi, jamii na mazingira. Hii inaambatana na kujitolea kwa Total Kenya kwa jitihada za kuchangia kimakinifu na malengo ya maendeleo endelevu (SDGs) yaliyopitishwa na mataifa wanachama wa Umoja wa kimataifa (UN) mwaka wa 2015. Mipango endelevu ya Total Kenya inaunga mkono juhudi za jumuiya ya kimataifa ya kuweka mustakabali salama kwa minajili ya vizazi vijavyo.

Napenda kuwajulisha, Waheshimiwa wanahisa, ya kwamba ripoti ya mwaka ya 2018 ilifanyiwa utathmini na taasisi ya wahasibu waliothibitishwa wa umma ya Kenya (ICPAK), taasisi kuu cha uhasibu nchini Kenya. Wakati wa hafla ya tuzo za taarifa za kifedha (FiRe), Aidha katika sherehe za tuzo za kila mwaka za Ubora wa mikakati ya Kifedha (FiRe), kampuni yetu ilituzwa nafasi ya pili katika kitengo cha Ubora wa mikakati endelevu.

Kampuni hii daima imejitolea kwenye malengo ya maendeleo endelevu na kwenye mazingira, ikizingatia kulihifadhi kikamilifu athari zake nzuri na kupunguza athari hasi kupitia mpangilio unaoendelea sambamba na malengo yake.

Nishati safi na bei nafuu: Kampuni imejitolea kuhakikisha uwepo wa nishati inayopatikana na iliyo safi. Hii inatimizwa kupitia usambazaji na uuzaji wa taa zitumiazo miale ya jua kwa bei nafuu katika stesheni zote za huduma nchini. Kampuni inasambaza gesi (LPG) yenye ubora wa hali ya juu na iliyo salama kwa wateja wake wote pamoja na mafuta ya 'Excellium' yanayolinda injini na mazingira bila gharama zozote zaidi kwa wateja.
Uwajibikaji bora kwa jamii na Ukuzaji wa Uchumi: Kampuni hii inashiriki kikamilifu katika miradi mbalimbali ya elimu na ushauri ikiwa na lengo la kunawirisha vipawa vya vijana. Hili linatimizwa kupitia mikakati kama vile 'Young Graduate Trainee Program, Annual Youth Arcade, the Total Summer School, Total Career Days na miradi mingine ya ushauri kwa wafanyi kazi au Staff Mentorship.

Kampuni hii huwapa vijana nchini Kenya fursa za biashara pamoja na misaada ya kifedha kwa lengo la kufadhili mtaji wa vituo vya uuzaji ili kuwapokeza uzoefu na kuwastawisha kifedha na kuwawezesha kujisimamia wenyewe. Mpango wa 'Young Dealer scheme' yaani wauzaji wachanga ambao ni mpango wa ujasiriamali unaostawisha wafanyakazi wa vituo kuwa wafanyabiashara huru, imeweza kuwazalisha wafanyabiashara hodari katika sekta ya mafuta nchini na wataendelea kupokea msaada wa kampuni kama njia ya kuwekeza kwenye ujuzi za jamii ya eneo husika.
Kampuni hii ni mshiriki muhimu katika mashindano ya kila mwaka ya Total "Start upper'' ambao ni mpango mwingine wa ujasiria mali ulioanzishwa na ili kuwatambua na kuhamasisha vijana walio na kipaji cha ubunifu katika maswala ya biashara hapa nchini. Washindi na waliofika fainali katika shindano la mwaka 2016 wanaendelea kupewa ushauri ili kuhakikisha biashara zao bunifu zinakua na kuzimbua fursa kwa ajili ya kuimarisha uchumi wake. Mashindano ya awamu ya pili yaliandaliwa katika robo ya kwanza ya mwaka wa 2019.

Miradi ya kijamii: Kampuni ni mshirika na mchangiaji mkuu kwa shirika lisilo la kiserikali la 'Safe Way Right Way' (SWRW), linaloangazia masuala ya usalama barabarani katika barabara kuu ya 'Northern Corridor'. Shirika hilo linatilia mkazo ushauri kuhusu masuala haya kwa umma na wadau kama waendeshaji magari, waendeshaji pikipiki na wanaotembea kwa miguu.

CHAIRMAN'S STATEMENT

DIVIDENDS

The Board is pleased to recommend at this Annual General Meeting, your approval for the payment of a first and final dividend of KShs. 1.30 per share, for the year ended 31 December 2019. Dividend will be payable to shareholders on the register of members at the close of business on 26 June 2020, subject to withholding tax where applicable.

ACKNOWLEDGEMENTS

I would like to thank the Government for the actions in ensuring stability of the Kenyan economy and regulations geared towards a conducive business environment.

I appreciate our customers, dealers, transporters and other key stakeholders for their continued support for our mutual benefits.

On behalf of the Board, I wish to thank the management and the staff for their commitment, dedication and significant contribution towards the performance in 2019. To you Shareholders, I thank you for the confidence you have demonstrated by choosing to invest in Total Kenya Plc.

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

Jean-Phillipe TORRES
Chairman

TAARIFA YA MWENYEKITI

MTAZAMO WA MWAKA 2020

Ulimwengu unapitia janga la kiafya linalotangamana na lile la kiuchumi. COVID-19 imeathiri vibaya sekta zote za kiuchumi wa ulimwengu. Serikali ya Kenya imeweka mikakati maradufu ili kupunguza usambazaji wa virusi vya Corona na kuuthibiti ugonjwa huu. Mifano ya mikakati hii ni kama amri ya kutotoka nje na upigaji marufuku safari za ndege hatua zinazoathiri uchumi na biashara ya sekta ya mafuta. Bodi iko na imani na inakubaliana na mikakati ya ukuzaji wa biashara iliyowekwa na usimamizi kwa ajili ya kuthibiti changamoto za mazingira yanayobadilika na kupunguza athari za janga la COVID-19.

MGAWO WA FAIDA

Bodi inafuraha kupendekeza katika mkutano huu mkuu wa mwaka, idhini yenu kwa malipo ya mgao wa kwanza na wa mwisho wa shilingi moja na sent thelathini (shillingi 1.30) kwa kila hisa ya mwaka uliokamilika Desemba 2019. Mgao huo wa faida utalipwa kwa wenye hisa waliokuwa kwenye orodha ya wanachama kufikia tarehe 26 mwezi Juni 2020, baada ya kutozwa ushuru wa mapato.

SHUKRANI

Ningependa kushukuru Serikali kwa kuhakikisha uthabiti wa kiuchumi na sheria zinazoimarisha mazingira mema ya kibiashara.

Ninashukuru wateja wetu, wauzaji wa bidhaa zetu, wachukuzi na wadau wengine wakuu kwa ushirikianao wao kwa manufaa yetu sote.

Kwa niaba ya Bodi, ningependa kuwashukuru wasimamizi na wafanyikazi wetu kwa bidii na na mchango wao mkuu uliofanikisha utendaji wa hali ya juu mwaka wa 2019. Kwenu nyinyi wanahisa, ninawashukuru kwa uwekezaji wa fedha zenu ndani ya Kampuni ya Total Kenya Plc na imani muliyo nayo katika kampuni.

Mwishowe, nashukuru bodi ya wakurugenzi kwa juhudi zao ambazo zimewezesha kampuni yetu kuendelea kuwa mhusika mkuu katika uchumi wetu.

Jean-Phillipe TORRES
Mwenyekiti


TOTAL
MOMBASA ROAD
11
12
excellium
PETROL
excellium
DIESEL
PRADO

MANAGING DIRECTOR'S REPORT

OPERATIONAL PERFORMANCE

The Management of Total Kenya aims at ensuring that the Company serves its customers in an efficient and effective manner in the provision of quality products and services. Our objectives are to ensure total customer satisfaction, increase shareholders' value and meet other stakeholders' obligations guided by the Company's core values namely; Safety, Respect for each other, Pioneer spirit, Stand together and Performance minded.

The Company continue to invest heavily to capture the growth in the local and regional markets. During the year, the Company opened 7 new retail sites, completed the upgrade and modernization of the Lubricants Blending Plant in Mombasa. The Company completed the upgrade of the Lubricants warehouses in both Mombasa and Kisumu and continued to carry out investments in order to improve the safety of our operations as well as diversification of our services. The investments show the commitment from the management to strengthen our core activities to harness business opportunities for sustained growth.

The Company continues to focus on services that enhance and improves the customer experience. Our Retail sites offer a wide range of services in addition to petroleum products. The Bonjour Shops, Car wash services, Total Quartz Auto service centres and partnerships with third parties in provision of various services such as restaurants, chemists, drycleaners …,brings additional products and services to closer proximity to our customers.

The Company continuously aim at providing innovative solutions to our customers. For example, the use of a one stop payment solution at our retail sites since 2018 integrates a wide range of digital services and real time mobile top-up solution. In addition, at no additional cost, we offer our customers with Excellium Petrol and Diesel which is a premium additivised product developed to improve performance.

Retail Key figures	2019	2018	% CHANGE
Number of service stations	204	197	4%
Volumes sold in KMT	531	505	5%

The Company also offers a range of fuel products and services to the industrial consumer segment which includes manufacturing, service industry, agriculture, energy, building and construction and transport.

We remain the market leader in the supply of Liquified Petroleum Gas (LPG) under Total Gaz brand in the country. The Company ensures availability and safety of the gas supplied to customers by investing heavily in the LPG installations and Cylinders.

HIGHLIGHTS OF FINANCIAL PERFORMANCE

Profit for the year: The Company recorded a 10% growth in profit for the year 2019 of KShs 2.53 billion (2018: KShs 2.31 billion) driven by increased sales, growth of revenues from services and finance income resulting from efficient management of working capital.

Grossp profit: The Company recorded an increase in gross margins to KShs 8.61 billion (2018: KShs 8.35 billion) driven by increased sales in Retail, lubricant sales and effective management of stocks.

Operating expenses: The operating expenses were controlled within inflation through effective cost management. Depreciation of property, plant and equipment increased by KShs 180 million emanating mainly from investments in the Network and Depots.

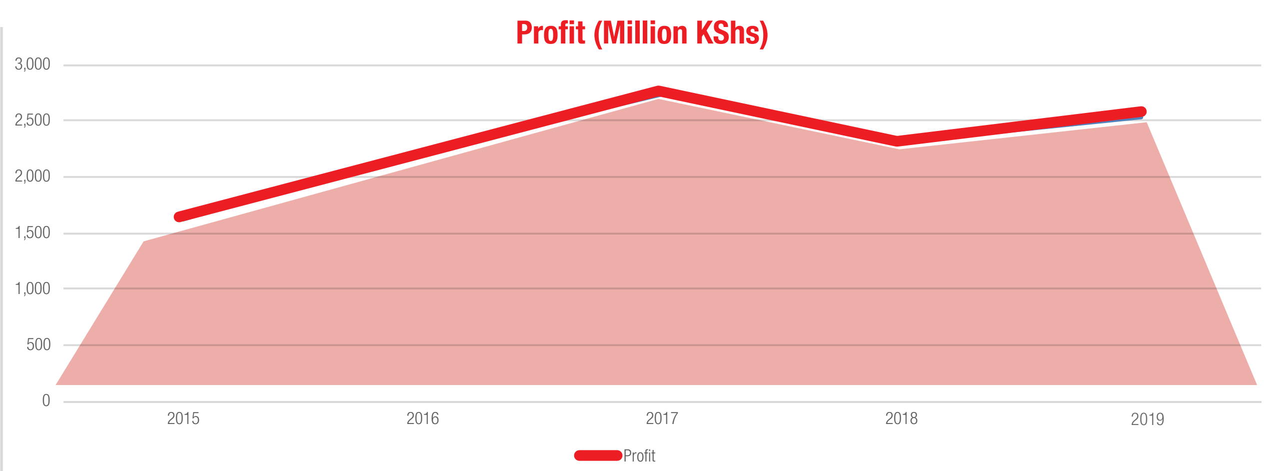
Finance income: The Company continued to enjoy finance income which in 2019, amounted to KShs 197 million (2018: KShs 130 million) after netting off interest paid in USD. This is the result of positive cash position in Kenya shillings arising from effective management of working capital.

