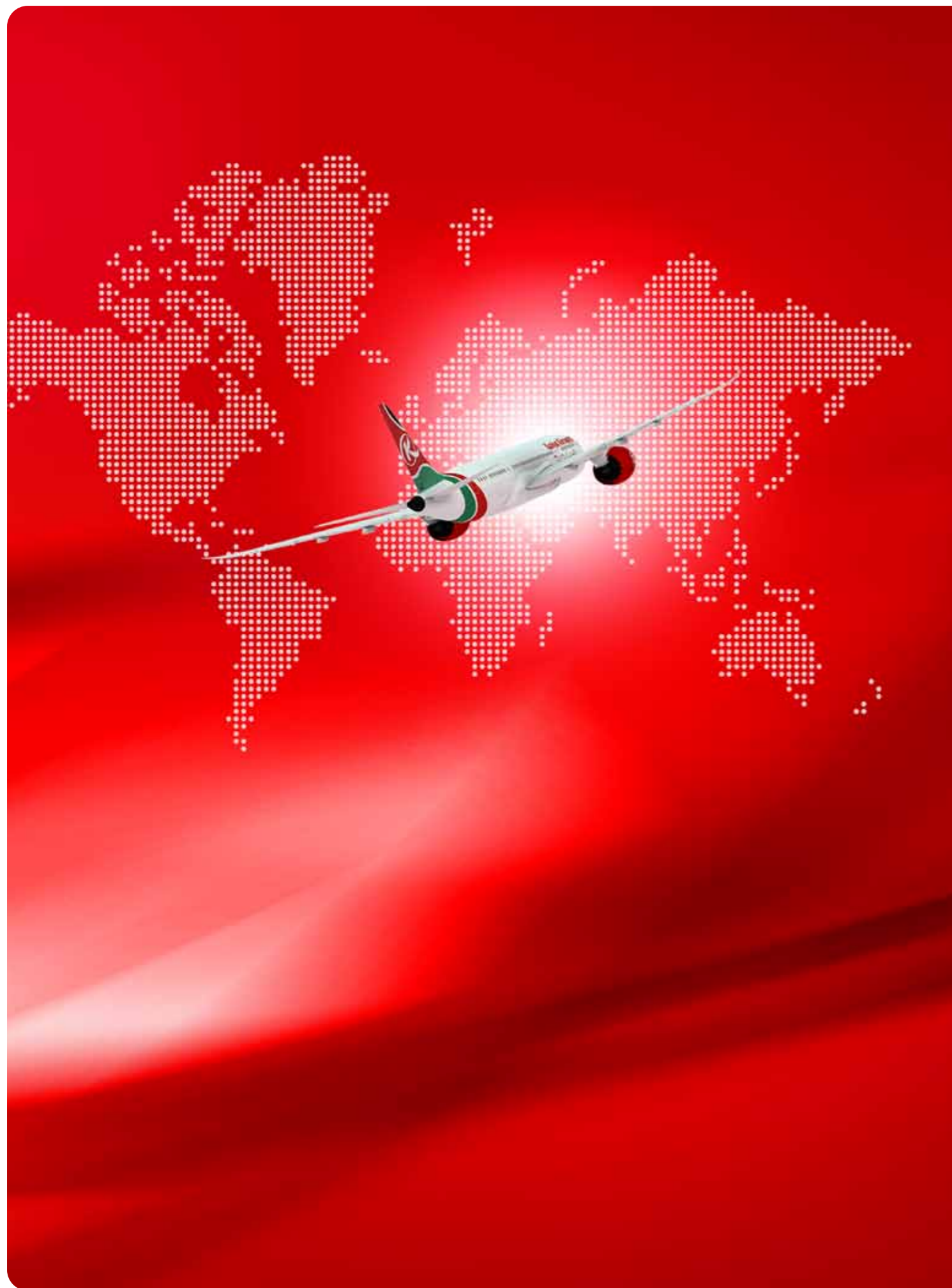


# ***TAKING OFF FOR THE FUTURE***

Kenya Airways Annual Report & Financial Statements

For The Year Ended 31 March 2012





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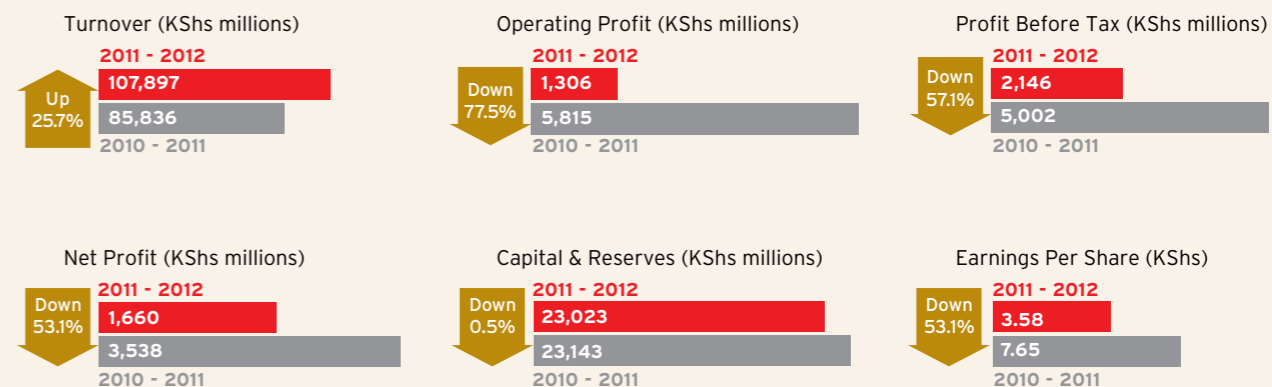
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FLY TO  
**926 DESTINATIONS**  
as a Skyteam Member

