

**Kenya Airways**  
*The Pride of Africa*

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**Annual Financial Report & Accounts**  
*2005/06*



## Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 KShs' million	2005 KShs' million
Turnover	3	52,804	42,234
Direct expenditure	5(a)	(35,605)	(29,065)
Gross profit		17,199	13,169
Overheads	5(b)	(9,496)	(6,580)
Operating profit	4	7,703	6,589
Other income		427	54
Share of results of associated company	14(b)	87	19
		8,217	6,662
Finance costs (net)	6	(1,257)	(1,142)
Profit before taxation		6,960	5,520
Taxation	7(a)	(2,131)	(1,645)
Profit before minority interest		4,829	3,875
Minority interest	21	-	7
<b>Net profit for the year</b>	<b>8</b>	<b>4,829</b>	<b>3,882</b>
Earnings per share - basic	9	KShs 10.45	KShs 8.40
- diluted	9	KShs 10.45	KShs 8.40
Dividend per share	10	KShs 1.75	KShs 1.25

# Consolidated Balance Sheet



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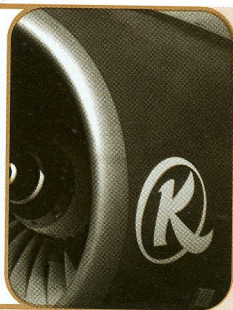
31 MARCH 2006

	Notes	2006 KShs'million	2005 KShs'million
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	11(a)	46,654	25,808
Intangible assets	12	343	74
Prepaid operating lease rentals	13	120	26
Investments in associated companies	14 (b)	137	50
Deposits	15	4,187	7,302
		51,441	33,260
<b>Current assets</b>			
Inventories	17	803	896
Trade and other receivables	18	5,231	4,134
Amounts due from related companies	28(a)	162	223
Tax recoverable	7(c)	513	-
Cash and cash equivalents	19(a)	11,144	6,309
		17,853	11,562
<b>TOTAL ASSETS</b>		<b>69,294</b>	<b>44,822</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	20	2,308	2,308
Revenue reserve		13,900	9,071
Hedging reserve		1,049	373
Proposed dividends		-	577
Minority interest	21	-	11
<b>Shareholders' funds</b>		<b>17,257</b>	<b>12,340</b>
<b>Non-current liabilities</b>			
Borrowings	22(b)	28,545	15,704
Deferred tax	23	4,969	2,786
Deferred income	26	2,704	1,092
		36,218	19,582
<b>Current liabilities</b>			
Sales in advance of carriage		4,538	3,328
Trade and other payables	24	6,493	5,549
Accruals for staff leave entitlements	25	235	670
Deferred income	26	171	153
Amounts due to related companies	28(b)	-	10
Borrowings	22(b)	4,382	2,669
Tax payable	7(c)	-	521
		15,819	12,900
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>69,294</b>	<b>44,822</b>

The financial statements on pages 48 to 80 were approved by the board of directors on 30th May 2006 and were signed on its behalf by:

Evanson Mwaniki  
Director

Titus Naikuni  
Director



# Company Balance Sheet

31 MARCH 2006

	Notes	2006 KShs' million	2005 KShs' million
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	11 (b)	46,183	25,258
Intangible assets	12	343	72
Prepaid operating lease rentals	13	119	25
Investment in subsidiaries	14(a)	403	403
Investments in associated companies	14(b)	137	50
Deposits	15	4,187	7,302
Goodwill	16	-	34
		51,372	33,144
<b>Current assets</b>			
Inventories	17	803	896
Trade and other receivables	18	5,123	4,097
Amounts due from related companies	28(a)	425	579
Tax recoverable	7(c)	546	-
Cash and cash equivalents	19(a)	11,062	6,176
		17,959	11,748
<b>TOTAL ASSETS</b>		<b>69,331</b>	<b>44,892</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	20	2,308	2,308
Revenue reserve		12,607	8,237
Hedging reserve		1,049	373
Proposed dividends		-	577
<b>Shareholders' funds</b>		<b>15,964</b>	<b>11,495</b>
<b>Non-current liabilities</b>			
Borrowings	22(b)	28,545	15,704
Deferred tax	23	5,015	2,834
Deferred income	26	2,704	1,092
		36,264	19,630
<b>Current liabilities</b>			
Sales in advance of carriage		4,538	3,328
Trade and other payables	24	6,385	5,449
Accruals for staff leave entitlements	25	221	653
Deferred income	26	171	153
Due to related companies	28(b)	1,406	1,035
Borrowings	22(b)	4,382	2,669
Tax payable	7(c)	-	480
		17,103	13,767
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>69,331</b>	<b>44,892</b>

