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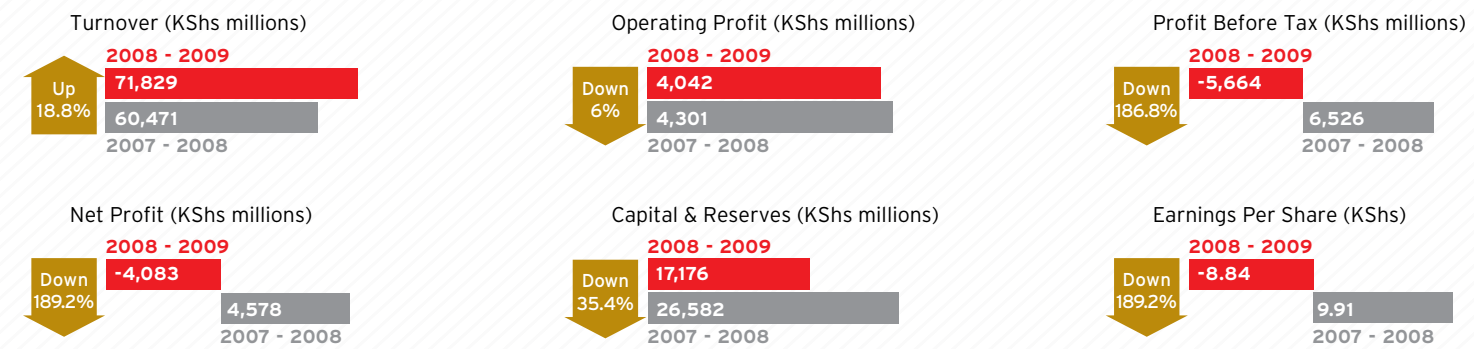
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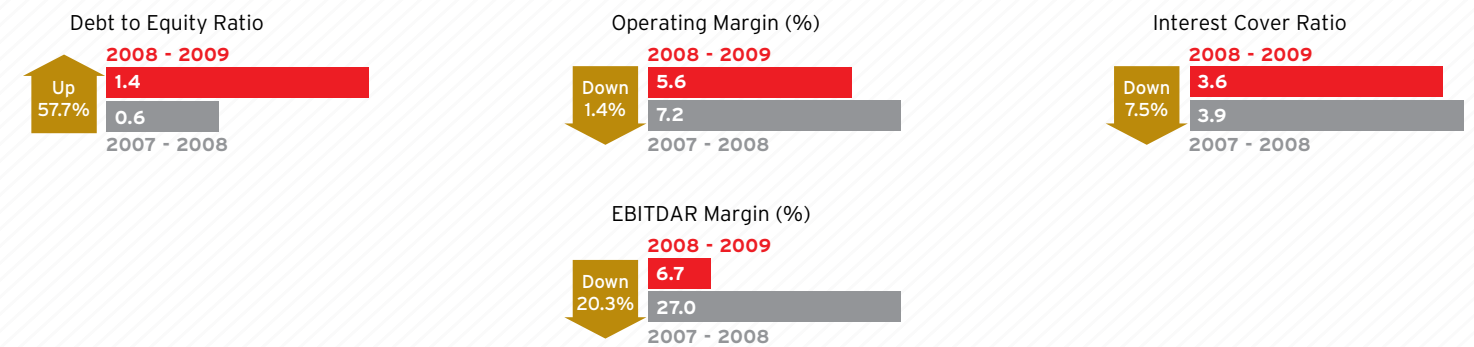
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## Highlights of the year and Operating Statistics

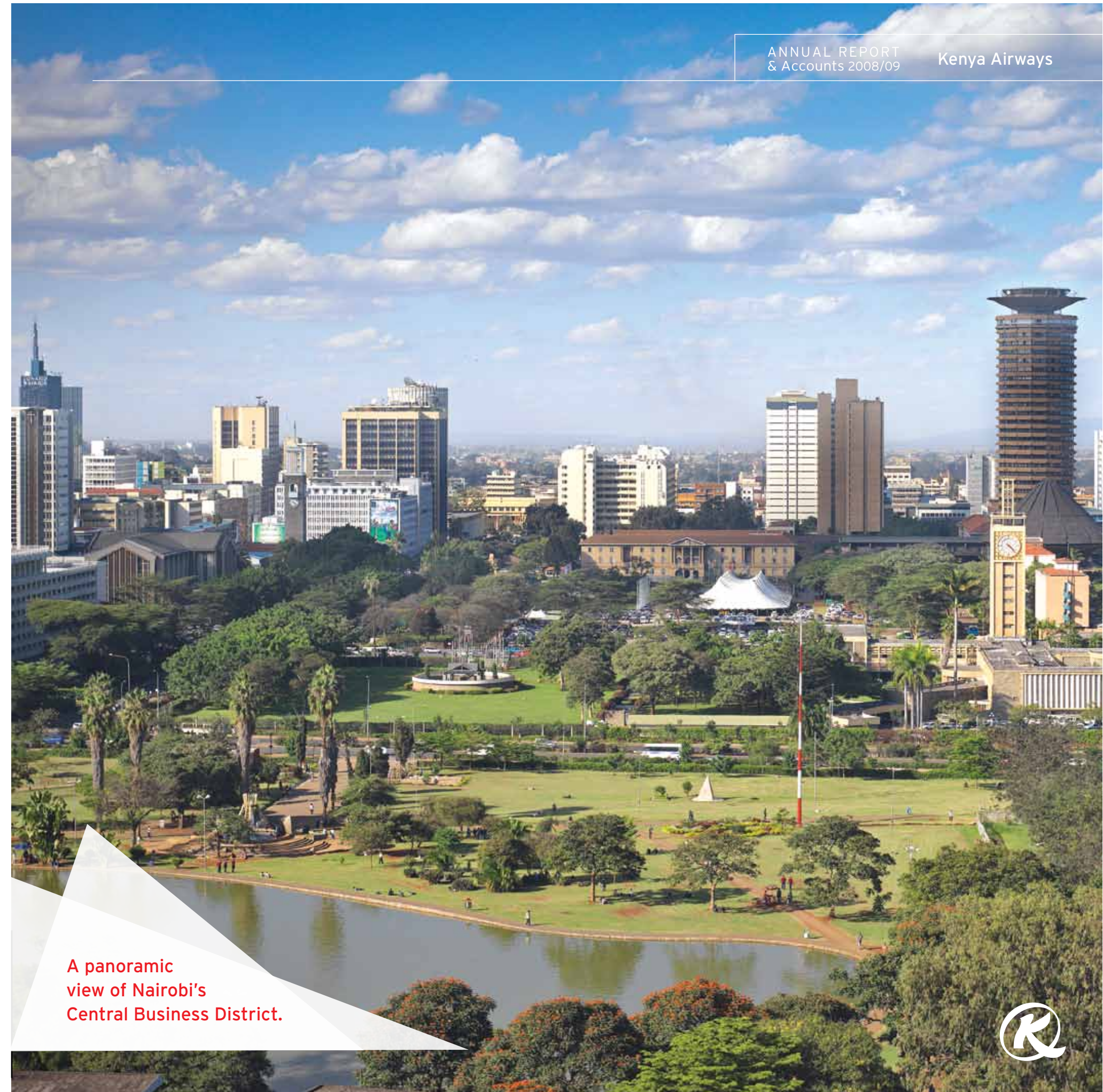
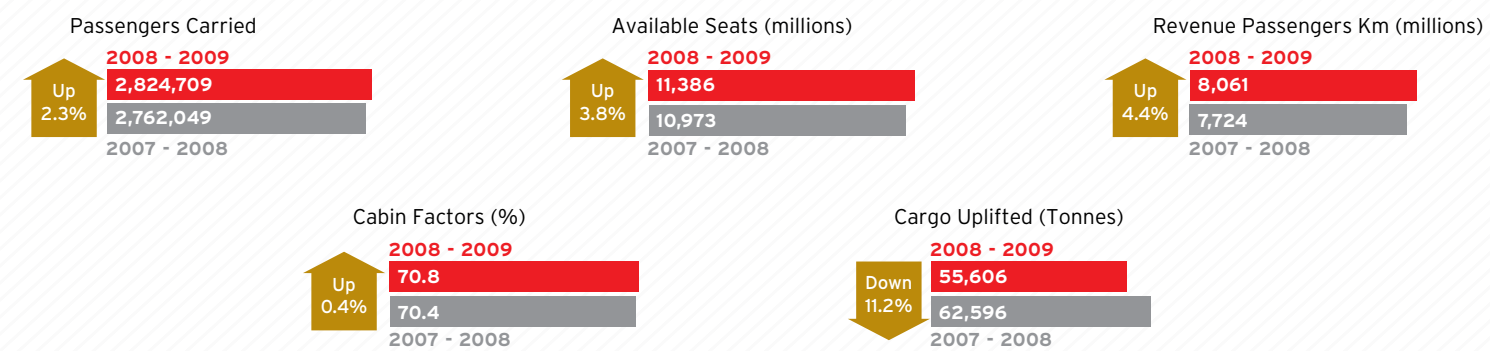
### Group Results



### Key Financial Statistics



### Operating Statistics



A panoramic view of Nairobi's Central Business District.

## Notice of the Annual General Meeting 2009

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting of the Company will be held at Moi International Sports Centre, Kasarani Gymnasium, off Thika Road, Nairobi on Friday 25 September 2009 at 11.00 am to conduct the following business:

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To consider and, if approved, adopt the Balance Sheet and Accounts for the year ended 31 March 2009 together with the Directors' and Auditors' Reports thereon.
4. To declare a final dividend of KShs 1.00 per share for the financial year ended 31 March 2009 payable to shareholders on the Register of Members at close of business on Friday 25 September 2009 and approve the closure of the Register of Members on Monday 28 September 2009 for on day only to determine the entitlement to the dividend.
5. To elect Directors:
  - a) Mr Evanson Mwaniki retires by rotation in accordance with Article 84 of the Company's Articles of Association and having attained the age of seventy years on 18 November 2008, further retires in terms of section 186(2) of the Companies Act (Cap 486), and being eligible, by virtue of a Special Notice given under Section 186(5), offers himself for re-election.
  - b) Mr Denis Afande retires by rotation in accordance with Article 84 of the Company's Articles of Association and having attained the age of seventy years on 27 February 2007, further retires in terms of section 186(2) of the Companies Act (Cap 486), and being eligible, by virtue of a Special Notice given under Section 186(5), offers himself for re-election.
  - c) Mr Alex Wainaina Mbugua who was appointed an additional Director of the Company on 14 July 2008, retires in accordance with Article 90 of the Company's Articles of Association and, being eligible, offers himself for re-election.
6. To approve the Directors remuneration.
7. To authorise the Directors to fix the remuneration of the Auditors, Deloitte.

### SPECIAL BUSINESS

8. To consider and, if approved, pass the following Special Resolution;
 

"That the Articles of Association of the Company be amended as follows;

#### Article 142.

By deleting in it entirety and substituting the following new Article.

"Any notice or other document may be served by the Company on any member or Director either personally or by sending it through the post (by airmail where service is available) in a prepaid latter, or by facsimile or through electronic media addressed to such Member or Director at his



## Notice of the Annual General Meeting 2009

registered address as appearing in the Register of Members or the Company's other records, whether such address shall be within or outside Kenya. In such case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members and notice so given shall be sufficient notice to all joint holders.

Provided that in the case of an Annual General Meeting, such notice may also be given by:-

- (a) Publishing a notice containing a summary of both the annual financial statements and auditors' report, in at least two daily newspapers with national circulation for at least two consecutive days; or
- (b) Sending to every member, a notice through the electronic media containing a summary of both the annual financial statement and auditors' report."

#### Article 143.

By deleting in its entirety and substituting the following new Article.

"Where a notice or other document is sent by post it shall be deemed to have been served on the third day after the day on which it was posted, if addressed within Kenya, and on the fifth day after the day on which it was posted, if addressed outside Kenya. In proving such service or sending, it shall be sufficient to prove that the cover containing the notice or document was properly addressed and put into the post office as a prepaid latter or prepaid airmail letter. Where a notice is sent by facsimile or electronic media it shall be deemed to have been served at the expiration of twenty-four hours after the time at which it was sent. Where notice is published in a daily newspaper, it shall be deemed to be served on the day on which it is first published."

### BY ORDER OF THE BOARD

Fiona C. Fox  
Secretary

Date: 4 June 2009

Notes:

1. Any member may by notice duly signed by him or her and delivered to the Secretary, Office of Senior Legal Counsel, Kenya Airways Limited, Headquarters, Airport North Road, Embakasi, PO Box 19002, 00500, Nairobi, not less than 7 and not more than 21 days before the date appointed for the Annual General Meeting, give notice of his intention to propose any other person for election to the Board, such notice is to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the company.
2. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is attached to this notice, must be duly completed and signed by the member and must either be lodged at the offices of the company's share registrars, Custody & Registrar Services Limited, 6th Floor, Bruce House, Standard Street, PO Box 8484, GPO 00100, Nairobi or be posted, so as to reach Custody & Registrar Services Limited not later than Thursday 24 September 2009 at 11.00 am.



## Tangazo la Mkutano Mkuu wa Mwaka 2009

ILANI inatolewa ya kwamba Mkutano mkuu wa 33 wa kila mwaka wa shirika la Kenya Airways utafanyika katika ukumbi wa michezo wa kimataifa wa Moi International Sports Centre, Kasarani, kwenye barabara kuu ya Thika, mnamo Ijumaa tarehe 25 Septemba 2009 kuanzia saa Tano asubuhi ili kuendesha shughuli zifuatazo:

1. Kuorodhesha majina ya wawakilishi na kujua idadi ya waliohudhuria mkutano.
2. Kusoma ilani ya kuitisha mkutano Mkuu.
3. Kupokea na kuthibitisha, na ikikubaliwa, kukubali Taarifa ya kifedha ya mwaka uliomalizika Machi 31, 2009 pamoja na Taarifa za Wakurugenzi wa shirika na Wakaguzi wa Hesabu.
4. Kutangaza mgawo wa mwisho wa faida wa shilingi moja pekee kwa kila hisa kwa mwaka uliomalizika tarehe 31 Machi 2009, na kulipwa mgawo huo kwa Wenyehisa waliosajiliwa rasmi hadi kufikia kukamilika kwa saa za kazi kufikia tarehe 25 Septemba 2009 na pia kuthibitisha kufungwa kwa jarida la Wenyehisa mnamo siku ya Jumatatu tarehe 28 Septemba 2009 kwa siku moja tu ili kuwatambua wamaostahili kulipwa.
5. Kuchagua Wakurugenzi:
  - a) Bw. Evanson Mwaniki anastaafu kwa zamu kulingana na Kifungu 84 cha Kanuni za Shirika, na kwa kuwa amefikisha umri wa miaka 70 mnamo tarehe 18 Novemba 2008, pia anajuzulu kulingana na Kifungu 186(2) cha sheria za Makampuni chini ya Kifungu cha 186(5), na anajitolea kuchaguliwa tena kuwa Mkurugenzi.
  - b) Bw. Denis Afande anastaafu kwa zamu kulingana na Kifungu 84 cha Kanuni za shirika na kwa kuwa amefikisha umri wa miaka 70 mnamo tarehe 27 Februari 2007, pia anastaafu kwa zamu kulingana na Kifungu 186(2) cha sheria za Makampuni kifungu (486) na anajitolea kuchaguliwa tena kuwa Mkurugenzi.
  - c) Bw. Alex Wainaina Mbugua ambaye aliteuliwa kuwa Mkurugenzi wa ziada mnamo tarehe 14 Julai 2008, anastaafu kulingana na kifungu 90 cha Kanuni za shirika na anajitolea tena kuchaguliwa kuwa Mkurugenzi.
6. Kuidhinisha malipo ya Wakurugenzi.
7. Kuwaruhusu wakurugenzi kuamua malipo ya Wakaguzi wa Hesabu, Deloitte.

### SHUGHULI MAALUM

8. Kuthibitisha na ikikubaliwa, kupitisha mapendekezo yafuatayo;
 

“Kwamba Kanuni za Kampuni zifanyiwe mabadiliko kama ifuatavyo;

#### Kifungu 142.

Kufutulia mbali kifungu cha kanuni hizi na kuibadilisha na kifungu kifuatacho.

“ Ilani yoyote au stakabadhi inaweza kutolewa na Kampuni kwa mtu yoyote au Mkurugenzi kwa kukabidhiwa mhusika mwenyewe au kupitia njia ya

## Tangazo la Mkutano Mkuu wa Mwaka 2009

posta, au kwa njia ya barua pepe au kupitia vyombo vya habari ikiwa na jina la anayehusika na anuani yake kamili hata kama anuani hiyo iko humu nchini au nje ya nchi. Na iwapo wenye hisa ni wawili, basi ilani au stakabadhi zote zitatolewa kwa mwenyehisa mmoja ambaye jina lake ndilo la kwanza kwenye orodha ya wenyehisa wa Kampuni, na ilani kama hiyo itatosha kuwafahamisha wote wawili.

Na ikiwa ni ilani au tangazo la Mkutano Mkuu wa mwaka, ilani kama hiyo itatosha ikitolewa kupitia:-

- (a) Kuchapisha ilani yenye kuelezea kwa ufupi taarifa za kifedha za mwaka na taarifa za wakaguzi wa hesabu, kwenye magazeti mawili makuu ya humu nchini kwa siku mbili mfululizo, ama,
- (b) Kutuma kwa kila mwenyehisa, ilani kupitia vyombo vya habari yenye taarifa za kifedha za mwaka na taarifa za wakaguzi wa hesabu.

#### Kifungu 143.

Kufutulia mbali kifungu cha kanuni hizi na kuibadilisha na kifungu kifuatacho.

“Iwapo ilani au stakabadhi yoyote imetolewa kwa njia ya posta itachukuliwa kwamba imewafikia wahusika katika siku ya tatu tokea kupostiwa, ikiwa ni kwa humu nchini, iwapo ni nje ya nchi itachukuliwa kwamba imewafikia wahusika siku ya tano baada ya kupelekwa posta. Ikithibitishwa kwamba ilani au stakabadhi hizo zimefikishwa posta, itakuwa ushahidi kamili kwamba zimefika kwa aliyehusika. Iwapo ilani itatumwa kwa njia ya barua pepe au vyombo vya habari itachukuliwa kwamba imefikishwa inakostahili itakapokamilika muda wa saa 24 baada ya kutumwa. Iwapo ilani imechapishwa kwenye gazeti la kila siku, itachukuliwa kwamba imefikishwa siku ilipochapishwa.”

### KWA AMRI YA BODI YA WAKURUGENZI

Fiona C. Fox  
Katibu

Tarehe: 4 Juni 2009

Ilani:

1. Mwenyehisa yoyote anaweza kumpendekeza Mkurugenzi amtae kuchaguliwa katika Bodi ya Wakurugenzi wa shirika, kwa ilani yenye sahihi yake, kufikishwa kwa Katibu, Ofisi ya Mshauri mkuu wa sheria, Makao makuu ya Kenya Airways, barabara ya Airport North, Embakasi, PO Box 19002, 00500, Nairobi, katika muda usiopungua siku 7 na usiozidi siku 21 kabla ya siku ya kufanyika Mkutano mkuu wa mwaka, ilani hiyo lazima iambatane na nyengine yenye sahihi ya mtu aliyependekezwa kuthibitisha kwamba amekubali kuchaguliwa kwenye Bodi ya wakurugenzi. Anayependekezwa siyo lazima awe mwenyehisa wa shirika.
2. Mwenyehisa anayeruhusiwa kisheria kuhudhuria Mkutano Mkuu wa mwaka wa shirika na kupiga kura lakini hana nafasi ya kuhudhuria, ana haki kisheria kumchagua mtu yoyote atakayehudhuria mkutano huo na kumpigia kura kwa niaba yake. Mwakilishi huyo si lazima awe na hisa kwenye Shirika. Ili kukubaliwa, fomu ya mwakilishi huyo iliyoambatanishwa na tangazo hili la mkutano mkuu, lazima ijazwe kikamilifu na kusainiwa na Mwenyehisa na ipeleke kwa Msajili wa hisa za Shirika, Custody & Registrar services Limited, ghorofa ya 6, Bruce House, barabara ya Standard, PO Box 8484, GPO 00100, Nairobi ama kwa njia ya Posta ili ifike kabla ya siku ya Alhamisi, tarehe 24 Septemba mwaka 2009 saa Tano asubuhi.



## Board of Directors

### STANDING

FROM LEFT TO RIGHT

Mr. Micah Cheserem  
Dr. Titus Naikuni  
Mr. Peter F. Hartman  
Ms. Fiona C. Fox  
Mr. Ayisi Makatiani  
Mr. Ron Schipper

### SEATED

FROM LEFT TO RIGHT

Mr. Evanson Mwaniki  
Mr. Denis Afande  
Mr. Alex Mbugua  
Eng. Abdulrazaq Adan Ali  
Mr. Dinesh Kapila



**NOT IN THE PICTURE**

Mr. Joseph Kinyua



## Board of Directors

### Mr. Evanson Mwaniki ; Non Executive Chairman (70)

Mr. Mwaniki holds a Bachelor of Arts (Hons) from the University of London. He was the General Manager of Shell and BP between June 1989 and December 1994. Over this period Mr. Mwaniki's notable achievements included turning around the company from a loss position in 1989 to profitability. He also led the oil industry negotiations with the Government on liberalisation of the oil industry, leading to actual decontrol in October 1994 and prepared Kenya Shell & BP Kenya (including restructuring the organisation) for effective marketing in the new (liberalized) business environment. Mr. Mwaniki has represented the oil industry in various influential forums. These include the Federation of Kenya Employers and the East Africa Association. Mr. Mwaniki currently sits on the boards of various companies, including British American Tobacco Kenya (Non-Executive Chairman), East African Breweries Ltd, East African Packaging Industries Ltd and Lion of Kenya Insurance Company Ltd.

### Dr. Titus Naikuni ; Group Managing Director & Chief Executive (55)

Dr. Naikuni holds a Bachelor of Science Honours Degree in Mechanical Engineering from the University of Nairobi. He is also a graduate of the Harvard Business School's Management Development Programme (PMD71) and was awarded a Doctor of Science Engineering by the Jomo Kenyatta University of Agriculture and Technology in 2008, an honorary award in recognition of his contribution to development. He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of that company in 1995 and Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996. Between August 1999 and March 2001 Dr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by President Moi to turn around the Kenyan economy. In this capacity Dr. Naikuni served as permanent secretary to the Ministry of Information, Transport and Communications and was a member of the Board of Kenya Airways during that period. He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director of Magadi Soda and Magadi Railway Companies, a position he held up to his present Appointment with Kenya Airways in February 2003. Dr. Naikuni has had extensive boardroom experience having served on various company boards including as a member of the board of Brunner Mond (South Africa), as Chairman of the Kenya Power & Lighting Company and as Chairman of Housing Finance Company of Kenya Limited. He received the Manager of the Year Award in Kenya in 2002. He is currently a board member of Maersk Kenya Ltd, Access Kenya Ltd, CFC Bank Kenya Limited, East African Portland Company and the Kenya Tourism Board, Deputy Chairman of Magadi Soda Company Ltd and a member of Unilever Africa Advisory Council and the Lafarge Advisory Board.

### Mr. Alex W. Mbugua ; Group Finance Director (45)

Mr. Mbugua is a Member of both the Institute of Certified Public Accountants and Institute of Certified Public Secretaries of Kenya. He is also a holder of an MBA degree specializing in Corporate Finance. He has over 25 years experience in Finance, 9 of which were gained from the auditing and consulting profession and 16 from the commercial industry. He started his career in 1985 with KPMG Nairobi. In 1990, he joined the commercial world where he held senior financial positions with Lonrho East Africa and Bain Hogg Insurance. He then moved to Johannesburg, South Africa in 1999 to work as a Business Processing Consultant with PricewaterhouseCoopers. Before joining Kenya Airways in July 2008, he was the Chief Financial Officer-Africa for AngloGold Ashanti's African operations for a period of 5 years, also based in Johannesburg. He has over 10 years boardroom experience gained from sitting in several boards in Kenya, across Africa and Europe. He joined the board of Kenya Airways as Group Finance Director in August 2008.

### Mr. Dinesh Kapila ; Non-Executive Director (63)

Mr. Kapila is an advocate of the High Court of Kenya, Barrister-at-law, Lincolns' Inn, England, a partner in D.V. Kapila & Company Advocates and a practitioner in corporate, commercial and conveyancing matters. He has been actively involved in the overall privatisation strategy in Kenya as a

## Board of Directors

### Mr. Dinesh Kapila (Contd)

member of the Parastatal Reform Programme Committee of the Government of Kenya. He has been a member of the Attorney General's Task Force formed for revising and updating laws relating to companies, partnerships, investments and insolvency. He has been a member of New Issues and Economic Rejuvenation Committees of the Nairobi Stock Exchange. He has been involved in the restructuring of Kenya Airways, Kenya Ports Authority as well as The National Cereals and Produce Board. He has advised the private sector in matters pertaining to telecommunications, railways, banking, hotels, properties, industries, farming etc. and is a director of several private companies. He joined the Board of Kenya Airways in April 1991, and is currently the Chairman of the Board's Audit and Risk Management Committee and also Chairman of the Airline's subsidiary companies, Kenya Airfreight Handling Limited, African Cargo Handling Limited and Kencargo Airlines International Limited.

### Eng. Abdulrazaq Adan Ali ; Non-Executive Director (54)

Eng. Abdulrazaq Adan Ali was appointed the Permanent Secretary in the Ministry of Transport after the formation of the Grand Coalition Government, on 20th April 2008. Before his appointment, Eng. Ali was the Managing Director of the Ewaso Ng'iro North Development Authority, an appointment he has held since 29th May 2000. Eng. Ali's extensive career has seen him work in various technical and managerial positions being responsible for among other tasks, policy development and planning, projects design, strategic planning, coordinating projects implementation, projects supervision, monitoring and evaluation and training. A BSc graduate in Civil Engineering from the University of Dar-es-Salaam, he also holds an MSc in Civil Engineering from the University of Leuven, Belgium, an MBA from Maastricht School of Management, in addition to post-graduate certificates in Irrigation, Soil and Water Management and Environmental Planning and Management from training institutes in Israel and Japan respectively. Eng. Ali is a registered Consulting Engineer with the Engineers Registration Board of Kenya and a Fellow of the Institute of Engineers of Kenya (FIEK). A leading expert in environmental impact assessment, Eng. Ali is also an Associate Member of the Chartered Institute of Arbitrators, UK. He has been appointed to work for various working groups namely, The Africa Focus Group, The International Commission on Irrigation and Drainage between 1995 and 2000 and was a member of the National Working Group on Operational Water Resource Management and Information Systems in the Nile Basin countries, between 1997 and 2000. He was a member of the Task Force for the Review of the Water Act, and Chairman of The Kenya Red Cross Society, Isiolo Branch. Eng. Ali has worked in various senior positions at the National Irrigation Board, Tana and Athi River Development Authorities and The Agricultural Development Corporation. He also worked with Sir M. MacDonald Partners and Consulting Engineers in the UK from 1981 to 1984 as Resident Engineer. He was appointed to the Kenya Airways Board on 29th May 2008.

### Mr. Peter F. Hartman ; Non-Executive Director (60)

Mr. Peter F. Hartman studied Mechanical Engineering at Amsterdam Polytechnic, followed by Business Economics at Erasmus University in Rotterdam, where he received his Master's degree. Mr. Hartman joined KLM as a work analyst for the Controllers Department of Engineering & Maintenance on October 29, 1973. He was appointed Controller - Work for Third Parties at Engineering & Maintenance in 1975. In the years that followed he held various positions as controller in the Netherlands and abroad. In 1984, he was appointed Director - Technical Contract Services responsible for sales of KLM technical maintenance services to other airlines. In 1987 he was appointed Project Manager - Schiphol 2000. On January 1, 1989, he became Vice President - KLM Ground Services Schiphol. In this capacity he was responsible for all handling processes at Schiphol and all KLM outstations. Mr. Hartman became Senior Vice President - Customer Services on October 1, 1990, and on April 15, 1994, he was appointed Executive Vice President - Personnel & Organization. On January 1, 1996, Mr. Hartman took up the post of Executive Vice President - Engineering & Maintenance followed by his appointment on August 6, 1997 to the KLM Board of Managing Directors. On the 1st of April, 2007, he became the President and CEO of KLM.



## Board of Directors

### Mr. Ron Schipper ; Non-Executive Director (64)

Mr. Ron Schipper was born in 1945 in Bussum in the Netherlands. He joined KLM in 1969, flew for 3 years as a cabin attendant and was then transferred to cabin crew management where he worked in various management positions until 1977. He was appointed Manager of the Cabin Crew Training Department at Schiphol in the same year. He left the Netherlands in 1980 for his first posting abroad as Manager Cabin Crew seconded to Nigeria Airways in Lagos. In 1982 he was appointed Sales Manager, Kenya based in Nairobi after which he was transferred to the UK in 1984 as District Manager, Northern England based in Manchester. In 1986 Mr. Schipper was appointed General Manager Ghana and in 1989 he spent a brief period in France as interim General Manager based in Paris before returning to the Netherlands to take up the appointment of Executive Secretary of the Passenger Division. Thereafter he was seconded in 1991 to Antillean Airlines in Curacao as Managing Director. He returned to the continent close to his heart, Africa, in 1994 and currently holds the position of Vice President and Area Manager Africa based in Johannesburg where he currently lives.

### Mr. Denis D. Afande ; Non-Executive Director (72)

Mr. Afande was for many years a career diplomat, having served in various positions including Ambassador to the United States of America and United Nations, Geneva. He also served as Permanent Secretary (Ministries of Home Affairs and Health). His previous appointments also include chairmanship of the Capital Markets Authority, Kenya Power and Lighting Company and National Council for Children Services. He is currently a member of several other charitable organizations. He was appointed to the Board of Kenya Airways on 26th November 2004 and is currently the Chairman of the Board's Staff and Remuneration Committee and the Nominations Committee.