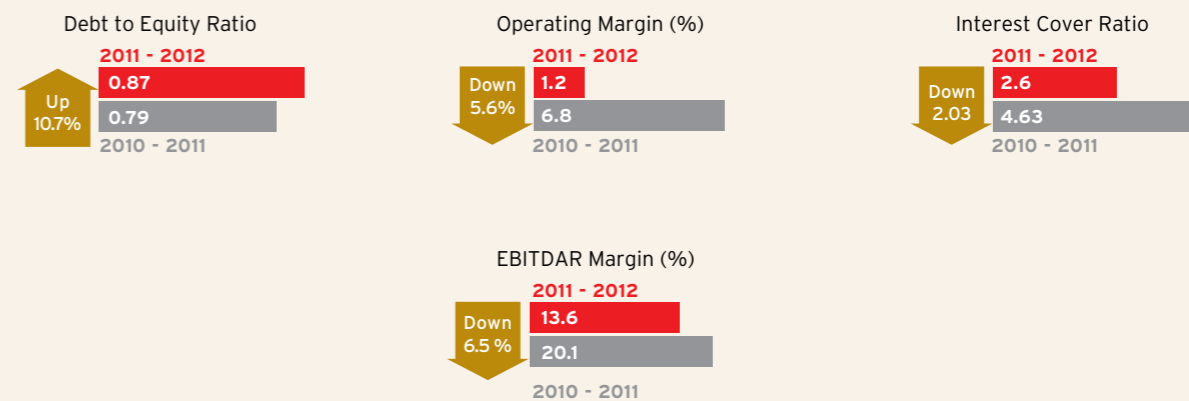


## Business Highlights

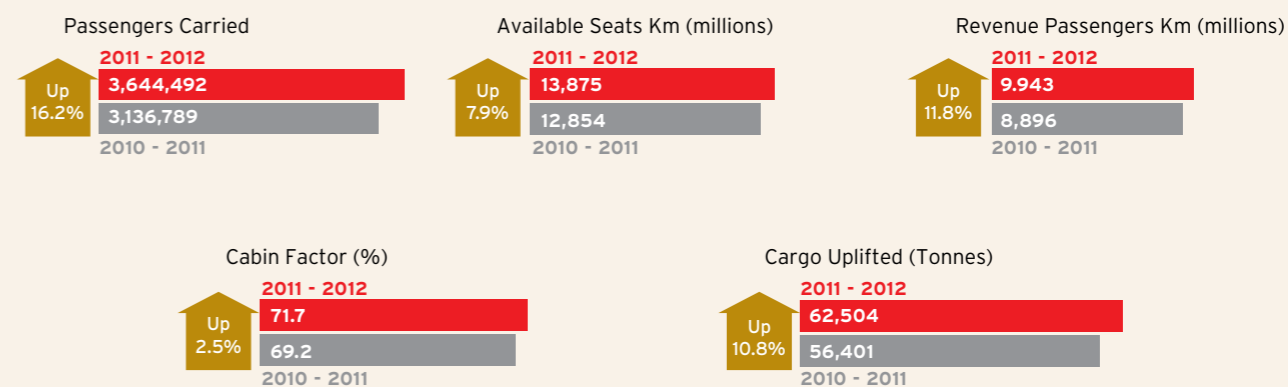
### Group Results



### Key Financial Statistics

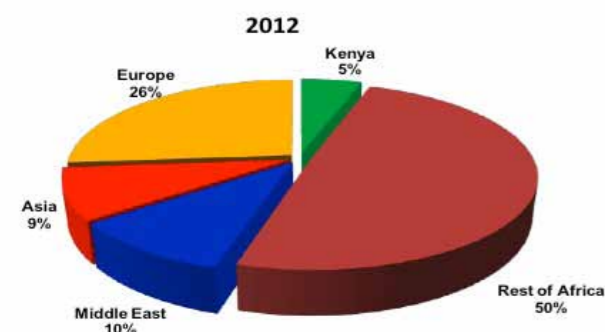


### Operating Statistics

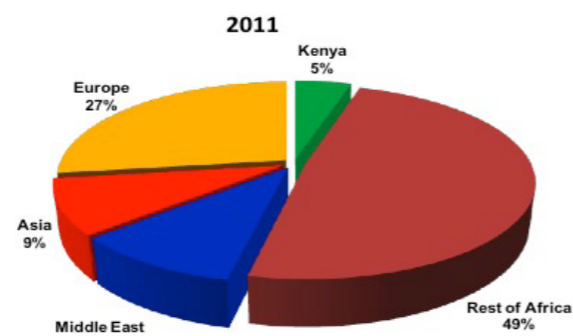


## Business Highlights

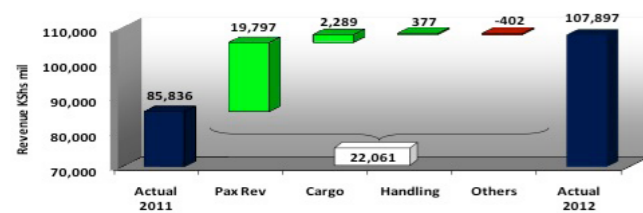
### Turnover by region



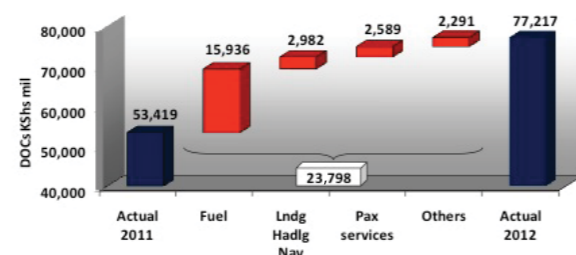
### Turnover by region



### Turnover



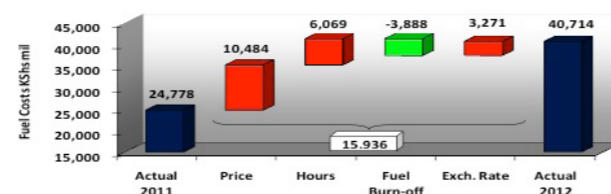
### Direct Operating Costs



### Overheads



### Fuel Cost



## Three Year Summary of Business Performance

### Financial Highlights

	2012		2011		2010	
	KShs. Million	US\$ Million	KShs. Million	US\$ Million	KShs. Million	US\$ Million
<b>Turnover</b>						
Passenger	95,152	1,074.2	75,355	945.6	62,838	819.6
Freight & mail	8,811	99.5	6,522	81.8	5,434	70.9
Handling	1,869	21.1	1,492	18.7	1,312	17.1
Other	2,065	23.3	2,467	31.0	1,159	15.1
<b>Total</b>	<b>107,897</b>	<b>1,218.1</b>	<b>85,836</b>	<b>1,077.1</b>	<b>70,743</b>	<b>922.7</b>
Direct costs	(77,217)	(871.7)	(53,419)	(670.3)	(44,376)	(578.8)
Fleet ownership costs	(9,970)	(112.6)	(9,622)	(120.7)	(9,102)	(118.7)
Overheads	(19,404)	(219.1)	(16,980)	(213.1)	(15,426)	(201.2)
<b>Operating profit</b>	<b>1,306</b>	<b>14.7</b>	<b>5,815</b>	<b>72.9</b>	<b>1,839</b>	<b>24.0</b>
<b>Operating margin%</b>	<b>1.2%</b>		<b>6.8%</b>		<b>2.6%</b>	
Net finance costs	(1,097)	(12.4)	(1,207)	(15.1)	(1,113)	(14.5)
Fuel hedge derivatives	2,467	27.9	328	4.1	2,369	30.9
Share of results of associate	238	2.7	(188)	(2.4)	77	1.0
Other costs	(768)	(8.7)	254	3.2	(501)	(6.5)
<b>Profit before tax</b>	<b>2,146</b>	<b>24.2</b>	<b>5,002</b>	<b>62.7</b>	<b>2,671</b>	<b>34.8</b>
Income tax expense	(486)	(5.5)	(1,464)	(18.4)	(636)	(8.3)
<b>Profit for the year</b>	<b>1,660</b>	<b>18.7</b>	<b>3,538</b>	<b>44.3</b>	<b>2,035</b>	<b>26.5</b>
<b>Profit after tax margin%</b>	<b>1.5%</b>		<b>4.1%</b>		<b>2.9%</b>	
Dividends	374	4.2	693	8.7	462	6.0

### Operating Statistics

	2012	2011	2010
Passengers	3,644,492	3,136,789	2,890,207
RPK's (Millions)	9,943	8,896	8,071
ASK's (Millions)	13,875	12,854	12,143
Passenger Load Factor (%)	71.7	69.2	66.5
Cargo Tonnes	62,504	56,401	55,201
Pax yield/ RPK inc Fuel Surcharge (Usc)	9.90	9.76	9.13

### Employees

Airline	3,563	3,207	2,817
Group	4,834	4,355	4,133

### Aircraft in Service at Year End

Boeing 777-200	4	4	4
Boeing 767-300	5	6	7
Boeing 737-800	5	5	5
Boeing 737-700	4	4	4
Boeing 737-300	6	6	4
Embraer 190	4	1	-
Embraer 170	5	5	3
B747-400 Freighter	1	-	-
<b>Total</b>	<b>34</b>	<b>31</b>	<b>27</b>

## Notice of Annual General Meeting 2012

### KENYA AIRWAYS LIMITED

**NOTICE IS HEREBY GIVEN** that the 36th Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, City Hall Way, Nairobi on Thursday 27 September 2012 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 2012 together with the Directors' and Auditors' Reports thereon.
4. To declare a final dividend of KShs 0.25 per share for the financial year ended 31 March 2012 payable to shareholders on the Register of Members at close of business on Thursday 27 September 2012 and approve the closure of the Register of Members on Friday 28 September 2012 for one 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) Dr Cyrus Njiru retires by rotation in accordance with Article 84 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, PricewaterhouseCoopers.