Foreign exchange loss: The foreign exchange loss of KShs 106 million is attributable to the valuation of liabilities in foreign currency at the end of the year.

Investments amounted to KShs 2.0 billion (2018: KShs 2.0 billion) in line with the business strategy to enhance safety standards in our operations and continue to develop profitable business lines.

Adoption of IFRS 16 on Leases: The management adopted the new IFRS on lease accounting in this financial year to comply with the International Financial Reporting Standards. This increased the Company's non-current assets by right-of-use of assets of KShs 1.9 billion.

Liabilities increased by lease liability of KShs 1.1 billion as non-current portion and KShs 284 million as the current portion. In addition, Net profit for the year was impacted by KShs 108 being the finance cost on the lease liabilities.



MANAGING DIRECTOR'S REPORT

RISKS AND CHALLENGES

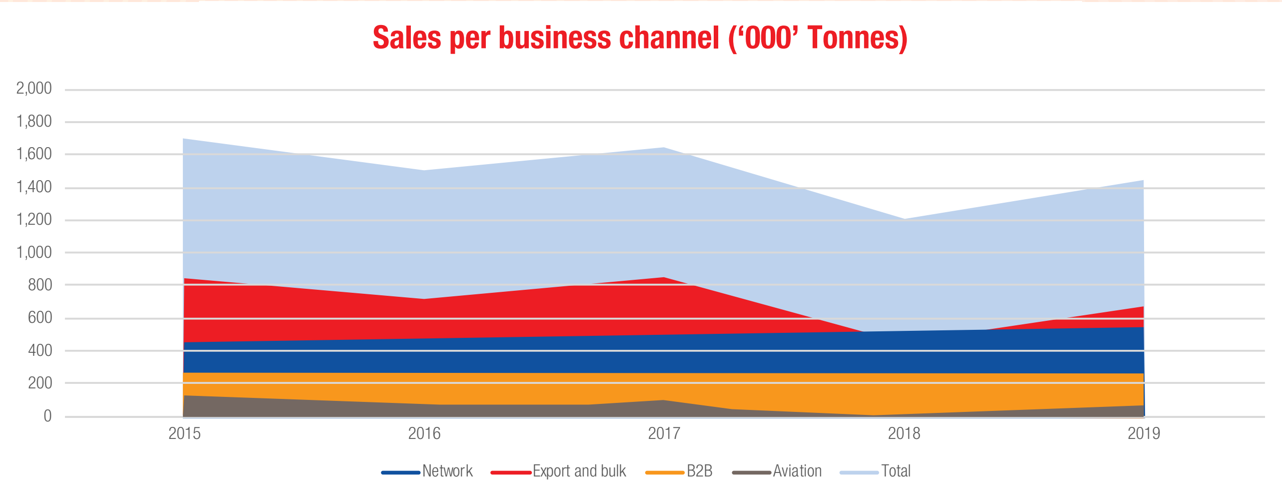
The Company has a risk management policy that provides the framework of identifying and managing risks that impact its business. The Company's risk management policy allows management to identify, measure, manage and monitor risks across the business, it also provides a clear framework of risk mitigation processes in the Company's ever- changing environment.

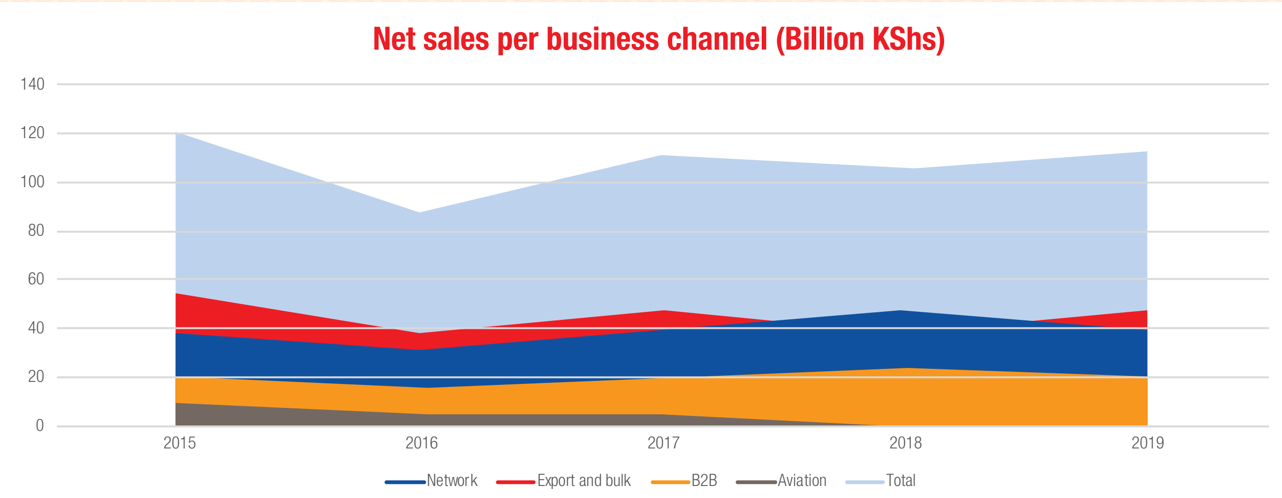
The main ones include:

Safety: This is a core component of an industrial company's responsibility and a foundation of its long-term viability. We do not compromise on safety and we are mindful of our rules regarding safety and we observe the rules at all times. We continue to train and sensitise our staff, contractors and transporters to enforce the safety culture and promote reporting of near misses.

Ethics and Compliance: The Company invests heavily in sensitization of staff and stakeholders. The Company has implemented a zero-tolerance policy towards fraud and corruption. To guide relations with suppliers, contractors and third parties, anti-corruption, anti-fraud and anti- competitive clauses are part of contracts.

Operational risks: These includes supply constraints and price risk that can impact the margins of the Company though lag effect on stocks. The Company implemented a price risk management model which enables to closely monitor the market and to adapt pricing offers to our customers minimizing the price lag effect through effective supply planning.





MANAGING DIRECTOR'S REPORT

HUMAN CAPITAL

Delivering our promises to the shareholders, customers and other stake holders is achieved through our diverse and skilled workforce. Management focuses on building diverse capabilities, driving an all-inclusive and high performing culture. The Company remains an equal opportunity employer.

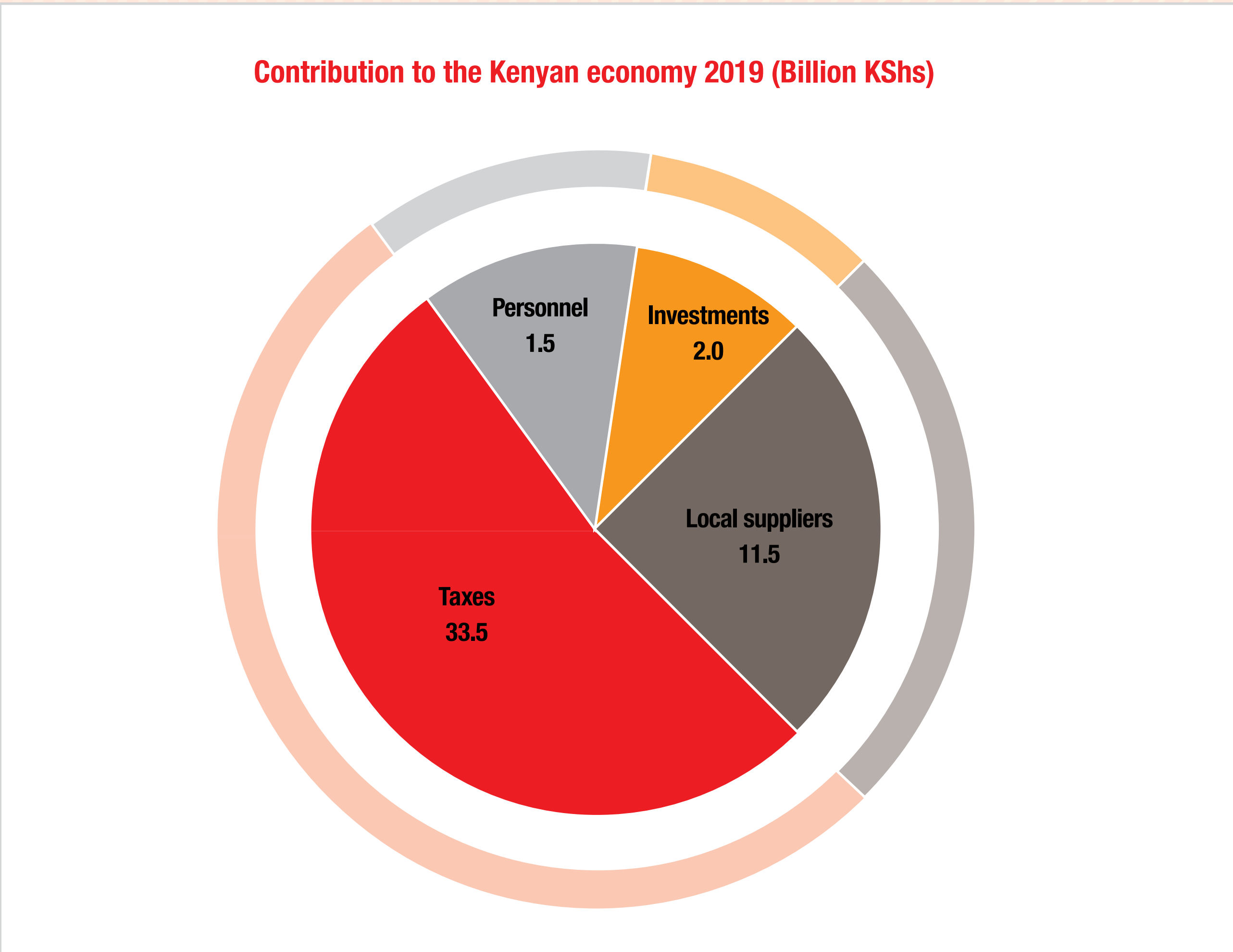
We have invested heavily in employee training, development and welfare. During the year, the Company launched a talent development programme, a management system that promotes mobility and career development. The size and diversity of the organization and the trend towards longer careers in a changing environment mean that staff, must be mobile.

The career management policy is structured around the following key points:

- Removal of barriers between jobs and sectors of activity.
- Staff diversity: policy of internationalisation, feminisation, and diversification of profiles.
- Implementation of a consistent integrated recruitment policy.
- Consistency in compensation and training policies.
- Making careers more attractive by outlining job-specific career paths.
- Identification and management of staff with potential, to be able to prepare the taking over of key positions.
- Identification and management of experts.

Communication to our employees plays a vital role in promoting a conducive environment. We achieve this through staff forums, seminars, surveys, staff bulletins, intranet and newsletters.

On an annual basis, each employee undergoes an individual performance review which provides feedback on performance, career plan and skills development.