### Mr. Joseph Kinyua ; Non-Executive Director (57)

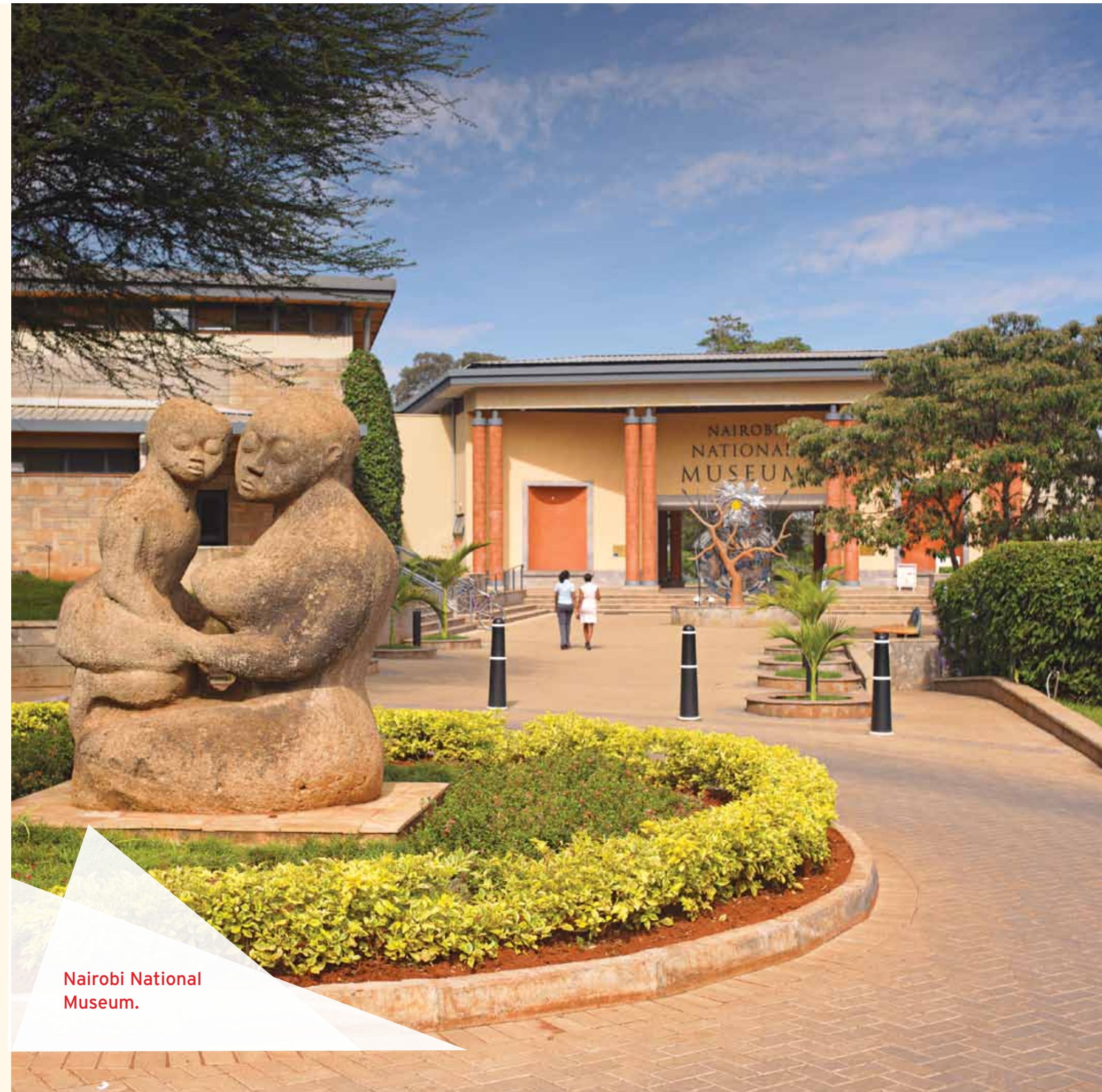
Mr. Kinyua is the Permanent Secretary, Ministry of Finance. He is a career economist having served in various capacities in the Treasury and Central Bank. He has also been involved in several projects with the International Monetary Fund both within Kenya and abroad. He holds MA and BA degrees in Economics (University of Nairobi). He is currently a member of the Board's Audit and Risk Management Committee and the Nominations Committee.

### Mr. Ayisi Makatiani ; Non-Executive Director (42)

Mr. Makatiani has extensive management experience and operational knowledge of African markets. He holds a Bachelors degree in Electrical and Electronics Engineering from Massachusetts Institute of Technology (MIT). He is currently Managing Director and Chief Executive Officer of African Management Services Company. He has previously served as Managing Partner of Gallium Partners Investments, Non-executive chairman of MCI/UUNET Africa and Founder and Chief Executive Officer of Africa Online Holdings. Mr. Makatiani has been voted among the leading top 15 CEOs in East Africa, three years in a row, in the annual PricewaterhouseCoopers-Nation Media Group survey of the top CEO's in Kenya, Uganda, Tanzania and Rwanda. He is currently a member of the Board's Staff and Remuneration Committee.

### Mr. Jos Veenstra ; Alternate Executive Director (42)

Mr. Veenstra is a Chartered Accountant. After completing his studies in Business Economics at the University of Groningen in 1991 he worked with KPMG as an auditor. He joined KLM in 1996. He has served in various financial positions for KLM in the Netherlands. During the last four years, he was Vice President Finance and Control for the Engineering and Maintenance division of KLM. He is currently also a board member for KLM Ground Services Limited as well as KLM UK Engineering Limited. Currently he is the Holdings Manager for KLM and responsible for the monitoring of KLM's corporate holdings. He is a member of the Board's Audit and Risk Management Committee.



Nairobi National  
Museum.



## Chairman's Statement



Mr Evanson Mwaniki

**"Our goal to interconnect Africa and link the entire continent to the rest of the world continued in earnest."**

### Industry Overview

The global economy faced unprecedented challenges in 2008 following the crisis in the United States housing sector in 2007 and consequently the financial markets. Subsequently, the global economy experienced slower growth against projected outcomes for 2008. The global economy is estimated to have expanded by 2.7% in 2008 from 3.7% and 3.9% in 2007 and 2006, respectively. The slower growth rates experienced in 2008 are further attributed in part to high commodity and crude oil prices. Most advanced economies experienced a recession during the review period, a situation that is projected to continue until 2010.

World trade experienced a slump in 2008 growing by 4.8% compared to 7.0% in 2007. The reduced growth in trade was due to shrinking markets in Europe and America as well as countries seeking to meet domestic demand for basic food stuffs. However, commodity-exporting countries still benefited from the generally high export prices in the global market.

Oil prices experienced sporadic spikes in 2008, reaching an all time high of US\$ 147 a barrel in July 2008, and closed the year at US\$ 40 a barrel in December 2008. Though the prices of all oil products moved up, the consumption of transportation fuels rose due

to high growths in vehicle ownership in the emerging and developing economies. Due to strong demand for diesel that outstretched the refining capacity, its prices rose much faster than gasoline.

Passenger traffic slowed down to a growth of 1.6% in 2008 compared to 7.4% achieved in the previous year. Passenger demand also fell 4.6% year-over-year in December. Full-year passenger traffic growth was strongest in Latin America with 9.2% growth in capacity followed by the Middle East with 7% growth, while North America posted growth of 2.9%. Europe recorded a 1.8% growth and Asia/Pacific saw a 1.5% decline. Africa traffic declined 4% for the year. IATA forecasts a 5.7% drop in passenger traffic in 2009, which is higher than the 3% predicted in December 2008. International cargo traffic contracted by 4% for the full year. This included a 22.6% year-over-year decline in December, described as an unprecedented and shocking free-fall by IATA Director General and CEO, Giovanni Bisignani. IATA predicts a fall in cargo growth in 2009 of 13%, a higher forecast than the 5% decline estimated in December 2008.

Globally, during the first half of the year, the aviation industry was adversely impacted by high crude oil prices. Although the crude oil

prices reduced sharply in the second half of the year, most airlines did not realise the full benefits of the reduction due to forward fuel hedge contracts that resulted in losses. In view of the above, the majority of airlines are posting losses in this financial year whilst others are pushed into filing for bankruptcy. IATA, the global industry body, estimates that airlines made a combined loss of KShs 680bn in 2008 and will make further losses of KShs 376bn in 2009.

The airline industry has been described by the Director General of IATA Mr. Giovanni Bisignani, as having "fallen off the cliff". According to him, "the industry is in the intensive care; much tougher adjustments than we saw after 9-11 or SARS are required". In the past 15 months, nearly 40 airlines have been suspended from the IATA settlement system due to non-payment of bills. However, the Government bail-outs witnessed in some countries are not the panacea for the return of the airline industry to health. Instead, it is time that Governments began to work very closely with the industry to ensure that airlines have the required commercial freedoms necessary to conduct their business. The freedom to access markets, avoidance of uncalled for taxes and the ability of the airlines to merge and consolidate, are steps that need emphasis more than at any time before.

Although the aviation industry contributes only 2% of the global carbon (CO<sub>2</sub>) emissions, according to the UN's Inter-governmental Panel on Climate Change (IPCC), airlines through IATA have made a commitment to a carbon neutral growth by adopting a comprehensive IATA "Four-Pillar" strategy namely, increasing fuel efficiency, promoting advanced technological development, practicing more efficient airline operations and improved air traffic management. We urge the Government to support the inclusion of aviation emissions under the global policy championed by the International Civil Aviation Organization (ICAO). The proposal by the EU to include airlines in their Emission Trading Scheme (ETS) is not only unacceptable but in violation of the Paris Convention of 1919 and the Chicago Convention of 1944. The challenge is to keep the many economic benefits of aviation especially to Africa, whilst conserving the environment.

### Africa

Sub-Saharan Africa's GDP growth has been forecast to dip to 5.9% in 2008 mainly due to a three-prong challenge from the global food and fuel price shocks, the global financial market turmoil and a slower world GDP growth. According to the International Monetary Fund's (IMF)

## Chairman's Statement (contd)

Regional Economic Outlook: Sub-Saharan Africa, the 2008 growth is a drop from the 6.5% growth achieved in 2007. The oil exporting countries lead this growth with a GDP growth of 8.1% compared to the oil importing countries' slower growth of 4.8%

Inflation was well contained in the 6-9% level in 2007. However, it rose to 12% in 2008 with the exception of Zimbabwe whose annual inflation rose to over 160,000%. The tailwind behind this rise was mainly the food and fuel price shocks. According to the IMF, food-related inflation rose from 10 to 12% in the first six months of 2008 while fuel rose from 12 to 19% in the same period.

The global financial turmoil dominated much of 2008 and took a turn for the worse in September 2008. Although its effects on Africa have been believed to be indirect, it has resulted in a slower global growth of 3% in 2008 down from 4% in 2007. This has seen a drop in demand for Africa's commodity exports, volatile commodity prices and a decline in resource flows to Africa in the form of private capital, remittances and aid.

Although food and fuel prices declined somewhat in 2008, they remain substantially above the 2007 averages. The World Bank says that food grain prices still stand at 50% above the 2003-2006 average while rice stands a whopping 100% higher. Through the Global Food Crisis Response Program, the World Bank provided immediate relief to countries hard hit by high food prices. The World Food Program (WFP) has approached the crisis in three phases by urgently responding to immediate needs, boosting agricultural production through medium term measures and encouraging pro-poor growth through longer term efforts to build a conducive policy environment. Most of these relief efforts have been in Africa and Asia.

Year 2008 witnessed both extremes of fuel prices. In the first half, it rose meteorically to US\$ 147 per barrel, and then in the second half plummeted to a historic low of US\$ 40 per barrel within 5 months. Despite this drop, which some analysts have attributed to hedge funds and recession in western economies, average prices for the year remained above previous years'. Fuel is a less emotive issue in Africa than food since food takes up at least 50% of a household's budget. Since most people do not have cars, fuel prices reach the people through bus and taxi fares. In 2008, fuel prices drove up bus and taxi fares, eroded profits from businesses, reduced purchasing power through inflated commodity



## Chairman's Statement (contd)

prices and similarly eroded the boom that the continent had begun to experience in 2007. As a result, economic growth in Africa slowed and poverty soared. According to the World Bank, about 50% of the people in sub-Saharan Africa still live below the poverty line.

By 2008, less than 20 African countries were on track in meeting a significant number of their Millennium Development Goals (MDGs). The world has made strong and sustained progress in reducing extreme poverty, but this trend is now being reversed by higher prices - particularly of food and oil - and the global economic slowdown, according to the UN's Millennium Development Goals Report 2008

Piracy along the coast of Somalia continued unabated in 2008 and took its toll on the global economy led by the Gulf States, the US and Europe. It amplified vessel insurance and resulted in higher prices of goods transmitted through the troubled waters. About 100 attacks were recorded in 2008 along this channel that sees 20,000 ships annually transporting goods, which include 7% of the world's oil. Egypt's economy has suffered due to the re-routing of ships over safer waters.

Health challenges, in particular malaria and HIV/AIDS, persist as major constraints to economic and social development in sub-Saharan Africa. Despite concerted effort by the World Health Organization, United Nations Children's Fund and other bodies, malaria remains the highest killer disease in Africa. Over 500 million people around the world are infected with malaria annually and about 1 million die, most of them in Africa. The World Bank's Booster Program for Malaria Control in Africa is combating the scourge by distributing long lasting insecticidal nets and more than 15 million doses of artemisinin-based combination therapy (ACT).

According to UNAIDS World AIDS Day Report, HIV infection is still on the rise on the continent with about 7,400 new infections daily. 66% of people living with AIDS are in sub-Saharan Africa as are 75% of AIDS-related deaths. The focus has mainly been on expanding treatment programs through more clinics and access to anti-retrovirals as well as education on the behavioural changes needed.

According to the Kenyan Economic Survey 2009, the financial obligations of most governments in sub-Saharan Africa are not likely to be met due to the 2008 challenges projected to spiral into 2009. With the economic downturn in developed and emerging economies, the region's worsening

current account balances projected in 2009 implies that there will be a reduction in private capital inflows to close the deficit, hence the slowed growth anticipated in sub-Saharan Africa in 2009.

Despite the global economic turmoil, Africa's real GDP growth prospects are optimistic at a projected 6.0% while commodity prices are likely to reduce to 8.3% in 2009. The continent will however face various challenges including high inflation in some countries undermining poverty reduction efforts and stabilization mechanisms. Sub-Saharan Africa is expected to recover from slackened growth recorded in 2008 to grow at 6.3% in 2009.

### Kenya

Kenya's real GDP growth is estimated to have slowed to 1.7% in 2008 down from the 7% achieved in 2007. The poor economic performance followed from the effects of the post-election violence in early 2008, high input costs of fertilizer and fuel and the adverse effects of the global financial turmoil. All sectors of the economy except building and construction, mining and quarrying and communication reported subdued economic performance in the year.

The food price shock of 2008 put an upward pressure on inflation way above the 2007 levels. Headline inflation rose from 9.8% in 2007 to 26.2% in 2008. Similarly, the underlying inflation increased from 5.7% in 2007 to 11.1% in 2008.

The Kenya Shilling appreciated against the Dollar, Pound Sterling and Euro in the first half of 2008. However, the Shilling's fortunes changed as it depreciated against the Dollar all through the second half of the year. The Shilling depreciated against the Pound Sterling in July but progressively appreciated for the rest of the year. Against the Euro, the Shilling's exchange rate was erratic for the rest of the year after a spike in July. Against the regional currencies, the Shilling appreciated all through the year except in December when both the Ugandan and Tanzanian Shillings appreciated marginally.

During the year, Kenya's balance of payments deteriorated from a surplus of US\$974 million to a deficit of US\$772 million due to higher merchandise imports compared to exports of goods and services. Net official capital and financial inflows increased but the repayment of official foreign loans increased by a higher margin. The agricultural

sector saw a decline in production in 2008. Tea and coffee output shrank by 6.4% and 25.9% respectively. Horticulture saw little growth in output of 0.5% while sugarcane output declined by 4.1%. Much of the decline is attributed to the post-election skirmishes in addition to unfavorable weather conditions.

The post-election violence that gripped the country in early 2008 led to a drop of 30.5% in international tourist arrivals. Arrivals through the Jomo Kenyatta International Airport reduced by 20.8% while those through Moi International Airport Mombasa shrank by 59.3%. The highest decline in tourist traffic was from Europe, which dropped by 46.7% followed by America at 26.3%. African arrivals declined by only 2.2%.

Political risk and the looming economic downturn will most likely determine Kenya's fortunes in 2009. Uncertainty remains as to which one will tip the scale. The first round effects of the global economic downturn were mainly felt in financial markets globally. According to the CBK's Monetary Policy Committee, the second round effects are expected by way of reduced demand for Kenyan exports as it is expected to affect global purchasing power negatively. This will further slow down economic recovery. Leading exports seem to be holding up and so is the construction industry. The latter, which is largely oiled by remittances from the diaspora, may witness a slump in 2009 as companies in the West continue with lay-offs and job cuts. Rising food prices, unreliable rainfall and drought will also play a major part in shaping Kenya's prospects in 2009. The Central Bank of Kenya has placed its 2009 forecast for economic growth at 3.6%.

### Company Performance

Our goal to interconnect Africa and link the continent to the rest of the world continued in earnest due to the co-operation between Kenya Airways and the Government of Kenya through the Ministry of Transport.

In 2008/09 the Bilateral Air Services negotiating team headed by the Ministry of Transport successfully reviewed and concluded several Bilateral Air Services Agreements (BASAs) with several countries namely Uganda, Rwanda, South Africa, Malawi, Zambia, Republic of Congo, Burkina Faso, Yemen, Iran, Australia, USA and Sri Lanka, among others. These agreements offer continuous expansion opportunities and resulting growth of the airline by allowing us to increase frequencies to hitherto untapped markets.

## Chairman's Statement (contd)

Our expansion has not been without challenges. The rapid growth has not been commensurate with the expansion of the infrastructural facilities at our hub, JKIA. Passengers connecting from West Africa to Far East continue to experience discomfort due to lack of adequate transit facilities at the airport. Although we acknowledge that JKIA is currently undergoing renovations to upgrade the amenities, the importance of facilitating the travel of passengers from West Africa by granting transit visas cannot be over-emphasized. While the debate about the user charges for the use of airports and air navigation services in Africa is still alive, the issue of taxation and levies charged by different authorities in their jurisdiction has become one of the major threats to the Airline Industry in Africa. Kenya Airways continues to be exposed to myriads of taxes and levies that have no direct relationship to the aviation industry. We will continue to urge the Government of Kenya through the Ministry of Finance to move expeditiously and conclude Avoidance of Double Taxation Agreements (DTAs) with a number of countries that we, and other Kenyan companies, operate in. Removing barriers to trade, investment and entrepreneurship in an open market should remain the preferred means of achieving long-term development.

### Passengers

Despite the difficult political and economic climate, both the capacity measured in terms of Available Seat Kilometres (ASKs) and passenger traffic increased marginally by 3.8% and 2.3% respectively. The passenger yields in US cents improved by 6.0% and strengthened even further by 11.8% when translated into Kenya Shillings, primarily due to the stronger US Dollar in the period.

Areas of high passenger traffic growth included West and Central Africa at 15.7% mainly due to increased frequencies to Kinshasa, Lagos, Accra/Freetown and Douala/Yaoundé. Modest growth of 6.7% was realised in Southern Africa due to increased frequencies on Lilongwe and Lusaka routes and more utilisation of bigger capacity aircraft on Johannesburg. The Far East recorded a growth of 4.1% mainly driven by the increase in frequencies to that region.

European traffic was the same as prior year due to the impact of post election crisis prompting temporary suspension of Paris operations and reduction of capacity to Amsterdam. The region also suffered tactical cut-backs in capacity as a consequence of a slump in demand due to global economic melt down. Despite the introduction of Antananarivo



## Chairman's Statement (contd)

into the network, East Africa marginally declined by 2.5% mainly due to the reduction of Dar es Salaam operations now in joint venture with Precision Air while Northern Africa was largely unchanged.

Domestic Kenya declined by 1.6% due to reduced travel within the country in the first half and ex-European feed into Kenya. The overall Cabin Factor remained largely unchanged at 70.8% compared to 70.4% in the prior year due to similar growth in capacity of 3.8% and passengers measured in terms of Revenue Passenger Kilometre (RPK) of 4.4%.

### Cargo

Cargo volumes reduced by 11.2% compared to prior year, but at an improved yield of 19.5% over the prior year. Marginal Cargo growth in tonnes of 3.3% was achieved in West and Central Africa, mainly as a result of increased frequencies as stated above. Regions with a significant drop in cargo uplifts due to reasons mentioned above were East Africa (28.1%), Northern Africa (18.9%), Europe (11.4%) and Southern Africa (10.8%).

### Costs

Fuel cost excluding hedge costs increased by KShs 6.7bn or 37.2% over the period compared to prior year. This significant increase was primarily driven by a high jet fuel price increase from 252/cag in 2008 to 308/cag in 2009, an increase of 21%. A further 6.3% increase was driven by higher jet fuel consumption and the exchange rate impact. As a consequence, fuel cost represented 32% of operating costs up from 29% in the prior year. Other direct operating costs largely remained unchanged over the prior year.

The overheads increase of KShs 2.0bn or 20.4% was largely because the prior year included a KShs 1.1bn write back of a provision relating to a court case made prior to 2008. The balance of KShs 0.9bn or 9% was due to recruitment and training costs of additional pilots to support future growth.

### Fuel Hedging

There have been recent changes in fuel hedging accounting rules (IAS 39) that require that changes in Fair Value balances of outstanding fuel derivatives be accounted for in the income statement. Fair Value calculations, also referred to as "Mark to Market", represent the

unrealised loss or gain relating to hedged fuel to be consumed post the balance sheet date. The unrealised loss or gain is calculated by multiplying the difference between the spot and hedge price with the future hedged fuel volumes. In order to comply with this standard, the airline is required to charge the movement in the Mark to Market (unrealised hedge loss) of KShs 7.5bn through the current year's Income Statement. As already indicated, the unrealised hedge loss relates to future fuel consumption up to 31 December 2010. The airline has also been required to restate the previous year's numbers. However, it is important to point out that this adjustment does not have any cash flow impact. Moreover, should the fuel prices not change materially, the entire KShs 7.5bn will reverse in the future periods thereby increasing reported profits.

As a result of the fair value adjustment mentioned above, the Board announces that Kenya Airways made a loss after tax in the financial year that ended on 31st March, 2009 of KShs 4.1 bn translating into a net margin of -5.7%. This compares adversely to the restated prior year profit of KShs 4.8 bn and a margin of 7.6%.

### Prospects

Whilst the Board recognises that the loss after tax compares unfavourably with the prior year's reported profits, it remains optimistic that the Company's performance will improve in the year to 31st March 2010. The main drivers of the anticipated improved performance are increased passenger numbers, better yields and a favourable exchange rate. Additionally, the Company continues to strategically focus on improving its operational integrity, through investment in staff training, improvement of systems and fleet modernisation.

The stability of the coalition Government remains vital in enabling the country to continue to attract foreign travellers. The board also recognises that the threat of new and increased levels of competition remains and is therefore increasing its investments in developing the airline's fleet, people and systems to enable the airline respond to these threats with an even more competitive product. It is also optimistic that the improved on-time performance will be maintained to ensure the airline continues to meet and exceed customer expectations.

The global economic crisis that adversely impacted the West and Asian

## Chairman's Statement (contd)

economies is now impacting Africa and the Kenyan economy. The resultant worldwide air traffic slump implies that Kenya Airways has to place itself strategically by matching capacity to demand to fully gain from the weak recovery expected in 2010. Management and the Board will continue to monitor this on a regular basis and take appropriate action. The Board would like to take this opportunity to thank all the staff, management, suppliers and loyal customers who have contributed to the airline's continued growth.

### Dividend

Despite the decline in the financial performance in the year, the Board recommends a first and final dividend of KShs 1.00 per share, for approval by shareholders at the Annual General Meeting on Friday 25th September 2009. This represents a total dividend payment of KShs 462m. The dividend will be paid on or around 23 October 2009 to shareholders on the Register of Members at the close of business on 25 September 2009.

### Shareholding

The number of shareholders on the Register of Members as at 31st March, 2009 was 76,703. Out of these, 35,243 have immobilized their shareholding in favour of CDSC Nominees Limited and opened accounts on the Central Depository System. The shareholder profiles as at 31st March 2009 is on page 51.

### Directors

Mr Micah Cheserem resigned from the Board on 4th June, 2009 following his appointment as Chairman of the Capital Markets Authority. The Board wishes to take this opportunity to thank Mr Cheserem for his much valued contribution.

### Chairman



## Taarifa ya Mwenyekiti



Bw. Evanson Mwaniki

**“Lengo letu kuunganisha miji mbalimbali barani Afrika na sehemu nyengine duniani litaendelea kama kawaida.”**

### Mtazamo wa kibiashara

Uchumi wa ulimwengu ulipata changamoto nyingi mnamo mwaka 2008 kufuatia msukosuko katika sekta ya nyumba nchini Marekani mwaka 2007 na kuathiri soko la fedha kote duniani. Kufuatia hali hiyo, uchumi wa ulimwengu ulizorota ukilinganishwa na matarajio ya mwaka 2008. Uchumi wa ulimwengu ulitarajiwa kukua kwa asilimia 2.7% mwaka 2008 kutoka asilimia 3.9% mwaka 2007 na 2006, mtawalia. Kiwango cha kuzorota kwa uchumi mnamo mwaka 2008 kilihusiana na bei ghali ya mafuta. Mataifa yaliyoendelea yalikumbwa na mfumuko wa bei katika kipindi hicho, na hali hiyo kuendelea hadi mwaka 2010.

Biashara ulimwenguni ilipata pigo kubwa mnamo mwaka 2008 na ilikuwa kwa asilimia 4.8% pekee ikilinganishwa na asilimia 7.0% mwaka 2007. Kudidimia huko kwa uchumi kulitokana na kupungua kwa soko la bidhaa za chakula katika nchi za Ulaya na Marekani. Hata hivyo, nchi ambazo zinategemea kuuza bidhaa zao nje bado zinaendelea kufaidika na bei ghali ya bidhaa katika soko la ulimwengu. Bei ya mafuta iliongezeka kwa kiwango kikubwa mnamo mwaka 2008, kufikia bei ya juu kabisa ya Dola 147 kwa pipa mnamo mwezi Julai mwaka 2008 na kufunga mwaka kwa bei ya Dola 40 mnamo mwezi Disemba. Ingawaje bei ya bidhaa zote za mafuta zilipanda, matumizi ya mafuta yanayotumiwa katika usafiri iliongezeka maradufu kutokana na watu wengi kumiliki magari katika nchi zinazoendelea. Bei ya mafuta ya diseli pia ilipanda sana kutokana na kuongezeka kwa mahitaji yake.

Idadi ya wasafiri ilipungua kwa asilimia 1.6% mnamo mwaka 2008 ikilinganishwa na asilimia 7.4% mwaka uliotangulia. Mahitaji ya wasafiri pia yalipungua kwa asilimia 4.6% kwa mwaka mzima kufikia mwezi Disemba. Mahitaji kamili ya wasafiri yaliimarika katika mataifa ya Kusini ya Marekani, kwa asilimia 9.2% na kufuatiwa na Mataifa ya Mashariki ya Kati kwa asilimia 7% huku Mataifa ya Marekani Kaskazini yalipata ongezeko la asilimia 2.9%. Mataifa ya Ulaya yalionyesha ongezeko la asilimia 1.8% na mataifa ya Asia na Mashariki ya Mbali mahitaji yao ya wasafiri yalipungua kwa asilimia 1.5%. Wasafiri barani Afrika walipungua kwa asilimia 4%. Chama cha mashirika ya safari za ndege IATA kinatarajia upungufu wa asilimia 5.7% katika mwaka 2009, ambacho ni kiwango kikubwa kilichotarajiwa kuliko asilimia 3% mnamo mwezi Disemba mwaka 2008. Kiwango cha shehena katika soko la kimataifa kilipungua kwa asilimia 4% kwa mwaka mzima. Kukiwa na asilimia 22.6% kwa kadiri ya mwaka mzima hadi mwezi Disemba, ambapo kilikuwa ni kiwango cha kushtua kilichomshangaza hata Mkurugenzi mkuu wa IATA Giovanni Bisignani. Chama cha IATA

## Taarifa ya Mwenyekiti (unaendelea)

kinatarajia kuongezeka kwa shehena mnamo mwaka 2009 kwa asilimia 13%, ambapo ni kiwango cha juu kuliko asilimia 5% iliyotarajiwa mnamo mwezi Disemba mwaka 2008.

Katika mwanzo wa mwaka 2008, sekta ya safari za ndege iliathirika vibaya kutokana na bei ya juu ya mafuta ambayo hayajasafishwa. Ingawaje bei hiyo ilipungua kwa kiwango kikubwa kufikia kipindi cha pili cha mwaka, mashirika mengi ya ndege hayakuweza kufaidika na kupungua huko kwa bei na badala yake yakapata hasara kutokana na kandarasi za muda mrefu walizoweka na kampuni za mafuta. Kutokana na hali kama hiyo, mashirika mengi ya ndege yamepata hasara katika kipindi cha mwaka huu na mashirika mengine yakikaribia kufilisika. Chama cha IATA kimebashiri kwamba kwa jumla, mashirika ya ndege kote duniani yalipata hasara ipatayo shilingi bilioni 680 mnamo mwaka 2008 na hasara zaidi ya shilingi bilioni 376 itapatikana mnamo mwaka 2009.

Sekta ya safari za ndege imetajwa na Mkurugenzi mkuu wa chama cha IATA Giovanni Bisignani, kwamba “ imeanguka kutoka kwenye mlima”. Kulingana na yeye, “sekta hii iko katika hali mahututi, marekebisho makubwa yanahitajika kufanyika zaidi ya ilivyokuwa wakati wa mashambulizi ya kigaidi ya mwezi Septemba 11 nchini Marekani au homa ya mafua ya SARS”. Katika miezi 15 iliyopita, takriban mashirika 40 ya ndege yamesimamishwa uanachama wake na IATA kutokana na kushindwa kulipa madeni yao. Hata hivyo, mipango ya serikali kadhaa kuyaokoa mashirika kama hayo iliyofanyika katika nchi nyengine, siyo dawa ya kuyafufua mashirika hayo. Inafaa serikali mbalimbali zifanye kazi pamoja na mashirika ya ndege ili kuhakikisha kwamba mashirika hayo yanapata uhuru wa kufanya biashara ipasavyo. Uhuru wa kuweza kufanya biashara zao popote pale, kueueka ushuru usiokuwa na msingi, na kuruhusu mashirika ya ndege kuweza kuungana, ni baadhi tu ya mipango inayofaa kuchukuliwa sasa kuliko wakati mwengine wowote.