### BY ORDER OF THE BOARD

**Fiona C Fox**  
Secretary

**Date: 13 June 2012**

### Notes:

1. Any member may by notice duly signed by him or her and delivered to the Secretary, Office of Head of Legal Services, Kenya Airways Limited, Headquarters, Airport North Road, Embakasi, PO Box 19002, 00501, 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 form of proxy may be obtained from the Company's web site or from the company's share registrars, Custody & Registrar Services Limited, 6th Floor, Bruce House, Standard Street, PO Box 8484, GPO 00100, Nairobi. A proxy need not be a member of the Company. To be valid, a form of proxy must be duly completed and signed by the member and must either be lodged at the offices of the company's share registrars, or be posted, so as to reach Custody & Registrar Services Limited not later than Wednesday 19 September 2012 at 11.00 am.

3. A copy of this notice, proxy form and the entire Annual Report and Accounts may be viewed on the Company's web site at [www.kenya-airways.com](http://www.kenya-airways.com) or a printed copy may be obtained from the Company's share registrars, Custody & Registrar Services Limited upon request.

## Tangazo la Mkutano Mkuu

### SHIRIKA LA NDEGE LA KENYA

**NOTISI INATOLEWA** ya Mkutano Mkuu wa 36 wa Kampuni utakaofanyika katika jumba la Mikutano ya Kimataifa la Kenyatta (Kenyatta International Conference Centre), Nairobi siku ya Alhamisi, tarehe 27 Septemba, 2012 kuanzia saa tano asubuhi kujadiliana yafuatayo:

1. Kusoma orodha ya waliokosa kuhudhuria na kuhakikisha kuwepo kwa idadi mwafaka ya kuendelea na mkutano.
2. Kusoma Notisi inayoitisha mkutano
3. Kuidhinisha na, iwapo itakubaliwa, kukubali Mizania na Vitabu vya Hesabu vya mwaka unaomalizika 31 Machi 2012 pamoja na ripoti ya Wakurugenzi na ya Wakaguzi wa Hesabu.
4. Kufanya maamuzi ya mwisho juu ya mgawo wa hisa wa wanahisa wa shilingi 0.25 kwa kila hisa ya mwaka wa fedha unaomalizika tarehe 31 Machi 2012 ya kulipwa wanahisa kwa mujibu wa kusajiliwa kama wanahisa siku ya kufunga kikao Alhamisi tarehe 27 Septemba 2012 na pia kuidhinisha kufungwa kwa Kikao Ijumaa tarehe 28 Septemba 2012 kwa siku moja pekee ya kufanya maamuzi ya kutenda haki juu ya mgawo.
5. Kuchagua Wakurugenzi:
  - a) Bw. Evans Mwaniki anastaafu kwa mpango wa Mzunguko kwa mujibu wa kifungu cha Sheria 84 cha Sheria za Shirika akiwa na umri wa miaka 70 ifikiapo tarehe 18 Novemba 2012. Pia, kustaafu kwa mujibu wa Kifungu cha 186 (2) cha sheria za Kampuni (ibara ya 486), na kwa kuwa anaruhusiwa, anatoa notisi maalum chini ya Kifungu cha sharia cha 186 (5) ya kuomba achaguliwe tena.
  - b) Dkt. Cyrus Njiru anastaafu kupitia mpango wa mzunguko kwa mujibu wa Kifungu cha Sheria za Kampuni na hatagombea tena.
6. Kuidhinisha marupurupu ya Wakurugenzi
7. Kuidhinisha uwezo wa Wakurugenzi wa kupanga malipo ya wakaguzi wa fedha.

### KWA AMRI YA HALMASHAURI

**Fiona C Fox**  
Katibu

**Tarehe: 13 Juni 2012**

### Maelezo

1. Mtu yeyote ana idhini kupitia kutoa notisi aliyotia sahihi yeye binafsi na kuiwasilisha kwa Katibu, Afisi ya Mkuu wa Huduma za Kisheria, Kenya Airways Limited, Makao Makuu, Airport North Road, Embakasi, S.L.P 19002, 00501, kabla ya saa moja na isizidi siku 21 kabla ya siku ya Mkutano Mkuu wa Mwaka wa Wanachama, atoe notisi ya azma yake au ya mtu mwingine ili achaguliwe kwa madhumuni ya kuhudumu katika Halmashauri, na notisi iwe imeambatanishwa na notisi iliyotiwa sahihi na mtu husika anayezamiwa kuchaguliwa. Mtu huyo si sharti awe mwanachama wa Kampuni.

2. Mwanachama yeyote anayenuia kupiga kura na ashindwe kufika anaruhusiwa kuchagua mwakilishi wa kumpiga kura kwa niaba yake. Fomu ya kujaza Mwakala huyo inapatikana katika tovuti ya Kampuni au katika ofisi ya usajili wa hisa za Kampuni, Custody & Registrar Services Limited, Orofa ya 6, Bruce House, Standard Street, S.L.P 8484, GPO 00100, Nairobi. Mwakilishi si sharti awe mwanachama wa Kampuni. Ili mwakilishi akubalike, kuna fomu itakayojazwa na kuwekwa sahihi na mwanachama kisha ipokelewe katika afisi za usajili wa hisa za Kampuni au itumwe kupitia posta, ili ipokelewe na Custody & Registrar Services Limited kabla ya Jumatano 19 Septemba 2012 kufikia saa 11.00 am asubuhi.

3. Nakala ya notisi hii, fomu ya kujaza mwakala na Ripoti yote ya Mwaka na Hesabu zinapatikana katika tovuti ya Kampuni: [www.kenya-airways.com](http://www.kenya-airways.com) au unaweza kupata nakala iliyochapwa kutoka kwa Afisi za Usajili wa Hisa, Custody & Registrar Services Limited ukiiitisha.

**Board of Directors**

**Board of Directors**



**From Left to Right**

Mr. Rob Schipper | Mr. Ayisi Makatiani | Mr. Alex W. Mbugua | Mr. Evanson Mwaniki | Dr. Titus Naikuni | Dr. Cyrus Njiru | Mr. Peter Hartman | Mrs. Salma Mazrui-Watt | Mr. Josef Veenstra | Mrs. Fiona C. Fox | Mr. Dinesh Kapila | Inset, Ambassador Dennis Awori

## Board of Directors

### **EVANSON MWANIKI:**

#### Non Executive Chairman (73 Years)

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 of Kenya 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 (liberalised) 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.

On the corporate social responsibility side, Mr. Mwaniki has rendered long voluntary service in educational institutions including the Alliance High School where he served for many years as the Chairman of the Board of Governors and the Starehe Boys' School where he currently serves on the Board of Trustees.

### **DR. TITUS NAIKUNI:**

#### Group Managing Director & Chief Executive Officer (58 Years)

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 Programme for Management Development (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 combined it with being 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 previously served on various company boards including:

- member of the board of Brunner Mond (South Africa),
- Chairman of the Kenya Power & Lighting Company,
- Chairman of Housing Finance Company of Kenya Limited,
- member of the board Heritage Insurance
- member of the board CFC Bank

He is currently a board member of

- Maersk Kenya Ltd,
- Access Kenya Ltd,
- East African Portland Company,
- Precision Air Services Limited
- Deputy Chairman of Magadi Soda Company Ltd,
- Lafarge Advisory Board; and
- Police Reforms Implementation Committee (as Chairman).

Titus received the Manager of the Year Award in Kenya in 2002.

In 2009, during the 15th Aviation & Allied Business Leadership Conference in Addis Ababa, Ethiopia, Dr. Naikuni was awarded the 2009 Aviation & Allied Business Individual Achievement Award.

### **ALEX W MBUGUA:**

#### Group Finance Director (48 Years)

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.

### **DINESH KAPILA:**

#### Non-Executive Director (66 Years)

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 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 Securities Exchange. He has attended the Harvard Business School's executive program in corporate governance.