MANAGING DIRECTOR'S REPORT

CONTRIBUTION TO THE KENYAN ECONOMY

Total Kenya remains one of the biggest contributors to the Kenyan economy. The Company paid KShs 33.4 billion in both direct and indirect taxes. In addition, KShs 11.7 billion was paid to local suppliers for investments and for goods and services. Total pay-out to employees amounted to KShs 1.5 billion during the year.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY:

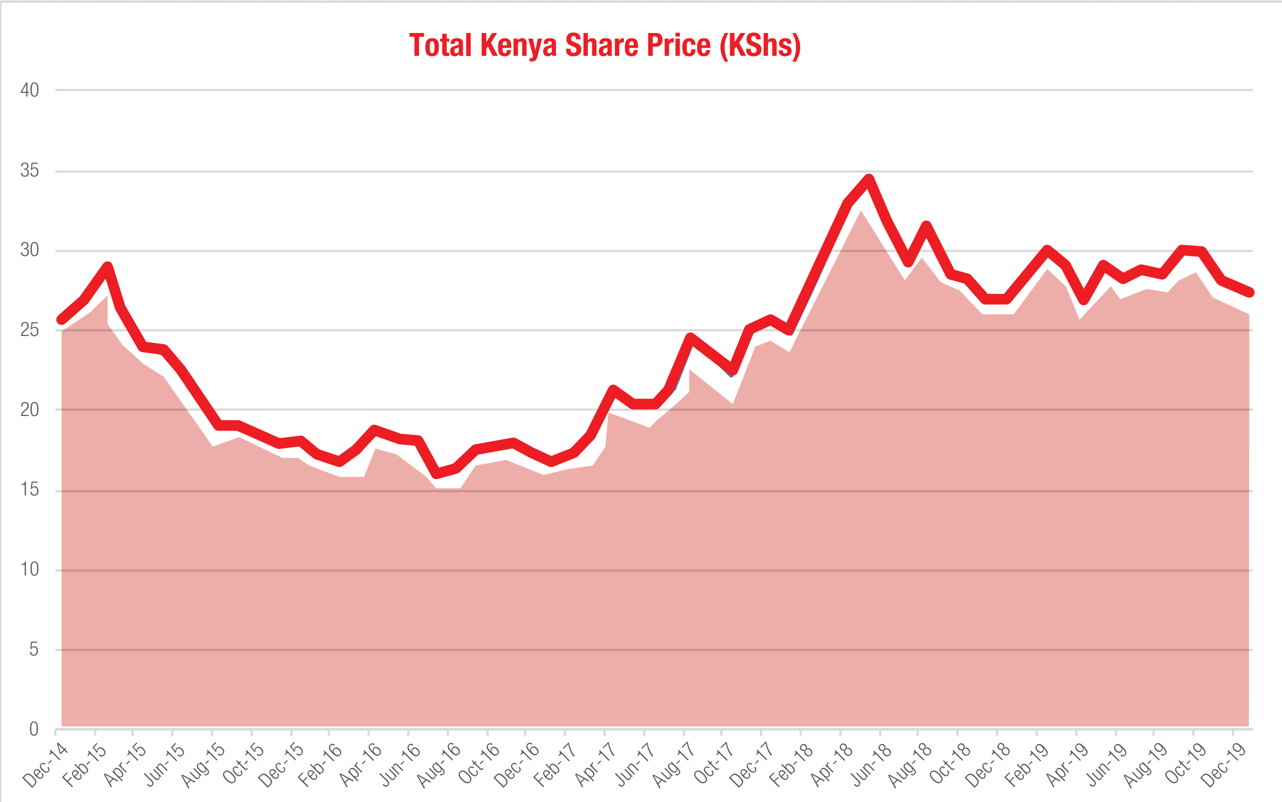
Total Kenya is committed to the communities it operates in. The Company continues to support initiatives in the key pillars of clean energy, road safety, education, health and environment. The Company is committed to the sustainable development goals (SDG's) and to the environment, focusing on maximizing its positive impact and mitigating the negative impacts through the continued alignment with its goals. These are reported in our sustainability report in this annual report. This is the second year for Total Kenya to report on this subject. We believe the work we are doing is improving the lives of our employees, customers, and those in communities we operate in at a great length.

FUTURE OUTLOOK

The environment remains dynamic with uncertainties surrounding the impacts of COVID – 19. The Management has taken long term measures to mitigate the impacts of the current challenges associated with COVID 19. The Company, in line with its long-term strategy which is geared towards capturing growth opportunities in the Kenyan and regional markets, will continue to invest in safety of our operations, logistics and commercial activities.

SHARE PRICE

In 2019, Total Kenya Plc share price remained stable in the year and closed at an average of KShs 27.5 per share as compared to KShs 27.0 at end of December 2018.




BAJAJ
BOXER
OIL
TOTAL
HI-PERF
TUNZA ENGINE
SAVE CHAPAA
Once a month or 5000 KM
OIL CHANGE INTERVAL
BOXER
BAJAJ
BOXER
OIL
5000 KM
TOTAL
HI-PERF
20W-50
1L
TOTAL
Committed to Better Energy
TOTAL HI-PERF is now the official engine oil for BAJAJ Engines.
www.total.co.ke

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	BID PLANTATIONS LTD	4,050,000	0.64%
4	BENJAMIN, EMMETT JOSEPH	2,506,400	0.40%
5	SHAH, RAJESH DHARAMSHI	1,674,813	0.27%
6	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE001966	1,630,000	0.26%
7	SAYANI INVESTMENTS LTD	1,260,000	0.20%
8	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002670	864,400	0.14%
9	THE JUBILEE INSURANCE COMPANY OF KENYA LTD	566,736	0.09%
10	RAHIM, AHMED MIAN ABDUR	477,660	0.08%
		604,567,781	**96.03%**

SHARE DISTRIBUTION SCHEDULE

i) By number of Share Range

Share Range	No. of Members	No. of Shares Held	% of Issued Share Capital
1 - 500	2,848	449,680	0.0714%
501 - 1,000	883	761,035	0.1209%
1,001 - 5,000	1,359	3,435,026	0.5456%
5,001 - 10,000	356	2,654,441	0.4216%
10,001 - 50,000	309	6,367,321	1.0114%
50,001 - 100,000	58	4,085,277	0.6489%
100,001 - 500,000	38	7,699,557	1.2230%
500,001 - 1,000,000	2	1,431,136	0.2273%
1,000,001 - 999,999,999,999	7	602,658,985	95.7297%
TOTAL	**5,860**	**629,542,458**	**100.00%**

ii) By category of Shareholder

Group	No. of Members	No. of Shares Held	% of Issued Share Capital
Foreign Investors	85	595,248,309	94.533%
East Africa Individual Investors	5,389	25,165,199	3.997%
East Africa Institutional Investors	386	9,128,950	1.450%
TOTAL	**5,860**	**629,542,458**	**100.00%**

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2019, 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 6.

2. PRINCIPAL ACTIVITY

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

3. FINANCIAL RESULTS

The results for the year are as follows:

	2019	2018
	KShs '000	KShs '000
Profit before tax	3,881,368	3,598,524
Tax charge	(1,346,836)	(1,285,942)
Profit for the year	**2,534,532**	**2,312,582**

4. 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 (2018: KShs 1.30) per share equivalent to a total amount of KShs 818 million (2018: KShs 818 million).

5. DIRECTORS

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

6. BUSINESS REVIEW

Total Kenya Plc is one of the leading oil marketers in Kenya with over 200 service stations located all over the country. The Company's core business is the marketing and sale of petroleum products (fuels, liquified petroleum gas (LPG) and lubricants) and related services to industrial, transport, commercial and domestic users throughout Kenya.

The Company offers quality products and services through its main business channels namely;

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

The Company operates under five key values in the provision of quality products and services with the ultimate goal of satisfying customer needs, increasing shareholders' value and meet other stakeholder demands. These include: safety, respect for each other, pioneer spirit, stand together and performance-minded. These values have enabled the Company to grow the business, deliver the needs of customers and positively impact stakeholders.

Growth and Investments

The Company continues to invest substantially to tap business opportunities, enhance safety in its operations and increase shareholders' return. During the year, the Company commissioned the modernized Lubricant Oil Blending Plant in Mombasa aimed at increasing production capacity to meet the growing demand in Kenya and in the East African region. The Company also invested in the warehousing capacities for lubricant products in Mombasa, Nairobi and Kisumu.

In addition, the Company continued to expand its network by opening 5 new petrol stations integrated with service offers, revamping of existing stations and solarization of service stations to promote and enhance safe and clean energy.

The Company has continued to invest in convenient stores 'Bonjour Shops', Car wash, Total Quartz Auto service centres and partnerships with third parties in provision of services to its esteemed customers making its retail outlets a one stop shop.

The Company's Culture

The Company's overall human resource is over 380 direct employees and over 3,000 indirect employees. The Company's people strategy focuses on building diverse capability, driving an inclusive high performing culture through continued investment in employees' training, career development and providing opportunities for regional and overseas posting opportunities. Communication to staff remains key in enhancing employee engagement. 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 2019

Business Risks

The Company has a risk management policy that provides the framework of identifying and managing risks that impact its business. The Company's risk management policy allows management to identify, measure, manage and monitor risks across the business, it also provides a clear framework of risk mitigation processes in the Company's ever- changing environment. The major risks include:
Safety is a core value for the Company and as such, the Company implements various preventive and detective measures to avoid major accidents. The Company continue to train and sensitise its staff, contractors and transporters to enforce the safety culture and promote reporting of near misses. The Company does not compromise on safety.

Ethics and Compliance is another key area where the Company invests heavily in sensitization of staff and stakeholders. The Company has implemented a zero-tolerance policy towards fraud and corruption.

Operational risks: These includes supply constraints and price risk that can impact the margins of the Company though lag effect on stocks. The Company implemented a price risk management model which enables it to closely monitor the market and to adapt pricing offers to its customers minimizing the price lag effect through effective supply planning.

Growth in Revenues and Profitability

The Company realized a 10% growth in profit for the year of KShs 2,535 million (2018: KShs 2,313 million). This performance was achieved through positive contribution from the increase in sales volume, optimization of fuel stocks, diversification of revenues and prudent management of operating expenses.

The Company recorded an increase in gross margins to KShs 8.61 billion (2018: KShs 8.35 billion) mainly driven by increased sales in retail by 4%, efficient and effective management of stocks and growth in lubricant revenues. Overall, sales including bulk sales (sales to other Oil Marketers under the Open Tender System) increased by16%.

Other income increased to KShs 1,496 million (2018: KShs 851 million) resulting from the continued investments in Shop, Food and Services (SFS), partnership with third parties and other revenues related to sales to Other Oil Marketing Companies under the Open Tender System (OTS).

Operating expenses increased by 7% due to increased depreciation on property, plant and equipment emanating from investments in the Network and Depots and inflation impact on costs, though controlled by effective cost management.

The Company continues to enjoy net finance income which in 2019, amounted to KShs 89 million (2018: KShs 130 million) after netting off interest paid. This is the result of positive cash position in Kenya shillings arising from effective management of working capital. Management adopted IFRS 16 in the year and this impacted the finance cost by KShs 108 million being interest on lease liabilities.

The foreign exchange loss of KShs 106 million is attributable to the valuation of net liabilities in foreign currency at the end of the year.

The Company's statement of financial position remained strong with total assets of KShs 37.56 billion (2018: KShs 39.26 billion). The Company invested KShs 2.01 billion (2018: KShs 2.01 billion) in line with the business strategy to enhance safety standards in our operations and continue to develop profitable business lines. The cash generated from operations before working capital changes remained stable at KShs 5,487 million (2018: KShs 5,248 million).

Sustainability Programmes

The Company is committed to the sustainable development goals (SDG's) and to the environment, focusing on maximizing its positive impact and mitigating the negative impacts through the continued alignment with its goals.
Affordable and Clean Energy: The Company is geared towards ensuring clean and accessible energy. This is being achieved through the distribution and sale of affordable solar lanterns in all its service stations countrywide. The Company endeavour to deliver quality and safe LPG to its customers and excellium fuels that protects the engine and environment.

Decent Work and Economic Growth: 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 Company gives business opportunities to young Kenyans with capital support for station dealership while they gain experience and build financial strength to stand on their own. The Young Dealer scheme which is an entrepreneurship programme that develops service station employees to become independent dealers has successfully produced businessmen in the Company's industry and will continue to receive the Company's support as a way of investing in the skills of the local community.

The Company is a key participant in the Group's ''startupper" of the year challenge, yet another vibrant entrepreneurship initiative that was launched by the Group 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 constantly being coached and mentored with the aim of ensuring that their innovative businesses grow and create opportunities towards the development of its economy.

Social Programmes: The Company is a major partner and contributor of the Safe Way Right Way (SWRW) an NGO promoting road safety along the Northern Corridor. The organization champions road safety advocacy among the key stakeholders including motorists, motorcyclists, pedestrians and the general public.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

Outlook for 2020

In line with the long-term strategy of the Company and to capture growth opportunities in the Kenyan and regional markets, the Company will continue to invest in safety of its operations, logistics and commercial activities. The Board is confident that the Company is well positioned to register positive results in all the business segments and has put in place a risk management policy to mitigate the challenges of a dynamic environment and minimise impacts of Covid 19 pandemic.