Ingawaje sekta ya safari za ndege inachangia asilimia 2% pekee ya moshi wa carbon duniani, kulingana na shirika la kimataifa la mabadiliko ya hali ya hewa (IPCC), mashirika mengi ya ndege kupitia chama cha IATA yamejitolea kupunguza utoaji huo wa hewa chafu angani, kwa kufuata sera ya IATA ya kuongeza matumizi bora ya mafuta, kuunga mkono njia mwafaka za teknolojia na kufuata utendakazi bora. Mapendekezo ya Jumuiya ya Ulaya (EU) kujumuisha baadhi ya mashirika ya ndege kwenye orodha ya kuyapiga marufuku yasiende kwenye nchi wanachama, ni jambo ambalo halikubaliki na ni kinyume na Mkataba wa Paris wa mwaka

1919 na Mkataba wa Chicago wa mwaka 1944. Changamoto kubwa ni kupata faida kwa mashirika mengi ya ndege barani Afrika na wakati huohuo kuhifadhi mazingira.

### Barani Afrika

Mapato ya jumla ya raia (GDP) kwa nchi zilizoko kusini mwa jangwa la Sahara, yalitazamiwa kupungua kwa asilimia 5.9% mnamo mwaka 2008 kutokana na sababu tatu kuu, ambazo ni gharama ya juu ya bei ya chakula na mafuta duniani, msukosuko wa kiuchumi ulimwenguni na kuzorota kwa mapato ya jumla. Kulingana na makadirio ya Shirika la Fedha Ulimwenguni (IMF), kuzorota huko kwa uchumi katika kanda ya Kusini mwa Sahara, kukuwa kwake mnamo mwaka 2008 ni kupungua kwa asilimia 6.5% ukilinganishwa na mwaka wa 2007. Nchi zinazozalisha mafuta kwa wingi ulimwenguni ndizo zilizoongoza kwa kukuwa huku kwa mapato ya jumla ya kufikia asilimia 8.1% ikilinganishwa na mataifa yanayoagiza mafuta, ambapo uchumi wao ulishuka kwa asilimia 4.8%.

Mfumuko wa bei uliweza kuthibitiwa kwa kiwango cha kati ya asilimia 6% hadi asilimia 9% mnamo mwaka 2007. Hata hivyo, mfumuko huo uliweza kuongezeka hadi asilimia 12% mnamo mwaka 2008 ukiondoa nchi ya Zimbabwe ambayo mfumuko wake wa bei kwa mwaka uliongezeka kwa zaidi ya asilimia 160, 000%. Kilichosababisha ongezeko kubwa la mfumuko wa bei ni bei ghali ya chakula na mafuta. Kulingana na Shirika la IMF, mfumuko wa bei unaotokana na chakula uliongezeka kwa asilimia 10% hadi asilimia 12% katika miezi sita ya kwanza ya mwaka 2008 huku ile ya mafuta ikiongezeka kutoka asilimia 12% hadi asilimia 19 katika kipindi hicho.

Msukosuko wa kiuchumi duniani ulisambaa kwa muda mrefu katika mwaka 2008 na hali ilikuwa mbaya kufikia mwezi Septemba. Ingawaje athari za msukosuko huu barani Afrika hazikuwa za moja kwa moja, lakini ulisababisha kuzorota kwa uchumi duniani hadi kufikia asilimia 3% mnamo mwaka 2008 kutoka asilimia 4% mnamo mwaka 2007. Hali hii imeshuhudia kupungua kwa kiwango cha bidhaa zinazouzwa nje kutoka mataifa ya Afrika, bei ghali ya bidhaa katika soko la kimataifa na kupungua kwa rasilimali kutoka nje.

Ingawaje bei ya vyakula na mafuta ilipungua kwa kiasi fulani mnamo mwaka 2008, lakini bado hali haikubadilika sana. Benki ya Dunia inasema kwamba bei ya mahindi bado imefikia asilimia 50% zaidi ya kiwango cha kadiri cha mwaka 2003-2006 huku bei ya mchele ikiwa ya juu ya



## Taarifa ya Mwenyekiti (unaendelea)

kiwango cha asilimia 100%. Kupitia mpango maalum wa kuboresha tatizo la upungufu wa chakula, Benki ya Dunia, ilisaidia nchi ambazo zilikumbwa na bei ghali ya chakula. Shirika la mpango wa chakula duniani(WFP) limekabiliana na tatizo hilo kwa njia tatu ambazo ni kutoa msaada wa haraka, kuboresha uzalishaji chakula na kuhimiza miradi ya kupunguza umasikini kupitia miradi ya muda mrefu ili kuimarisha mazingira. Mingi ya miradi hii iko barani Afrika na Asia.

Mwaka 2008 ulishuhudia kiwango cha juu cha bei ya mafuta. Katika kipindi cha kwanza cha mwaka, bei ya mafuta ilipanda hadi kufikia Dola 147 kwa pipa, na katika kipindi cha miezi sita iliyofuata ikashuka hadi kufikia Dola 40 kwa pipa katika muda wa miezi mitano pekee. Kando na kupungua huku ambapo baadhi ya wachanganuzi wa mambo walihisi kunahusiana na mfumuko wa bei katika baadhi ya mataifa ya Ulaya, bei ya kadiri ya mafuta kwa kipindi hicho cha mwaka ilibakia kuwa ya juu ikilinganishwa na miaka iliyopita. Swala la mafuta halina utata mkubwa sana barani Afrika kama chakula kwani chakula huchukua kiasi kikubwa cha bajeti ya familia. Kwa kuwa watu wengi hawana magari bei ya mafuta huwakumba kwenye nauli za mabasi. Mnamo mwaka 2008, bei ya mafuta ilisababisha nauli za magari kupanda na kuwanyima wanaofanya biashara hizo faida, kupunguza uwezo wa watu kununua bidhaa muhimu na hivyo basi kulinyima bara la Afrika uchumi ulioanza kuonyesha dalili za kuimarika katika mwaka 2007. Kutokana na hali hiyo, uchumi wa Afrika ulizorota na umasikini ukaongezeka. Kulingana na Benki ya Dunia, takriban asilimia 50% ya watu barani Afrika kusini mwa Sahara bado ni maskini.

Kufikia mwaka 2008, nchi kama 20 pekee ndizo zilizokuwa katika msitari wa mbele kuafikia malengo ya milenia. Kulingana na Ripoti ya umoja wa mataifa kuhusu mipango ya milenia, japokuwa mataifa mengi duniani yamepiga hatua kubwa katika kupunguza umasikini lakini juhudi zote hizi zinadurishwa nyuma na bei ghali-haswa ya chakula na mafuta na msukosuko wa kiuchumi duniani.

Tatizo la maharamia katika pwani ya Somalia liliendelea katika mwaka 2008 na kuathiri uchumi wa dunia haswa katika mataifa ya Ghuba, Marekani na Ulaya. Tatizo hilo liliweza kufanya gharama ya malipo ya bima kuongezeka na kupandisha bei za biadhaa zinazosafirishwa na meli kupitia baharini. Mashambulizi yapatayo 100 ya uharamia yalitekelezwa

mnamo mwaka 2008 ambapo zaidi ya meli 20, 000 hutumia njia hii ya baharini kwa mwaka kusafirisha bidhaa mbalimbali, asilimia 7% ikiwa ni bidhaa za mafuta. Uchumi wa Misri uliathirika sana kutokana na meli nyingi kubadilisha njia kupeuka maharamia hao.

Changamoto za kiafya, haswa Malaria na Ukimwi, zimeendelea kuathiri maendeleo ya kiuchumi na kijamii katika mataifa yaliyoko kusini mwa Sahara. Licha ya juhudi za shirika la afya ulimwenguni (WHO), shirika la watoto la kimataifa(Unicef) na mashirika mengine, ugonjwa wa Malaria bado ndio unaouwa watu wengi zaidi barani Afrika. Zaidi ya watu milioni 500 duniani kote wengi wao wakiwa barani Afrika wanaugua ugonjwa wa Malaria kila mwaka na wengine zaidi ya milioni 1 wanafariki dunia barani Afrika. Mpango wa Benki ya Dunia wa kupambana na Malaria unakabiliana na ugonjwa huo kwa kusambaza neti zilizotibiwa.

Kulingana na ripoti ya Shirika la Umoja wa mataifa la kupambana na Ukimwi(UNAIDS), maambukizi ya Ukimwi yanazidi kuongezeka huku zaidi ya visa 7,400 vikiripotiwa kila siku. Asilimia 66% ya watu wanaoishi na virusi vya Ukimwi wanapatikana barani Afrika kusini mwa jangwa la Sahara ambapo pia kunaripotiwa vifo zaidi ya asilimia 75%. Juhudi nyingi zimekuwa zikielekezwa katika kutoa matibabu kupitia zahanati na kupatikana kwa dawa za kupambana na Ukimwi(ARVs) na kutoa elimu kwa umma kuhusu ugonjwa huo.

Kulingana na utafiti wa kiuchumi uliofanywa humu nchini mwaka 2009, matarajio mengi ya serikali za Kiafrika hayatapatikana hata katika kipindi cha mwaka 2009. Kufuatia msukosuko wa kiuchumi duniani, mapato ya kifedha ya mataifa ya Afrika kwa mwaka 2009, huenda yakapungua ili kujaza pengo lililopo na hivyo kusababisha kuzorota kwa uchumi katika mataifa yaliyoko kusini mwa Sahara.

Mbali na msukosuko wa kiuchumi duniani, kukua kwa mapato halisi ya jumla (GDP) barani Afrika kunatarajiwa kuongezeka hadi asilimia 6.0% ambapo bei ya bidhaa muhimu inatarajiwa kushuka kwa asilimia 8.3% mwaka 2009. Bara la Afrika linatarajiwa kukumbwa na changamoto mbalimbali ikiwemo mfumuko wa bei katika baadhi ya nchi na kuathiri juhudi za kupambana na umasikini. Hata hivyo, uchumi wa bara la Afrika kusini mwa Sahara unatarajiwa kukuwa kufikia asilimia 6.3% katika kipindi cha mwaka 2009.

### Nchini Kenya

Mapato ya jumla ya raia nchini Kenya (GDP) yapungua kwa asilimia 1.7% mnamo mwaka 2008 ikiwa ni kiwango cha chini cha asilimia 7 kilichopatikana mwaka 2007. Uchumi ulizorota kufuatia ghasia za baada ya uchaguzi mnamo mwaka 2008, bei ghali ya mbolea na mafuta na msukosuko wa kifedha ulimwenguni. Sekta zote za uchumi isipokuwa ujenzi, uchimbaji madini na mawasiliano ndiyo ambazo hazikuumia sana kutokana na athari hizi.

Bei ghali ya chakula ya mwaka 2008 na kupanda kuongezeka kwa gharama ya maisha kupita viwango vilivyoshuhudiwa mnamo mwaka 2007. Viwango vya juu vya kupanda kwa maisha vilifikia asilimia 26% mwaka 2008 kutoka asilimia 9.8% mnamo mwaka 2007. Kadhalika, mfumuko wa gharama ya maisha ulipanda kutoka asilimia 5.7% mwaka 2007 hadi asilimia 11.1% mnamo mwaka 2008.

Shilingi ya Kenya ilipungua thamani dhidi ya Dola ya Marekani, Pauni ya Uingereza na Euro katik kipindi cha kwanza cha mwaka 2008. Hata hivyo, thamani ya shilingi yetu ilizidi kudidimia dhidi ya Dola katika kipindi chote cha pili cha mwaka huo. Shilingi ilipungua thamani zaidi mnamo mwezi Julai na polepole ikaanza kupanda kwa miezi iliyobakia ya mwaka 2008.

Dhidi ya Euro, shilingi ya Kenya ilikuwa inayumbayumba kwa kipindi cha mwaka mzima baada ya kuimarika kidogo mnamo mwezi Julai. Dhidi ya fedha nyengine katika eneo hili, shilingi ya Kenya iliimarika dhidi ya shilingi ya Uganda na Tanzania hadi mwezi Disemba ambapo sarafu za nchi hizo mbili pia ziliimarika.

Katika kipindi hicho cha mwaka, mapato ya fedha ya Kenya yalifikia kutoka kiwango cha ziada cha Dola milioni 974 hadi mapungufu ya Dola milioni 772 kutokana na kuagiza bidhaa kwa wingi kutoka nje ikilinganishwa na kupleka bidhaa zetu na huduma nje ya nchi. Mahitaji ya fedha za serikali yaliongezeka lakini malipo ya ulipaji wa madeni ya kigeni yaliongezeka kwa kiwango kikubwa.

Sekta ya kilimo ilizorota mnamo mwaka 2008. Majani chain a kahawa zilipungua kwa asilimia 6.4% na asilimia 25.9% mtawalia. Bidhaa za maua na mbogamboga ziliimarika kwa asilimia 0.5% huku uzalishaji wa sukari ukipungua kwa asilimia 4.1%. Kupungua huku kwa uzalishaji wa mazao haya, kulihusishwa na machafuko ya baada ya uchaguzi na hali mbaya ya hewa.

## Taarifa ya Mwenyekiti (unaendelea)

Machafuko yaliyofuatia uchaguzi mkuu wa mwaka yalisababisha kupungua kwa watalii wanaokuja humu nchini kwa asilimia 30.5%. Watalii waliowasili katika uwanja wa ndege wa kimataifa wa Jomo Kenyatta walipungua kwa asilimia 20.8% huku wale waliopitia uwanja wa ndege wa kimataifa wa Moi, Mombasa ilipungua kwa asilimia 59.3%. Kiwango cha juu cha kupungua kwa watalii humu nchini kutoka Ullaya, kilifikia asilimia 46.7% kikifuatiwa na Marekani kwa kupungua asilimia 26.3% na kutoka mataifa ya Afrika asilimia 2.2% pekee.

Mwelekeo wa kisiasa na kuendelea kwa msukosuko wa kifedha ndio utakaoweza kuamua hatma ya Kenya kwa mwaka 2009. Hali ya wasiwasi bado inaendelea kushuhudiwa nchini. Hatua ya kwanza ya kuzorota kwa uchumi duniani kulianza kuonekana zaidi kwenye sekta ya kifedha ulimwenguni. Kulingana na kamati maalum ya Banki kuu ya Kenya kuhusu sera za fedha, hatua ya pili ilionekana kwa kupungua kwa mahitaji ya bidhaa za Kenya kwenye soko la kigeni. Hali hii itapunguza zaidi kuimarika kwa uchumi. Bidhaa kubwa zinazouzwa nje zaonekana bado zinajitahidi kubakia kwenye soko na pia sekta ya ujenzi imeimarika. Ujenzi ambao waonekana kufadhiliwa na fedha kutoka kwa wakenya walioko nje ya nchi, huenda pia ikazorota katika mwaka 2009 kwani kampuni nyingi za kigeni zinaendelea na kuwafuta watu kazi. Bei ya juu ya chakula, mvua isiyooaminika na ukame ndizo zitakazotoa msimamo halisi wa Kenya kwa mwaka 2009. Banki kuu ya Kenya imetabiri kwamba uchumi wa Kenya utaimarika kwa asilimia 3.6% mwaka 2009.

### Utendaji kazi wa shirika

Lengo letu la kuunganisha bara la Afrika na safari zetu kote duniani bado linaendelea vizuri kwa ushirikiano kati ya shirika la Kenya Airways na serikali kupitia wizara ya Uchukuzi. Mnamo mwaka 2008/09, kikundi maalum kutoka wizara ya Uchukuzi kilimaliza kwa mafanikio makubwa mashauriano ya pamoja na nchi kadhaa kama vile Uganda, Rwanda, Afrika Kusini, Malawi, Zambia DRC, Burkina Faso, Yemen, Iran, Australia, Marekani, Sri Lanka na nyenginezo ili kuwezesha shirika letu kufanya safari zake huko.

Mpango wa shirika wa kupanua safari zake haujakumbwa na matatizo yoyote. Hata hivyo upanuzi huo haujaenda sambamba na upanuzi wa miundomsingi iliyopo katika uwanja wa ndege wa JKIA. Wasafiri wanaounganisha safari zao kwenda Afrika magharibi na Mashariki ya mbali bado wanapata matatizo ya hapa na pale kutokana na kukosekana kwa vifaa maalum vya kuwahudumia wanaounganisha safari zao.



## Taarifa ya Mwenyekiti (unaendelea)

Ingawaje tunajua kwamba uwanja wa JKIA unafanyiwa marekebisho kwa sasa ili kuboresha huduma zake, lakini umuhimu wa kurahisisha safari kwa wasafiri kutoka Afrika magharibi hasa katika utoaji wa vyeti vya Visa ni muhimu zaidi. Huku mjadala kuhusu malipo ya kutumia viwanja vya ndege ukiwa bado unaendelea, swala la ushuru na malipo mengine yanayotozwa na nchi mbalimbali, limekuwa tishio kwa sekta ya safari za ndege barani Afrika. Shirika la Kenya Airways linaendelea kukumbana na ushuru na malipo mengine ya aina hiyo ambayo hayana uhusiano wowote na sekta ya safari za ndege. Hata hivyo, shirika litaendelea kuiomba Serikali ya Kenya kupitia Wizara ya Fedha kufanya haraka iwezekanavyo ili kukamilisha mkataba wa kuondolewa kutozwa ushuru mara mbili(DTA), ambao unatukabili katika nchi kadhaa. Kuondoa vikwazo kama hivyo, ili kutuwezesha kufanya kazi katika hali ya uwazi ndiyo njia mwafaka ya kupata mafanikio katika siku zijazo.

### Abiria wetu

Mbali na matatizo ya kisiasa na kiuchumi yanayotukabili, idadi ya abiria wetu kwa mpango wa upatikanaji wa viti kwenye ndege (ASK) waliongezeka maradufu kwa asilimia 3.8% na asilimia 2.3% mtawalia. Kiwango cha abiria kwa ulinganisho wa Dola ya Marekani kiliongezeka kwa asilimia 6.0% na kuongezeka maradufu kwa asilimia 11.8% ikilinganishwa na sarafu ya Kenya.

Sehemu ambazo zilionyeshwa ongezeko la abiria ni Afrika Magharibi na Afrika ya Kati kwa kiwango cha asilimia 15.7% kutokana na kuongeza safari zetu za kwenda Kinshasa, Lagos, Accra/Freetown na Douala/Yaounde. Kiwango cha kadiri cha asilimia 6.7% kilipatikana katika njia yetu ya Kusini mwa Afrika kutokana na kuongeza safari zetu kwenda Lilongwe, Na Lusaka na kutumia ndege zetu kubwa kwenda Johannesburg. Safari za kwenda Mashariki Ya Mbali ziliongezeka kwa kiwango cha asilimia 4.1% kutokana na ongezeko la safari zetu katika eneo hilo.

Safari za kwenda Ulaya zilisalia kama ilivyokuwa mwaka uliotangulia kutokana na athari za ghasia za baada ya uchaguzi na kukata safari zetu za kwenda Paris na kupunguza safari za Amsterdam. Kadhalika eneo hili liliathirika kutokana na mashirika mengine kukata safari zao za kuja Kenya kutokana na msukosuko wa kiuchumi duniani. Kando na kuanzisha safari za kwenda Antananarivo, safari zetu za eneo la Afrika Mashariki zilipungua kwa asilimia 2.5% kutokana na kupunguza safari zetu za

Dar es Salaam ambazo sasa tunazifanya kwa pamoja kwa ushirikiano na kampuni ya Precision Air huku eneo la Kaskazini mwa Afrika likiwa bado halijaguswa.

Abiria wa humu nchini idadi yao ilipungua kwa asilimia 1.6% lakini kwa ujumla ujazo wa ndege ulisalia kuwa asilimia 70.8% ikilinganishwa na asilimia 70.4% mwaka uliotangulia kutokana na kiwango kama hicho cha kukua kwa asilimia 3.8% na abiria kwa ulinganisho wa kiwango cha abiria na mapato yanayopatikana kwa asilimia 4.4%.

### Shehena ya mizigo

Shehena ya mizigo ilipungua kwa asilimia 11.2% ikilinganishwa na mwaka uliotangulia, lakini ikaongezeka kwa asilimia 19.5% kwa mwaka uliotangulia. Kiwango cha kadiri cha shehena ya mizigo kiliongezeka kwa asilimia 3.3% kwa upande wa safari za Afrika Magharibi na Afrika ya Kati, kama nilivyoelezea hapo awali. Maeneo yalioonyesha upungufu wa shehena ni Afrika Mashariki asilimia (28.1%), Afrika Kaskazini (18.9%), Ulaya (11.4%) na Kusini wa Afrika asilimia (10.8%).

### Gharama za mafuta

Gharama za mafuta ukiondoa viwango vilivyowekwa iliongezeka kwa shilingi bilioni 6.7% au asilimia 37.2% ikilinganishwa na mwaka uliotangulia. Kukuwa huku kulitokana na bei ya juu ya mafuta ya ndege kutoka kiwango cha 252/cag mwaka 2008 hadi kufikia kiwango cha 308/cag mnamo mwaka 2009, ikiwa ni ongezeko la kiwango cha asilimia 21%. Ongezeko jengine la kiwango cha asilimia 6.3% kilisababishwa na ubadilishaji wa fedha za kigeni na ongezeko la matumizi ya mafuta. Kufuatia hayo, gharama ya mafuta ilikuwa asilimia 32% ya gharama za uendeshaji shughuli zetu kutoka asilimia 29% mwaka uliotangulia. Gharama nyengine za uendeshaji zilisalia kamailivyokuwa katika mwaka uliotangulia.

Ongezeko la ziada la shilingi bilioni 2.0 au asilimia 20.4% lilitokana na malipo ya shilingi bilioni 1.1 tulizolipa kwenye kesi moja iliyokuwa kortini mnamo mwaka 2008. Salio la shilingi bilioni 0.9bn au asilimia 9% lilitokana na kuajiri na kutoa mafunzo kwa marubani wapya.

### Mafuta

Kuna sheria mpya zilizowekwa kwa kiwango cha mafuta tunachopata (IAS 39) ambazo zinahitaji kuonyesha stakabadhi ya jinsi idadi ya mafuta

inayopatikana inavyolipiwa malipo yake. Mpango huu wa kuhesabu kiwango cha mafuta yanayopatikana, kinahesabiwa kwa kugawanya tofauti iliyopo kati ya mafuta yanayopatikana kwa wakati huo na kiwango cha mafuta kinachohitajika kupatikana na viwango vinavyotarajiwa kupatikana. Ili kuafikiana na viwango hivi, shirika la Kenya Airways linatafikiana kulipia shilingi bilioni 7.5 kupitia stakabadhi za mapato ya kila mwaka. Kama nilivyosema hapo awali, kiwango cha mafuta yanayopatikana kinalenga matumizi ya mafuta hadi kufikia Disemba 31 mwaka 2010. Pia shirika letu limetakiwa kutoa maelezo ya idadi ya mwaka uliopita. Hata hivyo ni muhimu kueleza kwamba, mabadiliko yote haya hayana athari zozote za kifedha kwa shirika. Hata hivyo, ikiwa bei ya mafuta haitaongezeka kwa kiwango kikubwa, zile shilingi bilioni 7.5 zitarudi katika siku zijazo na hivyo basi kuongeza faida kwetu.

Kutokana na mabadiliko haya ya mafuta niliyoyataja, Bodi ya Wakurugenzi ya shirika la Kenya Airways ilitangaza kwamba shirika lilipata hasara ya shilingi bilioni 4.1 baada ya kutozwa ushuru katika mwaka wa kifedha uliomalizika tarehe 31 Machi, mwaka 2009. hii ni sawa na kiwango cha asilimia -5.7%. Hii inaonyesha athari kubwa iliyopatikana katika mwaka uliotangulia ambapo faida iliyopatikana ilikuwa ya shilingi bilioni 4.8 sawa na asilimia 7.6%.

### matarajio

Huku Bodi ya Wakurugenzi ikitambua hasara iliyopatikana baada ya ushuru, ikilinganishwa na faida iliyopatikana mwaka uliotangulia, tuna matarajio makubwa kwamba mwaka huu shirika litafanya vyema zaidi kufikia tarehe 31 Machi 2010. Sababu kubwa itakayochangia mafanikio hayo ni ongezeko la abiria na matokeo bora ya ubadilishaji wa fedha za kigeni. Pia shirika linafuata malengo yake ya utendakazi kwa kutoa mafunzo kwa wafanyakazi wake, kuboresha vifaa vilivyopo ikiwa ni pamoja na ndege zetu.

Uwezo wa serikali ya mseto unabakia kuwa kigezo muhimu cha Kenya kuweza kuwavutia wageni kutoka nje. Kadhalika Bodi ya Wakurugenzi pia inatambua kuwa kuna ushindani mkubwa wa kibiashara nahivyo inaongeza rasimili ya shirika kwa kununua ndege, wafanyakazi wake na utendakazi ili kutuwezesha kukabiliana na ushindani huu. Pia Bodi ya Wakurugenzi inatarajia kwamba mpango wa wasafiri kufika mapema kwenye viwanja vya ndege (on-time performance) utaendelezwa ili kuhakikisha kwamba shirika linatimizwa matakwa ya wateja wake.

## Taarifa ya Mwenyekiti (unaendelea)

Msukosuko wa kiuchumi ambao ulikumba zaidi mataifa ya Magharibi na bara Asia sasa umeanza kuathiri bara la Afrika na pia uchumi wa Kenya. Kadhalika kupungua kwa abiria katika safari za anga ulimwenguni kuna maanisha kwamba shirika la Kenya Airways linafaa kujiweka tayari ili kufaidika na kuimarika kwa sekta ya safari za ndege kunakotarajiwa ifikapo mwaka 2010. Usimamizi na Bodi ya Wakurugenzi kwa pamoja tutaendelea kuangalia kwa makini hali ilivyo na kuchukua hatua mwafaka. Bodi ya Wakurugenzi pia inataka kuchukua fursa hii kuwashukuru wafanyakazi wake wote, usimamizi, washiika tunaofanya nao biashara na wateja wetu ambao wamechangia kwa kukuwa kwa shirika.

### Mgawo wa hisa

Licha ya kutopata faida kubwa kwa mwaka huu wa kifedha, Bodi ya Wakurugenzi inapendekeza mgawo wa kwanza na wa mwisho wa hisa wa shilingi 1.00 kwa kila hisa, kuidhinishwa na wenyehisa wakati wa Mkutano mkuu utakaofanyika tarehe 25 Septemba 2009. Mgawo huuni sawa na shilingi 462. Mgawo huu utalipwa kuanzia tarehe 23 Oktoba 2009 kwa Wenyehisa waliosajiliwa kufikia tarehe 25 Septemba 2009.

### Kuwekeza hisa

Idadi ya Wenyehisa waliosajiliwa kufikia tarehe 31 Machi 2009, ilikuwa 76,703. Kati ya hao, Wenyehisa 35,243 wamewekeza hisa zao kwa kampuni ya CDSC Nominees Limited na kufungua akaunti za CDS. Orodha ya Wenyehisa kufikia tarehe 31 Machi 2009 iko ukurasa wa 51.

### Wakurugenzi

Bwana Micah Cheserem alijiuzulu kama Mkurugenzi mnamo tarehe 4 Juni 2009 kufuatia kuteuliwa kwake kuwa Mwenyekiti wa Halmashauri ya Masoko ya mtaji(CMA). Bodi ya wakurugenzi inamshukuru Bwana Cheserem kwa kuitumikia shirika.

### Mwenyekiti



## Management Team



**STANDING (FROM LEFT TO RIGHT)**  
Captain Paul Mwangi, Mr. Yves Guibert, Mr. Kevin Kinyanjui, Mr. Allan Fullilove.

**SEATED (FROM LEFT TO RIGHT)**  
Mr. Bram Steller, Dr. Titus Naikuni, Mr. Paul Kasimu.

**NOT IN THE PICTURE**  
Mr. Alex Mbugua

## Management Team

### Dr. Titus Naikuni ; Group Managing Director & Chief Executive (55)

Dr. Naikuni holds a Bachelor of Science Honours Degree in Mechanical Engineering from the University of Nairobi. He is also a graduate of the Harvard Business School's Management Development Programme (PMD71) and was awarded a Doctor of Science Engineering by the Jomo Kenyatta University of Agriculture and Technology in 2008, an honorary award in recognition of his contribution to development. He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of that company in 1995 and Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996. Between August 1999 and March 2001 Dr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by President Moi to turn around the Kenyan economy. In this capacity Dr. Naikuni served as permanent secretary to the Ministry of Information, Transport and Communications and was a member of the Board of Kenya Airways during that period. He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director of Magadi Soda and Magadi Railway Companies, a position he held up to his present Appointment with Kenya Airways in February 2003. Dr. Naikuni has had extensive boardroom experience having served on various company boards including as a member of the board of Brunner Mond (South Africa), as Chairman of the Kenya Power & Lighting Company and as Chairman of Housing Finance Company of Kenya Limited. He received the Manager of the Year Award in Kenya in 2002. He is currently a board member of Maersk Kenya Ltd, Access Kenya Ltd, CFC Bank Kenya Limited, East African Portland Company and the Kenya Tourism Board, Deputy Chairman of Magadi Soda Company Ltd and a member of Unilever Africa Advisory Council and the Lafarge Advisory Board.

### Mr. Bram Steller ; Chief Operating Officer (62)

Mr Bram Steller holds Netherlands' Nationality and is an MBA graduate with specialization in Organizational Consultancy and Marketing Strategy. He also holds a Bachelors Degree in Electronics Engineering. He worked with Kenya Airways as Commercial Director in 2000/01 before moving on to Jet Airways in 2002/03 as the Executive Vice President, Commercial with Jet Airways in Mumbai, India and Managing Director of Trans-Maldivian Airways from 2003 to 2008. With a career spanning over 30 years in the aviation industry, 25 of which were served with KLM Royal Dutch Airlines, lastly as Vice President Middle East, Central and South Asia based in Dubai, UAE, Mr Steller brings with him a wealth of experience in networking, scheduling, marketing, sales, cargo, in-flight and ground services. Previous postings were in Lagos, Nigeria between 1979 and 1982, Cairo, Egypt between 1984 and 1986 and Stockholm, Sweden between 1986 and 1990. He re-joined Kenya Airways on 15th August 2008.