He has assisted in the restructuring and privatisation of Kenya Airways and was duly recognised by the World Bank for his exceptional contribution. He has also been involved in the restructuring of 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 was appointed to the Board of Kenya Airways in April 1991, and since October 1998 has been the Chairman of the Board's Audit and Risk Management Committee and is currently also Chairman of the Airline's subsidiary companies, Kenya Airfreight Handling Limited, African Cargo Handling Limited and Kencargo Airlines International Limited.

He was also the chairman of Board's sub-committee on the Rights Issue.

### **DR. CYRUS NJIRU:**

#### Non Executive Director (44 Years)

Dr. Cyrus Njiru is the Permanent Secretary, Ministry of Transport in the Republic of Kenya. Originally trained as a Civil Engineer in Kenya, Japan, the Netherlands and the United Kingdom, Dr. Njiru later specialised in infrastructure finance, development and management.

He received training in business and corporate management in the UK and Denmark. He also received further training and work experience in the USA and the UK. Before his current appointment, Dr. Njiru was Permanent Secretary in the Office of the Deputy Prime Minister and Ministry of Trade.

## Board of Directors

Before joining the services of the Government of Kenya, Dr. Njiru was a Principal Adviser on Infrastructure Development and Management at the African Development Bank's headquarters in Tunis, Tunisia.

Before joining the African Development Bank, Dr. Njiru was Research and Consultancy Manager at the Institute of Development Engineering in the UK, with responsibility for infrastructure projects in Asia and Africa.

A highly trained and experienced professional, Dr. Njiru has considerable skills and international experience in project finance, infrastructure development and management. He has considerable work experience in Europe, Asia and Africa, and has consulted widely for international organisations such as the World Bank and the UK Department for International Development and SIDA.

### **PETER HARTMAN:**

#### Non Executive Director (63 Years)

Mr. Peter 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 29 October 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 1 January 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 1 October 1990, and on 15 April 1994, he was appointed Executive Vice President - Personnel & Organisation.

On 1 January 1996, Mr. Hartman took up the post of Executive Vice President - Engineering & Maintenance followed by his appointment on 6 August 1997 to the KLM Board of Managing Directors. On the 1 April 2007, he became the President and CEO of KLM.

### **AMBASSADOR DENNIS AWORI:**

#### Non-Executive Director (57 Years)

Ambassador Dennis Awori was elected to the Board by the shareholders following the Annual General Meeting on 14 October 2011.

## Board of Directors (cont'd)

He has extensive experience in the corporate world having worked for many years in the motor industry, latterly with Toyota East Africa in both Kenya and Uganda. He served as Kenya's Ambassador to Japan and Korea from 2003 to 2009. Upon his return to Kenya, he immediately rejoined Toyota as Chairman and executive advisor to Toyota Tsusho Africa covering Eastern Africa.

In April 2010 he was appointed to the NEPAD National Steering Committee, a body appointed by the Government of Kenya to promote Kenya's effective participation in regional infrastructure development.

During the later part of his career he also established a Business Consultancy and Advisory service and successfully performed several consultancies for USAID, World Forestry Services, Kusters Engineering and other corporates and NGOs.

Ambassador Awori is a keen sportsman and represented Kenya and East Africa in rugby in the 1980s. He has also chaired the Rugby Football Union in both Kenya and Uganda.

### **RON KORNELIS ADRIAAN SCHIPPER:**

#### **Non Executive Director (66 Years)**

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 held the position of Vice President and Area Manager Africa based in Johannesburg until he retired in 2008. He continues to live in Johannesburg.

### **JOSEPH KINYUA:**

#### **Non Executive Director (60 Years)**

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.

### **AYISI BONIFACE MAKATIANI:**

#### **Non Executive Director (45 Years)**

Mr. Ayisi Makatiani is head of Fanisi Capital Ltd, a company established in 2009 to manage a USD50M Venture Capital/Private Equity fund investing in small and medium-sized enterprises across East Africa.

Previously he was head of the African Management Services Company (AMSCO), founded by the International Finance Corporation - the World Bank's private-sector arm.

Mr Makatiani obtained a degree in engineering from Massachusetts Institute of Technology before setting up Africa Online, which became the continent's largest internet service provider.

Mr Makatiani is also an adviser to the President of Kenya, and was a member of the UN Secretary General's Taskforce on ICT and was Vice-Chairman of Kenyatta University Council between 2009 and 2011.

In 2010, Mr. Makatiani received the national honour and award of the Elder of the Order of the Burning Spear (EBS), one of the highest that can be awarded to a civilian by the head of state. Voted one of the top 10 CEOs in East Africa several times, Ayisi Makatiani is both a Global Leader for Tomorrow and a Young Global Leader at the World Economic Forum.

He chairs the Company's subsidiary JamboJet Limited and is a member of the Board's Audit and Risk Management Committee.

### **SALMA MAZRUI WATT:**

#### **Non Executive Director (46 Years)**

Mrs. Mazrui-Watt has significant expertise in business leadership, sales and marketing, corporate communications and strategic planning in both the private and public sectors and is an organizational development specialist.

She is the Chief Executive Officer of KiBeNi Limited, an agri-business company and until late 2011 was the Regional Director, Partnerships Development and External Relations, WWF East & Southern Africa Regional Programme Office (ESARPO).

## Board of Directors (cont'd)

### **VINCENT RAGUE:**

#### **(Alternate to Mr Joseph Kinyua) (58 Years)**

Mr Rague is currently Senior Financial Adviser to the Treasury and sits on the Boards of three private equity funds. He has 24 years' experience at the IFC and World Bank spanning investments, project finance and banking in Africa, Europe and Asia.

He was previously the Chief Investment Officer and Global Head of property finance at the IFC and served in a variety of senior management positions including being IFC's first regional representative to South Africa where he was responsible for setting up and managing IFC's office and operations in Southern Africa.

Prior to joining the World Bank, Mr Rague worked at the Ministry of Finance and the Central Bank of Kenya as well as serving on the Boards of several companies during his career abroad. He holds a BA (Hons) from Nairobi University, an MBA from Darden Business School, University of Virginia and an Executive Development Program (EDP) from Harvard Business School.

She has also been Group Head of Marketing, Africa Online Holdings Ltd, and Managing Director, Trans Union Kenya Ltd and was the Vice Chair for the East African Credit Bureau Association (EACBA).

Between September 2004 and December 2005, she was CEO for the Kenya Private Sector Alliance (KEPSA) and was the Chief Operations Officer for AAR Health Services where she worked for 9 years across Eastern Africa.

Prior to that she ran her own business, Corporate Promotions, a freelance corporate communications firm from 1991 to 1996. She has extensive work experience in East, West and Southern Africa.

Salma holds a Bachelor of Science degree in Economics from George Mason University, Virginia, USA and a Masters in Business Administration from the University of Nairobi. She has a Certificate in Corporate Governance from the Commonwealth Association on Corporate Governance. She is a member of Kenya's National Economic and Social Council and is on the Governing Council for KCA University in Nairobi.

She is also the chairman for Population Services International, Kenya office, a non executive director for the African Fund for Endangered Wildlife, Women in Law and Development and of Kenya Airways.

### **JOSEPH BERNADUS VEENSTRA:**

#### **(Alternate to Mr. Peter Hartman & R.K Schipper) (45 Years)**

Mr. Veenstra is a Chartered Accountant. After completing his studies at the University of Groningen in 1991 he worked with KPMG as an auditor. He joined KLM in 1996.

He has been Vice President Finance & Control of KLM Engineering & Maintenance from 2001 till 2005.

Since 2005 he has been Vice President Mergers, Acquisitions and Holdings for Air France-KLM, and in that position he is responsible for the monitoring of Air France's and KLM's holdings.

He is a KLM appointed alternate Director of Kenya Airways and a member of the Audit and Risk Management Committee.



## The Chairman's Statement

Kenya Airways has not been immune from external factors affecting the aviation industry, but despite the many challenges, your company recorded reasonable performance during the 2011/2012 financial year.

Oil price volatility continues to be a challenge and although the company has hedging arrangements in place, such volatility and fluctuations are major concerns to our business.