7. 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 director is aware, no relevant audit information of which the Company's auditor is unaware; and,

b) the director 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.

8. 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 7,939,000 has been charged to profit or loss in the year as disclosed in Note 6 to the financial statements.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

Date: 1st April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 1st April 2020 and signed on its behalf by:

....

Director: Olagoke Aluko

....

Director: Lawrencia Gichatha

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 Capital Markets Authority (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 Company'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 bonus and increment. The remuneration package comprises basic salary, pensions 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 drawn from the Group's senior staff and are not remunerated for board's meeting attendance.

The fees are approved by shareholders at Annual General Meetings.

Contract of service

In accordance with the Capital Markets 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 below shows the executive and the non-executive directors in respect of qualifying services for the year ended 31 December 2019. The aggregate directors' emoluments are shown in Note 20 (vii).

Director	Role	Category	Gross earnings including pension contribution	Annual Bonus	Directors fees	Sitting allowances	Benefits*	Total
31 December 2019			KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Jean- Phillipe Torres	Chairman	Non-executive	-	-	-	-	-	-
Olagoke Aluko	Managing Director	Executive	17,492	3,525	-	-	24,631	45,648
Premanand Dhoomon	Finance Director (Retired on 30 June 2019)	Executive	7,801	1,205	-	-	6,315	15,321
Lawrencia Gichatha	Finance Manager (Appointed on 01 July 2019)	Executive	5,643	1,071	-	-	-	6,714
Macharia Irungu	Strategy and Corporate Affairs Director	Executive	12,920	3,788	-	-	3,091	19,799
Stanislas Mittelman		Non-executive	-	-	-	-	-	-
Joe Muchekehu		Non-executive	-	-	1,600	900	-	2,500
Joseph Karago		Non-executive	-	-	1,600	1,100	-	2,700
Severine Julien		Non-executive	-	-	-	-	-	-
Margaret W.N. Shava		Non-executive	-	-	1,600	1,300	-	2,900
Totals			**43,856**	**9,589**	**4,800**	**3,300**	**34,037**	**95,582**
Summary								
Cash emoluments			43,856	9,589	4,800	3,300	-	61,545
Non-cash emoluments			-	-	-	-	34,037	34,037
Totals			**43,856**	**9,589**	**4,800**	**3,300**	**34,037**	**95,582**

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Jean-Phillipe Torres, Stanislas Mittelman and Severine Julien are remunerated by Total SA, the parent company and are not re-charged to the Company. They are not remunerated as board members of Total Kenya Plc.

Olagoke Aluko and Premanand Dhoomon are paid by the parent company. These costs are recharged to Total Kenya Plc in Swiss Francs. The recharged amounts are converted into Kenya shillings using the Central Bank of Kenya mean rate as at transaction date for local payroll processing, tax declaration and payments.

*Benefits include house, vehicle, telephone, utilities and domestic employees and are declared in line with the Kenyan tax laws.

Director	Role	Category	Gross earnings including pension contribution	Annual Bonus	Directors fees	Sitting allowances	Benefits*	Total
31 December 2018			KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Jean- Phillipe Torres	Chairman- Appointed on 05 September 2018	Non-executive	-	-	-	-	-	-
Jean-Christian Bergeron	Chairman- Retired on 05 September 2018	Non-executive	-	-	-	-	-	-
Olagoke Aluko	Managing Director- Appointed on 01 October 2018	Executive	5,369	-	-	-	3,030	8,399
Anne-Solange Renouard	Managing Director- Retired on 01 October 2018	Executive	23,179	5,785	-	-	10,644	39,608
Premanand Dhoomon	Finance Director	Executive	18,055	1,014	-	-	8,503	27,572
Macharia Irungu	Strategy and Corporate Affairs Director	Executive	15,358	2,897	-	-	-	18,255
Stanislas Mittelman		Non-executive	-	-	-	-	-	-
Joe Muchekehu		Non-executive	-	-	1,600	600	-	2,200
Joseph Karago		Non-executive	-	-	1,600	900	-	2,500
Jerome Burban	Retired on 01 October 2018	Non-executive	-	-	-	-	-	-
Severine Julien	Appointed on 01 October 2018	Non-executive	-	-	-	-	-	-
Margaret W.N. Shava		Non-executive	-	-	1,600	1,000	-	2,600
Totals			**61,961**	**9,696**	**4,800**	**2,500**	**22,177**	**101,134**
Summary								
Cash emoluments			61,961	9,696	4,800	2,500	-	78,957
Non-cash emoluments			-	-	-	-	22,177	22,177
Totals			**61,961**	**9,696**	**4,800**	**2,500**	**22,177**	**101,134**

Jean-Christian Bergeron, Jean- Phillipe Torres, Severine Julien, Stanislas Mittelman and Jerome Burban are remunerated by Total SA, the parent company and are not re-charged to the Company. They are not remunerated as board members of Total Kenya Plc.

Anne-Solange Renouard, Olagoke Aluko and Premanand Dhoomon are paid by the parent company. These costs are recharged to Total Kenya Plc in their respective currencies (Euros and Swiss Francs). The recharged amounts are converted into Kenya shillings using the Central Bank of Kenya mean rate as at the transaction date for local payroll processing, tax declaration and payments.

*Benefits include house, vehicle, telephone, utilities and domestic employees and are declared in line with the Kenyan tax laws.

REPORT OF THE INDEPENDENT AUDITOR TO MEMBERS OF TOTAL KENYA PLC

FOR THE YEAR ENDED 31 DECEMBER 2019

OPINION

We have audited the accompanying financial statements of Total Kenya Plc set out on pages 81 to 121, which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 year. 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key matter</th></tr>
<tr><td colspan="2">Accounting for amounts receivable from Kenya Petroleum Refineries Limited (KPRL) relating to fuel yield shifts</td></tr>
<tr><td>As disclosed in Note 19 to the financial statements, the amounts receivable from KPRL includes value of 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.

During the year, these amounts have been reclassified from inventories to trade and other receivables. The recovery of these yield shifts is a matter of discussion between the Company together with other Oil Marketing Companies (OMCs), KPRL, the Ministry of Petroleum and Mining (MoP&M) and the Energy and Petroleum Regulatory Authority (EPRA).

We focused on this matter because the amount involved is material to the financial statements and had not been fully recovered by year-end. The determination of whether there was sufficient supporting evidence for the continued recognition of these amounts in the financial statements involved robust discussions with management and Board of Directors.

We also considered that the disclosures on this matter in Note 19 to the financial statements are significant to the understanding of the Company's financial statements.</td><td>Our procedures included, but were not limited, to the following:

a) Reviewed the following:-
• the available KPRL statement and confirmation of the yield shifts due to the Company;
• the KPRL confirmation to EPRA of the value of yield shifts owing to OMCs;
• the forensic audit report of the KPRL yield shift numbers commissioned under the direction of the MoP&M; and,
• the Company's reconciliations of the yield shift quantities and values in the Company's books of account to the KPRL statement and confirmation of yield shifts due to the Company.

b) We compared the inventories quantities forming the basis for the amount receivable from KPRL 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, EPRA formerly the Energy Regulatory Commission and the MoP&M supported the recoverability of the yield shifts.

d) We evaluated the Company's disclosures on this matter in Note 19 to the financial statements.</td></tr>
</table>

REPORT OF THE INDEPENDENT AUDITOR TO MEMBERS OF TOTAL KENYA PLC

FOR THE YEAR ENDED 31 DECEMBER 2019

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises Corporate information, 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, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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 contents of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matters to the directors.

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.
- 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.

REPORT OF THE INDEPENDENT AUDITOR TO MEMBERS OF TOTAL KENYA PLC

FOR THE YEAR ENDED 31 DECEMBER 2019

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 year 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 72 to 74 is consistent with the financial statements; and,

ii) in our opinion, the auditable part of directors' remuneration report on page 76 and 77 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 CPA Churchill Atinda practicing certificate number 1425.

Nairobi, Kenya
30th April 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	notes	2019 KShs'000	2018 KShs'000
Revenue from contracts with customers		143,990,455	136,678,235
Indirect taxes and duties		(32,113,529)	(28,765,461)
Net Revenue from contracts with customers	**3**	**111,876,926**	**107,912,774**
Cost of sales	4	(103,266,119)	(99,560,337)
Gross profit		**8,610,807**	**8,352,437**
Other income	5	1,496,356	850,835
Operating expenses	6	(6,181,277)	(5,791,950)
Net allowance for expected credit losses	19	(27,193)	58,817
Finance income	7 (a)	272,967	245,202
Finance costs	7 (b)	(183,808)	(115,550)
Net foreign exchange loss	7 (c)	(106,484)	(1,267)
Profit before tax	**8**	**3,881,368**	**3,598,524**
Tax charge	9	(1,346,836)	(1,285,942)
Profit for the year		**2,534,532**	**2,312,582**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**2,534,532**	**2,312,582**
Earnings per share (basic and diluted) (KShs)	10	4.03	3.67

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
ASSETS		**KShs'000**	**KShs'000**
NON-CURRENT ASSETS			
Property, plant and equipment	12	10,827,175	10,341,012
Prepaid operating leases	13	-	691,430
Right-of-use assets	14	1,885,342	-
Goodwill	15	416,679	416,679
Intangible assets	16	228,826	187,585
Deferred tax assets	17	377,462	336,563
		13,735,484	**11,973,269**
CURRENT ASSETS			
Inventories	18	6,668,240	9,916,675
Tax recoverable	9 (iii)	34,242	289,044
Trade and other receivables	19	11,326,753	8,765,931
Amounts due from related companies	20 (i)	1,494,073	1,590,460
Cash and bank balances	26 (ii)	4,281,548	6,699,178
		23,804,856	27,261,288
Non-current assets classified as held for sale	21	24,364	24,364
		23,829,220	**27,285,652**
TOTAL ASSETS		**37,564,704**	**39,258,921**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	9,974,771	9,974,771
Share premium	23	1,967,520	1,967,520
Retained earnings		12,439,879	10,723,752
		24,382,170	**22,666,043**
NON-CURRENT LIABILITIES			
Trade and other payables	24	855,280	966,441
Lease liability – non-current portion	14	1,055,509	-
Provisions	24	214,717	222,270
		2,125,506	**1,188,711**
CURRENT LIABILITIES			
Unclaimed dividends	11	-	2,290
Lease liability – current portion	14	284,044	-
Trade and other payables	24	6,981,726	8,127,215
Amounts due to holding company	20 (iii)	2,398,488	7,115,699
Amounts due to related companies	20 (ii)	644,183	158,963
Short term borrowings	25	748,587	-
		11,057,028	**15,404,167**
TOTAL EQUITY AND LIABILITIES		**37,564,704**	**39,258,921**

The financial statements were approved and authorised for issue by the Board of Directors on 1st April 2020 and were signed on its behalf by:

....