### Mr. Alex W. Mbugua ; Group Finance Director (45)

Mr. Mbugua is a Member of both the Institute of Certified Public Accountants and Institute of Certified Public Secretaries of Kenya. He is also a holder of an MBA degree specializing in Corporate Finance. He has over 25 years experience in Finance, 9 of which were gained from the auditing and consulting profession and 16 from the commercial industry. He started his career in 1985 with KPMG Nairobi. In 1990, he joined the commercial world where he held senior financial positions with Lonrho East Africa and Bain Hogg Insurance. He then moved to Johannesburg, South Africa in 1999 to work as a Business Processing Consultant with PricewaterhouseCoopers. Before joining Kenya Airways in July 2008, he was the Chief Financial Officer-Africa for AngloGold Ashanti's African operations for a period of 5 years, also based in Johannesburg. He has over 10 years boardroom experience gained from sitting in several boards in Kenya, across Africa and Europe. He joined the board of Kenya Airways as Group Finance Director in August 2008.



## Management Team

### Captain Paul K. Mwangi ; Director Flight Operations (50)

Captain Paul Mwangi is an alumnus of Alliance High School and a firm believer in the school's motto "strong to serve". He has served Kenya Airways in various capacities since 1984. As the Director of Flight Operations, he is responsible for the training and operations of crew (pilots and cabin crew) and for In-flight Management. He joined the airline in 1984 at the age of 25, initially as a cadet officer and then as a co-pilot. He underwent progressive training in the flying of various fleets and recently checked out as Captain of Boeing 777. During his extensive flying career, he has flown a number of aircraft including Fokker 27s and 50s, Boeing 737s, the Airbus, Boeing 767 and now Boeing 777. He not only serves Kenya Airways as a Captain but also plays the role of instructor and examiner for the Kenya Civil Aviation Authority and is a part-time lecturer in Airline Operations for the Moi University MBA Program. Capt. Mwangi joined Kenya Airways management in 1998 as the Manager of Quality Systems and Standards. Since then he has served in various diverse roles including Fleet Manager for the Airbus A310-300, B767-300s, Head of Fleets Management, Head of Operations Control Centre and is currently the Director of Flight Operations. In addition to obtaining his Airport Transport License (ATPL) in Oxford UK, he also holds an MSC degree in Air Transport Management from the City University of London. He has complemented his training with IATA Diplomas in Airline Operations and Airline Strategic Management in Geneva and recently successfully completed the Programme for Management Development (PMD) at The University of Cape Town, South Africa.

### Allan Fullilove ; Technical Director (48)

Mr. Fullilove started an Engineering Apprenticeship with British Airways in 1978. Over 13 years with them, he acquired a considerable amount of experience covering all aspects of aircraft maintenance in the areas of planning, technical support and heavy and line maintenance. Thereafter, he worked for British Midland as Hangar Foreman. After developing various roles within the company, he moved to KLM UK working first as the Line Maintenance Manager and then as the Head of Base Maintenance introducing change management processes and engineering development ideas. He then joined Monarch Aircraft Maintenance in the role of Head of Aircraft Maintenance in the UK looking after seven major maintenance lines generating 400,000 man-hours per year and additionally covering third party aircraft. He looked after world wide line stations and introduced effective production planning ideas with cross functional team working and change management ideas. Allan is a holder of UK CAA licenses in all disciplines of aircraft maintenance and carries a vast amount of aircraft and engine-type approvals from the large variation of aircraft he has worked or managed - everything from the smallest Fokker 50 to the largest Boeing 747. He is vastly experienced in the engineering field linked with shop floor activities and support units and has been instrumental in implementing planning related processes. He offers a very in-depth knowledge of engine and aircraft management. He joined Kenya Airways in January 2008.

### Mr. Yves Guibert ; Director, Ground Services (46)

Mr Guibert began his aviation career in Tahiti when he joined a subsidiary of Union Transports Aeriens (UTA) in 1986 as a Load Controller. He left French Polynesia three years later having qualified as a Dispatch and Airport Duty Controller and joined UTA in Paris in the position of Relief Station Manager. For close to two years, he relieved station management and worked in various countries around the UTA network worldwide. In 1991 when Air France absorbed UTA, he was expatriated to South Africa to join the station management. He joined Virgin Atlantic as Station Manager overseeing the running of the Johannesburg and the opening of the Cape Town Stations in 1998. In 2001 he moved to Nigeria and opened the Lagos station followed by Port Harcourt. Upon the creation of Virgin Nigeria in 2005, he was detached to the new entity and undertook the task of building Ground Services from scratch before becoming Director Customer Service. At the time he left Virgin Nigeria to join Kenya Airways in April, 2009, he was managing its entire Ground Services, Training and In-Flight services operations.



## Management Team

### Kevin Kinyanjui ; Information Systems Director (42)

Mr. Kinyanjui has over 18 years experience in the Information Technology field. This includes 6 years at a management consulting firm Price Waterhouse, 6 years at Bamburi Cement Ltd and a total of 4 years in the banking sector, most recently at Housing Finance Company of Kenya Limited. He has attended many technical IT and management courses both locally and abroad. As an IT management consultant he carried out numerous management consultancy assignments in the finance, hospitality, manufacturing and service industries in both private and public sector organisations. These organisations were spread out beyond Kenya and in other African countries including Uganda, Tanzania, Malawi and Ethiopia. At Bamburi Cement where he was the head of IT, initially for the cement company alone, and thereafter for all group companies in Kenya and Uganda he was instrumental in strategy formulation, shifting the group to an end user computing environment, integrating ERP systems and putting in place a complete IT organisation. Mr. Kinyanjui was the first IT Director at Housing Finance Company of Kenya Limited where he oversaw similar planning and implementation activities for banking business systems. This included the evaluation and selection of a completely new banking system platform. In 2001 the Computer Society of Kenya awarded him the Chairman's Achievement Award in recognition of his achievements in the IT field.

### Paul Matata Kasimu ; Human Resources Director (45)

Mr. Kasimu holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi, a Masters degree in Business Administration and a Post graduate Diploma in General Management from Cambridge University. He has over 17 years Human Resource experience across Africa and the UK, initially with the Office of the President and then the Barclays Bank Group. In January 1989, he joined the Directorate of Personnel Management, Office of the President and worked as a Management Analyst. In August 1992, he joined Barclays Bank of Kenya as Manpower Planning and Development Officer and thereafter served under various capacities. These included HR Change Programme Manager between August 1999 and September 2000 and Head of Human Resources Barclays Southern Africa between May 2002 and December 2002 where he was responsible for the effective running of the HR function in Barclays Bank of Botswana, Mauritius, Zambia and Zimbabwe. Between January 2003 and December 2003, he worked as the HR Business Partner, Barclays Bank Africa in the London office, where he provided HR Consultancy services to Barclays Africa Finance and Service Delivery Directors respectively and their senior management teams in support of business strategy cutting across the 11 African businesses. From January 2004 to January 2006, Mr. Kasimu served as Regional HR Business Partner, Barclays Bank, East Africa. He received the COYA Manager of the Year award in 2008. He joined Kenya Airways on January 10th, 2006.



## Chief Executive's Statement



Dr. Titus Naikuni

**"The airline has achieved a significant improvement in its on-time performance with more than 70% of our flights leaving on time."**

The world economy is currently in the throes of the deepest recession it has faced since the 1930s with the World GDP expected to shrink by 1.9% in 2009. In recent times, we have also witnessed a crisis of liquidity whose impact continues to grow with each passing day.

The aviation industry has not been spared, having made losses of USD8.5 billion in 2008 and forecast to make further losses of USD5 billion in 2009.

The industry was already affected prior to the credit crunch due to the high cost of fuel. Now with the economies in Asia and Europe severely affected, not only has world trade diminished but less people are flying, further affecting the industry. According to IATA forecasts, passenger traffic is expected to fall by 5.7% and cargo by 13% in 2009. Manufacturers such as Airbus and Boeing are reducing order books as airlines cancel orders. Here in Kenya, we have also had to contend with the effects of the aftermath following last year's elections.

In the face of this difficult climate, we are pleased to report that Kenya Airways achieved an operating profit of Kes.4.04 billion compared to Kes.4.3 billion in 2008. However, as a result of an unanticipated drop in fuel prices which negatively impacted our forward fuel hedging position and also due to new international accounting standards which require that all fuel hedges into the future must be passed through our accounting books, the airline registered a loss after tax of Kes.5.66 billion. Had the provision of fuel hedging costs not been taken into account, our results would have reflected a profit after tax of Kes.1.3 billion.

On a happier note, we are proud to announce that the airline has achieved a significant improvement in its on-time performance with more than 70% of our flights leaving on time. We have achieved this by setting a new target at zero minutes delay tolerance as opposed to the international IATA standard of 15 minutes delay tolerance prior to departure.

In August 2008, a Chief Operating Officer was appointed to coordinate the four major Operational Departments of Flight Operations, Technical, Commercial and Ground Operations. This change in the organization structure will allow the CEO to focus more on strategic and structural issues as the airline continues to grow.

## Chief Executive's Statement (contd)

### COMMERCIAL HIGHLIGHTS

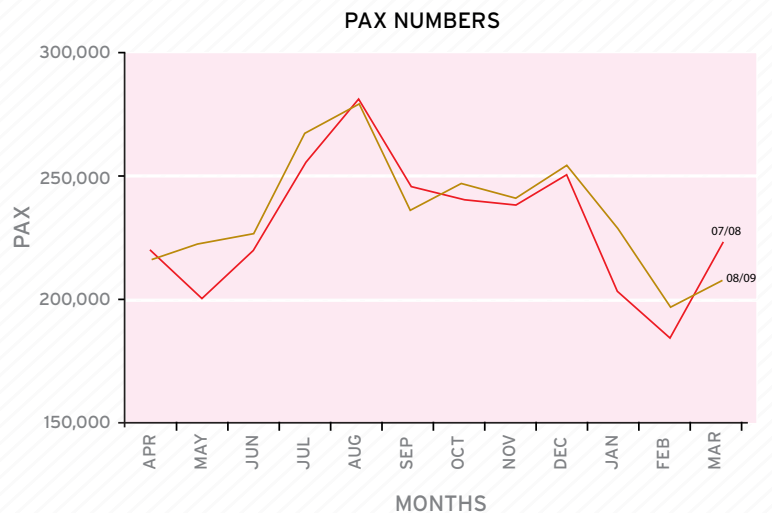
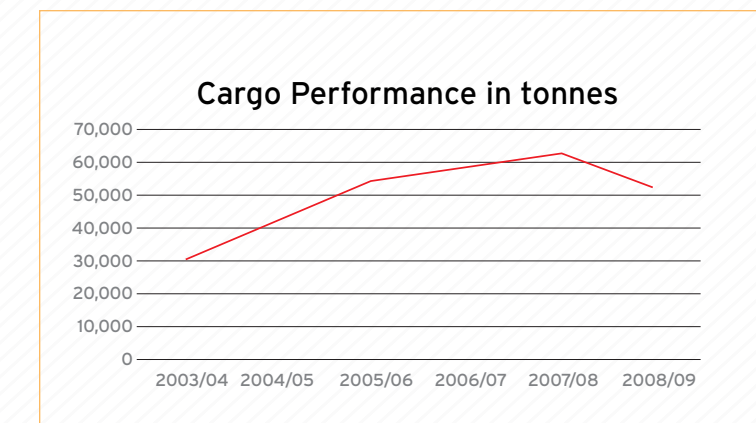
#### Business Performance

During the 2008/09 financial year, Kenya Airways carried a total of 2.82 million passengers compared to 2.76 million passengers in the previous year. In addition, the airline ferried 55.6 million kilograms of cargo across the network compared to 60.9 million in 2007/08.

The growth in passenger numbers over the prior year is primarily due to our increased capacity, the effect of which is partially offset by the negative impact on tourism from the post-election crisis. In addition, the softened global economy also impacted the demand negatively towards the end of the financial year.

Cargo revenue decreased primarily due to rationalization of capacity and decreased demand for air cargo services in a weaker global economy. In addition, the impact of drought on agricultural exports resulted in a further decrease of demand for cargo.

We are currently working with the Stamina Group to develop an improved cold chain export facility at our Cargo Centre which should be in operation before the end of 2009. The new joint venture which will be trading under the name FFF (Triple F) is expected to improve perishable throughput in our warehouse.



#### Cargo

The cargo business was buoyant until November 2008 when the effects of a depressed global economy began to impact cargo loads to and from our key markets in Europe and Asia. Further, drought in Kenya affected production levels of fresh produce resulting in reduced freight. As a result, the demand and revenues for cargo services decreased in comparison to the financial year 2007/08.

#### Network Expansion

Network changes in the year were mainly geared towards optimizing the network through capacity rationalization, introduction of new destinations, improving our connectivity and enhancing both crew and aircraft utilization.

Paris flights were reinstated in June 2008 following their suspension in February 2008 due to reduced demand following post-poll skirmishes. The Dubai-Guangzhou sector was deleted from the network due to high costs of operation in relation to the fares. Lamu flights were stopped as a result of the sale of the SAABs aircraft which were unserviceable. The remaining aircraft are too big in size to land in Lamu. The year saw the opening of our Antananarivo and Brazzaville routes in November 2008 and March 2009 respectively. For the first time in October 2008, direct services were offered to Guangzhou from an African point. The direct Nairobi-Guangzhou connection was intended to offer a competitive product by drastically cutting down on customers' travel times. The product was cancelled in January 2009 due to dwindling traffic to and from China as a result of the global economic slowdown. We decided to fly to Guangzhou via Bangkok.



## Chief Executive's Statement (contd)

To improve both capacity and connectivity in line with market demand, we increased frequencies to several destinations. In the year, night flights were introduced to Addis Ababa, Lusaka, Lilongwe, Harare and Kigali. Notably flights to Lusaka and Kigali increased in frequency to double-daily from daily flights. These night flights not only improved connectivity but also increased capacity by offering new connections to the morning flights out of Nairobi. More night flights to more destinations have now been scheduled to further enhance the so called "Wave system" of the Nairobi Hub with more evening departures and early morning arrivals available within Africa.

Codeshare agreements were signed with our new partners, China Southern and Air Mozambique during the year. These will serve to extend our reach into our partners' domestic and international points and vice versa. In addition, the Paris flights were included in our codeshare agreement with KLM/Air France from Winter 2008.

Aircraft ground times in Mumbai were drastically reduced in the year, which lowered parking charges, raised utilization of aircraft and resulted in better utilization of crew. Towards the end of the year, the focus was on stabilizing the network by rationalizing operations at the JKIA hub. The resulting efficiencies achieved such as better on-time performance, will serve to boost the network going forward.

### Website - [www.kenya-airways.com](http://www.kenya-airways.com)

Our website is an e-commerce site and a key commercial feature of the airline. The site has an average of 230,000 visitors every month. As a result of targeted search engine marketing initiatives in the 08/09 financial year, website sales surpassed the USD10 million mark. Online check-in is a relatively new feature and an average of 3% of KQ passengers used the website to check in. Passengers can book, purchase and receive e-tickets from bookings made online. Available to any KQ passenger who holds an e-ticket, online check-in improves customer satisfaction and enhances operational efficiency, whilst reducing airline costs. Extensive marketing campaigns were therefore carried out to promote the feature in the first half of the year.

### Revenue Management

We commenced a project to upgrade the Revenue Management Inventory system in the year 2008/09. This will allow us to move to

a new generation optimization system by providing such features as "point of sale" and "origin and destination" controls. This is part of an overall program to upgrade our revenue management capabilities and will include an automated pricing system and enhanced optimization system going forward. Full implementation is expected to be concluded in 2010.

### HUMAN CAPITAL

Kenya Airways had a headcount total of 4,240 people at the end of this Financial Year. The Human Resource Department's focus is to drive a high performance culture to ensure delivery of the Company Strategy. Key to this is raising people's capabilities at all levels and partnering with the business in driving innovative solutions that will promote a high performance culture and strengthen the engagement of the KQ family.

### Training and development

The drive to build people capability has seen the Company invest in a number of initiatives and programs aimed at developing its staff.

### People Development

The Pride Centre is a state of the art training and development centre officially launched in 2007. This facility houses the Company's training and development activities and boasts modern classrooms fully equipped with training/conferencing facilities, computer based training rooms, an amphitheatre and a recently installed Virtual Procedures Trainer facility for our pilots. It is an ideal learning centre, the initial phase of which has been developed at a cost of 1.3 billion in partnership with Boeing. The Kenya Airways Board has approved Phase 2 of the Pride Centre which will host a full flight B737 simulator for pilot training.

A great deal of focus has been placed in the development of personal effectiveness and leadership capability skills training for our staff. Management training programs cover such key areas as people management, communication skills, customer service, team leadership, supervisory and project management training. Over 1,500 staff have benefited from these programs. The leadership development programs aim to develop the capacity of staff who have been identified through succession planning as high potential individuals capable of taking up leadership positions in future. For fresh graduate engineering students joining the organization, the Airline offers the Graduate Engineers'

## Chief Executive's Statement (contd)

Development Program. Other programs include the KQ middle career leadership development program for upcoming team leaders and first level managers and senior leadership development modules. Approximately, 60 of our staff have gone through these leadership development programs.

Kenya Airways has also continued to invest in technical skills training for staff across all functions. Each function has instituted a number of core programs to achieve this. These include the Ab-initio and Conversion training for pilots, apprenticeship training for engineers and regulatory, cargo handling and airside safety training courses for Ground Services.

Business partnerships and industry players have been engaged on a continuous basis to enhance the staff development agenda as well as best practice exchanges. Our main partners in curriculum development and attachment opportunities include KLM, Boeing, General Electric and Rolls Royce. We have also partnered with IATA in the delivery of aviation training programs such as the airside safety management program.

### Employee Relations

There has been a campaign to foster a positive work environment during the year, whose emphasis is to facilitate proactive sessions between management and the various staff representative bodies.

In our quest to assist staff achieve their dream of owning a residential property, the Kenya Airways Board approved the development of a staff housing scheme during the year. The project will entail the development of 332 housing units on a property in Embakasi which previously belonged to Kenya Airways, but which is no longer useful to the business. It has been sold to a developer for construction of the houses giving preferential access to Kenya Airways staff. Construction works are scheduled to commence by mid 2009.

Kenya Airways has created partnerships with various trade unions with a view to increasing mutual commitment to staff welfare by building harmonious relationships through Collective Bargaining Agreements. This has seen the entry of the AAWU (Aviation and Allied Workers Union) with whom we have signed a Recognition Agreement. Negotiations for the KALPA (Kenya Airline Pilots Association) Collective Bargaining Agreement have been concluded

and once signed and registered in the Industrial Court, will remain in force until March 2010. We will continue striving to foster stable and cooperative relationships between Management and the Unions for the creation of harmonious work relations.

The Annual Family Day for staff and their families was held in November 2008 at the Ruaraka Sports Ground. It was a fun-filled day full of challenging and interactive activities for both adults and children.

### Medical and Occupational Health

In response to feedback from staff, an ultra modern Clinic was opened at International Life House in May, 2008. Two other clinics at the Head Office and JKIA provide integrated healthcare services and employee assistance programmes for staff and their eligible dependants. Occupational health checks have also been introduced for staff. A total of 48 Peer Educators, 26 Peer Counselors and 26 Trainers of Trainees have been trained to sensitize, create awareness and refer their colleagues for support services on a need basis. Emergency Health Services for Staff and Passengers at JKIA have been enhanced with emergency care personnel working on a 24-hour shift basis.

### HR Processes

Kenya Airways has invested in an Enterprise Resource Planning (ERP) system in order to ensure automation of all HR processes. The key processes already implemented include recruitment, training, leave applications and rebate ticket processing through electronic means. The Learning Management module of this system contains a learning calendar indicating the various programs available. It allows staff to view and enroll for programs online and facilitates the management of training records. Automation of our recruitment process has translated into a shift from hard copy paper applications to online applications for all vacant positions through the Company website.

### INFORMATION SYSTEMS

#### Network Planning Tools

The rapid growth and expansion of Kenya Airways and the attendant huge investment in fleet and new routes has made it imperative to equip the Network Planning and Airline Strategy Department with an appropriate Information System to enable it develop, maintain and quickly update an optimal network strategy.



## Chief Executive's Statement (contd)

The airline has acquired and implemented a network planning system solution from Lufthansa Systems. This solution is capable of addressing fleet planning and assignments, frequency adjustments, capacity rationalization, schedule synchronization, the development of new destinations, alliances and partnerships which are all important aspects in developing an optimal network strategy. The solution, which is referred to as the Network Planning Tools, has already started strengthening and improving the processes and procedures in the Department by optimizing the key aspects of network planning through analysis and evaluation to improve situation awareness and facilitate decision making.

### Customer Convenience: KQ SMS Alerts

KQ has launched a suite of SMS alert services that enable its customers to obtain information on request using their mobile phones. By sending an SMS to the number 7767, customers can now obtain information on scheduled flight departure and arrival times, flight timetables and the latest real-time update of their flight status, including cancellations or delay status. This new service is open to anyone with a query on the status of a particular flight.

### Hotel and Car Reservations ([www.kenya-airways.com](http://www.kenya-airways.com))

Through the KQ website, passengers can now make hotel reservations and even hire cars. The hotel and car option is proving very popular with business travelers as they have confidence in the partnerships that the airline enjoys with the specific service providers.

### Wireless Network Expansion at JKIA and Base

We have increased the mobility of staff working at the airside or in the aircraft on ground at JKIA through the installation of a wireless network on the airside at JKIA which enables them to access KQ systems from their laptops. This has led to an increase in their productivity. The same wireless network is used by our baggage teams which handle baggage scanning on the airside. This has led to more accurate baggage reconciliation and ensures that the right bags go to the right destinations. Another wireless network has been installed in the maintenance hangars which provides engineering staff with the same conveniences when they are working on aircraft in the hangar.



## Chief Executive's Statement (contd)

### Improvements to Airport Systems

- **Mobile Check-in trolleys:** We have introduced a number of mobile check-in trolleys which have been distributed to airports with inadequate systems infrastructure. This will ensure that such airports meet the passenger processing standards at JKIA, and also facilitate check in of passengers and bags through to their final destination.
- **Bar Coded Boarding Pass (BCBP):** BCBP is part of the IATA "Simplifying the Business" program, which has issued an industry directive for all boarding passes to be bar-coded by 2010. KQ has already gone live with the institution of 2D bar-coded boarding passes well before the IATA deadline. KQ has also introduced new BCBP compliant boarding pass paper which is 75% less expensive than the conventional boarding pass paper. This will result in cost savings for the airline as the paper is rolled out through the entire network. This financial year, the Nairobi hub and our Tanzania, Uganda, Rwanda and Burundi stations have already converted to the new paper.
- **Access Swipe Keyboards:** There are increasing demands from some countries to which KQ operates that airlines provide Advanced Passenger Information (API). For security reasons, all airlines are required to submit personal information obtained from

their passengers' passports to the immigration authorities of the destination city prior to departure from the originating airport. To manage this efficiently, KQ has installed Access Swipe keyboards at check-in counters at Unit 2 and at all transfer desks. These keyboards capture information automatically when a passport is swiped through a slot in the keyboard. This has greatly increased the efficiency and data accuracy of the check-in process at JKIA when passengers destined for an API airport are processed.

- **Crew check in locations:** Computers have been installed and located at a specific location in Unit 2 designated for crew only. This is designed to facilitate easy check-in of the crew once they get into the terminal. It has also increased the efficiency of crew tracking by enabling crew trackers to identify the location of crew as soon as they enter the airport. This has ensured that the crew have a trouble free log-in location.
- **Electronic information for roving staff and service providers at JKIA:** Roving staff and service providers at the airside who are serving aircraft are now provided with electronic information which is more accurate and constantly updated compared to the outdated paper schedules they relied on previously. This is a more efficient and convenient process for those who need access to such information.



**FLIGHT OPERATIONS**

The main focus for the Flight Operations Department in the financial year just ended was training, particularly for pilots. A total of 112 pilots were trained in the year. Due to our exacting training and examination requirements, 8 pilots from this group did not qualify and had to leave the company. Cross-fleet training was conducted throughout the year.

Recruitment of Ab-Initio pilots continued throughout the year with 26 Ab-Initio pilots and 15 Direct Entry Pilots joining the company. In the coming financial year, we plan to recruit at least 48 Direct Entry Pilots and 20 Ab-Initio pilots. This is part of our advance preparation for the arrival of new aircraft into our fleet and to accommodate the natural attrition of our staff complement due to retirement.

We are planning and scheduling our recruitment process to accommodate the exit of 23 pilots who will be leaving the airline in the next 5 years after attaining the retirement age of 63 years. At the end of the financial year, we had a total of 340 pilots against our target of 346 pilots. Of this group, 4 are Female Captains and 22 Female Co-pilots.

During the year, we acquired 2 Virtual Procedures Trainers (VPTs) for the Boeing 737 New Generation (NG) and for the Boeing 777 aircraft. This will reduce the transition training costs for the fleets by 33%.

Our Cabin Crew staff complement remains at 850 with recruitment planned for an additional 50 in the next financial year. To reflect the diversity of our operations, we now have within our numbers, 43 Thai Crew, 14 Ghanaian Crew and 7 Cameroonians. We have followed this up with the establishment of 2 Foreign Crew bases in Bangkok and Accra which has helped us manage our cost base and streamline our operational efficiency.

We have also made structural adjustments to the Department. The Operations Control Centre (OCC) now reports to the Chief Operating Officer (COO), while the Catering Department falls under Flight Operations. The Catering Department has been moved to Flight Operations in order to allow us to respond to and action feedback received regarding our meals which form a huge component of the Flight Operations responsibilities.

Since Flight Operations staff members are always on the move, we have enhanced our communication process and now hold fortnightly forums where we exchange ideas and review overall business performance.

This has helped foster a greater understanding of how Flight Operations contributes to meeting business objectives and targets. In addition to Air Safety Reports (ASR) which are continuously filed and acted upon by management, the Flight Operations Department in conjunction with the Flight Safety team has developed a robust Flight Data Monitoring System which provides feedback on all our flights across the network thereby ensuring that we are always in compliance with our standard operating procedures. This is in line with the airline's commitment to promoting a safety culture in our day to day operations.

**GROUND SERVICES****Safety**

Safety is an integral part of our operations and we at Kenya Airways are continuously driving a safety culture through various campaigns. In January 2009, we embarked on the "one safe KQ" campaign where Kenya Airways implemented IATA coordinated safety awareness workshops and class-based training for our staff to ensure a complete focus on safety. KQ is further spearheading a safety culture through the involvement of all stake holders. The impact of this effort is already being felt on our operations. During the IATA AGM held in Kuala Lumpur, Malaysia this year, Kenya Airways was the only African airline to receive an award in recognition of its dedication to the IOSA Safety Program.

**On Time Performance (OTP)**

Kenya Airways has redefined its punctuality to mean "On Time is only on time when it is ON TIME". The airline has improved on the International IATA practice of 15 minutes delay tolerance by setting the new target at zero minutes tolerance. As a consequence of a tremendous team effort, our former average of 50% of flights on time has now improved in the last financial quarter to more than 70% On Time Performance. More than 70% of our flights now not only operate on time but also connect with a high degree of reliability. This has been made possible through co-ordinated efforts by all Ground Services teams and close liaison with our Hub Control, Operations Control and Maintenance Control Centres.

Our On-Time Performance has also been facilitated by the implementation of changes in our schedules to increase KQ's ability to connect and operate as Africa's best Hub-system. Together with Partner Precision Air, Kenya Airways now connects to 37 cities in Africa, 5 key commercial centers in Asia and 3 European cities. This is beside the London, Paris and Amsterdam hubs. Kenya Airways thus connects to hundreds of destinations within Europe and North America. To enhance our communication and focus on OTP, we plan to introduce a

new system known as the Integrated Operation Control System (IOCC). Our objective remains to maintain the same high OTP particularly during the busy periods of April, July, September and December.

**Baggage**

Improvement of the Baggage Sorting Process, additional staff and equipment have ensured that Baggage arrives at its destination with a very high degree of reliability. Baggage availability on arrival is now much faster with more improvements planned in the new summer peak.

**Airport Buses**

The first ever KQ-operated Airside Passenger buses were launched in October 2008. The introduction of these three buses has greatly improved passenger facilitation and reduced the long walks that passengers were previously exposed to. Passengers are no longer exposed to adverse weather conditions during boarding and de-boarding.

**Coordinated Control Center**

Location staffing and communication facilities for a coordinated control center for Operations Control, Maintenance Control and Hub Control have been put into place together with various upgrades and enhancements of supportive and matching control systems which are scheduled to come online in phases before the end of 2009.

**Projects****Nairobi Perishable Centre - NPC**

This project is aimed at recovering our export handling business through the introduction of value adding activities in the handling of fresh produce. The project will be undertaken through a joint venture with Dutch based Stamina Group BV. The new venture will operate using a KQ license.

**TECHNICAL**

Our Technical Department supports, evaluates, assists and recommends actions to the main production workforce. It produces reliable reports which have vastly contributed to our on-time performance as evidenced by the last six months of the year.

In the 2008/09 Financial Year, the airline focused on the development of the Technical Department and its Engineers. Our aim is to increase departmental approvals under KCAA regulations and we hope to obtain EASA Part 145 as a full Aircraft Maintenance Organisation (AMO) provider within Africa in 2009. Emphasis continues to be placed on training under the aircraft type, refresher, personal based training

and corporate training programmes. We are also looking to develop more apprentices from Kenya under a new apprenticeship scheme aimed at training both young and mature apprentices who will work in our workshops and hangars. Specialized training courses have been undertaken for non-direct personnel and these include incoming goods inspection for stores inspectors, internal auditors' courses and the Airside Accident Investigation Course.

Our fleet has grown by three more B737 NG. We have also acquired an additional Embraer 170 which now brings the total number of Embraer aircraft in our fleet to three. With the sale of the last SAAB aircraft to a European buyer having been concluded in May this year, Kenya Airways now maintains an all jet fleet.

More aircraft type training has been undertaken on the Embraer due to the increase in fleet numbers. All the maintenance of the Embraer is currently performed by our highly skilled engineers, thus increasing the airline's capabilities in aircraft maintenance. The growth of the fleet has led to a corresponding increase in our support functions. All aircraft "C" checks are now performed in-house which has resulted in a significant saving for the airline as well as increasing the productivity of our staff.

In the coming financial year, we will install a new purpose built Heavy Maintenance Docking System to further enhance our maintenance capability on the fleet, whilst offering additional Time servicing.

The process of updating our current computer system OASES is currently underway and will enable us to further increase the efficiency, accuracy and productivity of our services.

All costs continue to be controlled by the elimination of outside hiring of equipment and parts and more efficient utilization of our own parts and equipment. Marked savings have been achieved in this area. We continue to look to make cost savings and improvements with the use of in-house capabilities which include such areas as workshops and support areas.