### Industry Overview

According to the International Air Transport Association (IATA), overall, 2011 was a year of contrasts. Healthy passenger growth, primarily in the first half of the year, was offset by a declining cargo market. Optimism in China contrasted with gloom in Europe. According to Tony Tyler, IATA's Director General and CEO, "2012 is still going to be a tough year".

IATA reported that full-year 2011 international air traffic rose 6.9%, though the majority of this growth occurred in the first half of the year. International capacity climbed 8.2%, pushing the passenger load factor down to 77.4%.

Regionally the performance was as follows:

- Latin American airlines led the industry in traffic growth in 2011 with a 10.2% rise in demand compared to 2010. This was the only region in which demand growth outstripped capacity growth for the full year, with capacity up 9.2%. However, December's strong traffic growth of 8.8% was exceeded by an 11.1% rise in capacity. Latin America air traffic is supported by healthy domestic economic conditions and trade activity with North America and Asia.
- Middle Eastern carriers' traffic rose 8.9% for the year, against a 9.7% climb in capacity, putting pressure on load factors, which at 75.4%, was globally the lowest except for Africa. However, December ended on a more positive note, with traffic up 11.7% against an 11% rise in capacity and a load factor of 77.1%. Airlines in this region have slowed the pace at which

they have expanded but price competitive products and geographically well-positioned hubs are enabling Middle East carriers to continue to improve their share of long-haul markets.

- Asia-Pacific airlines experienced the widest traffic/capacity gap for the year, with annual traffic up 4.1% versus a 6.4% climb in capacity. A significant part of this slowdown was due to the earthquake and tsunami in Japan, the impact of which on air travel should be temporary. However, the sharp fall in air freight in the region as Western demand for manufactured goods declined also reduced some business travel for the region's airlines. The average load factor was 75.9%. In December, demand climbed 3.7% and capacity rose 5.9% producing a 74.7% load factor.
- African airlines saw travel demand fall 0.7% for December, but it rose 2.3% for the full year. This relatively weak performance was in part owing to the civil unrest in a number of North African countries. However, good economic performance in the region was also generating significant demand for air travel. Load factors were the weakest in the industry at 68.9% for December and 67.2% for the full year.

### Africa

Africa's growth momentum slowed in 2011, weighed down by contraction of economic activity in North Africa due to political unrest and the continued slump in the developed economies. Africa's economic growth fell by nearly half in 2011, to 2.7 per cent from 4.7 per cent in 2010.

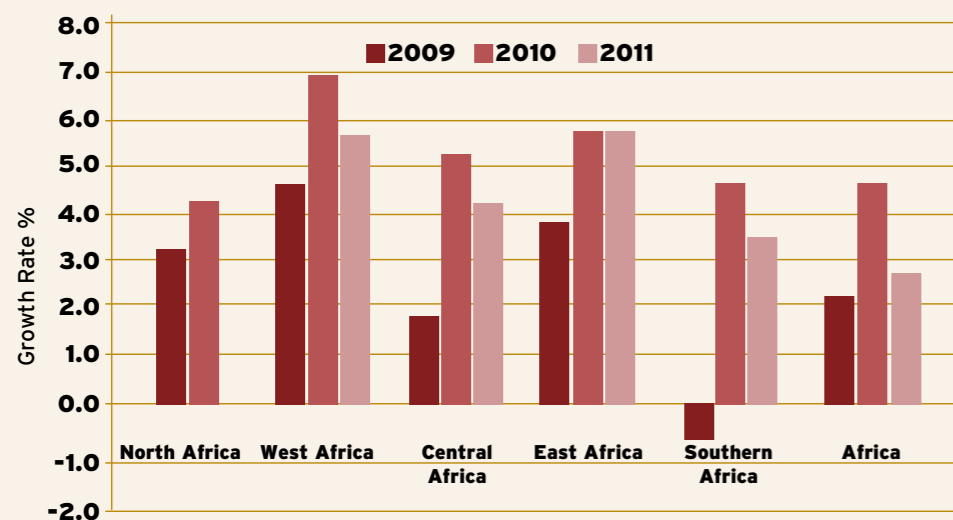
Outside North Africa, the growth was solid at 4.5 per cent in 2011, reinforcing the recovery of 4.8 per cent in 2010. According to the UN Economic Report on Africa - 2012, East Africa and West Africa maintained their faster growth trajectory at 5.8 per cent and 5.6 per cent respectively. Central Africa region grew at 4.6 per cent, Southern Africa at 3.8 and North Africa at zero per cent.

***Kenya Airways sustained profitability in the financial year ended 31 March 2012 despite the challenging economic and geopolitical environment witnessed throughout the year.***

**Mr. EVANSON MWANIKI**

## The Chairman's Statement (cont'd)

Real GDP growth rates in Africa



Source: UN Economic Commission for Africa

Growth was largely driven by increased receipts from commodity exports, stemming from higher prices on International markets and rising demand for commodities, particularly from emerging markets in Asia and sustained public investment in infrastructure. Improved terms of trade and higher returns from commodity exports allowed many of Africa's resource exporters to build much-needed buffers in foreign exchange reserves.

Several countries also continued to diversify their export production by building local capacity in processing and value addition, helping them to capture new markets for high-valued products in the fast-growing emerging markets of East Asia and Latin America.

On the flipside, the intensity and persistence of the social and political turmoil in North Africa and post-election violence in Côte d'Ivoire increased investor risk aversion sharply, prompting capital inflows to reverse and private investment to decline. Production and exports of oil were also disrupted in Libya, while disruption of tourism occurred in Egypt and Tunisia.

Despite the higher commodity prices, rising food and energy prices have hurt African countries that are not commodity exporters, with heavy impacts on their balance of payments. Severe drought and famine in Chad, Niger and countries in the Horn of Africa also dampened the continent's growth. Growth in the continent's oil exports decelerated from 5.1 per

cent in 2010 to 1.5 per cent in 2011, despite large windfall oil-export gains from rising global oil prices. The slowdown stemmed from political instability in oil-rich North African countries, particularly in Libya. Economic growth in the oil-importing countries picked up, helped by solid domestic demand, a boom in public infrastructure spending and increased agricultural production. Growth rose to 4.2 per cent in 2011 from 4.0 per cent in 2010, consolidating the recovery from the slump induced by the global financial crisis.

Global oil demand rose by an estimated 2.4mb/d to 89.1 mb/d in 2011. Oil prices remained volatile at between US\$ 100 per barrel and US\$ 115 per barrel in 2011. According to IATA forecast, the fuel price was revised to US\$ 115 for Brent crude in March 2012 up from US\$ 99 in December 2011.

Political tensions in the Gulf region increase the risk of significantly higher oil prices, the implications of which could put the industry into losses.

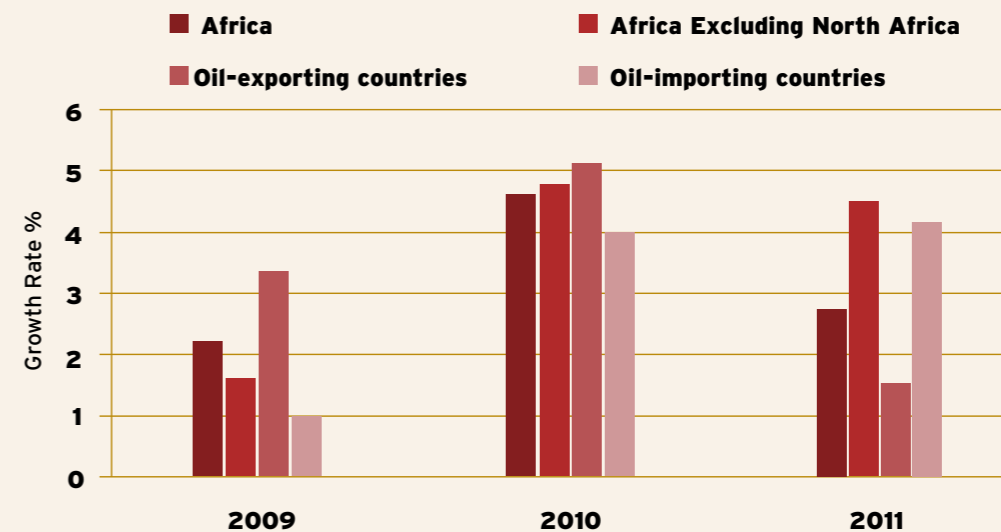
Inflation rose across the continent in 2011, sparked initially by higher food and fuel prices. Consumer price inflation rose to 8.4 per cent in 2011, from 7.7 per cent in 2010.