Director - Olagoke Aluko

Director - Lawrencia Gichatha

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Retained earnings	Total equity
	KShs'000 (Note 22)	KShs'000 (Note 23)	KShs'000	KShs'000
As at 1 January 2018	9,974,771	1,967,520	9,474,928	21,417,219
Impact of adopting IFRS 9	-	-	(245,353)	(245,353)
As at 1 January 2018 (restated)	9,974,771	1,967,520	9,229,575	21,171,866
Dividends declared – 2017 (Note 11)	-	-	(818,405)	(818,405)
Profit for the year	-	-	2,312,582	2,312,582
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**2,312,582**	**2,312,582**
As at 31 December 2018	**9,974,771**	**1,967,520**	**10,723,752**	**22,666,043**
As at 1 January 2019	9,974,771	1,967,520	10,723,752	22,666,043
Dividends declared – 2018 (Note 11)	-	-	(818,405)	(818,405)
Profit for the year	-	-	2,534,532	2,534,532
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**2,534,532**	**2,534,532**
As at 31 December 2019	**9,974,771**	**1,967,520**	**12,439,879**	**24,382,170**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		KShs'000	KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26 (i)	857,812	12,993,585
Tax paid	9 (iii)	(1,132,933)	(1,230,486)
Net cash generated from operating activities		**(275,121)**	**11,763,099**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(1,966,482)	(1,899,234)
Purchase of prepaid operating leases	13	-	(36,891)
Purchase of intangible assets	16	(44,482)	(76,456)
Interest income on bank deposits	7 (a)	272,967	245,202
Proceeds on disposal of property, plant and equipment		25,372	8,547
Net cash used in investing activities		**(1,712,625)**	**(1,758,832)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest expense on borrowings	7 (b)	(75,046)	(115,550)
Lease liability payments - principal	14	(253,486)	-
Lease liability payments - interest	14	(28,635)	-
Dividends paid	11 (a)	(818,405)	(818,405)
Net cash used in financing activities		**(1,175,572)**	**(933,955)**
Net increase/ (decrease) in cash and cash equivalents		(3,163,318)	9,070,312
Effect of exchange rate changes on cash and cash equivalents		(2, 899)	(21,410)
Cash and cash equivalents as at 1 January		6,699,178	(2,349,724)
Cash and cash equivalents as at 31 December	**26 (ii)**	**3,532,961**	**6,699,178**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019. The new standards and amendments effective of as of 1 January 2019 are listed below:

- 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
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standards is described below.

The other amendments and interpretations listed above apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The relevant amendments and interpretations to the company has been discussed below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Company adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied prospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 [increase/ (decrease)] is, as follows:

Impact on the statement of financial position:

	2019
ASSETS	**KShs'000**
Right-of-use asset	1,512,912
Reclassification from operating leases	573,924
Reclassification from prepayments	53,556
	2,140,392
LIABILITIES	
Lease liability – current portion	173,677
Lease liability – long-term portion	1,339,235
	1,512,912
TOTAL ADJUSTMENT ON EQUITY:	
Retained earnings	-

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Refer to Note 1 (f) Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company. The Company has and had no leases previously classified as finance leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets for all the leases were recognised at an amount equal to the corresponding lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Lease liability was recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company has not leased any low value assets.

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of KShs 2,140,392,000 were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of KShs 1,512,912,000 were recognised.
- Previous operating leases of KShs 573,924,000 were derecognised.
- Prepayments of KShs 53,556,000 related to previous operating leases were derecognised.
- The net effect of these adjustments was nil hence no effect on the retained earnings

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	2018
	KShs'000
Operating lease commitments as at 31 December 2018 (Note 28)	1,652,376
Weighted average incremental borrowing rate as at 1 January 2019	7.899%
Discounted operating lease commitments as at 1 January 2019	1,518,663
Less:	
Commitments relating to variable leases	(5,751)
Commitments relating to short term leases	-
Commitments relating to leases of low value	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	-
Lease liabilities as at 1 January 2019	1,512,912

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance and tax filings that it is probable that its tax will be accepted by the taxation authorities. The Interpretation did not have impact on the financial statements of the Company.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. These standards are not expected to have a material impact on the Company's financial statements.

Effective for annual periods beginning on or after 1 January 2020

- Definition of a Business - Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Definition of Material - Amendments to IAS 1 and IAS 8
- The Conceptual Framework for Financial Reporting

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

C) Revenue from contracts with customers

The Company is in the business of selling of petroleum products and related services. Revenue from contracts with customers is recognised at the time of transfer of control at the point of delivery of the product to the customer or upon collection by the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange of the product or service.

The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls products or services before transferring them to the customer.

Sale of petroleum products

Revenue from sale of petroleum products is recognised at the point in time when control of the product is transferred to the customer, generally on collection of the petroleum products by the transporter or upon collection by the customer at the Company's depot. The normal credit terms are 7 days for retail customers and 30 to 45 days on business to business customers upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points), currently none. In determining the transaction price for the sale of the products, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring of products to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of petroleum products provide customers with volume rebates. However, there is no right of return. The rights of return and volume rebates give rise to variable consideration.

• Rights of return

Right of return does not apply for petroleum products since the liability remains with the transporter or the customer as per sales revenue contracts. For non- petroleum products such as solar, the liability remains with the supplier covered by warranties.

• Volume rebates

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(ii) Significant financing component

The Company has no significant financing components from its customers.

(iii) Non-cash consideration

The Company has no noncash consideration or consideration payable to the customer.

d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition-date fair values and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 IFRS 9 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 IFRS 9 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.

f) Leases

The Company applied IFRS 16 'leases' for the first time during the year using modified prospective approach. Consequently, the comparative balances are based on accounting policies before adoption of IFRS 16. The accounting policies applied to the comparative balances and current year balances are indicated below: -

Policy before 01 January 2019

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.

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 is 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.

Company as a lessor

The accounting policy for Company as a lessor did not change on application of IFRS 16. Refer to Policy after 01 January 2019 on Company as a lessor.

Policy after 01 January 2019

The Company assesses, at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office premises - 6 years
Stations - 10 to 30 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2, significant accounting judgments and key sources of estimation uncertainty, impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (if any) (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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. Rental income arising is accounted for on a straight-line over the lease terms and included in other income in the statement of profit or loss. 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. Contingent rents are recognized as revenue in the period in which they are earned.

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 and office equipment	10% - 33.3%

Capital work-in-progress is stated at cost less any accumulated impairment losses, if any.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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, if any.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

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

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

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

Derecognition of intangible assets

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

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

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

i) Non-current assets held for sale

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

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

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

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

Impairment of non-current assets held for sale

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

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

The Company recognises a gain in 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 2019

k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade and other receivables, amount due from related companies and bank and cash balances.

The Company does not have any financial assets classified as fair value through OCI or financial assets at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) 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 its 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.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors, banks and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are provided in the following notes;

- Disclosures for significant accounting judgments and key sources of estimation (Note 2)
- Trade receivables (Note 19)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified into two categories;

- Financial liabilities at amortised cost (loans and borrowings)
- Financial liabilities at fair value through profit or loss

Financial liabilities at amortised costs (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs profit or loss. This category generally applies to interest-bearing loans and borrowings.

The Company has not designated any financial liability at fair value through profit or loss.

Derecognition of financial liabilities

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

(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.

(iv) Uncertain tax position

The Company uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision is based on which approach provides better predictions of the resolution of the uncertainty. The Company assumes that the taxation authority will examine amounts reported to it and will have full knowledge of all relevant information when doing so. Where the Company concludes that it is probable that a particular tax treatment will be accepted, it determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Company concludes that it is not probable that a particular tax treatment will be accepted, it uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method should be based on which method provides better predictions of the resolution of the uncertainty.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

n) Employee entitlements

i) Retirement benefit costs

The Company operates two defined contribution pension plans: one registered locally and the other registered off-shore for its employees. The assets of the plans are held in separate trustee administered funds. The plans are funded by contributions from both the employees and the Company. Benefits are paid to retiring staff in accordance with the rules of the respective plans.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute.

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

ii) Leave

Employee entitlements to annual leave are recognised when they 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

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 2019 was KShs 416,679,000 (2018 – KShs 416,679,000) and no impairment loss was recognised during the year. Further details on goodwill are given in Notes 1 (e) and 15.

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 Notes 1 (g) and 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Contingent liabilities

As disclosed in Note 27 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.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Company's trade receivables and bank balances is disclosed in Notes 19 and 31(ii).

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

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

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

i) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

ii) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

iii) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

iv) the carrying amount of the net assets of the entity is more than its market capitalisation.

v) evidence is available of obsolescence or physical damage of an asset.

vi) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite

vii) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Further details on property, plant and equipment are given in Note 12, goodwill in Note 15, and intangible assets in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 17.

Leases - estimating the incremental borrowing rate (after 01 January 2019)

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company's functional currency).

The Company's incremental borrowing rate is estimated at the Group level and is dependent on the duration of the lease. The Company's discounting rates are calculated using the Midswap rate of the Group and the country specific premium. Management used rates vary from 7.8% -7.9% depending on the individual leases contract.

Determining the lease term of contracts with renewal and termination options – Company as lessee (after 01 January 2019)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. NET REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2019	2018
	KShs'000	**KShs'000**
General trade	21,494,197	24,545,972
Network	42,044,268	44,856,234
Aviation	2,034,393	1,589,165
Export and bulk	46,304,068	36,921,403
Total net sales	**111,876,926**	**107,912,774**

(ii) Geographical analysis

Local sales	106,768,821	99,809,819
Export sales	5,108,105	8,102,955
Total net sales	**111,876,926**	**107,912,774**

4. COST OF SALES

Product purchases	97,129,349	92,807,770
Other variable costs	6,136,770	6,752,567
	103,266,119	**99,560,337**

5. OTHER INCOME

	2019	2018
	KShs'000	**KShs'000**
Rental income	814,236	648,399
Commission income	180,136	165,201
Gain on disposal of property, plant and equipment	20,489	6,482
Sundry income*	481,495	30,753
	1,496,356	**850,835**

*Sundry income mainly includes service station maintenance fee charged to the station dealers and write back of cylinder deposits initially reclassified from cylinder stocks to Cylinders on consignments in 2005, thereby creating a cylinder deposit and assets in the books. The Cylinder assets relating to these deposits are fully depreciated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. OPERATING EXPENSES

	2019 KShs'000	2018 KShs'000
Directors' emoluments – fees [Note 20 (vii)]	8,100	7,300
- other cash emoluments [Note 20 (vii)]	53,445	71,657
Payroll and staff costs [Note 6 (a)]	1,532,812	1,481,036
Depreciation on property, plant and equipment (Note 12)	1,456,764	1,348,605
Amortisation of prepaid operating leases (Note 13)	-	212,425
Depreciation on right-of-use assets (Note 14)	255,050	-
Amortisation of intangible assets (Note 16)	21,913	10,626
Repairs and maintenance	596,026	531,516
General assistance [Note 20 (v)]	461,109	490,071
Utilities	359,148	371,415
Expense relating to variable leases	299,445	305,791
Other expenses*	178,768	219,588
Legal and other professional fees	195,052	115,889
Advertising and promotion	481,731	368,692
Travelling	146,210	142,972
Insurance	127,765	106,844
Auditors' remuneration	7,939	7,523
	6,181,277	5,791,950

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

(a) PAYROLL AND STAFF COSTS

	2019 KShs'000	2018 KShs'000
Wages and salaries	1,039,500	1,015,380
Pension costs – defined contribution plan and NSSF	154,162	143,273
Staff medical costs	45,025	38,302
Staff training costs	14,767	19,214
Staff motor vehicle, mileage and other costs	279,358	264,867
Total personnel expenses	**1,532,812**	**1,481,036**
Average number of employees (permanent staff)	**385**	**397**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. (a) FINANCE INCOME

	2019 KShs'000	2018 KShs'000
Interest income on bank deposits	272,967	245,202

(b) FINANCE COSTS

	2019 KShs'000	2018 KShs'000
Interest on short term borrowings	75,046	115,550
Interest expense on lease liability	108,762	-
	183,808	115,550

(c) NET FOREIGN EXCHANGE LOSS

	2019 KShs'000	2018 KShs'000
Realised foreign exchange (gain)/loss)	106,113	(21,441)
Unrealised foreign exchange loss	371	22,708
Net foreign exchange loss	**106,484**	**1,267**

8. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:	2019 KShs'000	2018 KShs'000
Staff costs [Note 6 (a)]	1,532,812	1,481,036
Depreciation on property, plant and equipment (Note 12)	1,456,764	1,348,605
Amortisation of prepaid operating leases (Note 13)	-	212,425
Depreciation on right-of-use assets (Note 14)	255,050	-
Amortisation of intangible assets (Note 16)	21,913	10,626
Directors' emoluments:		
- Fees (Note 6)	8,100	7,300
- Other emoluments (Note 6)	53,445	71,657
- Non-cash emoluments [Note 20(vii)]	34,037	22,177
Auditors' remuneration (Note 6)	7,939	7,523
Net Foreign exchange loss [Note 7 (c)]	106,484	1,267
And after crediting:		
Gain on disposal of property, plant and equipment (Note 5)	20,489	6,482

9. TAX

(i) Tax charge

	2019 KShs'000	2018 KShs'000
Current income tax:		
- Current income tax charge	1,353,888	1,181,610
- Adjustment in respect of current income tax of previous years	33,847	-
	1,387,735	1,181,610
Deferred tax:		
- Relating to origination and reversal of temporary differences [Note 17 (ii)]	(8,343)	104,332
- Adjustment in respect of tax of previous years (note 17(ii)	(32,556)	-
	(40,899)	104,332
	1,346,836	**1,285,942**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	2019 KShs'000	2018 KShs'000
Accounting profit before tax	3,881,368	3,598,524
Tax at the applicable rate of 30%	1,164,410	1,079,557
Adjustment in respect of tax of previous years	1,291	-
Tax effect of expenses not deductible for tax*	181,135	206,385
Tax charge	**1,346,836**	**1,285,942**

*Tax effect of expenses not deductible for tax mainly relate to depreciation on ineligible assets, staff related expenses not allowable for tax and donations.