**CLIMATE CHANGE**

As we continue operating we take cognizance of the fact that our operations do have an impact on the ongoing climate change. In a view of this we are working with the industry through IATA on the pathway to carbon-neutral growth in 2020. Our first step towards this commitment is that we have begun a mapping of our total carbon foot-print which should be completed in 2009.



**CORPORATE SOCIAL RESPONSIBILITY**

Our Corporate Social Responsibility strategy for the year remained unchanged focusing on the following areas;

**Water accessibility**

Kenya Airways continues to work with local communities in its bid to provide access to sustainable, safe and adequate water supply in arid and semi arid rural communities across Africa. In the previous financial year, we sank a borehole and installed a water tank in Runana, Kiambu District at a cost Kshs. 2 million. At Kipcherere Mixed Secondary School in Baringo we sank a borehole and also assisted in the implementation of a rainwater harvesting project through the installation of storage water tanks, gutters and down pipes. The project cost Kshs.2.5 million.

**Educational Infrastructure**

We continued to "Adopt Schools" with seven schools receiving our support. These were;

- Dzorwulu School for the mentally challenged in Ghana where we put up two classrooms at a cost of Kshs.2 million.
- St. Paul's Primary School in Magaca where we constructed four classrooms fully equipped with desks at a cost of Kshs.2.6 million. The total number of classrooms constructed at this school now stands at 8.
- Farasi Lane in Lower Kabete where we renovated 14 classrooms and an administrative block at a cost of Kshs.2 million.
- Kipcherere Mixed Boarding Primary and Secondary School in Baringo where we donated Kshs.1.5 million for the fencing of the school compound and construction of a gate house and gate.
- Kaalotwari School in Kapenguria where we donated 100 desks and 10 computers at a cost of Kshs.200,000.00.

**Environmental sustainability**

Kenya Airways embarked on a "Plant a Future" project in 2007 which involves planting and tending trees on the Ngong Hills. We continued with the initiative this year and so far a total of 450,000 trees have been planted. Their survival rate is 85%. This initiative continues to be implemented with three key partners: KLM, Rolls Royce and Coca Cola but has also received massive support from the Kenya Wildlife Services, The Kenya Forestry Conservancy Department under the Ministry of Forestry, Total Kenya Ltd and many other organisations with similar objectives. The aggregate amount expended on this initiative to date is USD635,000 with Kenya Airways contributing USD220,000, Coca Cola USD180,000, Rolls Royce USD155,000 and KLM USD80,000.

**Health**

Kenya Airways assisted with emergencies such as the petrol tanker fire in Molo where we provided free transport for 9 specialist doctors from India and also ferried much needed medical equipment for reconstructive surgery for the victims. We waived carriage fees for a donation of medical supplies by the Ghanaian Government to the government of Sierra Leone following a petrol tanker fire which occurred in that country. Our assistance in this area can be quantified in the region of approximately US\$ 75,000.

Under the "Bombay Ambulance" initiative which provides support for needy patients who require to travel overseas for medical treatment, a total of 20 discounted tickets were donated.



**Kenyatta International  
Conference Centre, Nairobi.**



## Taarifa ya Afisa Mkuu



Dkt. Titus Naikuni

**“Shirika limefanikiwa kwa hadi asilimia 70% katika mpango wa ndege zake kuondoka kwa wakati unaofaa”**

Uchumi wa ulimwengu kwa sasa umezorota kwa kiasi kikubwa kuonekana tokea miaka ya 1930s huku mapato ya jumla (GDP) yakitarajiwa kupungua kwa asilimia 1.9% mnamo mwaka 2009. Katika siku za hivi karibuni, pia tumeweza kushuhudia msukosuko wa kifedha ambao athari zake zinazidi kuongezeka kila siku.

Sekta ya safari za anga pia haijasazwa, kwani sekta hiyo ilipata hasara ya Dola bilioni 8.5 mnamo mwaka 2008 na inatarajiwa kwamba sekta hiyo itapata hasara ya Dola bilioni 5 mwaka 2009.

Kabla ya hapo, sekta hii ilikuwa inakabiliwa na bei ghali ya mafuta. Huku mataifa mengi ya bara Asia na Ulaya yakiwa yamekumbwa na hali ngumu ya kuzorota kwa uchumi, biashara pia imedidimia na hata kusababisha watu wachache kusafiri kwa ndege na hivyo basi kuzidi kuathiri sekta ya safari za anga. Kulingana na mtazamo wa chama cha mashirika ya ndege duniani IATA, idadi ya abiria inarajiwa kupungua kwa asilimia 7.5% na shehena kwenda chini kwa asilimia 13% mnamo mwaka 2009. Watengenezaji ndege kama Airbus na Boeing wameanza kupunguza idadi ya ndege wanazotengeneza kwani mashirika mengi ya ndege yamepunguza maombi yao ya kutengenezewa ndege mpya. Humu nchini, imebidi tuendelee kuvumilia athari za ghasia za baada ya uchaguzi.

Licha ya hali hiyo ngumu, ni furaha yangu kutangaza kwamba shirika la Kenya Airways lilipata faida ya utendakazi ya shilingi bilioni 4.04 ikilinganishwa na shilingi bilioni 4.3 mnamo mwaka 2008. Hata hivyo, kufuatia kupungua kwa bei ya mafuta ambako hakukutarajiwa kwani pia kulitathiri katika kupanga jinsi tunavyoagiza mafuta yetu na pia kutokana na viwango vya kimataifa vilivyowekwa, ambavyo vinahitaji mashirika kuagiza kimbele kiwango cha mafuta na kuweka orodha yake ya kifedha, tulipata hasara ya shilingi bilioni 5.66 baada ya kutozwa ushuru. Kama isingekuwa hivyo, tungeliweza kupata faida ya shilingi bilioni 1.3.

Ni furaha yetu kutangaza kwamba shirika la Kenya Airways limefanikiwa kuimarisha muda wa ndege zetu kuondoka kwa wakati ambapo kwa sasa asilimia 70% ya ndege zetu zinaondoka kwa wakati unaofaa. Tumeweza kufanikiwa kuweka mikakati mipya kama ilivyopendekezwa na shirika la IATA ili kuhakikisha ndege zetu zinaondoka kwa wakati unaofaa.

## Taarifa ya Afisa Mkuu (unaendelea)

### Mizigo

Biashara ya usafirishaji shehena ilikuwa nzuri hadi kufikia mwezi Novemba mwaka 2008 ambapo athari za uchumi uliozorota zilianza kujitokeza katika njia zetu za kwenda na kurudi kutoka Ulaya na Asia. Pia hali ya ukame nchini Kenya iliathiri uzalishaji wa mazao mbalimbali ya kilimo na hivyo basi kupunguza idadi ya shehena. Kufuatia hali hiyo, mahitaji na mapato ya huduma za mizigo yakapungua ikilinganishwa na ilivyokuwa katika mwaka 2007/08.

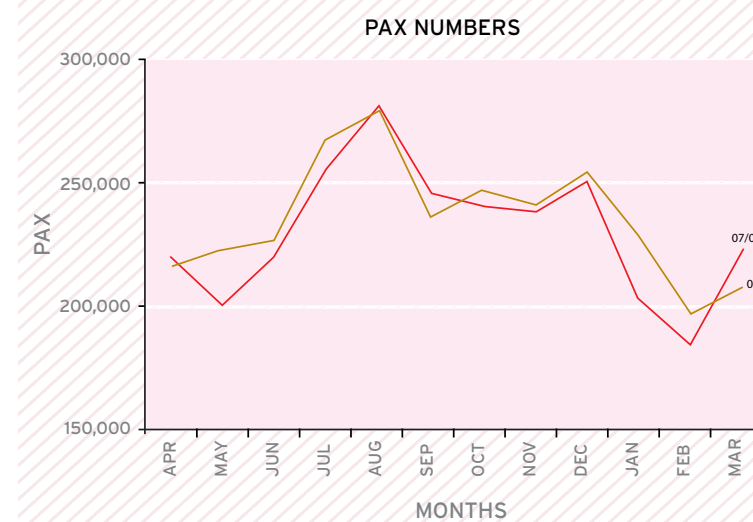
Kwa sasa tunafanya kazi kwa pamoja na shirika la Stamina Group ili kuanzisha kituo cha kuhifadhi bidhaa zinazohitaji barafu kwenye kituo chetu cha shehena ambapo tunatarajia kukamilika ifikapo mwishoni mwa mwaka 2009. Mradi huu wa pamoja utajulikana kwa jina la FFF (Triple F) na unatarajiwa kuimarisha kuhifadhi bidhaa zinazoharibika kwa haraka.

Mnamo mwezi Agosti, 2008, Afisa anayesimamia Uendeshaji aliteuliwa ili kushirikisha idara kuu nne za Usimamizi wa safari, Kiufundi, Biashara na Shughuli za huduma kwenye viwanja vya ndege. Mabadiliko haya yatampa fursa nzuri Afisa Mkuu kuweza kushughulikia mambo muhimu yanayohusu shirika.

### Mtazamo wa kibiashara

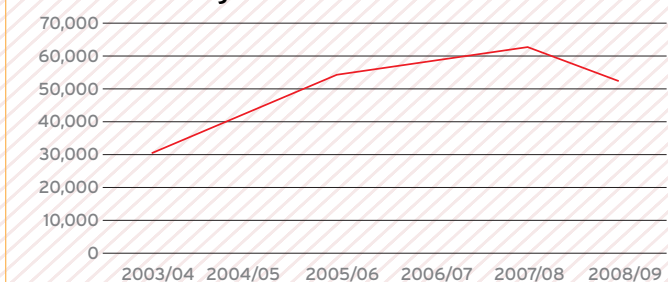
Mnamo mwaka wa kifedha 2008/09, shirika la Kenya Airways liliweza kubeba abiria milioni 2.82 ikilinganishwa na abiria milioni 2.76 mwaka uliotangulia. Kadhalika, shirika lilisafirisha shehena kilo milioni 55.6 katika mataifa mbalimbali ikilinganishwa na kilo milioni 60.9 katika kipindi cha mwaka 2007/08.

Ukuaji huu wa idadi ya wasafiri ikilinganishwa na mwaka uliotangulia unatokana na kuimarika kwa uwezo wetu wa kubeba abiria, ambapo matokeo yake yaliweza kuzidi athari mbaya za sekta ya utalii kufuatia ghasia za baada ya uchaguzi. Kadhalika, kuzorota kwa uchumi duniani kuliweza kutuathiri vibaya kufikia mwisho wa mwaka.



Mapato kutokana na shehena ya mizigo yalipungua kutokana na viwango vilivyowekwa vya ubebaji mizigo kwenye ndege na upungufu wa shehena kutokana na uchumi hafifu wa ulimwengu. Pia hali ya ukame iliathiri zaidi uzalishaji wa mazao ya kilimo na hivyo kupunguza mahitaji ya kubeba shehena.

### Cargo Performance in tonnes



### Njia zetu za safari

Mabadiliko yaliyofanyiwa njia zetu za safari kwa mwaka huu, yalilenga kutumia vizuri uwezo wa shirika katika safari zake, kubuni njia mpya za safari kuboresha matumizi bora ya wafanyakazi wetu na ndege zetu.

Safari za kwenda Paris zilirudishwa mnamo mwezi Juni 2008 kufuatia kusimamishwa kwake mnamo mwezi Februari mwaka 2008 kutokana na kupungua kwa mahitaji yaliyosababishwa na ghasia za baada ya uchaguzi. Safari za kwenda Dubai-Guangzhou zilifutwa kabisa kutokana na gharama ya juu inayotokana na nauli. Safari za kwenda Lamu zilisimamishwa baada ya kuuzwa kwa ndege aina ya SAABs ambazo zilikuwa na gharama ya juu ya kuzifanyia marekebicho. Ndege zilizosalia



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ni kubwa mno kwa kutumia uwanja wa Lamu. Mwaka ulipoanza tulizindua safari za kwenda Antananarivo na Brazzaville mnamo mwezi Novemba na mwezi Machi 2008, mtawalia. Kwa mara ya kwanza, mnamo mwezi Oktoba 2008, safari za moja kwa moja kwenda Guangzhou zilianzishwa kutoka nchi moja ya kiasia. Safari za moja kwa moja kutoka Nairobi-Guangzhou zilianzishwa zikiwa na lengo la kupunguza muda kwa wasafiri. Hata hivyo safari hizo zilikatizwa mnamo mwezi Januari 2009 kutokana na kupungua kwa abiria na mizigo kwenda na kutoka China kufuatia kuzorota kwa uchumi duniani. Badala yake tuliama kwenda Guangzhou kupitia Bangkok.

Ili kuboresha uwezo wetu wa kutoa huduma na uwezo wa kuunganisha safari zetu katika mataifa mengine, shirika liliongeza safari zetu katika mataifa kadhaa. Katika mwaka huu, tulianzisha safari za usiku kwenda Addis Ababa, Lusaka, Lilongwe, Harare na Kigali. Njia za Lusaka na Kigali ziliongezwa maradufu na shirika likawa linafanya safari mbili kwa siku moja. Safari hizo za usiku ziliweza pia kuimarisha uwezo wetu wa kuunganisha safari na kubeba abiria lakini pia kuongeza uwezo wa kwenda sehemu nyengine nyakati za asubuhi kutoka Nairobi. Safari nyengine za usiku kwenda sehemu mbalimbali sasa zimepangwa ili kuboresha mpango wa ushirikiano uitwao "Wave system" ambao unatuwezesha kuondoka Nairobi nyakati za usiku na kuwasili nyakati za asubuhi katika mataifa mengi ya Kiafrika.

Mkataba uitwao "Codeshare" ulitiwa saini kwa ushirikiano na mashirika mengine, China Southern na Air Mozambique. Mikataba hii itawezesha shirika kupanua safari zake hadi mataifa mengine. Kadhalika, safari za kwenda Paris zilijumuishwa katika mikataba hii kwa kushirikiana na mashirika ya KLM/Air France.

Muda wa kusimama huko Mumbai ulipunguzwa kwa kiasi kikubwa hivyo basi kutupunguzia gharama za kuegesha ndege zetu na kuongeza matumizi bora ya ndege zinazokwenda huko pamoja na kuweza kupanga ratiba bora kwa wafanyakazi wetu.

Kufikia mwisho wa mwaka, tulilenga zaidi kuthibiti njia za safari na utendakazi wetu katika uwanja wa ndege wa kimataifa wa JKIA. Juhudi zote hizi zina lengo moja tu la kuboresha njia za safari zetu na kuliwezesha shirika kwenda mbele.

### Tovuti - [www.kenya-airways.com](http://www.kenya-airways.com)

Tovuti hii ni mojawapo ya njia bora za shirika kufanya biashara na wateja wake kupitia mtandao wa kompyuta. Tovuti hii inasomwa na watu 230,000 kila mwezi. Kufuatia hali hiyo, faida zilizotokana na matumizi ya tovuti hii kwa mwaka 2008/09, ilizidi Dola milioni 10. Matumizi ya kukata tikiti kwa njia ya mtandao ni jambo geni humu nchini ambapo asilimia 3% ya wasafiri wetu walitumia njia hiyo kukata tikiti zao. Kwa kutumia njia hii, wasafiri wanaweza kununua tikiti zao. Huduma hii inatolewa kwa abiria yoyote wa KQ mwenye tikiti ya mtandao, kwani humuwezesha msafiri kupata huduma bora na kuimarisha utendakazi wa shirika na kupunguza gharama. Kuwawezesha watu wengi kutambua huduma hii, kampeni kabambe zilifanywa katika kipindi cha kwanza cha mwaka.

### Usimamizi wa Mapato

Shirika lilianzisha mradi wa kuboresha usimamizi wa mapato yetu katika mwaka 2008/09. Mradi huu umetuwezesha kusimamia vyema hesabu zetu kutoka mahali tunapouzia tikiti hadi mwisho wa safari. Mpango huu ni moja wapo ya mikakati tuliyoweka ya kudhibiti vyema mapato yetu ambapo tunatarajia kuweka mashine maalum za kufanya kazi hiyo. Mradi huu unatazamiwa kukamilika ifikapo mwaka 2010.

### WAFANYIKAZI

Shirika la Kenya Airways lina wafanyikazi 4,240 kufikia mwisho wa mwaka. Idara ya Wafanyikazi ina lengo la kuwahamasisha wafanyikazi ili kuimarisha huduma zetu zinazoambatana na msimamo wa shirika. Jambo la muhimu zaidi katika mpango huu ni kuongeza uwezo wa wafanyikazi wetu kufanya kazi na kuimarisha utendakazi wa jamii ya KQ.

### Utoaji mafunzo

Mikakati ya kuongeza uwezo wa wafanyikazi umeliwezesha shirika kuanzisha juhudi za utoaji mafunzo ya aina mbalimbali ya kuendeleza wafanyikazi wetu.

### Mafunzo

The Pride Centre ni kituo chetu cha kisasa kabisa cha kutoa mafunzo kwa wafanyikazi wetu kilifunguliwa mwaka 2007. Kituo hiki kina madarasa ya kisasa ambayo yamewekwa vifaa vya kufanya mikutanona kutoa mafunzo, na tarakilishi maalum kwa ajili ya mafunzo ya marubani wetu. Ni kituo mwafaka cha mafunzo ambapo awamu yake ya kwanza

ilikamilika kwa gharama ya shilingi bilioni 1.3 kwa ushirikiano na kampuni ya Boeing. Bodi ya Wakurugenzi ya Kenya Airways imekubali kujengwa kwa awamu ya pili ambapo itakapokamilika itaweza kutoa mafunzo kwa marubani wa ndege aina ya B737.

Shirika limeweka mkazo utoaji wa mafunzo kwa utendakazi bora wa wafanyikazi wetu. Mafunzo kwa uongozi wa shirika yanajumuisha vipengee muhimu kama vile usimamizi bora, mawasiliano, huduma kwa wateja, usimamizi wa watu, usimamizi na uendeshaji miradi. Wafanyikazi wapatao 1,500 wamenufaika na mafunzo haya. Mafunzo ya usimamizi wa watu yanalenga kuwaelimisha wafanyikazi ambao wameonyesha ujuzi wa kuweza kuchukua hatamu za uongozi wa shirika katika siku zijazo. Kuna mafunzo mbalimbali yanayotolewa pia kwa Wahandisi wanafunzi na katika viwango vya ngazi zote katika shirika. Takriban wafanyikazi wetu asilimia 60% wamepitia mafunzo ya uongozi katika kituo hiki.

Kadhalika shirika la Kenya Airways limeendelea kuwekeza kwenye mafunzo ya kiufundi kwa wafanyikazi wake wa ngazi zote. Baadhi ya mafunzo haya ni yale yanayohusu marubani uitwao "Ab-initio", mafunzo kwa Wahandisi, upakiaji na upakuaji wa shehena, usalama kwa wafanyikazi wanaofanya kazi katika viwanja vya ndege.

Kampuni tunazofanya nazo biashara zimekuwa zikijishughulisha na kutoa mafunzo kwa wafanyikazi wao na pia kuwa na mpango wa kubadilishana mafunzo yanayotolewa. Kampuni tunazoshirikiana nazo katika kuendeleza nao mitaala ni pamoja na KLM, Boeing, General Electric na Rolls Royce. Pia tumeshirikiana na chama cha kusimamia safari za anga IATA katika kutoa mafunzo haya ikiwa ni pamoja na mafunzo ya usalama.

### Uhusiano na wafanyikazi

Kumekuwa na mikakati maalum ya kuimarisha uhusiano miongoni mwa wafanyikazi wetu wa ngazi mbalimbali.

Katika lengo letu la kusaidia wafanyikazi wetu kuweza kutimiza ndoto zao za kuwa na nyumba, Bodi ya Wakurugenzi imepitisha kuanza kwa mradi wa ujenzi wa nyumba za wafanyikazi. Mradi huo utakuwa na nyumba 332 eneo la Embakasi ambapo hapo awali lilikuwa ni eneo linalomilikiwa na Kenya Airways, lakini kwa sasa halitumiki na halina manufaa yoyote ya kibiashara kwetu. Ardhi hiyo iliuziwa mfanyibiashara wa kibinafsi ili

## Taarifa ya Afisa Mkuu (unaendelea)

ajenge nyumba lakini wafanyikazi wetu wapewe kipau mbele. Ujenzi wa nyumba hizo utaanza katikati ya mwaka 2009.

Pia shirika la Kenya Airways limeanzisha ushirikiano na vyama kadhaa vya wafanyikazi ili kuimarisha maslahi ya wafanyikazi wetu kupitia makubaliano ya CBA. Ushirikiano huu umewezesha chama cha AAWU (Aviation and Allied Workers Union) kuingia kwenye mkataba wa kutambuliwa. Majadiliano na chama cha marubani KALPA (Kenya Airline Pilots Association) kutia saini mkataba wa CBA yamekamiliwa na punde tu yatakapokamilika na kuidhinishwa na Mahakama ya Viwanda, utaendelea kutumika hadi mwezi Machi mwaka ujao. Tutaendelea kuimarisha ushirikiano wetu na vyama vya wafanyikazi ili kuweka uhusiano mwema kazini.

Siku ya sherehe kwa wafanyikazi na familia zao ilifanyika katika viwanja vya michezo vya Ruaraka mnamo mwezi Novemba mwaka 2008. Siku hiyo ilikuwa ya furaha na iliyojaa shamrashamra za kila aina kwa familia yote.

### Matibabu kwa Wafanyikazi

Kufuatia mapendekezo ya wafanyikazi, zahanati ya kisasa kabisa ilifunguliwa katika jumba la International Life House mnamo mwezi Mei, 2008. Zahanati nyengine mbili katika makao makuu ya shirika huko Embakasi na uwanja wa JKIA zinatoa huduma za matibabu kwa wafanyikazi wetu na jamii zao. Uchunguzi wa kimatibabu kwa wafanyikazi wetu pia umeanzishwa. Jumla ya Waelimishaji 48, Washauri 26 na Walimu 26 walipewa mafunzo ya kuhamasisha wafanyikazi wenzao juu ya huduma zinazotolewa. Huduma za dharura za matibabu katika uwanja wa JKIA zimeimarishwa na wanaotoa huduma katika zahanati hiyo hufanya kazi usiku na mchana.

### Huduma kwa Wafanyikazi

Shirika la Kenya Airways limejitolea kuwekeza katika Mpango wa rasimali uitwao Enterprise Resource Planning (ERP) ili kuhakikisha kwamba huduma zetu zote zinazohusu wafanyikazi zinaratibiwa kwenye mtandao. Mojawapo ya huduma hizi ni uajiri, utoaji mafunzo, maombi ya likizo ya wafanyikazi. Mtaala wa huduma hii ambao unaonyesha huduma zinazopatikana pia unapatikana kupitia huduma hii ya ERP. Huduma hii inawezesha wafanyikazi wetu kutazama na kujiandikisha kwa mipango mbalimbali kupitia mtandao. Huduma hii



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kwa upande wa ujari imepunguza maombi ya kazi kutumwa kwa njia ya barua na badala yake nafasi zote za kazi tulizonazo zinatangazwa kupitia mtandao.

### TEKNOLOJIA

Kukua kwa haraka na kupanuka kwa shirika la Kenya Airways na kuendelea kuongezaka kwa ndege zetu, kumetulazimu kuboresha Idara yetu ya Mipango ya Safari za ndege ili kuweza kuwa na maelezo muhimu yanayohitajika. Shirika limetekeleza Mipango kamainayotumiwa na shirika la Lufthansa. Mikakati hii inatuwezesha kukadiria uwezo wa ndege zetu, na kufanyia mabadiliko yoyote ya muhimu, kubuni njia mpya za safari, ushirikiano na mashirika mengine mambo ambayo yote ni muhimu katika kutekeleza jinsi ya kupanga safari za ndege zetu.

Suluhisho la mradi huu linajulikana kama "Network Planning Tools", ambalo limeshaanza kuimarisha na kuboresha huduma zetu katika idara hii na kurahisisha utoaji maamuzi yanayohitajika.

### Ujumbe Mfupi wa KQ SMS

Shirika limeanzisha mradi wa kutumia ujumbe mfupi wa SMS ambao unamuwezesha mteja kupata maelezo yote muhimu anayohitaji kupitia simu zao za mkononi. Kwa kutuma ujumbe huo kwa nambari 7767, wateja wanaweza kupata maelezo ya safari za ndege inayohusika, muda wa kuondoka na kuwasili na kujua iwapo kuna ndege iliyocheleweshwa au kubadilishwa njia. Mradi huu mpya uko wazi kwa kila mtu mwenye swali kuhusu ndege inayohusika.

### Hoteli na gari za kukodisha ([www.kenya-airways.com](http://www.kenya-airways.com))

Kupitia tovuti yetu, wasafiri sasa wanaweza kupanga na kuchagua hoteli wanayotaka kwenda kukaa na pia kukodisha magari wanayotaka. Huduma hizi zimekuwa mashuhuri sana miongoni mwa wasafiri wetu kwani wana imani na ushirikiano tulionao na kampuni zinazotoa huduma hizi.

### Mtandao wa Mawasiliano

Shirika limeongeza uwezo wa wafanyikazi wetu kuweza kufanya kazi zao wakiwa mahali popote iwe ndani ya ndege, kwenye uwanja wa ndege au kwenye ndege iwapo imetua uwanjani kwa kupanua mtandao wa mawasiliano ambayo huwafanya wafanyikazi wetu kupata

maelezo yote yanayohusu shirika kupitia tarakilishi zao za kubeba. Hali hii imeboresha utendaji kazi bora. Mradi huu pia unatumia na wafanyikazi wanaoshughulikia shehena ambapo kuhakikisha kwamba mizigo ya abiria haipotei ovyoovyo. Mradi mwengine kama huu emewekwa katika karakana zetu za kurekebisha ndege ambapo inawapa fursa Wahandisi wetu kufanya kazi zao kwa urahisi.

### Kuboresha Mitambo Uwanjani

- **Mashine za kuchunguza abiria:** Mpango huu ni wa kusambaza mashine maalum zinazotumiwa kuwachunguza abiria wanapoingia ndani ya uwanja wa ndege. Vifaa hivi vimesambazwa katika viwanja vyetu nchini ambavyo vilikuwa na uhaba wa mashine hizo. Hatua hii ni kuhakikisha kwamba viwanja vyote vinatumia mipango sawa ya kuchunguza abiria na mizigo yao kama ilivyo katika uwanja wa JKIA.

- **Tikiti za kuingilia ndani ya ndege:** BCBP ni mradi ambao umeanzishwa chini ya chama cha IATA, ambacho kilitaka abiria wanaopanda ndege kupewa tikiti maalum za kuingilia kwenye ndege kufikia mwaka 2010. Shirika la KQ lilikuwa limeanza mpango huu kabla ya IATA kutoa amri hiyo kwa mashirika yote ya ndege. Pia shirika la KQ limeanzisha mradi mpya wa BCBP kwa kutoa tikiti maalum za kupanda kwenye ndege ambapo una nafuu ya asilimia 75% kuliko kadi za kawaida wanazopewa abiria kabla ya kuruhusiwa kwenda kupanda ndege. Mpango huu utatusaidia sana kuokoa fedha kwani karatasi zinazotumiwa zinaweza kuwekwa kwenye mashine na kutumiwa tena kwa njia nyengine. Kwa mwaka huu, vituo vyetu katika viwanja vya Nairobi, Tanzania, Uganda, Rwanda na Burundi tayari vimeanza kutumia mpango huu mpya.

- **Kukusanya Maelezo kwenye Pasi:** Huu ni mpango wa kiusalama ambapo inatakiwa maelezo ya abiria kuwasilishwa kimbele kwa idara ya uhamiaji kabla ya safari kuanza. Mashirika yote ya ndege yanatakiwa kukusanya maelezo ya abiria wao kutoka kwenye pasipoti zao na kuwasilisha katika nchi wanayokwenda kabla ya safari. Shirika la KQ limeweka mitambo hii iitwayo Access Swipe keyboards katika mahali ambapo abiria wanasafiri nje ya nchi kwenye Unit 2. Mashine hizi hukusanya maelezo yote yaliyoko kwenye pasipoti ya abiria inapopitishwa kwenye mtambo huu. Mradi huu umerahisisha kazi na kuboresha utendakazi katika uwanja wa JKIA.

## Taarifa ya Afisa Mkuu (unaendelea)

- **Wafanyikazi wanapoingia:** Shirika limeweka mitambo maalum ya kompyuta katika Unit 2 ili kutumiwa na wafanyikazi wa ndani ya ndege wanapoingia kazini. Mpango huu ni kuwarahisishia wafanyikazi wetu wa ndani ya ndege wanapoingia uwanjani. Pia imeongeza urahisi wa kuweza kuwatambua ni wafanyikazi wangapi wamefika uwanjani na kujua mahali walipo.

- **Maelezo kupitia mtandao:** Wafanyikazi ambao kazi zao hazitaruhusu kukaa sehemu moja kama wale walioko katika maeneo mbalimbali ya uwanja wa ndege na wanaohudumia ndege zilizotua, wameweza kutumia huduma hii ya kupata maelezo wanayohitaji mahali popote walipo badala ya kutumia maelezo yaliyoandikwa kwenye karatasi ambayo walikuwa wakitumia hapo awali. Huu ni mradi unaowawezesha wafanyikazi kama hao kupata maelezo wanayohitaji kwa haraka na kurahisisha kazi.

### SAFARI ZA NDEGE

Lengo kubwa la idara hii katika mwaka huu wa kifedha ni mafunzo kwa marubani. Jumla ya marubani 112 walipata mafunzo katika mwaka huu. Kutokana na mikakati yetu tuliyoweza ya kutoa mafunzo kwa marubani na kuwatahini, marubani 8 waliokuwa chini ya mpango huu ilibidi waondoke kwenye shirika baada ya kushindwa kuhitimu. Mpango wa kuwapa marubani ndege za aina mbalimbali ulitekelezwa kwa mwaka huu.

Marubani wapya walizidi kuajiriwa ambapo marubani 26 wa mpango wa Ab-Initio walijajiwa kazi na wengine 15 ambao hawakuhitaji mafunzo ya ziada pia waliandikwa kazi. Katika mwaka ujao, tuna mipango ya kuajiri marubani 48 na wengine 20 chini ya mpango wa Ab-Initio. Hatua hii ni njia ya kujitayarisha kabla ya kuwasili kwa ndege zetu mpya na pia kuwatayarisha kuweza kuchukua mahali pa marubani watakaostaafu. Marubani 23 watakuwa wamefikisha umri wa miaka 63 ya kustaafu katika kipindi cha miaka mitano ijayo.