In the Horn of Africa, severe drought contributed to sharper increases in inflation, mainly for food.

Middle class population in Sub-Saharan Africa is expected to double in the next eight years driving up consumer spending and investment. The population is projected to hit 626 million

## The Chairman's Statement (cont'd)

GDP growth performance by country group



Source: UN Economic Commission for Africa

by 2020 and 1.232 billion by 2030. This underpins the high growth potential and resilience of African economies set to grow by 5.4 per cent this year, higher than the projected world average of 3.5 per cent this year.

Trends in social and human development are generally positive, though uneven, among African countries, but are too slow to achieve internationally agreed development goals, particularly the MDGs.

The continent has made good progress in increasing primary enrolment, reducing the prevalence of HIV/AIDS and cutting the under-five mortality rate.

But progress on health indicators has generally been lacklustre; sanitation has improved only marginally and poverty rates are unlikely to be halved by 2015 in many countries.

Nevertheless, the advances in a global context of economic slowdown demonstrate Africa's resilience and commitment towards improving its people's welfare.

### Kenya

Kenya economic growth remained robust in 2011, although below potential and initial expectations. The economy in real GDP terms expanded by 4.4 percent in 2011, compared to a strong performance of 5.8 percent in 2010. The growth was underpinned by several factors including higher public investments in infrastructure, increased credit to the private sector and higher inflows of remittances from the diaspora.

The tourism sector posted an impressive performance in 2011, attributed to promotion in new markets e.g. Asia, repositioning the country as a high value destination. Tourism earnings rose by 32.8 per cent from KSh 73.7 billion in 2010 to KSh 97.9 billion in 2011 while total arrivals grew from 1.6 million in 2010 to 1.8 million in 2011.

The agriculture sector recorded a decelerated growth of 2.4 per cent in 2011 compared to 6.4 per cent in 2010 due to erratic weather conditions and high cost of agricultural production. However, higher commodity prices led to improved earnings from tea and coffee. Similarly, the manufacturing sector grew at a slower rate of 3.3 percent in 2011 compared to 4.4 per cent in 2010. The growth was undermined by the rise in fuel costs and the depreciating Kenya shilling which increased the cost of imported intermediate inputs.

In 2011, Kenya navigated turbulent economic waters, where existing structural weaknesses were compounded by short-term shocks.

The Kenya shilling depreciated to an all time low against the US Dollar in October 2011 to exchange at an average of Kshs 105.96 to the US Dollar. This was driven by international food and fuel prices, the drought compounded by conflict in the Horn of Africa, the Euro-zone crisis, widening fiscal and current account deficits, and major inefficiencies in Kenya's agriculture sector.

## The Chairman's Statement (cont'd)

The average annual Inflation increased to 14.0 per cent in 2011 from 4.1 per cent in 2010 on account of a sharp rise in crude oil prices, weakening of the Kenya shilling against major currencies and insufficient rainfall in the first half of 2010 which pushed food prices upwards.

Kenya's current account deficit reached a record high; it deteriorated to a deficit of KSh 296.0 billion in 2011 from a deficit of 187.7 billion in 2010.

However, the overall balance of payments improved from a surplus of KShs 12.2 billion in 2010 to a surplus of KShs 21.8 billion in 2011 attributed to increased net foreign direct investment and capital inflows.

Unfortunately, there are substantial risks going forward, especially if the economic crisis in the Euro-Zone deepens. The ongoing crisis in Europe will have a negative impact on some of Kenya's main exports which are still dependent on European markets in terms of horticulture and tourism.

Kenya's economic vitality will depend crucially on the restoration of macroeconomic stability, prospects for stabilisation in Somalia in the ongoing war against Islamist al-Shabab group, and a smooth run up to the next elections, followed by a peaceful transition of power from one administration to the next.

Lamu Port South Sudan Ethiopia Transport Corridor (Lapsset), a joint infrastructure project initiated by the governments of Kenya, Ethiopia and South Sudan was launched in March 2012. The project expected to be completed within four years will offer sea port access to Ethiopia and South Sudan and also open up development to northern parts of Kenya.

According to the World Bank, the key challenge for 2012 will be managing the political transition well, to avoid a repeat of the post-election violence witnessed in 2008 and to ensure continued growth in investment and job creation.

Kenya's economy is projected to maintain a positive growth trajectory but at a decelerated rate of between 3.5% and 4.5% buoyed by improved rains and the recovering shilling exchange rate.

### Company Performance

Kenya Airways sustained profitability in the financial year ended 31 March 2012 despite the challenging economic and geopolitical environment witnessed throughout the year. Factors that negatively impacted the airline industry in the period included high fuel prices, Euro-Zone crisis and a generally weak economy in the West.

The airline carried over 3.6 million passengers by the end of March 2012 indicating a year on year growth of over half a million passengers. During the year, Kenya Airways

successfully launched three new destinations namely Ndjamen, Ouagadougou and Jeddah.

The Board is pleased to announce that Kenya Airways achieved an all time high turnover of KShs 107.9 billion which represents a 26% increase on prior year turnover of KShs 85.8 billion. The Profit after tax realised was KShs 1.66 billion compared to the prior year profit of KShs.3.5billion.

This represents a net profit margin of 1.5%, down from 4.1% achieved in 2010/11. Earnings per share reduced to KShs 3.58 from KShs 7.65 reported in the prior year.

Management continued to invest time and resources towards maintaining high levels of safety in all its operations during the year.

### REVENUES

#### Passenger

Capacity measured in terms of Available Seat Kilometre (ASK) increased by 7.9% largely as a result of increased frequencies and new destinations launched. Passenger traffic measured in terms of Revenue Passenger Kilometre (RPK) grew by 11.8% over prior year due to improved demand.

Passenger yields including fuel surcharge in US cents increased marginally by 1.1% and strengthened further to 12.4% when translated into Kenya Shillings, primarily due to a weaker Kenya Shilling in the year.

The passenger revenue for the year rose to KShs.95.2billion which is 26.3% above prior year, largely driven by increased passenger numbers, improved yields and the weak Kenya Shilling.

Passenger traffic growth was achieved in all regions as follows: Southern Africa grew by 25.8% mainly due to full year operations of routes launched in the prior year.

Traffic in Northern Africa grew by 23.3% due to increased frequencies to match demand in Juba.

Mid-East growth of 16.4% was due to increased operations to Mumbai and the introduction of Jeddah.

West Africa region grew 13.7% due to successful launch of Ndjamen and Ouagadougou.

Far East grew by 11.9% as a result of increased capacity on Bangkok/Guangzhou route.

Europe growth was 9.1% mainly driven by traffic increase out of London, Paris and full year Rome operations. Central Africa registered a low growth of 4.4% largely due to suspension of operations to Malabo and Kisangani during the year.

Domestic Kenya total traffic grew by 29.6% as a result of increased capacity and frequencies on Mombasa, Kisumu and

full year operations to Malindi.

The high passenger traffic improved the overall cabin factor to 71.7% compared to 69.2% realised in the prior year.

### Cargo

Cargo tonnage was 10.8% above prior year with a yield growth of 6.8%. These coupled with the weak Kenya Shillings resulted in revenue growth of 35.1% over prior year.