(iii) Tax recoverable

	2019	2018
Balance at 1 January	289,044	240,168
Adjustment in respect of tax of previous years	(33,847)	-
Charge to profit or loss	(1,353,888)	(1,181,610)
Payments during the year	1,132,933	1,230,486
Balance at 31 December	**34,242**	**289,044**

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:

	2019 KShs'000	2018 KShs'000
Profit after tax	2,534,532	2,312,582
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)	4.03	3.67

Diluted earnings per share

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

11. DIVIDENDS

a) Unclaimed dividends

	2019 KShs'000	2018 KShs'000
The movement in unclaimed dividend is as follows:		
At 1 January	2,290	2,290
Final dividend declared 2018 and 2017	818,405	818,405
Dividend paid	(818,405)	(818,405)
Foreign exchange impact on paid dividends	(2,290)	-
Balance at 31 December	**-**	**2,290**

b) Dividends declared/proposed in respect of the year

	2019	2018
Proposed for approval at the Annual General Meeting (not recognised as a liability as at 31 December):	818,405	818,405
Dividends per share on declared/proposed dividends for the year (based on number of shares per Note 21)	KShs 1.30	KShs 1.30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

In respect of the current year, the directors propose that a first and final dividend of KShs 1.30 (2018: KShs 1.30) per share amounting to KShs 818 million (2018: KShs 818 million) be paid to the shareholders.

The dividend is subject to approval by shareholders 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 15% for non-resident shareholders of the Company and 5% for resident shareholders. For resident shareholders of the Company, withholding tax is only deductible where the shareholding is below 12.5%.

12. PROPERTY, PLANT AND EQUIPMENT

(i) Year ended 31 December 2019

	Land and buildings	Property, plant and machinery	Furniture, fittings and equipment	Capital work-in-progress	Total
COST	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January 2019	5,379,022	16,534,064	895,420	580,570	23,389,076
Additions	707,205	439,497	15,193	804,587	1,966,482
Transfers	211,351	311,081	33,998	(556,430)	-
Transfers to intangible assets (Note16)	-	-	-	(18,672)	(18,672)
Disposals	(2,700)	(43,742)	(2,365)	-	(48,807)
At 31 December 2019	6,294,878	17,240,900	942,246	810,055	25,288,079
DEPRECIATION					
At 1 January 2019	2,404,516	9,881,386	762,162	-	13,048,064
Charge for the year	311,303	1,082,167	63,294	-	1,456,764
Disposals	(654)	(41,344)	(1,926)	-	(43,924)
At 31 December 2019	2,715,165	10,922,209	823,530	-	14,460,904
NET CARRYING AMOUNTS					
At 31 December 2019	3,579,713	6,318,691	118,716	810,055	10,827,175

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

(ii) Year ended 31 December 2018

	Land and buildings	Property, plant and machinery	Furniture, fittings and equipment	Capital work-in-progress	Total
COST	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January 2018	4,730,142	15,459,506	833,397	721,735	21,744,780
Additions	505,246	882,063	55,601	456,324	1,899,234
Transfers	144,012	396,003	8,524	(548,539)	-
Transfers to intangible assets (Note16)	-	-	-	(48,950)	(48,950)
Disposals	(378)	(203,508)	(2,102)	-	(205,988)
At 31 December 2018	5,379,022	16,534,064	895,420	580,570	23,389,076
DEPRECIATION					
At 1 January 2018	2,160,166	9,053,542	689,674	-	11,903,382
Charge for the year	244,678	1,029,391	74,536	-	1,348,605
Disposals	(328)	(201,547)	(2,048)	-	(203,923)
At 31 December 2018	2,404,516	9,881,386	762,162	-	13,048,064
NET CARRYING AMOUNTS					
At 31 December 2018	2,974,506	6,652,678	133,258	580,570	10,341,012

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(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 2019 (2018: Nil).

Based on an impairment review performed by the directors as at 31 December 2019, no indications of impairment of property, plant and equipment were identified (2018: none).

Commitments to acquire property, plant and equipment as at year end are included in Note 27 (e).

(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 financial reporting standards BC78 (IFRS 16) Leases, a long-term lease of land (for example, a 99-year lease), the present value of the lease payments is likely to represent substantially all of the fair value of the land. The Company currently accounts for its land previously classified as freehold in a similar manner to accounting for the purchase of the land by applying international accounting standards (IAS 16) Property, Plant and Equipment, rather than by applying IFRS 16.

The Company is awaiting 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	2019 KShs'000	2018 KShs'000
At 1 January	2,146,661	2,109,770
Additions	-	36,891
Reclassification to right-of-use assets [Note 1(b)]	(1,436,672)	-
Reclassification to other receivables	(709,989)	-
At 31 December	**-**	**2,146,661**
AMORTISATION		
At 1 January	1,455,231	1,242,806
Additions	-	212,425
Reclassification to right-of-use assets [Note 1(b)]	(862,748)	-
Reclassification to other receivables	(592,483)	-
At 31 December	**-**	**1,455,231**
NET CARRYING AMOUNT	**-**	**691,430**

Net carrying amount relating to prepaid land and leased service stations of KShs 573,924,000 were reclassified to right-of-use assets as these qualified as lease as per IFRS 16, [Note 1(b)] and KShs 117,506,000 related to variable leases were classified to other receivables

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. LEASES

Company as a lessee

The Company has lease contracts for the land for service stations and office premises used in its operations. The lease of office premises has a lease term of six years, while the lease terms for the stations is between ten to thirty years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. The lease contracts include extension and termination options.

Set out below is the carrying amount of right-of-use assets recognised and the movements during the year:

	Land for service stations	Office premises	Total
	KShs'000	KShs'000	KShs'000
Cost			
At 1 January 2019	2,138,223	2,169	2,140,392
Additions	-	-	-
At 31 December 2019	**2,138,223**	**2,169**	**2,140,392**
Depreciation			
At 1 January 2019	-	-	-
Charge for the year	(254,366)	(684)	(255,050)
At 31 December 2019	**(254,366)**	**(684)**	**(255,050)**
Net carrying amount			
At 31 December 2019	**1,883,857**	**1,485**	**1,885,342**

Set out below is the carrying amount of lease liability and the movement during the year:

	2019	2018
	KShs'000	KShs'000
As at 1January	1,512,912	-
Additions	-	-
Accretion of interest	108,762	-
Payments	(282,121)	-
At 31 December	1,339,553	-
Current portion	284,044	-
Non-current portion	1,055,509	-
	1,339,553	**-**

Below is the maturity analysis of lease liabilities based on contractual undiscounted payments:

	1 to 2 years	3 to 5 years	Over 5 years	Totals
	KShs'000	KShs'000	KShs'000	KShs'000
Lease liability	**173,570**	**783,290**	**555,945**	**1,512,805**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

The following are the amounts recognised in profit or loss:

	2019	2018
	KShs'000	KShs'000
Depreciation expense of right-of-use assets (Note 6)	255,050	-
Interest expense on lease liability (Note 7)	108,762	-
Expense relating to variable leases (included in administrative expenses) (Note 6)	299,445	-
Expense relating to leases of low-value assets	-	-
Total amount recognised in profit or loss	**663,257**	**-**

The Company had total cash outflows for leases of KShs 282,121,000 in 2019, KShs 28,635,000 was for repayment of interest, KShs 253,486,000 being repayment of the principal portion.

The Company has lease contracts that include an extension option. The option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether the extension option is reasonably certain to be exercised. The extension option has been included in the lease term.

15. GOODWILL

	2019	2018
	KShs'000	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

	2019	2018
	KShs'000	KShs'000
Cost	448,804	448,804
Accumulated impairment losses	(112,200)	(112,200)
Carrying amount	**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 six-year period.

The Company has used a six-year period in line with its six-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 2019, no impairment loss was assessed (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	2019	2018
	KShs'000	KShs'000
Goodwill - Cost	80,075	80,075

Goodwill amounting to KShs 80,075,000 arose from the acquisition of a subsidiary, Total Marketing Kenya Limited, with effect from 1 November 2009. The operations of Total Marketing 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 Total Marketing 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 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 six-year period, and a discount rate of 11% per annum (2018: 11% per annum). Cash flows beyond that six-year period have been extrapolated using a steady 4% (2018: 3%) per annum growth rate in sales volume. The Company has used a six-year period in line with its six-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 4% 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 2019, no impairment loss was assessed (2018: 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.

16. INTANGIBLE ASSETS

COST	2019	2018
	KShs'000	KShs'000
At 1 January	596,243	470,837
Additions	44,482	76,456
Transfer from capital work-in-progress (Note 12)	18,672	48,950
At 31 December	**659,397**	**596,243**
AMORTISATION		
At 1 January	408,658	398,032
Charge for the year	21,913	10,626
At 31 December	**430,571**	**408,658**
NET CARRYING AMOUNT	**228,826**	**187,585**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. DEFERRED TAX ASSETS

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

	2019	2018
	KShs'000	KShs'000
Accelerated depreciation	65,976	63,288
Leases	24,507	-
Unrealised exchange loss	96,961	88,272
Unrealised exchange gain	(124,192)	(108,802)
Leave provision	31,302	28,567
Provision for retirement benefits	15,207	18,214
Bonus provision	7,037	6,169
Inventory provision	22,787	33,209
Legal costs provision	64,415	66,681
Allowance for expected credit losses	173,462	35,813
Adjustment on initial application of IFRS 9	-	105,152
Net deferred tax assets	**377,462**	**336,563**

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

	2019	2018
	KShs'000	KShs'000
At 1 January	336,563	335,743
Adjustment on initial application of new accounting standards	-	105,152
Adjustment in respect of previous years' tax (Note 9)	32,556	-
Deferred tax credit/ (charge) recognized in profit or loss [Note 9 (i)]	8,343	(104,332)
At 31 December	**377,462**	**336,563**

Deferred tax is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2018 - 30%).

18. INVENTORIES

	2019	2018
	KShs'000	KShs'000
Refined products*	4,955,542	7,737,602
Raw materials	1,559,844	2,039,541
Consumables and accessories	152,854	139,532
Carrying amount	6,668,240	9,916,675

*For the year ended 31 December 2018, the value of refined products included 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 2019, these values were reclassified to trade and other receivables as disclosed in Note 19.

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 2019, there was no write down of inventories (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

19. TRADE AND OTHER RECEIVABLES

	2019	2018
	KShs'000	KShs'000
Trade receivables	8,404,108	8,828,559
Allowance for expected credit losses	(867,055)	(839,862)
	7,537,053	7,988,697
Other receivables and prepayments*	1,936,868	742,321
Recoverable taxes**	1,852,832	34,913
	11,326,753	**8,765,931**

*Other receivables and prepayments relate to amounts advanced to and recoverable from staff, other advance payments and sundry receivables. Other receivables are non-interest bearing and are generally on terms of 60- 90 days.

**Recoverable taxes relate to advance import duties on petroleum products and value added tax.

Amounts receivable from KPRL

Included in trade and other receivables are amounts receivable from KPRL related to the values of fuel products and yield shifts of fuel owed to the Company by KPRL. In 2018, the amounts were disclosed under inventories as disclosed in note 18. In 2019, these amounts have reclassified to trade and other receivables. The reclassification was necessitated by ongoing discussions on the modalities of the recovery of the amounts as discussed below.