Kufikia mwisho wa mwakahuu wa kifedha, tulikuwa na marubani 340, lakini lengo letuni kuwa na marubani 346. Katika marubanihawa, 4 ni wanawake na 22 ni marubani wasaidizi.

Pia katika mwaka huu, tulinunua mashine mbili ziiwazo Virtual Procedures Trainers (VPTS) kwa ajili ya ndege aina ya Boeing 737 New Generation (NG) na ndege aina ya Boeing 777. Mashine hizi zitapunguza gharama ya mafunzo kwa marubani kwa asilimia 33%.

Idadi ya wafanyikazi wetu wa ndani ya ndege ni 850 huku tukitarajia kuajiri wengine 50 katika mwaka ujao. Pia katika idadi hiyo tunao wafanyikazi 43 kutoka Thailand, 14 kutoka Ghana na 7 kutoka Cameroon. Kadhalika tumefungua vituo vya wafanyikazi hao huko Bangkok na Accra ambavyo vimetusaidia sana katika kuboresha huduma zetu.

Pia tumefanya mabadiliko katika idara hii ya safari za ndege. Idara ya uendeshaji (OCC) sasa iko chini ya Afisa Msimamizi (COO), huku idara ya utoaji chakula ndani ya ndege ikiwa chini ya idara ya Safari za ndege. Idara ya utoaji chakula ndani ya ndege imeondolewa hadi idara ya safari za ndege ili kutuwezesha kutimiza mahitaji ya wateja wetu kuhusu vyakula tunavyowapea.

Kwa kuwa wafanyikazi wa idara ya uendeshaji hawakai sehemu moja kwa muda mrefu, tumeanzisha mfumo wa mawasiliano ambapo tunakutana kila baada ya wiki mbili kubadilishana mawazo na kusikiza maoni ya kila mtu katika utendaji kazi. Hatua hii imesaidia sana katika kuleta uelewano wa jinsi idara hiyo inavyofanyakazi zake na inavyochangia katika malengo ya shirika.

Licha ya ripoti kuhusu usalama (ASR) ambazo hutolewa na usimamizi wa shirika, idara ya safari za ndege ikishirikiana na idara ya usalama wa ndege imeanzisha mpango kabambe wa kupokea maoni na malalamishi ambayo hutusaidia kudhibiti safari zetu za ndege kwenye njia zote. Hii inafuatia msimamo wetu wa kuhakikisha usalama katika shughuli zetu za kila siku.

### HUDUMA VIWANJANI usalama

- **Kampeni za "One Safe KQ":** Usalama ni mojawapo ya majukumu muhimu ya Kenya Airways na shirika litaendelea kuhakikisha kwamba tunaendelea kampeni kutilia maanani usalama. Mnamo mwezi Januari mwaka 2009, shirika lilizindua kampeni iitwayo "one safe KQ" ambao ni mpango wa chama cha IATA ambapo tulianzisha semina kuhusu usalama kwa wafanyikazi wetu. Kadhalika KQ inaendelea kampeni hiyo ya usalama kwa kuwahusisha washikadau wote. Matokeo ya kampeni hizi yameanza kuonekana katika utendakazi wetu. Wakati wa mkutano mkuu wa chama cha IATA, uliofanyika Kuala Lumpur, Malaysia mwaka huu, shirika la Kenya Airways ndilo lilikuwa la kipekee kutoka barani Afrika lililotuzwa kwa kuzingatia mpango wa usalama uitwao IOSA.



## Taarifa ya Afisa Mkuu (unaendelea)

### Hatua ya OTP

Shirika limechukua hatua kuhusu muda wa kuondoka na kuwasili kwa ndege zake kuhakikisha muda uliwekwa ndiyo muda unaofuatwa kwani hakuna kupoteza muda. Shirika limeweza kuboresha hatua hiyo kuambatana na muda uliwekwa na chama cha IATA ambao ni dakika 15 na tumeamua hakuna muda wa kupoteza wakati wa kuondoka na kuwasili. Kufuatia hatua hiyo, muda wetu wa kuondoka na kuwasili umeimarika kutoka asilimia 50% hadi asilimia 70% na hivyo basi kuboresha muda wa abiria wenye safari za kuunganisha. Mpango huu umewezekana kutokana na juhudi za pamoja kati ya vitengo vyetu vyote. Kadhalika mpango wetu wa kuondoka na kuwasili kwa muda unaofaa, umefanikiwa kutokana na mabadiliko katika ratiba zetu za kupanga safari ili kuongeza uwezo wa Kenya Airways kuwa ni shirika linalokwenda sehemu mbalimbali za dunia kutoka Afrika.

Kwa ushirikiano na kampuni ya Precision Air, shirika la Kenya Airways linaunganisha miji 37 barani Afrika, miji mitano ikiwa mikubwa kibiashara katika bara la Asia na miji mitatu barani Ulaya. Miji hii mikubwa ni kando na London, Paris na Amsterdam. Kwa hivyo, shirika la Kenya Airways linaunganisha miji mingi katika bara Ulaya na Marekani kaskazini. Ili kuboresha mawasiliano na kulenga zaidi kwenye hatua hii iitwayo "On Time Performance(OTP)- shirika limepanga kuanzisha mpango mpya unaoitwa "Integrated Operation Control System (IOCC). Nia yetu itakuwa bado ni kuboresha viwango sawa vya huduma za OTP haswa wakati wa msimu wa abiria wengi mnamo mwezi Aprili, Julai, Septemba na Disemba.

### Mizigo

Kuimarishwa kwa njia ya kupanga mizigo ya abiria, kuongezwa kwa wafanyikazi na vifaa vya kufanyikazi kumefanya mizigo ya abiria kuwasili mahali inakokwenda kwa njia salama zaidi. Pia kumerahisisha abiria kupata mizigo yao kwa haraka zaidi mara tu wanapowasili na tunatarajia kuimarisha zaidi huduma hii siku zijazo.

### Mabasi uwanja wa ndege

Huduma ya mabasi ya abiria ndani ya uwanja wa ndege ilianzishwa mwezi Oktoba 2008. Kuzinduliwa kwa mabasi hayo kumweza kufanya abiria kuingia kwenye ndege na kushuka kwa wakati unaofaa na pia kuwapunguzia abiria kutembea kwa muda mrefu na pia kuwaepushia mvua au jua linapokuwa.

### Kituo cha mawasiliano

Kituo cha kushirikisha mawasiliano ya wafanyikazi, utendajikazi,

marekebisho kimeanzishwa na kinatazamiwa kuanza shughuli zake kabla ya mwisho wa mwaka 2009.

### Miradi yetu

#### • Kituo cha NPC

Mradi huu uitwao Nairobi Perishable Centre (NPC) una lengo la kuimarisha jinsi tunavyoshughulikia bidhaa zinazoharibika kwa haraka. Mradi huu utashirikisha kampuni ya Stamina Group BV kutoka Uholanzi lakini utatumia leseni ya Kenya Airways.

### UFUNDI

Idara yetu ya Ufundi inatathmini, kusaidia na kupendekeza hatua za kuchukuliwa katika idara mbalimbali. Idara hii inatoa ripoti ambazo ni za kuaminika ambazo zimechangia kwa kiasi kikubwa muda wa ndege zetu kuondoka na kufika kwa wakati unaofaa kama ilivyodhihirika katika muda wa miezi sita ya kwanza ya mwaka.

Katika mwaka huu wa kifedha 2008/9, shirika lililenga zaidi mafunzo kwa idara ya Ufundi na Wahandisi wake. Lengo letu ni kuboresha huduma hiyo kulingana na sheria zilizowekwa na Halmashauri ya kusimamia viwanja vya ndege -KCAA-na tuna matumaini ya kufikia kiwango cha EASA Part 145 ambapo shirika litaweza kurekebisha ndege chini ya chama cha (AMO) barani Afrika mnamo mwaka 2009.

Tunazidi kutilia mkazo mafunzo kwa Wahandishi wetu kuhusu ndege mpya, mafunzo ya kujikumbusha, mafunzo ya binafsi na mafunzo ya shirika. Pia tunatazamia jinsi ya kuongeza Wahandisi wanafunzi kutoka humu nchini chini ya mpango mpya wa kutoa mafunzo kwa Wahandisi vijana na wasiokuwa vijana kuweza kufanyikazi kwenye karakana yetu. Mafunzo maalum yamekuwa yakitolewa kwa wafanyikazi ambao sio Wahandisi kama vile Wakaguzi wa mizigo, wakaguzi wa hesabu wa shirika na wakaguzi wa ajali.

Idadi yetu ya ndege imeongezekakwa ndege tatu mpya aina ya Boeing 737 NG. Kadhalika tumenunua ndege nyengine aina ya Embraer 170 ambayo inafanya idadi ya ndege za aina hiyo kuwa tatu. Kufuatia kuuzwa kwa ndege yetu aina ya SAAB, shirika la Kenya Airways sasa limesalia na ndege kubwa pekee yaani jet.Mafunzo mapya yamekuwa yakitolewa kuhusu ndege aina ya Embraer kutokana na kuongezeka idadi ya ndege zilizopo. Marekebisho yote ya ndege aina ya Embraer kwa sasa yanafanywa na wahandisi wetu wenye ujuzi. Kuongezeka kwa

idadi ya ndege zetu pia kumeboresha ujuzi wetu. Ndege zote ambazo zimewekwa katika kundi "C" zinafanyika humu humu nchini jambo ambalo limefanya shirika kuokoa fedha nyingi na kuimarisha utendaji kazi kwa wafanyikazi wetu.

Katika mwaka ujao wa kifedha, shirika linatazamia kuanzisha mradi mwafaka wa wa matengenezo ya ndege zetu ili kuimarisha uwezo wetu wa kurekebisha ndege na kuokoa wakati.

Mradi wa kuboresha mitambo yetu ya tarakilishi-OASES-kwa sasa unaendelea vizuri na utakapokamilika utawezesha shirika kuimarisha utendakazi wetu na kuongeza huduma kwa haraka.

Tumeweza kupunguza gharama kwa kuacha kukodisha vifaa vya kazi na kutumia vifaa vyetu wenyewe. Tumeokoa fedha nyingi sana katika mpango huu. Tunaendelea kutafuta mikakati mbalimbali ya kuokoa fedha kwa kutumia uwezo wetu tulionao ambapo itajumuisha kama vile karakana na wahudumu wengine.

### HALI YA HEWA

Wakati tunapoendelea kufanya shughuli zetu, tunatilia maanani swala la hali ya anga. Kufuatia hali hii, tunashirikiana na mashirika mengine chini ya chama cha IATA kuweka alama za miguu mahali abiria wanapotakiwa kukanyaga wakiwa uwanjani kufikia mwaka 2020. Juhdihizo zimeanza kwa kuchora alama hizo na tunatarajia kukamilisha kufikia mwaka 2009.

### HUDUMA KWA JAMII

Mikakati yetu ya huduma ya jamii kwa mwaka huu haikubadilika na ililinga katika sehemu zifuatazo;

#### Maji

Kenya Airways iliendelea kufanya kazi na jamii mbalimbali katika juhudi za kutoa maji safi na ya kutosha katika sehemu kame barani Afrika. Mwaka uliopita, tulichimba kisima huko Runana, Kiambu kwa gharama ya shilini milioni 2. Katika shule ya Kipcherere wilayani Baringo tulichimba kisima na pia kusaidia katika kuweka tangi la kuhifadhi maji na mabomba ambapo tulitumia shilingi milioni 2.5.

#### Elimu

Shirika la Kenya Airways limeendelea kufadhili shule kadhaa chini ya mradi wa "Adopt Schools" ambapo shule 7 zimefaidika. Shule hizo ni;

## Taarifa ya Afisa Mkuu (unaendelea)

- Shule ya watoto wenye akili taahira ya Dzorwulu nchini Ghana ambapo tulijenga madarasa mawili kwa gharama ya shilingi milioni 2.
- Shule ya msingi St. Paul's Magaca ambapo tulijenga madarasa manne yakiwa na madawati kwa shilingi milioni 2.6. Jumla ya madarasa 8 yamejengwa katika shule hii.
- Tulitumia shilingi milioni 2 kukarabati madarasa 14 na ofisi katika shule iliyoko eneo la Farasi Lane huko Lower Kabete.
- Shule ya bweni ya Kipcherere ya msingi na Upili huko Baringo tulichanga shilingi milioni 1.5 kuweka uwa na ujenzi wa lango kuu la kuingilia shuleni.
- Huko Kapenguria, shule ya Kaalotwari tulichangia madawati 100 na mitambo 10 ya kompyuta kwa gharama ya shilingi 200,000.

### Mazingira

Kenya Airways imeanzisha mradi ujulikanao "Plant a Future" mnamo mwaka 2007 ambapo tulipanda miti katika milima ya Ngong. Tumeendelea na mpango huu mwaka huu ambapo hadi sasa tumepanda miti 450,000. Kiwango chake cha kuishi ni asilimia 85%. Mpango huu unaendelea kufadhiliwa na washirika wetu watatu: KLM, Rolls Royce na Coca Cola lakini pia mashirika ya wanyama pori (KWS), idara ya kuhifadhi misitu chini ya wizara ya misitu, total Kenya Ltd pia yalisaidia. Hadi kufikia sasa, jumla ya Dola 635,000 ambapo shirika la Kenya Airways limechangia Dola 220,000, Coca Cola Dola180,000, Rolls Royce Dola155,000 na KLM Dola80,000.

### Afya

Shirika la Kenya Airways limesaidia kutoa misaada ya matibabu ya dharura kama wakati wa mkasa wa lori la petroli huko Molo ambapo tulitoa usafiri wa bure kwa madaktari 9 kutoka India na kupeleka dawa zilizohitajika kwa waathiriwa. Kadhalika tuliondolea ushuru shehena ya dawa kutoka serikali ya Ghana kwa serikali ya Sierra Leone kufuatia mkasa wa lori la petroli kulipuka nchini humo. Tulitumia jumla ya dola 75,000 katika kutoa misaada hii ya dharura.

Chini ya mpango uitwao "Bombay Ambulance" ambapo shirika linatoa msada wa kuwapeleka ng'ambo wagonjwa wenye kuhitaji matibabu nje, jumla ya tikitii 20 zilizopunguzwa bei zilitolewa.

### Afisa Mkuu



## Corporate Governance

**“Corporate Governance is the process by which companies are directed, controlled and held to account”**

The Kenya Airways Board of Directors is responsible for the overall management and governance of the airline and is accountable to the shareholders for ensuring that the company complies with the law and the highest standards of best practice in corporate governance and business ethics. The Directors are committed to the need to conduct the business and operations of the airline and the Group with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

### Board of Directors

The full Board meets at least five times a year. The Directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Group Managing Director and Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the airline’s

overall internal control of financial, operational and compliance issues as well as implementing strategies for the long term success of the airline.

Nine out of the twelve members of the Board are non-executive including the Chairman of the Board, all of whom other than the Group Managing Director, Group Finance Director and two KLM Directors, are subject to periodic reappointment in accordance with the company’s Articles of Association. The Directors have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board’s discussions.

### Committees of the Board

The Board has three standing committees, which meet regularly under the terms of reference set by the Board.

### Audit and Risk Management Committee

The Board has constituted an Audit and Risk Management Committee which meets four times a year or as necessary. This year its membership comprised Mr. Dinesh Kapila (Chairman), Mr. Joseph K. Kinyua, Mr. Micah Cheserem and Mr. Jos Veenstra. Its responsibilities include review of the

integrity of the financial statements and formal announcements relating to the group’s financial performance, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The external and internal auditors, the Group Managing Director and the Group Finance Director attend all meetings of the committee. Other service line Directors attend as required to brief the committee.

### Staff and Remuneration Committee

There is a Staff and Remuneration Committee of the Board. Its membership comprises Mr. Denis Afande (Chairman), Mr. Ron Schipper, Mr. Ayisi Makatiani, and Eng Abdulrazaq Adan Ali. The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management, including the Group Managing Director, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non executive Directors. The Group Managing Director and the Director of Human Resources attend all meetings of this committee.

### Nominations Committee

There is a Nominations Committee of the Board. Its membership comprises Mr. Evanson Mwaniki (Chairman), Mr. Peter Hartman, Mr. Joseph Kinyua and Mr. Denis Afande. The committee meets once a year or more if necessary. The committee is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. In so doing, consideration is given to succession planning, taking into account the challenges and opportunities facing the company, and to ensure that the necessary skills and expertise are available on the Board in the future. This committee also appraises the role, contribution and effectiveness of the non-executive Directors. The Group Managing Director may also be invited to attend this meeting.

### Internal Controls

The Group has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are

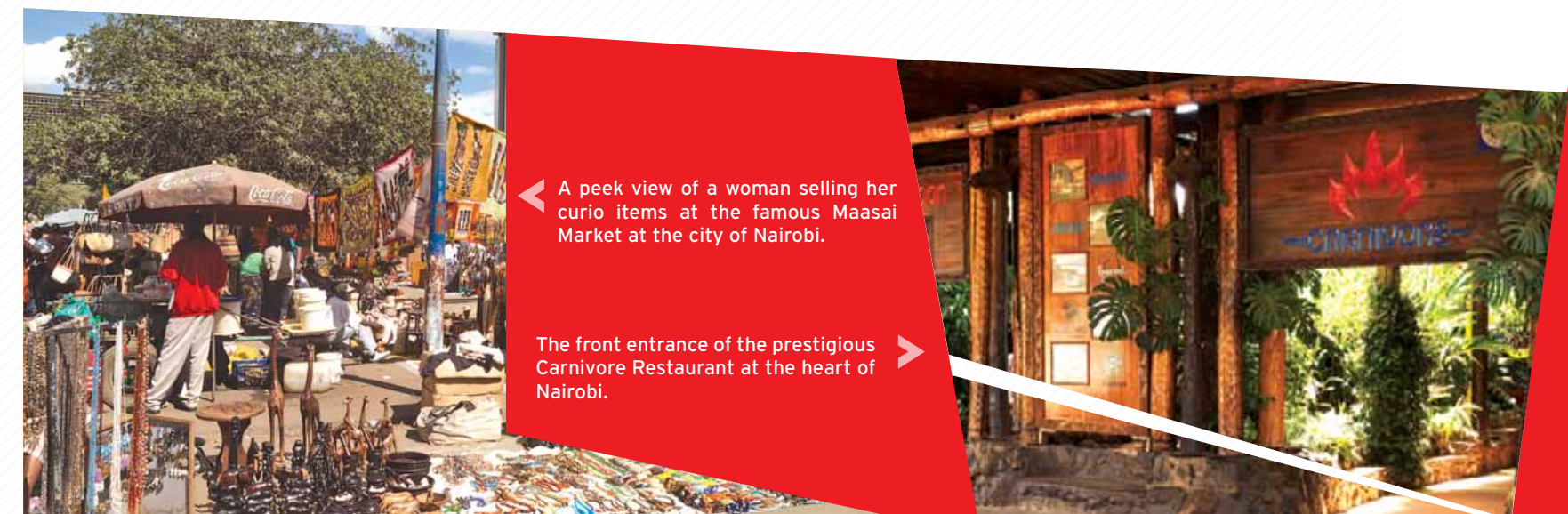
## Corporate Governance (contd)



Side view of Nairobi National Museum.

A shot of a section of the Moi International Sports Centre, Kasarani in Nairobi.

Tourists marvelling at a giraffe at the Giraffe Centre, Karen-Nairobi.



A peek view of a woman selling her curio items at the famous Maasai Market at the city of Nairobi.

The front entrance of the prestigious Carnivore Restaurant at the heart of Nairobi.



## Corporate Governance (contd)

subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out to audit and review the activities of the Group. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Weekly meetings are held by executive management to monitor performance and to agree on measures for improvement.

### Code of Ethics

The airline is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. A formal code of ethics has been approved by the Board and is fully implemented to guide management, employees and stakeholders on acceptable behaviour in conducting business. All employees of the airline are expected to avoid activities and financial interests that could clash with their responsibilities to the airline.

### Communication with Shareholders

The company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is achieved by the distribution of the company's annual report, the release of notices in the press of its half yearly and annual results, and quarterly disclosures of operating statistics to the stock markets and capital markets authorities. There is also a minimum of two investor briefings per annum for institutional investors.

Periodically there are press releases announcing other major company developments which could be considered price sensitive information. In this regard, the company also complies with the continuing listing obligations of the Capital Markets Authorities and Stock Exchanges applicable in Kenya, Uganda and Tanzania.

### Directors Emoluments and loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2008/09 are disclosed in the notes to the financial statements. Neither at the end of the financial year, nor

at any time during the year was there any arrangement to which the company is a party, whereby Directors might acquire benefits by means of transactions in the company's shares.

There were no Directors' loans at any time during the year. Directors' interests in the shares of the company, the distribution of the company's shareholding and analysis of the ten largest shareholders as at 30th March 2009 were as follows:-

### Directors' Interests

Name of Director	Number of Shares
Permanent Secretary to the Treasury	106,171,561
Evanson Mwaniki	10,090
Ayisi Makatiani	5,700
Dinesh Kapila	4,036

## Shareholding as at 31st March 2009

### SUMMARY OF SHARE HOLDERS

CATEGORY	NO. OF SHAREHOLDERS	SHARES	% OF SHARES ISSUED
Foreign Institutions	39	152,888,877	33.12%
Foreign Individuals	482	3,243,803	0.70%
Local Institutions	3,665	189,970,884	41.15%
Local Individuals	72,517	115,511,919	25.02%
<b>TOTAL</b>	<b>76,703</b>	<b>461,615,483</b>	<b>100.00%</b>

### LARGEST 10 SHAREHOLDERS AS AT 31st March 2009

Account Number	Name	Total Shares	% of Issued shares
500002	KLM-Konink Lijke Luchtvaart Maatschappj	120,020,026	26.00%
500001	Permanent Secretary To The Treasury	106,171,561	23.00%
5544157	Stanbic Nominees Kenya Ltd A\C NR70001	11,525,200	2.50%
120812	Mansukhlal Khetshi Shah	6,515,378	1.41%
855723	Barclays (Kenya) Nominees Limited a/c 9318	4,715,917	1.02%
604	Paul Wanderi Ndungu	4,356,544	0.94%
133914	Apa Insurance Limited	4,055,592	0.88%
12068	Kenya Commercial Bank Nominees Ltd A\C 769G	3,554,300	0.77%
380881	Khetshi Dharamshi And Company	3,289,371	0.71%
64327	Stanbic Nominees Kenya Ltd A\C NRI3001	3,000,000	0.65%
	<b>SUBTOTAL</b>	<b>267,203,889</b>	<b>57.88%</b>
	<b>OTHER SHARES - 76,693</b>	<b>194,411,594</b>	<b>42.12%</b>
	<b>SHARES ISSUED</b>	<b>461,615,483</b>	<b>100.00%</b>
	<b>TOTAL SHAREHOLDERS</b>	<b>76,703</b>	

### DISTRIBUTION OF SHAREHOLDERS

SHARES	No. of Shareholders	Number of shares	% of Issued Capital
Less than 500	35,733	14,499,072	3.14%
501 - 5,000	38,049	51,954,539	11.25%
5,001 - 10,000	1,396	10,333,933	2.24%
10,001 - 100,000	1,311	36,135,877	7.83%
100,001 - 1,000,000	189	56,098,029	12.15%
Above 1,000,000	25	292,594,033	63.38%
<b>TOTALS</b>	<b>76,703</b>	<b>461,615,483</b>	<b>100.00%</b>



## Three year Summary of Financial Highlights

## Financial Highlights

	2009		2008 (Restated)		2007	
	Kshs. Million	US\$ Million	Kshs. Million	US\$ Million	Kshs. Million	US\$ Million
<b>Turnover</b>						
Passenger	62,947	883.7	52,882	783.0	50,447	701.0
Freight & Mail	6,081	85.4	5,395	79.9	5,756	80.0
Handling	1,276	17.9	1,052	15.6	1,139	15.8
Other	1,525	21.4	1,142	16.9	1,450	20.2
<b>Total</b>	<b>71,829</b>	<b>1,008.4</b>	<b>60,471</b>	<b>895.3</b>	<b>58,792</b>	<b>817.0</b>
Direct Expenditure	(55,786)	(783.2)	(46,202)	(684.1)	(41,335)	(574.4)
Overheads	(12,001)	(168.5)	(9,968)	(147.6)	(9,818)	(136.4)
<b>Operating Profit</b>	<b>4,042</b>	<b>56.8</b>	<b>4,301</b>	<b>63.7</b>	<b>7,639</b>	<b>106.2</b>
<b>Operating Margin %</b>	<b>5.8%</b>		<b>7.2%</b>		<b>13.1%</b>	
Net Financial Expenses	(864)	(13.5)	(1,185)	(17.5)	(1,920)	(26.7)
Fuel Hedge Derivative	(8,904)	(125.0)	3,291	48.7		
Share of Associate	62	0.8	65	0.9	185	2.5
<b>Profit before tax &amp; minority</b>	<b>(5,664)</b>	<b>(79.6)</b>	<b>6,526</b>	<b>96.5</b>	<b>5,975</b>	<b>83.0</b>
Taxation	1,581	22.2	(1,948)	(28.8)	(1,877)	(26.1)
<b>Profit for the year</b>	<b>(4,083)</b>	<b>(57.4)</b>	<b>4,578</b>	<b>67.7</b>	<b>4,098</b>	<b>56.9</b>
<b>Profit after Tax margin %</b>	<b>(5.7%)</b>		<b>7.6%</b>		<b>7.0%</b>	
Dividends	462	6.5	808	12.0	808	11.2

## Operating Statistics

	2009	2008	2007
<b>Passengers</b>	2,824,709	2,762,049	2,601,350
RPK's (Millions)	8,061	7,724	7,479
ASK's (Millions)	11,386	10,973	10,169
Passenger Load Factor (%)	70.8	70.4	73.6
Cargo Tonnes	55,606	62,596	60,932
Pax yield per RPK (Usc)	8.20	8.23	7.96
<b>Employees</b>			
Airline	2,863	2,975	2,862
Group	4,179	4,267	4,154
<b>Aircraft in Service at Year End</b>			
Boeing 777-200	4	4	4
Boeing 767-300	6	6	6
Boeing 737-800	5	2	3
Boeing 737-700	4	4	4
Boeing 737-300	4	4	4
Embraer 170	3	2	0
SAAB 340	2	2	2
<b>Total</b>	<b>28</b>	<b>24</b>	<b>23</b>

Nairobi, Central  
Business District

## Corporate Information

EXECUTIVE DIRECTORS	Dr. T. T. Naikuni A. W. Mbugua R. N. Cauty	- Managing Director - Group Finance Director - Appointed 15 July 2008 - Group Finance Director - Resigned 15 July 2008
NON EXECUTIVE DIRECTORS	E. Mwaniki D. Kapila M. Cheserem J. Kinyua D. D. Afande R. Schipper P. F. Hartman A. Makatiani A. Ali Dr. G. K. Ikiara J. Veenstra	- Chairman - Resigned 4 June 2009  - Appointed 29 May 2008 - Resigned 29 May 2008 - Alternate to R Schipper and P F Hartman
SECRETARY	Fiona Fox Integer Business Services P. O. Box 1122, 00606 Nairobi	
REGISTERED OFFICE	Kenya Airways Headquarters and Base Airport North Road, Embakasi, Nairobi P. O. Box 19002, 00501 Nairobi	
REGISTRARS	Custody & Registrars Services Limited 6th Floor Bruce House, Standard Street P. O. Box 8484, 00100 Nairobi	
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) "Kirungii", Ring Road, Westlands P. O. Box 40092, 00100 Nairobi	
PRINCIPAL BANKERS	Barclays Bank of Kenya Limited Barclays Plaza P. O. Box 30120, 00100 Nairobi  Citibank N A P. O. Box 30711, 00100 Nairobi	

## Report of the Directors

The directors present their report together with the audited group financial statements for the year ended 31 March 2009.

### Principal Activities

The principal activities of the group are international, regional and domestic carriage of passengers and cargo by air, the provision of ground handling services to other airlines and the handling of import and export cargo.

The group operates domestic flights and flies to 39 destinations in Africa, Middle East, Asia and Europe.

At 31 March 2009, the group had 28 aircraft, either owned or on operating leases. These comprised four Boeing 777 wide body jets, six Boeing 767 wide body jets, thirteen Boeing 737 narrow body jets, three Embraer 170 regional jets and two SAAB 340B turboprops.

Results	KShs'million
Group loss before taxation	(5,664)
Taxation credit	1,581
<u>Loss for the year transferred to revenue reserve</u>	<u>(4,083)</u>

### Dividends

The directors recommend the payment of a dividend of KShs 1 per share (2008 - KShs 1.75 per share) in respect of the financial year.

### Directors

The present members of the board of directors are shown on page 2.

### Auditors

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of section 159 (2) of the Companies Act (Cap 486).

### By Order Of The Board

### Secretary

4th June 2009  
Nairobi



## Statement of Directors' Responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's operating results for that year. It also requires the directors to ensure that the group and the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

**Evanson Mwaniki**  
Director

**Titus Naikuni**  
Director

4th June 2009  
Nairobi



## Independent Auditors' Report

### Report on the Financial Statements

We have audited the accompanying financial statements of Kenya Airways Limited and its Subsidiaries, set out on pages 58 to 102 which comprise the consolidated and parent company balance sheets as at 31 March 2009, and the consolidated income statement, consolidated and parent company statements of changes in equity and consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the group and the company as at 31 March 2009 and of group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Kenyan Companies Act.

### Report on Other Legal Requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the company's balance sheet is in agreement with the books of account.