The financial statements on pages 48 to 80 were approved by the board of directors on 30th May 2006 and were signed on its behalf by:

Evanson Mwaniki  
Director

Titus Naikuni  
Director

# Consolidated Statement of Changes in Equity



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FOR THE YEAR ENDED 31 MARCH 2006

	Share capital	Revenue reserve	Hedging reserve	Proposed dividends	Attributable to share holders of parent company	Minority interest	Total
All KShs million							
At 1 April 2004	2,308	5,766	-	346	8,420	18	8,438
Hedged exchange differences on loans	-	-	533	-	533	-	533
Deferred taxation on hedged exchange differences	-	-	(160)	-	(160)	-	(160)
Net profit/(loss) for the year	-	3,882	-	-	3,882	(7)	3,875
Dividends paid	-	-	-	(346)	(346)	-	(346)
Proposed dividends	-	(577)	-	577	-	-	-
<b>At 31 March 2005</b>	<b>2,308</b>	<b>9,071</b>	<b>373</b>	<b>577</b>	<b>12,329</b>	<b>11</b>	<b>12,340</b>
At 1 April 2005	2,308	9,071	373	577	12,329	11	12,340
Hedged exchange differences on loans	-	-	966	-	966	-	966
Deferred taxation on hedged exchange differences	-	-	(290)	-	(290)	-	(290)
Net profit for the year	-	4,829	-	-	4,829	-	4,829
Dividends paid	-	-	-	(577)	(577)	-	(577)
Acquisition by the shareholders of the parent company	-	-	-	-	-	(11)	(11)
<b>At 31 March 2006</b>	<b>2,308</b>	<b>13,900</b>	<b>1,049</b>	<b>-</b>	<b>17,257</b>	<b>-</b>	<b>17,257</b>

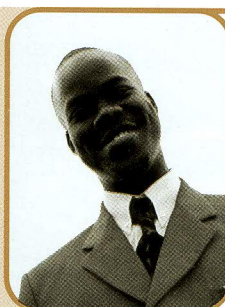


## Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2006

	Share capital	Revenue reserve	Hedging reserve	Proposed dividends	Total
All KShs million					
At 1 April 2004	2,308	5,794	-	346	8,448
Hedged exchange differences on loans	-	-	533	-	533
Deferred taxation on hedged exchange differences	-	-	(160)	-	(160)
Net profit for the year	-	3,020	-	-	3,020
Dividends paid	-	-	-	(346)	(346)
Proposed dividends	-	(577)	-	577	-
<b>At 31 March 2005</b>	<b>2,308</b>	<b>8,237</b>	<b>373</b>	<b>577</b>	<b>11,495</b>
At 1 April 2005	2,308	8,237	373	577	11,495
Hedged exchange differences on loans	-	-	966	-	966
Deferred taxation on hedged exchange differences	-	-	(290)	-	(290)
Net profit for the year	-	4,370	-	-	4,370
Dividends paid	-	-	-	(577)	(577)
<b>At 31 March 2006</b>	<b>2,308</b>	<b>12,607</b>	<b>1,049</b>	<b>-</b>	<b>15,964</b>

# Consolidated Cash Flow Statement



FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 KShs'million	2005 KShs'million
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	27	11,148	9,256
Taxation paid		(1,272)	(796)
Interest paid		(1,659)	(844)
Interest received		440	69
<b>Net cash generated from operating activities</b>		<b>8,657</b>	<b>7,685</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	11(a)	(23,408)	(12,361)
Purchase of intangible assets	12	(315)	-
Additions to prepaid lease rentals	13	(95)	-
Deposit refunds received	15	7,002	3,836
Deposits paid for aircraft purchases	15	(3,693)	(4,036)
Proceeds of disposal of property and equipment		13	84
Additional aircraft subsidy received	26	1,624	1,245
<b>Net cash used in investing activities</b>		<b>(18,872)</b>	<b>(11,232)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds of long term borrowing	22(c)	19,086	11,646
Repayment of long term borrowings	22(c)	(3,448)	(3,717)
Dividends paid	10	(577)	(346)
Buy out of minority interest in subsidiary	21	(11)	-
<b>Net cash generated from financing activities</b>		<b>15,050</b>	<b>7,583</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>4,835</b>	<b>4,036</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>		<b>6,309</b>	<b>2,273</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>19</b>	<b>11,144</b>	<b>6,309</b>