The carrying amount of these amounts 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 receivable.

The amounts arose prior to 2013. In 2012, KPRL changed its mode of operations from Toll Mode to Merchant Mode and then 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 yield shift balances and 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 and yield shifts which were then reconciled to the books of account and the balances reported in the forensic audit report.

As at 31 December 2019, the Company had taken appropriate measures together with other OMCs to recover the value of this receivable. These measures include ongoing discussions with KPRL, the Ministry of Petroleum and Mining and the Energy and Petroleum Regulatory Authority (EPRA) to agree on the modalities of how and when the value of the yield shifts and fuel inventories at KPRL will be refunded.

As at 31 December 2019, management is confident that the full value of these balances of yield shifts and fuel inventories under the custody of KPRL is fully recoverable and no further adjustment is required.

Allowance for expected credit losses

As at 31 December 2019, trade receivables of an initial value of KShs 865,055,000 (2018: KShs 839,862,000 million) were impaired and fully provided for. Set out below is the allowance for expected credit losses for trade receivables.

	2019	2018
	KShs'000	KShs'000
At 1 January	(839,862)	(548,174)
Adjustment on initial application of IFRS 9	-	(350,505)
Increase allowance for expected credit losses in the year	(65,862)	(45,912)
Write back of expected credit losses	38,669	104,729
Net allowance for expected credit losses	(27,193)	58,817
At 31 December	**(867,055)**	**(839,862)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. RELATED PARTY TRANSACTIONS AND BALANCES

The parent Company is Total Outre-Mer while the ultimate holding company is Total SA, 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

	2019	2018
	KShs'000	KShs'000
Air Total International	184,495	15,242
Total Uganda Limited	881,750	655,605
Gapco Kenya Limited	206,517	912,418
Total Outre-Mer	101,826	-
Total RDC S.A.R.L	16,646	7,195
Total Tanzania Limited	83,311	-
Other related companies*	19,528	-
	1,494,073	**1,590,460**

*Other related companies are subsidiaries of Total Outre-Mer.

(ii) Amounts due to related companies

	2019	2018
Total Marketing Services	117,890	92,566
Gapco Kenya Limited	319,335	38,829
Total Supply MS SA	32,037	15,707
Total Uganda Limited	22,757	-
Total Gestion International and Total Global Procurement*	111,525	11,861
Total Middle East	40,639	-
	644,183	**158,963**

* Total Gestion International and Total Global Procurement are subsidiaries of Total Outre Mer.

(iii) Amounts due to holding company

	2019	2018
Total Outre-Mer	2,398,488	7,115,699

(iv) Financial overdraft from related party

	2019	2018
Financial overdraft from Total Treasury (Note 24)	748,587	-

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

(v) Transactions with related companies

	2019	2018
Purchases of petroleum products from the holding company	45,877,909	44,754,484
Purchases of petroleum products from other related companies	5,067,702	9,211,200
Revenue on sale of petroleum products to related companies	8,246,082	7,173,708
General assistance (Note 6)	461,109	490,071

(vi) Key management compensation

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

	2019	2018
Salaries and other short-term employment benefits	185,095	229,558
Post-employment benefits	7,560	6,968
	192,655	**236,526**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(vii) Directors' remuneration

	2019	2018
	KShs'000	KShs'000
Fees for services as a director	8,100	7,300
Other emoluments		
Salaries and other short-term employment benefits		
- Cash emoluments	53,445	71,657
- Non-cash emoluments	34,037	22,177
	87,482	93,834
Post-employment benefits	-	-
	95,582	**101,134**

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

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees or commitments received or provided for any related party receivables or payables. For the year ended 31 December 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related companies (2018: Nil). This assessment is undertaken each financial year through examining the financial position of the related companies and the market in which the related companies operates.

21. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2019	2018
	KShs'000	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:

	2019	2018
At 1 January	24,364	24,364
Disposed during the year	-	-
	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 Total Marketing Kenya Limited by Total Kenya Plc. (Note 1(t))

The assets were initially classified as assets held for sale in 2010 after purchase of Total Marketing Kenya Limited in 2009.

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 2019 as the expected proceeds on disposal exceed the net carrying amounts of the assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

22. SHARE CAPITAL

	2019 KShs'000	2018 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:

	2019	2018
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**

Fully paid ordinary and preference shares	2019		2018	
	Number of shares KShs'000'	Share Capital KShs'000	Number of shares KShs'000'	Share Capital KShs'000
At 1 January				
Ordinary shares	175,065	875,324	175,065	875,324
Redeemable preference shares	454,477	9,099,447	454,477	9,099,447
At 31 December	**629,542**	**9,974,771**	**629,542**	**9,974,771**

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

The redeemable non-cumulative preference shares, which have issue prices of KShs 31.58 and KShs 15.71, do not have any voting rights but have the same rights to dividends as the ordinary shares. The right to redemption of the redeemable preference shares is at the discretion of the Company hence they have been classified as equity.

23. SHARE PREMIUM

	2019 KShs'000	2018 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

24. TRADE AND OTHER PAYABLES

	2019	2018
	KShs'000	KShs'000
Trade payables	6,856,703	7,945,016
Other payables and accruals	1,195,020	1,370,910
Total payables	**8,051,723**	**9,315,926**
Classified as:		
Non-current – trade payables	855,280	966,441
Non-current – provisions	214,717	222,270
Current – trade and other payables	6,981,726	8,127,215
	8,051,723	**9,315,926**

Terms and conditions of the trade and other payables

Trade payables 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 payables mainly relate to LPG cylinder deposits and legal risk provisions.

25. SHORT TERM BORROWINGS

	2019	2018
	KShs'000	KShs'000
Financial overdraft – from Total Treasury [Note 20 (iv)]	748,587	-

Financial overdraft – from Total Treasury

The Company received an overdraft from a related company, Total Treasury, whose interest is pegged to the Libor plus a margin. No collateral is held for this facility. As at 31 December 2019, the unutilized overdraft from Total Treasury is disclosed in Note 31 (iii).

Bank overdraft – from local banks

Bank overdraft facilities are held with various financial institutions and are unsecured. The facilities are operated within designated limits and under the terms and conditions stipulated by the financial institutions. The facilities interest rates are pegged on the Central Bank Base Rate plus a premium of 1%. As at 31 December 2019, the Company had not utilized the available bank overdraft facility. The facility is available as disclosed in Note 31 (iii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

26. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Notes	2019	2018
		KShs'000	KShs'000
Profit before tax		3,881,368	3,598,524
Adjustments for:			
Effect of exchange rate changes on cash and cash equivalents		2,899	21,410
Finance income	7 (a)	(272,967)	(245,202)
Finance costs	7 (b)	183,808	115,550
Increase in allowance for expected credit losses in the year	19	27,193	(58,817)
Foreign exchange difference on dividends paid	11	(2,290)	-
Provisions for legal matters		60,000	60,000
Other provisions relating to inventories		(118,530)	161,086
Leave provision		9,114	24,543
Bonus provision		2,893	6,169
Depreciation on property, plant and equipment	12	1,456,764	1,348,605
Depreciation on right-of-use assets	14	255,050	-
Amortisation of prepaid leases and intangible assets		21,913	223,051
Gain on disposal of property, plant and equipment	5	(20,489)	(6,482)
Operating profit before working capital changes		**5,486,726**	**5,248,437**
Decrease in inventories		3,366,965	2,383,418
(Increase)/ decrease in trade and other receivables		(2,524,065)	701,407
(Decrease)/ increase in trade and other payables		(1,268,657)	89,370
(Decrease)/ increase in amounts due to holding company		(4,717,211)	5,204,450
Decrease/ (increase) in amounts due from related companies		96,387	(415,299)
Increase in amounts due to related companies		485,220	102,302
Legal provisions paid		(67,553)	(320,500)
Cash generated from operations		857,812	12,993,585

(ii) Analysis of cash and cash equivalents

	Notes	2019	2018
		KShs'000	KShs'000
Cash and bank balances		4,281,548	6,699,178
Financial overdraft – from Total Treasury	25	(748,587)	-
		3,532,961	6,699,178

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

27. 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 has 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

	2019 KShs'000	2018 KShs'000
Total commitments given	682,301	519,603
Total commitments received	1,716,037	1,380,120

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 246 million (USD 2,427,388) exists as at 31 December 2019 (2018: KShs 247 million (USD 2,427,388) for an unsettled invoice from the parent company, Total Outre-mer, and has not been booked in the Company's books as the goods were not received by the Company. 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 the Company. 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) Contingent liability relating to tax matters

As per the Kenyan taxation laws, the Company is subject to tax evaluations of its direct and indirect taxation affairs by the taxation authorities, and in connection with such review tax assessments can be issued.

The Kenya Revenue Authority (KRA) issued tax assessments of KShs 914 million covering the periods 2009 to 2018 in respect to withholding tax on services received from French related companies. In accordance with local tax legislation, the Company appealed to the Tax Appeal Tribunal (TAT). The basis of the Company's objection related to the interpretation of Double Tax Agreement between Kenya and France. On 26 February 2020, TAT ruled and referred the matter to Mutual Agreement Procedures (MAP) between the Kenya and French governments as provided for by Double Tax Agreement. As at the date of approval of these financial statements the MAP process had not commenced.

Management is keenly following up on the matter with the assistance of professional advice 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 and as a result, no provision has been made in these financial statements.

(e) Capital commitments

	2019 KShs'000	2018 KShs'000
Authorised and contracted for	1,002,510	480,409
Authorised but not contracted for	1,817,805	2,159,959

Capital commitments relates to the approved capital expenditures to be carried out in the following year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. OPERATING LEASE COMMITMENTS

(a) Company as a lessee

	KShs'000
Maturing within one year	316,888
Maturing over one year to five years	954,953
Maturing after five years	380,535
Total operating lease commitments	**1,652,376**

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 the Company 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

	2019	2018
	KShs'000	KShs'000
Maturing within one year	320,434	534,633
Maturing over one year to five years	1,682,276	2,245,460
Maturing after five years	1,766,390	2,806,826
Total operating lease commitments	**3,769,100**	**5,586,919**

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 the Company 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.

29. RETIREMENT BENEFIT PLANS

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

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 5,394,600 (2018: KShs 4,538,591).

The total expense recognised in profit or loss for the year of KShs 154,162,000 (2018: KShs 143,273,000) represents contributions payable to the plan by the Company at rates specified in the rules of the plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

30. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2018.

The capital structure of the Company consists of debt, which includes borrowings disclosed in Note 25, less bank and cash balances and equity attributable to equity holders, comprising issued capital, share premium as disclosed in Notes 22 and 23 and retained earnings.

Gearing ratio

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

	Notes	2019	2018
		KShs'000	KShs'000
Short term borrowings	25	748,587	-
Bank and cash balances	26 (ii)	(4,281,548)	(6,699,178)
Net borrowings		(3,532,961)	(6,699,178)
Equity*		24,382,170	22,666,043
Net debt to equity ratio		-	-

*Equity includes capital and reserves.

31. 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, 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 are derived directly from its operations.

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

The Company's Group 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

arket 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 and deposits with financial institutions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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.

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

The main currency exposure relates to the fluctuation of the Kenya Shillings exchange rates against the US Dollar and Euro.