Certified Public Accountants (Kenya)

*Deloitte & Touche*

4th June 2009  
Nairobi



## Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2009		2009	2008
	Notes	KShs million	(Re-stated) KShs million
Turnover	4	71,829	60,471
Direct Costs	5(a)	(47,792)	(38,814)
Fleet Ownership Costs	5(b)	(7,994)	(7,388)
Gross Profit		16,043	14,269
Overheads	5(c)	(12,001)	(9,968)
Operating Profit		4,042	4,301
Other Income	6(a)	658	760
Other Gains/(Losses)	6(b)	72	(218)
Share Of Results Of Associated Company	17(b)	62	65
Realised (Losses)/Gains On Fuel Derivatives	7(c)	(1,372)	1,888
Unrealised (Losses)/Gains On Fuel Derivatives	7(b)	(7,532)	1,403
Finance Costs	8	(1,594)	(1,673)
(Loss)/Profit Before Taxation	9	(5,664)	6,526
Taxation Credit/(Charge)	10(a)	1,581	(1,948)
(Loss)/Profit For The Year	11(a)	(4,083)	4,578
		<b>Kshs</b>	<b>Kshs</b>
Earnings Per Share - Basic And Diluted	12	(8.84)	9.91
Dividend Per Share	13	1.00	1.75

## Consolidated Balance Sheet

31 MARCH 2009		2009	2008
	Notes	KShs million	(Re-stated) KShs million
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	14(a)	51,051	52,518
Intangible assets	15	550	301
Prepaid operating lease rentals	16	1,662	116
Investment in associated company	17(b)	449	387
Deferred expenditure	18	-	146
Aircraft deposits	19	2,532	1,879
Deferred tax asset	28	26	45
Fuel derivatives	20(b)	-	323
		56,270	55,715
<b>Current assets</b>			
<b>Inventories</b>			
Trade and other receivables	21	1,474	1,258
Due from related companies	22	8,997	6,831
Corporate tax recoverable	34(b)	3	-
Fuel derivatives	10(c)	737	712
Held to maturity investments	20(b)	-	1,080
Deposits with financial institutions	23	-	7,747
Bank and cash balances	24(a)	5,077	1,812
	24(b)	2,373	2,683
		18,661	22,123
<b>TOTAL ASSETS</b>		<b>74,931</b>	<b>77,838</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	25	2,308	2,308
Revenue reserve	26(a)	16,069	20,960
Hedge reserve	26(b)	(1,201)	3,314
Shareholders' funds		17,176	26,582
<b>Non-current liabilities</b>			
Borrowings	27(b)	28,257	25,190
Deferred tax liability	28	5,871	9,540
Fuel derivatives	20(c)	714	-
Deferred income	32	2,239	2,413
		37,081	37,143
<b>Current liabilities</b>			
Fuel derivatives	20(c)	5,415	-
Sales in advance of carriage	29	5,098	4,640
Trade and other payables	30	5,339	5,344
Accruals for staff leave entitlements	31	741	738
Deferred income	32	174	174
Unclaimed dividends	13	40	40
Corporate tax payable	10(c)	16	-
Borrowings	27(b)	3,851	3,177
		20,674	14,113
		74,931	77,838

The financial statements on pages 58 to 102 were approved by the board of directors on 4th June 2009 and were signed on its behalf by:

Evanson Mwaniki (Director)

Titus Naikuni (Director)



## Company Balance Sheet

31 MARCH 2009		2009	2008
	Notes	KShs million	(Re-stated) KShs million
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	14(b)	50,501	51,879
Intangible assets	15	550	301
Prepaid operating lease rentals	16	1,661	115
Investment in subsidiaries	17(a)	454	403
Investment in associated company	17(b)	155	155
Deferred expenditure	18	-	146
Aircraft deposits	19	2,527	1,874
Fuel derivatives	20(b)	-	323
		55,848	55,196
<b>Current assets</b>			
Inventories	21	1,430	1,220
Trade and other receivables	22	8,930	6,748
Due from related companies	34(b)	2,973	2,167
Corporate tax recoverable	10(c)	714	634
Fuel derivatives	20(b)	-	1,080
Held to maturity investments	23	-	7,747
Deposits with financial institutions	24(a)	5,077	1,812
Bank and cash balances	24(b)	2,273	2,657
		21,397	24,065
<b>TOTAL ASSETS</b>		<b>77,245</b>	<b>79,261</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	25	2,308	2,308
Revenue reserve	26(a)	14,635	19,542
Hedge reserve	26(b)	(1,201)	3,314
Shareholders' funds		15,742	25,164
<b>Non-current liabilities</b>			
Borrowings	27(b)	28,257	25,190
Deferred tax liability	28	5,871	9,540
Fuel derivatives	20(c)	714	-
Deferred income	32	2,239	2,413
		37,081	37,143
<b>Current liabilities</b>			
Fuel derivatives	20(c)	5,415	-
Sales in advance of carriage	29	5,098	4,640
Trade and other payables	30	5,191	5,249
Accruals for staff leave entitlements	31	733	728
Deferred income	32	174	174
Unclaimed dividends	13	40	40
Due to related companies	34(b)	3,920	2,946
Borrowings	27(b)	3,851	3,177
		24,422	16,954
		77,245	79,261

The financial statements on pages 58 to 102 were approved by the board of directors on 4th June 2009 and were signed on its behalf by:

Evanson Mwaniki (Director)

Titus Naikuni (Director)

## Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2009	Share capital	Revenue reserve	Hedge reserve	Total
	KShs'million	KShs'million	KShs'million	KShs'million
<b>At 1 April 2007</b>	2,308	17,190	2,142	21,640
Gain on cash flow hedges (note 27(c))	-	-	1,675	1,675
Deferred taxation on cash flow hedges	-	-	(503)	(503)
Profit for the year (note 11(b))	-	4,578	-	4,578
Dividends paid in respect of year 2007	-	(808)	-	(808)
<b>At 31 March 2008</b>	<b>2,308</b>	<b>20,960</b>	<b>3,314</b>	<b>26,582</b>
<b>At 1 April 2008</b>				
As previously reported	2,308	20,251	3,314	25,873
Prior year adjustment*	-	709	-	709
<b>At 1 April 2008</b>				
Restated	2,308	20,960	3,314	26,582
Loss on cash flow hedges (note 27(c))	-	-	(6,451)	(6,451)
Deferred taxation on cash flow hedges	-	-	1,936	1,936
Loss for the year	-	(4,083)	-	(4,083)
Dividends paid in respect of year 2008	-	(808)	-	(808)
<b>At 31 March 2009</b>	<b>2,308</b>	<b>16,069</b>	<b>(1,201)</b>	<b>17,176</b>

\* The prior year adjustment relates to fuel derivatives not previously recognised.



## Company Statements of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2009	Share capital KShs'million	Revenue reserve KShs'million	Hedge reserve KShs'million	Total KShs'million
At 1 April 2007	2,308	16,040	2,142	20,490
Gain on cash flow hedges (note 27(c))	-	-	1,675	1,675
Deferred taxation on cash flow hedges	-	-	(503)	(503)
Profit for the year (note 11(b))	-	4,310	-	4,310
Dividends paid in respect of year 2007	-	(808)	-	(808)
At 31 March 2008	2,308	19,542	3,314	25,164
At 1 April 2008				
As previously reported	2,308	18,833	3,314	24,455
Prior year adjustment*	-	709	-	709
At 1 April 2008				
Restated	2,308	19,542	3,314	25,164
Loss on cash flow hedges (note 27(c))	-	-	(6,451)	(6,451)
Deferred taxation on cash flow hedges	-	-	1,936	1,936
Loss for the year	-	(4,099)	-	(4,099)
Dividends paid in respect of year 2008	-	(808)	-	(808)
At 31 March 2009	2,308	14,635	(1,201)	15,742

\* The prior year adjustment relates to fuel derivatives not previously recognised.

## Consolidated Cashflow Statement

31 MARCH 2009	Notes	2009 KShs million	2008 KShs million
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	33(a)	4,825	7,820
Taxation paid	10(c)	(142)	(257)
Interest received	6	658	760
Interest paid	8	(1,594)	(1,673)
Net cash generated from operating activities		3,747	6,650
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	14(a)	(2,226)	(1,896)
Purchase of intangible assets	15	(354)	(126)
Prepaid lease rentals	16	(1,567)	-
Deferred expenditure	18	(7)	(208)
Deposits paid for aircraft purchases	19	(83)	(98)
Proceeds of disposal of property and equipment		116	14
Net cash used in investing activities		(4,121)	(2,314)
<b>FINANCING ACTIVITIES</b>			
Dividends paid	13	(808)	(808)
Repayment of long term borrowings	27	(3,610)	(3,470)
Redemption of/(investment in) held to maturity investments		7,747	(5,340)
Investment in short term deposits maturing over 90 days		(3,265)	(1,812)
Net cash generated from/(used in) financing activities		64	(11,430)
DECREASE IN CASH AND CASH EQUIVALENTS		(310)	(7,094)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,683	9,777
CASH AND CASH EQUIVALENTS AT END OF YEAR	33(b)	2,373	2,683



## Notes to the Financial Statements

### 1. ACCOUNTING POLICIES

#### Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year except as stated below:

#### Adoption of new and revised International Financial Reporting Standards (IFRSs)

##### Standards and interpretations effective in the current period

The following new interpretations issued by the International Financial Reporting Interpretations Committee and revised standards are effective for the current period:

- IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008).
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).
- IFRS 7, Financial Instruments: Recognition and Measurement, Con-sequential disclosures arising from amendments to October 2008 amendments to IAS 39 (effective from 1 November 2008).
- IAS 39, Financial Instruments: Recognition and Measurement: Reclassification of financial assets (effective for accounting periods beginning on or after 1 November 2008).

#### Adoption of these interpretations and the revised standards has not led to any changes in the group's accounting policies

##### New and revised standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but not yet effective.

- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods on or after 1 January 2009).
- IFRS 1, First - Time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first- time adoption (effective for accounting periods beginning on or after 1 January 2009).
- IFRS 3, Business Combinations - Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009).
- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009).
- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 31, Interests in Joint Ventures: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 32, Financial Instruments: Presentation: Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009).
- "Improvements to IFRSs" were issued in May 2008 and April 2009 and their requirements are effective over a range of dates, with the earliest effective date being annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from



## Notes to the Financial Statements (contd)

the IASB's annual improvements project. The directors are currently assessing the impact and expected timing of adoption of these amendments on the company's results and financial position.

#### Impact of the new and revised standards and interpretations in issue but not yet adopted

The following standards, in particular, will be of considerable relevance to the financial statements of the group, when effective:

##### IAS 1 (Revised), Presentation of financial statements

IAS 1 (Revised), 'Presentation of financial statements' was issued in September 2007 and will be effective for annual periods beginning on or after 1 January 2009. The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a group's equity resulting from transactions with owners separately from non-owner changes.

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements, the income statement and statement of comprehensive income.

The previous version of IAS 1 used the titles 'balance sheet' and 'cash flow statement' to describe two of the statements within a complete set of financial statements. The revised IAS 1 uses 'statement of financial position' and 'statement of cash flows' for those statements.

##### IFRS 8, Operating segments

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

##### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess/(deficiency) of the cost of acquisition over/(below) the fair value of the identifiable net assets acquired is recognised as goodwill or negative goodwill respectively. The interests of the minority shareholders are stated at the minority's proportion of the fair value of the assets and liabilities recognised.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are effected in the financial statements of the subsidiaries to bring the accounting policies applied in the preparation of financial statements in line with those used by other members of the group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation. A listing of the subsidiaries in the group is provided in note 17.



## Notes to the Financial Statements (contd)

### (b) Interests in associated companies

An associated company is an enterprise over which the company is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee enterprise.

The results and assets and liabilities of associates are incorporated in the group financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is regularly assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

### (c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or a jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and carried in the balance sheet. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units. An impairment loss is recognised when the carrying amount of the cash generating unit exceeds its recoverable amount.

Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet. On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### (d) Revenue recognition

Passenger ticket sales and revenue from cargo airway bills, net of discounts, are recognised as traffic revenue when the air transport has been carried out. The value of the tickets sold and still valid but not used by the balance sheet date is reported as unearned transportation revenue in the sales in advance of carriage account. This item is reduced either when Kenya Airways or another airline completes the transportation or when the passenger requests for a refund. Unutilised tickets are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. Past experience shows that there is insignificant liability attributable to unutilised tickets older than two years.

Other operating revenue is recognised at the time the service is provided. Commission costs are recognised at the same time as the revenue to which they relate and are charged to direct costs.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the group's rights to receive payment as a shareholder have been established.

## Notes to the Financial Statements (contd)

### (e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the group as a lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is carried in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with the group's policy on borrowing costs.

Rentals payable under operating leases are charged to the income statement on the straight line basis over the term of the lease.

### (f) Foreign currencies

Transactions in currencies other than the Kenya Shilling are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in net profit or loss for the period unless effectively hedged, in which case the exchange differences are taken to hedging reserve within equity.

### (g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, this being assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending the disbursement of the proceeds towards expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

### (h) Employee entitlements

Employee entitlements to long service awards and service gratuity are recognised when they accrue to employees. A provision is made for the estimated liability for long service awards as a result of services rendered by employees up to the balance sheet date. The estimated monetary liability for employees' accrued leave entitlements at the balance sheet date is recognised as an expense accrual.

### (i) Retirement benefits costs

The group operates a defined contribution provident fund in Kenya for eligible employees. The fund is administered by an independent investment management company and is funded by contributions from both the company and employees. The group also makes contributions to the statutory defined pension scheme in the countries in which its operations are based. Most employees engaged outside Kenya are covered by appropriate local arrangements and the group's contributions in respect of the overseas employees are determined in accordance with best local practice.

The group's obligations to the staff retirement benefit plans are charged to the income statement as they fall due.



## Notes to the Financial Statements (contd)

### (j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and the liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the tax nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authorities and an entity within the group intends to settle its current tax assets and liabilities on a net basis.

### (k) Property, plant and equipment

Properties held for use in the production or supply of goods and services, or for administrative purposes or for the purposes not yet determined and properties in the course of construction are carried as cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets borrowing costs capitalised in accordance with the group's accounting policy. Freehold land is not depreciated as it is deemed to have an infinite life. Depreciation on other property is charged so as to write off the cost of the assets, other than properties under construction, over their estimated useful lives, using the straight line method. Depreciation on assets under construction commences when the assets are ready for their intended use. Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

## Notes to the Financial Statements (contd)

### (l) Depreciation

Depreciation is charged so as to write off the cost of property, plant and equipment to their residual values over their expected useful lives, using the straight line method at the following rates:

Aircraft	%
Boeing 777, 737-300 & 737-700	5.56
SAAB-340B	10.00
<b>Vehicles and Equipment</b>	
Ground service equipment	25.00
Motor vehicles	25.00
Communication assets	12.50
Other assets	20-30

Leasehold improvements and buildings are depreciated over the terms of the related leases. Aircraft spare engines and simulator are depreciated over the lives of the aircraft to which they relate. The other components of an aircraft that have differing economic lives are depreciated over their respective economic lives.

Gains or losses arising on disposal or retirement of an asset are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised to or charged against income upon retirement of the related assets.

### (m) Intangible assets-computer software costs

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight line basis over the estimated useful lives not exceeding a period of 5 years.

### (n) Leasehold land

Payments to acquire leasehold interests in land are treated as prepaid lease rentals and amortised over the term of the lease.

### (o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of issues are calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of disposal.



## Notes to the Financial Statements (contd)

### (p) Impairment

At each balance sheet date, the group 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. Impairment loss occurs where the asset is carried in the books at more than its recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amounts to be recovered through use or sale of the asset. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generated unit to which the asset belongs.

The recoverable amount represents the greater of the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (q) Hedge accounting

The group designates certain hedging instruments in respect of foreign currency risk as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Movements in the hedging reserve in equity are detailed in the statement of changes in equity on pages 61 and 62.

The effective portion of changes in the fair value of the hedging instruments that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line of the income statement. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

When a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

## Notes to the Financial Statements (contd)

### (r) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

### (s) Financial assets

The group classifies its financial assets into the category of loans and receivables. Management determines the appropriate classification of its financial assets at initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash receipts (including all fees, transaction costs and premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the assets have been impacted.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment individually. Objective evidence of impairment for receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



## Notes to the Financial Statements (contd)

## (t) Financial liabilities and equity instruments issued by the group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Classification as debt or equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

**Financial liabilities**

Financial liabilities are classified in the category of other financial liabilities.

**Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**Derecognition of financial liabilities**

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

## (u) Manufacturers' credits (subsidies)

The group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. These credits are recorded as deferred income and recognised in income over the economic life of the aircraft.

## (v) Frequent flyer programmes

Kenya Airways is currently hosted on KLM Royal Dutch Airline's frequent flyer programme previously known as Flying Dutchman, which was a few years ago merged with Air France's frequent flyer programme and is now called Flying Blue. Under the Flying Blue programme, members earn miles by using both airline and non-airline partners. Kenya Airways is required to pay KLM for the miles that are earned on the programme. All miles are expensed when the underlying flights occur. Accumulated miles can be used by members to get a variety of awards ranging from free tickets to flight upgrades. Kenya Airways earns revenue as miles are redeemed on its services.

## (w) Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value including transaction costs and subsequently re-measured at their fair value. Derivatives are designated either as a hedge of the fair value of a recognised asset or liability or of a firm commitment (fair value hedge) or as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.



## Notes to the Financial Statements (contd)

## (x) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparative figures have been modified to incorporate the fuel hedge derivatives.

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the group accounting policies.

In the process of applying the group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial 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. The critical areas of accounting estimates and judgements in relation to the preparation of these financial statements are as set out below:

**Impairment of aircraft**

A decline in the value of aircraft could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could make an impairment review necessary include the following:

- (a) Significant decline in the market value beyond that which would be expected from the passage of time and normal use.
- (b) Significant changes in technology and regulatory environments.
- (c) Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.

In management's judgement, the carrying values of aircraft are not impaired as of the date of these financial statements.

**Unused ticket revenue**

Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. Other revenue is recognised at the time the service is provided.

**Property and equipment**

Critical estimates are made by directors in determining the useful lives and residual values of property, plant and equipment based on the intended use of the assets and the economic lives of those assets.

Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.



## Notes to the Financial Statements (contd)

## 3. SEGMENTAL INFORMATION

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 1.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, and income tax expense.

All assets are allocated to reportable segments other than investments in associates and tax assets.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities do not include income tax liabilities.

## (a) Primary segment information - Geographical segments

The major part of the business of the group falls under the category of aviation transport with income from other categories comprising less than 1% of total income. Geographical segments are therefore considered to be the primary segments.

**Segment revenue**

The analysis of turnover by geographical segments is based on the following criteria:

In the case of passengers, freight and mail, domestic turnover is attributed to those services rendered within Kenya, whilst turnover from inbound and outbound services between Kenya and overseas points is attributed to the geographical point in which the overseas point lies. Other turnover is attributed to Kenya.

	2009 KShs'million	2008 (Restated) KShs'million
<b>Segment revenue</b>		
Kenya	2,771	5,334
Rest of Africa	32,787	25,534
Middle East and Asia	15,689	11,994
Europe	20,582	17,609
	<b>71,829</b>	<b>60,471</b>
<b>Segment result - Operating profit</b>		
Kenya	506	469
Rest of Africa	2,145	2,097
Middle East and Asia	869	818
Europe	522	917
	<b>4,042</b>	<b>4,301</b>

**Net assets***Geographical analysis of net assets:*

The major revenue-earning assets of the group comprise the aircraft fleet, all of which are registered in Kenya. Since the group's aircraft fleet are employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to the geographical segments.



## Notes to the Financial Statements (contd)

## 3. SEGMENTAL INFORMATION (Contd)

## (b) Secondary segment information - Business segments

	2009 KShs'million	GROUP 2008 KShs'million
<b>Analysis of turnover according to business segments</b>		
Passengers	62,947	52,882
Freight and mail	6,081	5,395
Handling	1,276	1,052
Others	1,525	1,142
	<b>71,829</b>	<b>60,471</b>
<b>Analysis of operating profit per business segments</b>		
Passengers	2,143	3,570
Freight, mail and others	1,899	731
	<b>4,042</b>	<b>4,301</b>
<b>Analysis of net assets per business segments</b>		
Passengers	14,818	22,933
Freight, mail and others	2,358	3,649
	<b>17,176</b>	<b>26,582</b>
<b>4. TURNOVER</b>		
Passengers	62,947	52,882
Freight and mail	6,081	5,395
Handling	1,276	1,052
Others	1,525	1,142
	<b>71,829</b>	<b>60,471</b>



## Notes to the Financial Statements (contd)

## 5. ANALYSIS OF OPERATING EXPENDITURE

	GROUP	
	2009 KShs'million	2008 (Restated) KShs'million
<b>(a) Direct costs</b>		
Aircraft fuel and oil*	24,555	17,901
Aircraft landing, handling and navigation	6,832	6,312
Aircraft maintenance	5,186	3,884
Passenger services	3,722	3,433
Commissions on sales	3,295	2,799
Aircraft, passenger and cargo insurance	383	390
Crew route expenses	1,668	1,552
Central reservation system (net) and frequent flyer programme	1,841	1,838
Others	310	705
	<b>47,792</b>	<b>38,814</b>
<b>(b) Fleet ownership costs</b>		
Hire of aircraft and engines	4,940	4,514
Depreciation on aircraft and engines	2,836	2,747
Depreciation on rotables and other equipment	239	155
Amortisation of refurbishment costs	153	146
Aircraft purchase subsidy	(174)	(174)
	<b>7,994</b>	<b>7,388</b>

\* The prior year Aircraft fuel and oil costs exclude a gain of KShs 2,278 million that was treated as a credit to fuel and oil costs in the 2008 financial statements but has been reclassified to realised fuel derivative gains in these financial statements.

	GROUP	
	2009 KShs'million	2008 KShs'million
<b>(c) Overheads</b>		
<i>Administration</i>		
Employee costs (note 5(d))	7,888	7,094
Legal and professional fees	225	219
Directors remuneration	85	88
Audit fees	10	10
General expenses **	1,565	637
	<b>9,773</b>	<b>8,048</b>
<i>Establishment</i>		
General maintenance and supplies	1,060	789
Depreciation of buildings, vehicles and other equipment	563	486
Amortisation of intangible assets and prepaid operating lease	126	75
	<b>1,749</b>	<b>1,350</b>

## Notes to the Financial Statements (contd)

## 5. ANALYSIS OF OPERATING EXPENDITURE (Contd)

	GROUP	
	2009 KShs'million	2008 KShs'million
<b>(c) Overheads (contd)</b>		
<i>Selling</i>		
Advertising and publicity	472	538
Bad debts expense	7	32
	<b>479</b>	<b>570</b>
<b>Total overheads</b>	<b>12,001</b>	<b>9,968</b>

\*\*The prior year general expenses included a write back of KShs 1.14 billion relating to a provision for a liability that was recognised in the financial year ended 31 March 2006. The provision was in relation to the court case filed by former employees where the initial judgement was in favour of the employees. However, a subsequent judgement was issued in favour of the company hence the write back.

**(d) Employee costs and numbers**

Information on the average number of persons employed in the group during the year and the costs for the year is provided below:

	GROUP	
	2009 KShs'million	2008 KShs'million
<i>Costs</i>		
Wages and salaries	6,005	5,394
Contributions to retirement benefits scheme	383	334
Others	1,500	1,366
	<b>7,888</b>	<b>7,094</b>
<i>Numbers</i>		
Kenya	3,734	3,825
Overseas	445	442
	<b>4,179</b>	<b>4,267</b>



## Notes to the Financial Statements (contd)

	GROUP	
	2009 KShs'million	2008 (Restated) KShs'million
<b>6(a) FINANCE INCOME</b>		
Interest receivable	658	760
Interest receivable analysed by category of financial assets is as follows:		
Held to maturity investments	219	377
Loans and receivables	439	383
Total investment income	658	760
<b>6(b) OTHER GAINS AND LOSSES</b>		
Foreign currency gains/(losses)	62	(56)
Other income	103	54
Other costs	(93)	(216)
	72	(218)

## 7. FUEL DERIVATIVES (LOSSES)/GAINS

(a) Realised (losses) / gains	(1,372)	1,888
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The realised portion of the fuel derivatives represents the net (payment)/receipt (to)/from counter parties for fuel derivatives that matured during the financial year.

	GROUP	
	2009 KShs'million	2008 (Restated) KShs'million
(b) Unrealised (losses)/gains		
Unrealised (losses)/gains due to mark to market	(6,652)	1,013
Outstanding hedge (payment)/receipt at year end	(880)	390
	(7,532)	1,403

The unrealised portion represents the change in the fair value (mark to market) of the fuel derivatives and the hedge (payment)/receipt that were outstanding as at year end.

## 8. FINANCE COSTS

	GROUP	
	2009 KShs'million	2008 (Restated) KShs'million
Interest payable on long term borrowings	1,594	1,673

## Notes to the Financial Statements (contd)

## 9. (LOSS) / PROFIT BEFORE TAXATION

	GROUP	
	2009 KShs'million	2008 (Restated) KShs'million
The (loss)/profit before taxation is arrived at after charging:		
Depreciation (Note 14)	3,638	3,388
Amortisations (Notes 15, 16 & 18)	279	221
Auditors' remuneration	10	10
Directors' remuneration:		
Fees	12	10
Other emoluments	73	78
Loss on disposal of property, plant and equipment	-	82
Employee costs (note 5(d))	7,888	7,094

and after crediting:

Aircraft purchase subsidy	174	174
Profit on disposal of property, plant and equipment	61	-

## 10. TAXATION

(a) Tax charge		
Taxation charge - current	114	166
- prior year underprovision	19	-
Total current taxation	133	166
Deferred tax (credit)/charge - current	(1,714)	1,812
- prior year overprovision	-	(30)
Total deferred tax charge (note 28)	(1,714)	1,782
Total taxation (credit)/charge	(1,581)	1,948



## Notes to the Financial Statements (contd)

## 10. TAXATION (Contd)

Reconciliation of tax (credit) / charge to expected tax base on accounting (loss) /profit.

	GROUP		COMPANY	
	2009 KShs'million	2008 (Restated) KShs'million	2009 KShs'million	2008 (Restated) KShs'million
Accounting (loss)/profit before taxation	(5,664)	6,526	(5,818)	6,165
Tax at applicable rate of 30%	(1,699)	1,958	(1,745)	1,850
Tax effect of expenses not deductible for tax	99	40	89	39
Tax effect of non taxable income	-	(20)	(78)	-
Prior year current tax underprovision	19	-	15	-
Prior year deferred tax overprovision	-	(30)	-	(34)
Taxation (credit)/charge	(1,581)	1,948	(1,719)	1,855

## (c) Taxation recoverable

	2009	2008	2009	2008
At beginning of year	(712)	(621)	(634)	(622)
Charge for the year	114	166	-	79
Prior year adjustment	19	-	15	-
Paid during the year	(142)	(257)	(95)	(91)
At end of year	(721)	(712)	(714)	(634)

## Analysed:

	2009	2008	2009	2008
Taxation recoverable	(737)	(712)	(714)	(634)
Taxation payable	16	-	-	-
Taxation recoverable	(721)	(712)	(714)	(634)

## 11 (a) (LOSS)/PROFIT FOR THE YEAR

The loss attributable to shareholders dealt with in the financial statements of the company amounts to KShs 4,099 million (2008 - Profit of KShs 4,310 million).

## (b) PRIOR YEAR ADJUSTMENT

	GROUP KShs'million	COMPANY KShs'million
Profit for the year ended 31 March 2008		
- As previously reported	3,869	3,601
- Prior year adjustment	1,013	1,013
- Deferred tax arising from the prior year adjustment	(304)	(304)
- As restated	4,578	4,310

The prior year adjustment relates to the recognition of unrealised gains on fuel derivatives.

## Notes to the Financial Statements (contd)

## 12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is arrived at by dividing the net (loss)/profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, as shown below:

	2009	2008 (Restated)
(Loss)/profit attributable to Shareholders (KShs'million)	(4,083)	4,578
Weighted average number of ordinary Shares (million)	462	462
Basic (loss)/earnings per share (KShs)	(8.84)	9.91

The basic and diluted (loss)/earnings per share are the same as there were no potentially dilutive shares outstanding at 31 March 2009 nor at 31 March 2008.

## 13. DIVIDENDS

	2009	2008
Dividends - proposed (KShs' million)	462	808
Number of ordinary shares (million)	462	462
Dividend per share (KShs)	1	1.75

In the current financial year, a dividend of KShs 1.75 per share amounting to KShs 808 million relating to the year ended 31 March 2008 was approved and paid.

In respect of the current financial year, the directors propose a final dividend of KShs 1 per ordinary share (totalling KShs 462 million). This proposal will be presented for formal approval by shareholders' at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

Dividend per share is arrived at by dividing the dividends payable by the number of shares in issue at the balance sheet date.

The movement in the dividend payable account is as follows:

	2009 Kshs'million	2008 Kshs'million
At beginning of year	40	40
Declared during the year	808	808
Paid during the year	(808)	(808)
At end of year	40	40



## Notes to the Financial Statements (contd)

## 14. PROPERTY, PLANT AND EQUIPMENT

## (a) GROUP

	Freehold land and buildings KShs'million	Aircraft and engines KShs'million	Vehicles and ground service equipment KShs'million	Total KShs'million
<b>COST</b>				
At 1 April 2007	1,801	60,395	4,638	66,834
Additions	116	460	1,320	1,896
Disposals	-	(249)	(22)	(271)
At 31 March 2008	1,917	60,606	5,936	68,459
At 1 April 2008	1,917	60,606	5,936	68,459
Additions	6	1,395	825	2,226
Disposals	(18)	(378)	(35)	(431)
At 31 March 2009	1,905	61,623	6,726	70,254
<b>DEPRECIATION</b>				
At 1 April 2007	260	9,406	3,062	12,728
Charge for the year	48	2,747	593	3,388
Eliminated on disposal	-	(153)	(22)	(175)
At 31 March 2008	308	12,000	3,633	15,941
At 1 April 2008	308	12,000	3,633	15,941
Charge for the year	55	3,075	508	3,638
Eliminated on disposal	(3)	(338)	(35)	(376)
At 31 March 2009	360	14,737	4,106	19,203
<b>NET BOOK VALUE</b>				
At 31 March 2009	1,545	46,886	2,620	51,051
At 31 March 2008	1,609	48,606	2,303	52,518

The net book value of aircraft charged as security for loans obtained to finance the purchase of the aircraft is KShs 44,577 million (2008 - KShs 46,327 million) at end of the year. The details of the outstanding loans are shown in note 27.