Regions with high growth in cargo tonnage volumes included Southern Africa (+16.1%), Europe (+11.0%, West and Central Africa (+32%), Far East (+11.5%), Northern Africa (+6.2%), and Middle East (+5.7%); mainly due to better equipment mix in belly capacity deployment. Regions that recorded decline in cargo volumes were East Africa (-7.5%) and Domestic Kenya (-6.6%) largely caused by capacity constraints in East Africa and reduced demand in Domestic Kenya.

### Exchange rate

The US Dollar strengthened against the Kenya Shilling with the average exchange rate for the period being KShs 88.58 per US Dollar against a prior year average of KShs 79.69 per US Dollar. The strong US Dollar and the relative weakening of the Kenya Shilling over this period had a positive effect on foreign currency denominated revenues when reported in Kenya Shillings. These gains were however partly offset by the adverse effect on foreign currency denominated expenses.

### COSTS

#### Direct Operating Costs

Direct operating costs increased to KShs 77.2billion an increase of KShs 23.8billion or 44.6% over prior year. This high increase in operating cost was attributed to high fuel prices and an increase in operations. Fuel cost, excluding hedge costs, increased to KShs 40.7billion, an increase of KShs 15.9 billion or 64.1% compared to prior year.

This significant increase was largely driven by higher jet fuel prices up from 258.4/cag in 2011 to 343.4/cag in 2012, an increase of 32.9%.

Since the fuel price is US Dollar based, the weaker Kenya Shilling in the year negatively impacted fuel cost by 11.2%. The remaining increase is the result of increased consumption from increased operations.

### Overheads

Overheads increased by 14.3% to KShs 19.4billion.

The performance was adversely impacted by an increase in employee costs of KShs 2.2billion and KShs 203m on general administration and establishment cost.

These were mainly driven by a higher wage bill due to growth in the number of employees to cater for the increased fleet and

introduction of new destinations.

### RIGHTS ISSUE

Kenya Airways Rights Issue offer opened on 2nd April 2012 and closed on 27th April 2012.

The proceeds from the Rights Issue totalled KShs.14.5billion and will form part of pre-delivery payments for future fleet acquisitions consistent with our 10 year strategic plan.

### PROSPECTS

According to IATA, the airline industry profitability forecast in 2012 is fragile. The sharp rise in oil prices since December 2011 caused a downturn in airline industry profitability forecast for 2012 from USD3.5billion to USD3.0billion.

The slower capacity growth from published schedules in 2012 will marginally improve load factors to support profitability.

Given the challenging economic and geopolitical environment witnessed throughout the year, Kenya Airways profit after tax in the year 2011/12 compares favourably against many industry players.

The Board has taken cognisance of the anticipated capacity deployment in 2012, the traffic demand and the pressure on yields due to the sharp rise in fuel prices and growing competition.

These factors require Kenya Airways to implement appropriate strategies to enhance growth and profitability. The main drivers of improved performance are passenger numbers, better yields and more stringent cost management. The airline will therefore continue opening new routes on a selective basis, investing in its fleet development, training staff and improving its systems and customer service.

With focus on these factors and the introduction of better and new aircraft to the fleet, the Board is optimistic that the company's performance will continue improving in the following years.

### Aero politics and Market Access

Although Africa still remains overregulated, the partnership between Kenya Airways and the Government of Kenya through the Ministry of Transport has facilitated expansion into new markets through increased traffic rights.

The Bilateral Air Services team headed by the Ministry of Transport negotiated, reviewed and concluded, more than ten (10) Bilateral Air Services Agreements (BASA) during the period under review.

The most notable negotiated and/or re-negotiated BASAs included those relating to; Nigeria, Angola, India, Saudi Arabia, Canada and Mexico, among others.

## The Chairman's Statement (cont'd)

## The Chairman's Statement (cont'd)

The BASA between Kenya and Angola was reviewed and the parties agreed to access to each other's territory by way of three (3) weekly frequencies.

Further milestones were achieved with countries like: India with Kenya Airways getting more frequencies to Mumbai, Delhi and other cities; Saudi Arabia, where the agreement between the two governments expanded access opportunities by allowing airlines of each party increase the frequencies from 3 weekly flights to 21 weekly flights.

In order to expand the network through commercial partnerships with other airlines especially within the Skyteam, the agreements with Mexico and Canada will be crucial in facilitating the code share with Aero Mexico, Air France/KLM to destinations in Mexico and Canada respectively.

Kenya Airways continued opening Africa to the world during the period under review. Three (3) new destinations were launched during the financial year, Jeddah in Saudi Arabia, N'djamena in Chad and Ouagadougou in Burkina Faso.

Apart from creating new alternative trading routes for the citizens of these countries, Kenya Airways reiterated its purpose of contributing to the sustainable development of Africa, by connecting the above named countries to the world.

Going forward, Kenya Airways will continue working closely with the Government of Kenya through the Ministry of Transport, in order to create opportunities through increasing negotiations and re-negotiations of BASAs both with African countries and beyond to guarantee expansion of the business for the benefit of the economies of Africa.

Notwithstanding the above achievements, airline industry continued to face a challenging regulatory and operating environment. Taxation, Visa regulations and foreign exchange regulations in Africa have remained substantial non-physical barriers to business. Forex related challenges in Malawi, Angola and Ethiopia among other countries have dampened the company's growth prospects. The company continues to seek

assistance from the Government of Kenya, through the Ministry of Finance on the acceleration of negotiations of Double Taxation Agreements/Treaties (DTA) with more countries especially in Africa.

### Shareholding

The number of shareholding on the Register of Members as at 31st March 2012 was 74,066. Out of these 33,506 shareholders 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 2012 is on page 125.

### Final Dividend

The Board is recommending approval by shareholders of a final dividend of KShs. 0.25 per share, payable to the shareholders on the Register of Members at the close of business on 27th September 2012, which will be paid on or around 30th October 2012. This takes into account the increased issued share capital following the Rights Issue.

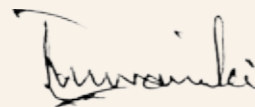
### Appreciation

I take this opportunity to express my sincere appreciation to our customers, shareholders, the Government, management, staff, suppliers and fellow board members for their dedicated contribution to the growth of the airline.

### Directors

The members of the Board who have served during the year are shown in the report of the Directors on page 66.

### EVANSON MWANIKI



### CHAIRMAN

Shirika la ndege la Kenya, kama shirika lingine lolote limekumbwa na matatizo mbalimbali yanayoikumba sekta ya ndege nchini. Hata hivyo, mbali na changamoto hizi, ninafurahi kutangaza kwamba kampuni yenu imefanya vyema kati ya mwaka huu wa 2011/2012 wa matumizi ya fedha.

Mabadiliko ya bei za mafuta zinaendelea kuwa changamoto na ijapokuwa kampuni imeweka mikakati yakukidhi nyakati za hatari, kushuka na kupanda kwa bei za mafuta kumekuwa changamoto kubwa sana kwa biashara yetu.

### Maelezo yanayohusiana na Sekta ya Ndege

Kulingana na Chama cha Kimataifa cha Uchukuzi wa ndege (IATA), mwaka wa 2011 ulikuwa mwaka wa changamoto mbalimbali kwa jumla. Kuimarika kwa idadi ya wasafiri, katika miezi sita ya mwanzo wa mwaka ilifidia kushuka kwa soko la mizigo. Matumaini nchini Uchina yalikuwa kinyume kabisa na sononeko lililozikumba nchi za Ulaya.

Kulinganana Tony Tyler, Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa IATA, mwaka wa "2012 bado ni mwaka utakaokuwa mgumu".

Kwa mujibu wa IATA, safari za ndege za kimataifa za mwaka wa 2011 ziliimarika kwa asilimia 6.9, ingawa kuimarika huku kulishuhudiwa mwanzoni mwa mwaka. Kimataifa usafiri uliongezeka kwa asilimia 8.2, huku kiwango cha mizigo kikishuka kwa asilimia 77.4.