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	USD	Total
31 December 2019	KShs'000	KShs'000	KShs'000
Assets			
Trade and other receivables	-	844,260	844,260
Amounts due from related companies	-	1,494,073	1,494,073
Bank balances	112,833	583,011	695,844
Total assets	**112,833**	**2,921,344**	**3,034,177**
Liabilities			
Trade and other payables	-	(30,730)	(30,730)
Amounts due to holding and related companies	-	(3,042,671)	(3,042,671)
Bank balances	-	(748,587)	(748,587)
Total liabilities	**-**	**(3,821,988)**	**(3,821,988)**
Net exposure	**112,833**	**(900,644)**	**(787,811)**
31 December 2018			
Assets			
Trade and other receivables	-	7,565,898	7,565,898
Amounts due from to related companies	-	1,061,702	1,061,702
Bank balances	251,562	693,783	945,345
Total assets	**251,562**	**9,321,383**	**9,572,945**
Liabilities			
Amounts due to holding and related companies	-	(25,071)	(25,071)
Trade and other payables	-	(7,249,591)	(7,249,591)
Total liabilities	**-**	**(7,274,662)**	**(7,274,662)**
Net exposure	**251,562**	**2,046,721**	**2,298,283**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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, amounts due to and from related companies and trade and other payables at the year-end. The Euro impact is mainly attributable to the exposure on outstanding Euro bank and trade 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	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
USD impact	(90,064)	204,672	(63,045)	143,270
Euro impact	11,283	25,156	7,898	17,609

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:

	2019	2018
	KShs'000	KShs'000
Short term borrowings (Note 25)	748,587	-

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 2019 would not be impacted (2018: by KShs 0.62 million) and the Company's equity would not be impacted (2018: by KShs 0.43 million).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 and 31 December 2018 is the carrying amounts of its financial assets as illustrated below. The Company's maximum exposure relating to financial guarantees is also included in the table. The company's maximum exposure to credit risk as at 31 December 2019 and 31 December 2018 is analysed in the table below:

	Fully performing	Past due but not impaired	Total
	KShs'000	KShs'000	KShs'000
31 December 2019			
Amounts due from related companies	929,031	565,042	1,494,073
Trade receivables			
Network	1,598,079	280,141	1,878,220
Non-network	4,073,861	1,584,972	5,658,833
	5,671,940	1,865,113	7,537,053
Other receivables	1,932,502	-	1,932,502
Bank balances	4,280,872	-	4,280,872
Financial guarantees given	682,301	-	682,301
	13,496,646	2,430,155	15,926,801
31 December 2018			
Amounts due from related companies	1,299,362	291,098	1,590,460
Trade receivables			
Network	1,318,636	188,922	1,507,558
Non-network	5,021,953	1,459,186	6,481,139
	6,340,589	**1,648,108**	**7,988,697**
Other receivables	38,221	-	38,221
Bank balances	6,697,654	-	6,697,654
Financial guarantees given	519,603	-	519,603
Financial guarantees given	**14,895,429**	**1,939,206**	**16,834,635**

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

31-Dec-19	Current days	Trade receivables days past due < 30 days	30–60 days	61-90 days	91> days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Expected credit loss rate (%)	0.1%	1.3%	3.3%	10.2%	48.9%	
Estimated total gross carrying amount at default	4,548,308	1,515,997	438,933	258,583	1,642,287	8,404,108
Expected credit loss	2,324	19,387	17,423	26,417	801,504	867,055

31-Dec-18	Current days	Trade receivables days past due < 30 days	30–60 days	61-90 days	91> days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Expected credit loss rate (%)	0.1%	1.9%	2.8%	9.1%	53.1%	
Estimated total gross carrying amount at default	5,351,168	1,356,377	519,375	123,106	1,478,533	8,828,559
Expected credit loss	3,195	26,398	14,633	11,156	784,480	839,862

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 companies, and no such collateral was held at 31 December 2019 or 2018.

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 2019 was:

	2019	2018
	KShs'000	KShs'000
Cash deposit collateral		
Network	734,338	548,011
Non-Network	389,749	471,825
Bank guarantees collateral		
Network	201,810	188,185
Non-Network	1,490,527	1,256,369
Total	**2,816,424**	**2,464,390**

There is no collateral held against cash and cash equivalents.

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.

	2019	2018
	KShs'000	KShs'000
Unsecured overdraft, including financial overdraft from Total Treasury, payable on call and reviewed annually		
Amount used	748,587	-
Amount unused – Total Treasury	11,248,000	11,068,000
Amount unused – Local banks	19,107,000	15,587,200

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 2019

	Up to 1 month KShs'000	1-3 months KShs'000	4-12 months KShs'000	> 1 year KShs'000	Total KShs'000
Trade and other payables - current	6,200,835	154,538	93,338	-	6,448,711
Amounts due to holding and related companies	2,833,916	-	-	208,755	3,042,671
Financial guarantees given	-	-	682,301	-	682,301
Total financial liabilities	**9,034,751**	**154,538**	**775,639**	**208,755**	**10,173,683**

At 31 December 2018

	Up to 1 month KShs'000	1-3 months KShs'000	4-12 months KShs'000	> 1 year KShs'000	Total KShs'000
Trade and other payables - current	6,735,716	751,457	-	-	7,487,173
Amounts due to holding and related companies	7,044,031	-	21,876	208,755	7,274,662
Financial guarantees given	-	-	519,603	-	519,603
Total financial liabilities	**13,779,747**	**751,457**	**541,479**	**208,755**	**15,281,438**

32. 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.

33. EVENTS AFTER THE REPORTING PERIOD

The entire world is facing a major crisis following the spread of the Covid 19 virus leading to lockdowns aimed at containing the spread. This has had an impact on economies and businesses.

In Kenya, the first case was reported on 13 March 2020 and the cases continue to grow. The Government has laid out measures aimed at minimizing the spread of Covid 19 which include evening curfew, encouraging working from home, closing entertainment places, closing places of worship, closure of learning institutions and suspension of all international flights in and out of the country. Most recently, the Government has imposed a three-week ban on movement in and out of four main Covid 19 "infected towns" i.e. Nairobi, Mombasa, Kilifi and Kwale.

The developments surrounding Covid-19 changes on a daily basis giving rise to inherent uncertainty and is likely to disrupt the demand and supply of fuel and related products hence affecting the Company's operations. The financial impact of this matter cannot be quantified at this stage.

Management assesses that it is not practicable to accurately estimate the financial impact on Covid-19 now as the effects are yet to fully materialise. Further, the Government listed petroleum sector as part of critical and essential services. Also, the Company has undertaken measures which include Business Continuity Plan and mitigation of risks to continue to deliver the essential services. The Company has adequate undrawn banking facilities at its disposal to further reduce this uncertainty as disclosed in note 31 (iii) to the financial statements. Therefore, the Company's operating fundamentals remain strong and operations were normal and uninterrupted as of the date of approval of this report.

The directors, in consideration of the above facts, assess the post year end epidemic outbreak as a non-adjusting event.

APPENDIX 1

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
ASSETS					
Non-current assets					
Property, plant, equipment and leases	12,712,517	11,032,442	10,708,362	9,895,169	9,767,181
Goodwill	416,679	416,679	416,679	416,679	416,679
Intangible assets	228,826	187,585	72,805	74,779	87,498
Deferred tax asset	377,462	336,563	335,743	419,295	495,486
Total non-current assets	**13,735,484**	**11,973,269**	**11,533,589**	**10,805,922**	**10,766,844**
Current assets					
Inventories	6,668,240	9,916,675	12,461,179	12,080,556	10,017,977
Other current assets	12,855,068	10,645,435	11,174,354	9,749,124	10,800,290
Cash and cash equivalents	4,281,548	6,699,178	2,818,629	3,525,406	2,615,560
Total current assets	**23,804,856**	**27,261,288**	**26,454,162**	**25,355,086**	**23,433,827**
Assets classified as held for sale	24,364	24,364	24,364	24,364	24,364
	23,829,220	27,285,652	26,478,526	25,379,450	23,458,191
TOTAL ASSETS	**37,564,704**	**39,258,921**	**38,012,115**	**36,185,372**	**34,225,035**
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	12,439,879	10,723,752	9,474,928	7,406,999	5,657,455
Total equity	**24,382,170**	**22,666,043**	**21,417,219**	**19,349,290**	**17,599,746**
Non-current liabilities					
Trade and other payables	2,125,506	1,188,711	1,339,206	1,426,434	1,244,627
Total Non-current liabilities	**2,125,506**	**1,188,711**	**1,339,206**	**1,426,434**	**1,244,627**
Current liabilities					
Trade and other payables	10,308,441	15,404,167	10,087,337	11,605,416	11,311,652
Short term borrowings	748,587	-	5,168,353	3,804,232	4,069,010
Total current liabilities	**11,057,028**	**15,404,167**	**15,255,690**	**15,409,648**	**15,380,662**
TOTAL EQUITY AND LIABILITIES	**37,564,704**	**39,258,921**	**38,012,115**	**36,185,372**	**34,225,035**

APPENDIX 2

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Gross sales	143,990,455	136,678,235	137,096,919	110,582,420	138,027,279
Indirect taxes and duties	(32,113,529)	(28,765,461)	(25,673,365)	(21,521,496)	(17,773,285)
Net sales	**111,876,926**	**107,912,774**	**111,423,554**	**89,060,924**	**120,253,994**
Cost of sales	(103,266,119)	(99,560,337)	(103,171,526)	(81,209,334)	(113,263,567)
Gross profit	**8,610,807**	**8,352,437**	**8,252,028**	**7,851,590**	**6,990,427**
Operating expenses and other income	(4,712,114)	(4,882,298)	(4,316,300)	(4,031,357)	(4,139,034)
Finance income (costs) and net foreign exchange gain (loss)	(17,325)	128,385	196,088	115,130	(232,697)
Profit before tax	**3,881,368**	**3,598,524**	**4,131,816**	**3,935,363**	**2,618,696**
Taxation	(1,346,836)	(1,285,942)	(1,393,600)	(1,701,071)	(1,003,693)
Profit for the year	**2,534,532**	**2,312,582**	**2,738,216**	**2,234,292**	**1,615,003**

NOTES

NOTES

TOTAL KENYA PLC

PROXY FORM

I/WE ....

OF .... ID No..

Being a member of the above Company, hereby appoint:

....

OF ....ID no..

My/our proxy, to vote for me/us and on my/our behalf at the Virtual Annual General Meeting of the Company to be held electronically on Friday, 26th June 2020 and at any adjournment thereof

As witness by my/our hand this .... day of..2020

Signed .... Signed.. ....

I/We direct my/our proxy to vote on the following resolutions by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/We authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

Resolution	For	Against	Withheld
Approval of the minutes of the Sixty Fifth Annual General Meeting held on 26 June 2019			
Adoption of the audited Financial Statements for the year ended 31 December 2019 together with the Chairman's Statement and the reports of the Directors and the Auditors			
Approval of the payment of a first and final dividend of Kshs 1.30/- per share in respect of the Financial Year ended 31 December 2019			
Approval of Directors' Remuneration Report as detailed in the Annual Report for the Financial Year ended 31 December 2019			
Re-election of Mr Stanislas Mittelman			
Election of Members of the Board Audit Committee:-			
a) Election of Mr Joseph Karago			
b) Election of Ms Margaret Shava			
c) Election of Ms Séverine Julien			
Re-appointment of Messrs Ernest & Young LLP as Auditors of the Company and authorization of the Board to fix the Auditors' Remuneration for the ensuing financial year			

ELECTRONIC COMMUNICATIONS PREFERENCE FORM (Please complete in Block Capitals)

Full Name of Member(s): ....

Address ....

CDSC No .... Mobile Number...

I/We hereby give my/our consent for use of the mobile number provided for purposes of the AGM

Signature (s) (i)... (ii)...

Note:

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. A duly completed proxy Form should be emailed to info@image.co.ke or hand delivered to Image Registrars Ltd, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi so as to be received not less than 48 hours before the time of holding the meeting or any adjournment thereof.

TOTAL excellium

CREATING MEMORIES
with the fuel that cleans your engine km after km

TOTAL Committed to Better Energy

AVAILABLE AT ALL TOTAL SERVICE STATIONS AT NO EXTRA COST.

Cleans your engine by reducing deposit build up hence you use less fuel and save money

total.co.ke

total.co.ke

Total is a major energy player, which produces and markets fuels, natural gas and low-carbon electricity. Our 100,000 employees are committed to better energy that is safer, more affordable, cleaner and accessible to as many people as possible. Active in more than 130 countries, our ambition is to become the responsible energy major.

Marketing & Services
Total Kenya Plc
Regal Plaza, Limuru Road.
P.O. Box 30736 - 00100, Nairobi.
Tel: (+254-20) 289 7000
www.total.co.ke