## Notes to the Financial Statements (contd)

## 14. PROPERTY, PLANT AND EQUIPMENT (Contd)

## (b) COMPANY

	Freehold land and buildings KShs'million	Aircraft and engines KShs'million	Vehicles and ground service equipment KShs'million	Total KShs'million
<b>COST</b>				
At 1 April 2007	1,287	59,604	3,656	64,547
Additions	116	451	1,320	1,887
Disposals	-	(249)	(22)	(271)
Transfers from subsidiary companies	-	-	53	53
At 31 March 2008	1,403	59,806	5,007	66,216
At 1 April 2008	1,403	59,806	5,007	66,216
Additions	6	1,395	824	2,225
Disposals	(18)	(378)	(32)	(428)
Transfer from subsidiary company	13	-	678	691
At 31 March 2009	1,404	60,823	6,477	68,704
<b>DEPRECIATION</b>				
At 1 April 2007	158	8,888	2,097	11,143
Charge for the year	35	2,697	585	3,317
Eliminated on disposal	-	(153)	(22)	(175)
Transfers from subsidiary companies	-	-	52	52
At 31 March 2008	193	11,432	2,712	14,337
At 1 April 2008	193	11,432	2,712	14,337
Charge for the year	42	3,014	505	3,561
Eliminated on disposal	(3)	(337)	(32)	(372)
Transfer from subsidiary company	3	-	674	677
At 31 March 2009	235	14,109	3,859	18,203
<b>NET BOOK VALUE</b>				
At 31 March 2009	1,169	46,714	2,618	50,501
At 31 March 2008	1,210	48,374	2,296	51,879

The net book value of aircraft charged as security for loans obtained to finance the purchase of the aircraft is KShs 44,577 million (2008 - KShs 46,327 million) at end of the year. The details of the outstanding loans are shown in note 27.



## Notes to the Financial Statements (contd)

## 15. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
<b>COST</b>				
At beginning of the year	666	540	632	506
Additions for the year	354	126	354	126
At end of the year	1,020	666	986	632
<b>AMORTISATION</b>				
At beginning of the year	365	292	331	258
Amortisation for the year	105	73	105	73
At end of the year	470	365	436	331
<b>NET BOOK VALUE</b>	<b>550</b>	<b>301</b>	<b>550</b>	<b>301</b>

The intangible assets represent costs of acquisition of computer software and expenditure incurred towards enhancing and extending the benefits and lives of computer software programs beyond their original specifications.

## 16. PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
<b>COST</b>				
At beginning	125	125	123	123
Additions for the year	1,567	-	1,567	-
At end of the year	1,692	125	1,690	123
<b>AMORTISATION</b>				
At beginning of the year	9	7	8	6
Amortisation during the year	21	2	21	2
At end of the year	30	9	29	8
<b>NET BOOK VALUE</b>	<b>1,662</b>	<b>116</b>	<b>1,661</b>	<b>115</b>

Prepaid operating lease rentals relate to the cost incurred to acquire interests in leasehold land. The cost is carried in the financial statements as a long term prepayment and amortised to the income statement on the straight line basis over the terms of the leases.



## Notes to the Financial Statements (contd)

## 17. INVESTMENTS

## (a) Investment in subsidiaries - at cost

Details of investment	Country of incorporation	Activity	% of Equity interest	2009 Kshs' million	2008 Kshs' million
Kenya Airfreight Handling Limited (1,000 shares of KShs 20 each)**	Kenya	Cargo and passenger handling	100%	51	*
Flamingo Airlines Limited (5,000 shares of KShs 20 each)	Kenya	Dormant	100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Cargo sales agents	100%	19	19
African Cargo Handling Limited (5,753,822 shares of KShs 100 each) At 31 March	Kenya	Cargo handling	100%	384 454	384 403

\* - Amounts involved are less than KShs one million and convert to zero on rounding.

\*\* - During the year, the company paid an additional KShs 51 million towards the purchase of additional shares in the subsidiary. The allotment of the shares was under process as at the end of the year.

## (b) Investment in associated company

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
<b>Precision Air Services Limited:</b>				
At beginning of the year	387	322	155	155
Share of net results of associated company	62	65	-	-
At end of the year	449	387	155	155

The holding in Precision Air Services Limited represents 49% of the issued ordinary share capital. The associate is a limited liability company incorporated and domiciled in the Republic of Tanzania. Its principal activity is carriage of passengers and cargo by air within Tanzania and in the East Africa region.



## Notes to the Financial Statements (contd)

## 17. INVESTMENTS (Contd)

## (c) Other investments

	COMPANY	
	2009 Kshs'million	2008 Kshs'million
<b>(i) African Tours and Hotels Limited:</b>		
(100,398 ordinary shares of KShs 20 each)	2	2
Less: Amount written off	(2)	(2)
Carrying value	-	-

The shareholding in African Tours and Hotels Limited represents 20.1% of the issued ordinary share capital of the company. The company was placed under receivership several years back and, therefore, the directors do not expect the value of the investment to be recovered. Consequently, the investment has been fully impaired.

**(ii) The company holds 9 (2008 - 9) shares in SITA S.C loyalty programme. These shares were acquired at nil consideration and therefore the investment has no corresponding value in the financial statements. In the assessment of the directors the fair value of the investment is negligible.**

## 18. DEFERRED EXPENDITURE

	GROUP & COMPANY	
	2009 Kshs'million	2008 Kshs'million
<b>COST</b>		
At beginning of year	292	84
Additions	7	208
At end of year	299	292
<b>AMORTISATION</b>		
At beginning of year	146	-
Charge for the year	153	146
At end of year	299	146
<b>NET BOOK VALUE</b>		
At 31 March	-	146

The deferred expenditure relates to costs incurred in preparation of refurbishment of a leased Boeing 767 (5Y KQQ) aircraft. The costs have been amortised on the straight line basis over the term of the lease.

## Notes to the Financial Statements (contd)

## 19. AIRCRAFT DEPOSITS

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
Deposits for aircraft leases under long-term operating leases	868	241	868	241
Deposits paid towards acquisition of aircraft	1,659	1,633	1,659	1,633
Maintenance deposits	5	5	-	-
	2,532	1,879	2,527	1,874

The deposits under long-term operating leases relate to lease of aircraft and engines of Boeing 767's, Embraer 170's and B737-800's.

The deposits paid towards acquisition of aircraft represent amounts paid to Boeing Corporation towards acquisition of six Boeing 787-8 aircraft scheduled for delivery between 2013 and 2015.

These deposits do not earn any interest and are carried at amortised cost.

The movement in the aircraft deposits is as follows:

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
At beginning of year	1,879	2,106	1,874	2,101
Additional deposits paid	83	98	83	98
Amortisation*	6	(122)	6	(122)
Foreign exchange differences	564	(203)	564	(203)
At end of year	2,532	1,879	2,527	1,874

\* Amortisation of the aircraft deposits relates to the discount arising from the difference between the maturity value of the deposits and their amortised cost valuations.



## Notes to the Financial Statements (contd)

## 20. FUEL DERIVATIVES

In the normal course of its business, the group uses fuel derivatives with approved counter parties to protect it against sudden and significant increases in fuel prices. The table below analyses the fuel derivatives into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

## a) Analysis of fuel derivatives:

31 March 2009	1-6 months	7-9 months	10-12 months	1-2 years	Total
<b>Unrealised:</b>					
Swaps	(2,360)	(1,180)	(238)	(714)	(4,492)
Options	(505)	(252)	-	-	(757)
	(2,865)	(1,432)	(238)	(714)	(5,249)
<b>Realised on consumption:</b>					
Swaps	(528)	-	-	-	(528)
Options	(352)	-	-	-	(352)
	(880)	-	-	-	(880)
	(3,745)	(1,432)	(238)	(714)	(6,129)
<b>31 March 2008</b>					
<b>Unrealised:</b>					
Swaps	293	18	18	54	383
Options	240	31	90	269	630
	533	49	108	323	1,013
<b>Realised on consumption:</b>					
Swaps	227	-	-	-	227
Options	163	-	-	-	163
	390	-	-	-	390
	923	49	108	323	1,403

	GROUP & COMPANY	
Maturity analysis of derivatives at fair value through profit or loss:	2009 Kshs'million	2008 Kshs'million
<b>b) Derivative asset:</b>		
Within one year	-	1,080
Between one and two years	-	323
	-	1,403
<b>c) Derivative liability:</b>		
Within one year	5,415	-
Between one and two years	714	-
	6,129	-

## Notes to the Financial Statements (contd)

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
<b>21. INVENTORIES</b>				
Aircraft consumables inventories	1,202	1,017	1158	979
Other inventories	272	241	272	241
	1,474	1,258	1,430	1,220
<b>22. TRADE AND OTHER RECEIVABLES</b>				
Trade - Airlines	2,114	1,188	2,110	1,154
Trade - Agents	2,477	2,202	2,427	2,173
Trade - Others	2,030	2,175	2,030	2,170
Trade - Government ministries and parastatals	24	48	24	48
Prepayments	1,008	564	992	551
Staff receivables	125	71	124	71
Other receivables	1,219	583	1,223	581
	8,997	6,831	8,930	6,748
<b>23. HELD TO MATURITY INVESTMENTS</b>				
<b>Treasury bills:</b>				
Face value	-	7,855	-	7,855
Unearned discount	-	(108)	-	(108)
	-	7,747	-	7,747
<b>Maturity analysis:</b>				
Maturing within 91 days	-	-	-	-
Maturing within 182 days	-	7,747	-	7,747
	-	7,747	-	7,747

The effective interest rate on treasury bills during the year ranged from 7.8 % to 8.75% (2008 - 6.5% to 7.5%).

## 24. BANK AND CASH BALANCES

## a) Deposits with financial institutions:

Maturity analysis of short term deposits.

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
Maturing between 90 and 182 days	5,077	1,812	5,077	1,812

The effective interest rates on short term deposits ranged from 7.8% to 8.75% (2008 - 5% to 7%) depending on the country where the deposit has been placed.



## Notes to the Financial Statements (contd)

## 24. BANK AND CASH BALANCES (Contd)

(b) Bank and cash balances

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
Cash in hand and at bank	1,936	1,617	1,836	1,591
Short term deposits maturing within 90 days	437	1,066	437	1,066
	<u>2,373</u>	<u>2,683</u>	<u>2,273</u>	<u>2,657</u>

Included in cash in hand and at bank in the previous year was KShs 58 Million which represented cash balances held with banks in Seychelles that could not be repatriated due to foreign exchange scarcity and foreign exchange transfer restrictions in that country. The company had reached an agreement with the Seychelles Government to be allowed to utilise the funds to settle certain expenses incurred in that country. The company fully utilised the funds during the current financial year.

## 25. SHARE CAPITAL

	GROUP & COMPANY	
	2009 Kshs'million	2008 Kshs'million
<b>Authorised:</b> 1,000,000,000 ordinary shares of Shs 5 each	5,000	5,000
<b>Issued and fully paid:</b> 461,615,484 ordinary shares of Shs 5 each	2,308	2,308

## 26. RESERVES

(a) Revenue reserve

Revenue reserve represents cumulative retained surpluses available for distribution to the shareholders of the company.

(b) Hedge reserve

The hedging reserve represents foreign exchange gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis of adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Gains and losses transferred from equity into profit or loss during the period are included in the following line items in the income statement:

	GROUP & COMPANY	
	2009 Kshs'million	2008 Kshs'million
Turnover	244	203

## Notes to the Financial Statements (contd)

## 27. BORROWINGS

(a) Analysis of interest bearing loans and borrowings:

	Average interest rate	Maturities	GROUP & COMPANY		
			US\$ Million	2009 KShs'million	2008 KShs'million
PEFCO Aircraft Loans	6.6%	2009 - 2015	11	886	1,423
Barclays Bank PLC Aircraft Loans	4.5%	2005 - 2014	291	23,386	20,346
ABN AMRO Bank Aircraft Loan	5.37%	2007 - 2019	98	7,836	6,598
			<u>400</u>	<u>32,108</u>	<u>28,367</u>

The loans were obtained for the purpose of funding the acquisition of aircraft and spare engines.

The PEFCO, Barclays Bank PLC and ABN AMRO loans are repayable over periods of twelve years from the dates of disbursement of each loan. The loans were advanced to Simba Finance Limited by Private Export Funding Corporation (PEFCO), to Swara Aircraft Financing Limited and Kifaru Aircraft Financing Limited by Barclays Bank PLC and to Chui Aircraft Financing Limited by ABN AMRO Bank and are guaranteed by Export-Import Bank of the United States of America (Eximbank). The aircraft are registered in the name of Simba Finance Limited, Swara Aircraft Financing Limited, Kifaru Aircraft Financing Limited and Chui Aircraft Financing Limited, the equity in all of which are held by security trustees on behalf of Eximbank, to afford Eximbank title security over the aircraft. The aircraft are also encumbered by charges in favour of security trustees on behalf of Eximbank. The legal title for the aircraft is to be transferred to Kenya Airways Limited once the loans are fully repaid.

(b) Maturities of amounts included in borrowings are as follows:

	GROUP & COMPANY	
	2009 Kshs'million	2008 Kshs'million
Within one year	3,851	3,177
Between two and five years	14,911	11,656
After five years	13,346	13,534
	<u>28,257</u>	<u>25,190</u>
	<u>32,108</u>	<u>28,367</u>



## Notes to the Financial Statements (contd)

## 27. BORROWINGS (Contd)

(c) The Movement of borrowings is as follows:

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
At beginning of the year	28,367	34,633	28,367	34,633
Repaid in the year	(3,610)	(3,470)	(3,610)	(3,470)
Exchange difference	7,351	(2,796)	7,351	(2,796)
At end of year	32,108	28,367	32,108	28,367
The exchange difference has been dealt with as follows:				
Total exchange differences on borrowings	(7,351)	2,796	(7,351)	2,796
Add/(less) : attributable to monetary assets	1,144	(918)	1,144	(918)
: realised on settlement of loans	(244)	(203)	(244)	(203)
Net hedge effect	(6,451)	1,675	(6,451)	1,675

## (d) Credit line facilities

The group has multi-currency credit line facilities with a total value of KShs 7,370 million (2008 - KShs 6,518 million) with various local and international banks for tenures of one year and renewable. As at 31 March 2009, the group had utilised guarantees amounting to KShs 1,211 million (2008 - KShs 983 million) against these facilities leaving an unutilised facility of KShs 6,159 million (2008 - KShs 5,535 million).

## Notes to the Financial Statements (contd)

## 28. DEFERRED TAXATION

The net deferred tax liability at the year end is attributable to the following items.

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
<b>Deferred tax asset</b>				
Leave pay provision	(221)	(221)	(220)	(218)
Other provisions	(69)	(81)	(69)	(81)
Tax losses	(608)	-	(608)	-
Fuel derivative gains	(1,575)	-	(1,575)	-
Hedged losses	(515)	-	(515)	-
	(2,988)	(302)	(2,987)	(299)
<b>Deferred tax liability</b>				
Accelerated capital allowances	8,779	8,017	8,804	8,058
Unrealised exchange gain	54	56	54	57
Fuel derivative gains	-	304	-	304
Hedged gains	-	1,420	-	1,420
	8,833	9,797	8,858	9,839
Net deferred tax liability	5,845	9,495	5,871	9,540
<i>Comprising:</i>				
Deferred tax asset	(26)	(45)	-	-
Deferred tax liability	5,871	9,540	5,871	9,540
Net deferred tax liability	5,845	9,495	5,871	9,540

The movement in the deferred tax liability during the year is presented below:

	GROUP		COMPANY	
	2009 KShs'million	2008 (Restated) KShs'million	2009 KShs'million	2008 (Restated) KShs'million
At beginning of year	9,495	7,210	9,540	7,261
Income statement				
(credit)/charge (note 10(a))	(1,714)	1,782	(1,733)	1,776
Deferred tax dealt with in equity	(1,936)	503	(1,936)	503
At end of year	5,845	9,495	5,871	9,540



## Notes to the Financial Statements (contd)

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
<b>29. SALES IN ADVANCE OF CARRIAGE</b>				
Passengers	5,036	4,567	5,036	4,567
Cargo	62	73	62	73
	<u>5,098</u>	<u>4,640</u>	<u>5,098</u>	<u>4,640</u>
<b>30. TRADE AND OTHER PAYABLES</b>				
Trade payables	3,566	2,835	3,653	2,825
Other payables and accruals	1,773	2,509	1,538	2,424
	<u>5,339</u>	<u>5,344</u>	<u>5,191</u>	<u>5,249</u>
<b>31. ACCRUALS FOR STAFF LEAVE ENTITLEMENTS</b>				
At beginning of year	738	530	728	522
Leave entitlement for the year	78	225	76	223
Amounts utilised during the year	(75)	(17)	(71)	(17)
At end of year	<u>741</u>	<u>738</u>	<u>733</u>	<u>728</u>
<b>32. DEFERRED INCOME AIRCRAFT SUBSIDY</b>				
At beginning of year	2,587	2,761	2,587	2,761
Released to income	(174)	(174)	(174)	(174)
At end of year	<u>2,413</u>	<u>2,587</u>	<u>2,413</u>	<u>2,587</u>
Deferred income comprises:				
Amounts due within one year	174	174	174	174
Amounts due after one year	2,239	2,413	2,239	2,413
	<u>2,413</u>	<u>2,587</u>	<u>2,413</u>	<u>2,587</u>

Deferred income relates to credits received from manufacturers of aircraft in connection with the acquisition of certain aircraft. The credit received in respect of each aircraft is amortised to income over the expected useful life of the aircraft.



## Notes to the Financial Statements (contd)

## 33(a) RECONCILIATION OF (LOSS) / PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	GROUP	
	2009 Kshs'million	2008 Kshs'million
(Loss)/profit before taxation	(5,664)	6,526
<b>Adjustments for:</b>		
Depreciation (note 14(a))	3,638	3,388
Amortisation of intangible assets (note 15)	105	73
Amortisation of prepaid lease rentals (note 16)	21	2
Amortisation of deferred expenditure (note 18)	153	146
Aircraft purchase subsidy released to income (note 32)	(174)	(174)
(Profit)/loss on disposal of property, plant and equipment	(61)	82
Share of results of associated company (note 17(b))	(62)	(65)
Amortisation of aircraft deposits (note 19)	(6)	122
Hedged exchange differences attributable to monetary assets (note 27(c))	1,144	(918)
Unrealised fuel derivative losses/(gains) (note 7)	7,532	(1,403)
Unrealised exchange differences on non designated monetary assets	(808)	-
Interest receivable (note 6)	(658)	(760)
Interest payable (note 8)	1,594	1,673
Adjusted profit before working capital changes	6,754	8,692
Increase in inventories	(216)	(296)
Increase in trade and other receivables	(2,166)	(354)
Increase in sales in advance of carriage	458	484
Increase/(decrease) in trade and other payables	(5)	(955)
Increase in accruals for staff leave entitlements	3	208
Movement in related company balances	(3)	41
Cash generated from operations	<u>4,825</u>	<u>7,820</u>

## (b) CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents as at 31 March comprise the following:

	GROUP	
	2009 Kshs'million	2008 Kshs'million
Cash in hand and at bank (note 24(b))	1,936	1,617
Short term deposits maturing within 90 days (note 24(a))	437	1,066
	<u>2,373</u>	<u>2,683</u>

Cash and cash equivalents in the year 2009 excludes deposits with financial institutions amounting to KShs 5,077 million (Year 2008 - deposits and treasury bills of KShs 9,559 million) with a maturity period greater than 90 days.

Balance inclusive of investments with maturity greater than 90 days	7,450	12,242
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## Notes to the Financial Statements (contd)

## 34. RELATED PARTIES

## (a) Related party transactions

During the year, companies within the group entered into transactions with related parties who are not members of the group. Those transactions are presented below:

**KLM Royal Dutch Airlines (KLM)**

KLM holds 26% equity interest in Kenya Airways Limited, and has a joint venture agreement with Kenya Airways Limited which commenced in November 1997. The agreement allows the two airlines to co-operate in developing schedules and fares and to share generated revenue benefits and costs for the core routes between Nairobi and Amsterdam.

**Precision Air Services Limited**

Kenya Airways holds 49% equity interest in Precision Air Services Limited with code share on the route between Nairobi and Dar es Salaam.

As is common throughout the airline industry, Kenya Airways, KLM Royal Dutch Airlines and Precision Air Services from time to time carry each other's passengers travelling on the other airline's tickets. The settlement between the two carriers is effected through IATA clearing house, of which all airlines are members.

Transactions with related companies are effected under the same terms as other unrelated customers and suppliers.

## (b) Related companies balances

Balances outstanding at the year end on account of transactions with related parties were as follows:

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
<b>Due from related companies</b>				
Precision Air Services Limited	3	-	3	-
Kenya Airfreight Handling Limited	-	-	54	271
Flamingo Airlines Limited	-	-	775	829
African Cargo Handling Limited	-	-	2,080	1,023
Kencargo Airlines International Limited	-	-	61	44
	3	-	2,973	2,167

**Due to related companies**

	COMPANY	
	2009 Kshs'million	2008 Kshs'million
African Cargo Handling Limited	3,872	2,552
Kenya Airfreight Handling Limited	48	394
	3,920	2,946

## Notes to the Financial Statements (contd)

## 34. RELATED PARTIES (Contd)

## (b) Related companies balances (Continued)

Amounts due from and due to Kenya Airfreight Handling Limited (KAHL) arise from payments of expenses by Kenya Airways on behalf of KAHL, net of costs apportioned by KAHL for services rendered to Kenya Airways. The amounts due to African Cargo Handling Limited represent funds transferred to the parent company for investment.

## (c) Remuneration for directors' and key management compensation

The remuneration for directors' and other members of key management during the year were as follows:

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
Salaries and other benefits	186	206	175	191
Non monetary benefits	14	15	11	13
	200	221	186	204

Directors' remuneration (included in key management compensation above)

	GROUP		COMPANY	
	2009 KShs'million	2008 KShs'million	2009 KShs'million	2008 KShs'million
As executives	73	78	73	78
As non executives	12	10	12	10
	85	88	85	88
Non- monetary benefits	6	7	6	7
	91	95	91	95

## 35. CAPITAL EXPENDITURE COMMITMENTS

As at 31 March the group had purchase commitments for aircraft fleet and equipment incidental to the ordinary course of business as follows:

	GROUP	
	2009 Kshs'million	2008 Kshs'million
Authorised and contracted for	93,247	73,158
Authorised but not contracted for	4,160	5,501
	97,407	78,659

The bulk of authorised and contracted commitments are in respect of purchase of aircraft.



## Notes to the Financial Statements (contd)

## 36. OPERATING LEASE COMMITMENTS

The aggregate payments for which the group has commitments under operating leases at the end of the year fall due as follows:

	GROUP	
	2009 Kshs'million	2008 Kshs'million
Within one year	6,746	4,348
After one year but not more than five years	17,566	14,856
	24,312	19,204

The aircraft fleet leasing commitments include the balance of rental obligations under operating leases in respect of various aircraft. The various lease agreements do not provide for purchase options on expiry of the lease terms. No restrictions have been imposed by the lessors on the company in respect of dividend payouts, borrowings or further leasing.

## 37. CONTINGENCIES

## (a) Contingent liabilities

	GROUP	
	2009 Kshs'million	2008 Kshs'million
Guarantees	1,211	983
Litigation	345	355
	1,556	1,338

**Guarantees**

In the ordinary course of business, the group's bankers have given guarantees on behalf of the group in favour of third parties. In the opinion of the directors, no liability is expected to crystallise in respect of the guarantees.

**Litigation**

These relate to various legal cases brought against the company which are pending determination by the courts. It is not practicable to determine the timing and ultimate liabilities (if any) that may crystallise upon resolution of the pending cases. However, on grounds of prudence, management has made appropriate provisions in respect of certain cases. Due to the nature and sensitivity of these cases, detailed disclosure has not been made for each case as this may be prejudicial to the position of the group.

## (b) Contingent assets

	GROUP	
	2009 Kshs'million	2008 Kshs'million
Litigation	170	170

This represents various legal suits filed by the company against third parties.

## Notes to the Financial Statements (contd)

## 38. FINANCIAL RISK MANAGEMENT

The group purchases or issues financial instruments for purposes of financing its operations and managing the financial risks that arise from its operations. Various financial assets and liabilities arise directly from the group's operations. Changing market conditions expose the group to various financial risks and have highlighted the importance of financial risk management as an element of control for the group. Principal financial risks faced in the normal course of the group's business are foreign currency rate risk, interest rate risk, credit risk, fuel price risk and liquidity risk. The policy of the group is to minimise the negative effect of such risks on cash flow, financial performance and equity.

Operating in the aviation industry, Kenya Airways Limited carries out its activities in an extremely dynamic, and often highly volatile, commercial environment. Therefore, both opportunities and risks are encountered as part of everyday business for the company and group. The group's ability to recognise, successfully control and manage risks early on in their development and to identify and exploit opportunities are key to the group's ability to successfully realise the corporate vision.

## (a) Interest rate risk

The group's exposure to market risk due to changes in interest rates primarily relates to its cash, deposits, government securities and borrowings.

Most of the group's debts are asset related, reflecting the capital intensive nature of the airline industry. At 31 March 2009, all the group's borrowings were at fixed rates of interest and there were no borrowings at floating rates.

Market risk associated with cash portfolio relates to the potential change in interest income from decreases in interest rates.

## (b) Foreign currency risk

The group is exposed to foreign exchange risk because it has revenues and expenses denominated in foreign currency, mainly the US Dollar, the Euro and the Sterling Pound. A significant portion of the revenue earned by the group is denominated in readily convertible currencies. The group also has various monetary assets and liabilities that are denominated in currencies other than the Kenya Shillings.

The sensitivity analysis presented below shows how profit and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2009 (Kshs'million)		2008 (Kshs'million)	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
Currency - UK Pounds				
+ 1 KSh Movement	21	21	65	65
- 1 KSh Movement	(21)	(21)	(65)	(65)
Currency - Euro				
+ 1 KSh Movement	22	22	68	68
- 1 KSh Movement	(22)	(22)	(68)	(68)
Currency - American dollars				
+ 1 KSh Movement	14	14	44	44
- 1 KSh Movement	(14)	(14)	(44)	(44)



## Notes to the Financial Statements (contd)

## 38. FINANCIAL RISK MANAGEMENT (Contd)

## (c) Credit risk

Credit risk arises mainly from surplus funds held in the form of bank balances, short term deposits, or held-to-maturity investments. Credit exposure also arises from derivative counterparties as well as from agents selling commercial air transportation.

The group does not have significant concentrations of credit risk other than on derivative counterparties where transactions are limited to financial institutions possessing high credit quality and hence the risk of default is low. Cash surpluses and held-to-maturity investments are maintained in government securities or with credible financial institutions.

The group largely conducts its sale of passenger and cargo transportation through International Air Transport Association (IATA) approved sales agents. All IATA agents have to meet a minimum financial criterion applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an ongoing basis by IATA through the association's Agency Programme. The credit risk associated with such sales agents is relatively low owing to the programme's broad diversification. The group's accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services. Majority of these sales are in accounts receivable which are generally short term in duration. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the group has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the group's treasury policies and objectives and lays down parameters within which the various aspects of treasury risk management are operated. The board has set limits for investing in specified banks and financial institutions.

The profile that best represents the group's maximum exposure to credit risk is made up as follows:

At 31 March 2009

	Fully performing KShs'million	Past due KShs'million	Impaired KShs'million
Trade and other receivables (excluding future sales related debts)	6,078	1,912	1,578
Short term deposits	5,077	-	-
Bank and Cash balances	2,373	-	-

At 31 March 2008

	Fully performing KShs'million	Past due KShs'million	Impaired KShs'million
Trade and other receivables (excluding future sales related debts)	5,196	39	1,255
Held to maturity investments	7,747	-	-
Short term deposits	1,812	-	-
Bank and cash balances	2,683	-	-

## Notes to the Financial Statements (contd)

## 38. FINANCIAL RISK MANAGEMENT (Contd)

## (d) Liquidity risk

The group proactively manages cash surpluses using a combination of short and long term investment programmes that ensure adequate liquidity to meet its short and long term obligations. Kenya Airways seeks to maintain sufficient cash balances to cover six months debt obligations and lease rentals.

Summarised in the table below is the maturity profile of financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows:

31 March 2009

	Less than 1 year KShs'million	2 - 5 years KShs'million	Over 5 years KShs'million	Total KShs'million
Borrowings	3,851	14,911	13,346	32,108
Trade payables (excluding passenger taxes)	2,895	-	-	2,895

31 March 2008

	Less than 1 year KShs'million	2 - 5 years KShs'million	Over 5 years KShs'million	Total KShs'million
Borrowings	3,177	11,656	13,534	28,367
Trade payables (excluding passenger taxes)	1,808	-	-	1,808

## (e) Fuel price risk

The group's fuel risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices. To meet this objective, the company uses fuel hedges within approved limits and with approved counterparties accordingly. There were derivative financial instruments held to manage fuel price risk at 31 March 2009. As at 31 March 2009 the group had in place fuel hedging contracts for 56 percent of its anticipated fuel requirements for the period up to 31 December 2009 and 21 percent of anticipated fuel requirements for the period to 31 March 2010.

The following sensitivity analysis shows how profit and equity would change if the fuel price had been different with all other variables held constant.

	2009 (Kshs'million)		2008 (Kshs'million)	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
Fuel price				
+ 1% Movement	(268)	(268)	(156)	(156)
- 1% Movement	268	268	156	156



## Notes to the Financial Statements (contd)

### 38. FINANCIAL RISK MANAGEMENT (Contd)

#### (f) Operational risk

The group's operations are based on a rigorous flight safety culture, which is maintained through continuous and long-term flight safety work. The company is subject to regular IATA Operational Safety Audits (IOSA) and has been receiving satisfactory reports.

When operational decisions are made, flight safety always takes the highest priority in relation to other factors that influence decision-making. Flight safety is an integral mechanism of all activities as well as a required way of operating not only for the group's own personnel, but also for subcontractors.

The main principle of flight safety work is non-punitive reporting of deviations in the way intended by the Aviation Act and the company's guidelines. The purpose of reporting is to find reasons, not to assign blame. The company, however, does not tolerate wilful acts contrary to guidelines, methods or prescribed working practices. Decision-making not directly related to operations must also support the company's objective of achieving and maintaining a high level of flight safety.

#### (g) Capital risk management policies

The airline monitors the return on shareholder's funds which is defined as the profit for the year expressed as a percentage of average shareholder's equity. The group seeks to provide a higher return to the shareholders by investing in more profitable routes and improving on efficiencies to provide world class service to meet its growth plans. In 2009 Kenya Airways achieved a negative return on shareholder's equity of 24% (2008: positive 17%) in comparison to an effective interest rate of 5.3% incurred (2008: 5.3%) on borrowings.

Kenya Airways also monitors capital on the basis of a gearing ratio which is calculated as the ratio of non-current borrowings net of bank and cash balances to shareholder's equity.

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

	2009 Kshs'million	2008 Kshs'million
Equity*	17,176	26,582
Total borrowings	32,108	28,367
Less: Bank and cash balances	(2,373)	(2,683)
Deposits with financial institutions	(5,077)	(1,812)
Treasury bills	-	(7,747)
Net borrowings	24,658	16,125
Net debt to equity ratio	144%	61%

\*Equity includes all capital and reserves of the group.

### 39. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).



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