### Kimaeneo, mambo yalikuwa kama ifuatavyo:

- Mashirika ya ndege ya Latin Amerika yaliongoza kwa kuwa na wasafiri wengi zaidi katika mwaka wa 2011 ambapo wasafiri waliongezeka kwa asilimia 10.2 ikilinganishwa na mwaka wa 2010. Ni eneo hili pekee ambalo ongezeko la wasafiri lilizidi nafasi za usafiri zilizokuwepo mwaka mzima ambapo nafasi zilizohitajika ziliimarika kwa asilimia 9.2. Hata hivyo, nafasi za haza ya usafiri ziliongezeka kwa asilimia 11.1 na kupiku ongezeko la wasafiri la asilimia 8.8 mnamo mwezi wa Desemba. Huko Latin Amerika usafiri wa ndege unafurahia kanuni mwafaka zilizopo na biashara iliyoimarika na maeneo ya Marekani Kusini na Asia.
- Usafiri wa Ndege za Mashariki ya Kati uliongezeka kwa kiwango cha asilimia 8.9 mwakani dhidi ya asilimia 9.7 ya nafasi za usafiri zilizokuwepo, jambo lililosababisha matatizo katika usafirishaji wa mizigo ambayo ingawa ilikuwa asilia 75.4, kiwango hiki kilikuwa cha chini kabisa ulimwenguni isipokuwa kile cha Afrika. Hata hivyo, Desemba iliisha vyema huku usafiri ukiimarika kwa asilimia 11.7 dhidi ya asilimia 11 ya nafasi, na asilimia 77.1 ya nafasi za mizigo. Ingawa mashirika ya ndege katika eneo hili yamepunguza kiwango cha

## Taarifa ya Mwenyekiti

upanuzi, bei nzuri nzuri kuwa maeneo yao mengi na maeneo ya shughuli za kibiashara kumwezesha ndege za Mashariki ya Kati kuendelea kuimarisha nafasi zao za usafiri wa ndege wa masoko ya mbali.

- Mashirika ya ndege ya Asia-Pacific ndiyo yaliyokuwa na upungufu mkubwa zaidi wa nafasi za usafiri na safari zilizokuwepo mwaka mzima ambapo safari ziliongezeka kwa asilimia 4.1 dhidi ya ongezeko la 6.4 ya nafasi zilizokuwepo. Sababu kubwa ya kushuka huku kwa usafiri ilikuwa ni tetemeko la ardhi na tsunami mjini Japan, ambapo athari yake katika usafiri wa anga huwa ni muda mfupi tu. Hata hivyo, kushuka kwa safari za ndege katika eneo hii kulisababishwa sana na kupungua kwa ununuzi wa bidhaa za viwanda wa nchi za magharibi. Kwa jumla kiwango cha mizigo kilikuwa asilimia 75.9. Mnamo Desemba haja ya usafiri na mahitaji yalikua kwa asilimia 3.7 huku mahitaji ya usafiri yakiongezeka kwa asilimia 5.9 na hivyo kuongeza nafasi za mizigo kwa asilimia 74.7%
- Usafiri wa ndege za Afrika ulishuka kwa asilimia 0.7 mwezi wa Desemba, lakini ukaimarika kwa asilimia 2.3 mwaka mzima. Jambo hili kwa kiwango kikubwa lilisababishwa na misukosuko iliyotokea nchi za Afrika Kaskazini. Hata hivyo, kuimarika kwa uchumi katika eneo hili kulisababisha uhitaji wa usafiri wa ndege. Usafirishaji wa mizigo hata hivyo ulishuka sana katika sekta ya ndege na kufikia asilimia 68.9 wakati wa Desemba na 67.2 kwa mwaka mzima.

### Afrika

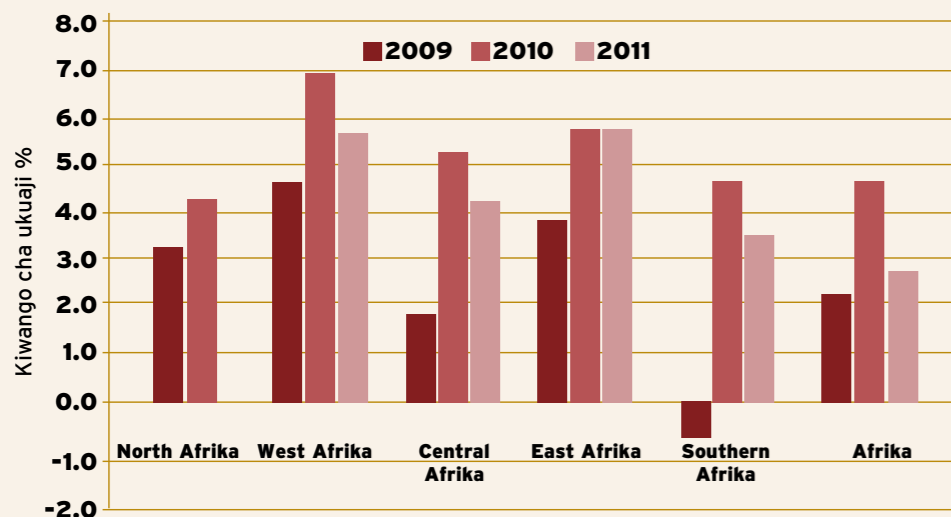
Kuimarika kwa biashara ya usafiri barani Afrika kulipungua mnamo mwaka wa 2011. Hii ilisababishwa na kupungua kwa shughuli za kiuchumi Afrika Kaskazini kutokana na misukosuko ya kisiasa na hali ya uchumi katika mataifa yaliyoendelea. Kuimarika kwa uchumi wa Afrika kulipungua kwa karibu nusu mnamo mwaka wa 2011 kutoka asilimia 4.7 hadi asilimia 2.7 mnamo mwaka wa 2010.

Nje ya Afrika Kaskazini, uchumi uliimarika, chumi zake zikikua kwa kiwango cha asilimia 4.5 mnamo 2011 na kusababisha kupatikana kwa asilimia 4.8 mnamo 2010. Kulingana na Ripoti ya Umoja wa Mataifa juu ya Afrika - 2012 (UN Economic Report on Africa - 2012), Afrika Mashariki na Afrika Kaskazini ziliendelea kuimarika kwa kiwango cha asilimia 5.8 na asilimia 5.6 mtawalia.

Eneo la Afrika ya Kati liliimarika kwa kiwango cha asilimia 4.6. Afrika Kusini kwa asilimia 3.8 huku Afrika Kaskazini ikikosa kuimarika.

## Taarifa ya Mwenyekiti (inaendelea)

### Viwango vya Mapato Afrika



Source: Tume ya Umoja wa Mataifa ya Uchumi kwa Bara la Afrika.

Ukuaji huu kwa kiwango kikubwa ulisababishwa na mapato yaliyotokana na uuzaji nje wa bidhaa uliotokana na bei za juu zilizoshuhudiwa katika masoko ya kimataifa na kupanda kwa mahitaji ya bidhaa hasa katika masoko mapya katika nchi za Asia na uwekezaji wa umma ulioimarika katika sekta ya muundomsingi. Kuimarika kwa masharti ya kibiashara na faida za juu kutokana na bidhaa za kuuza nje ziliruhusu wauzaji nje wa rasilmali za Afrika kuleta faida za kibiashara katika fedha za kigeni. Nchi nyingi ziliendelea kupanua biashara kwa kuuza bidhaa mbalimbali katika mataifa ya nje na kuimarisha bidhaa zao na kuzipa thamani zaidi na hivyo kuwasaidia kupata masoko mapya ya bidhaa za hali ya juu katika masoko mapya yanayokuwa kwa haraka ya Asia ya Kati na Latin Amerika.

Kwa upande mwingine, misukosuko ya kijamii na ya kisiasa iliyokuwa Afrika Kaskazini pamoja na vita vya baada ya uchaguzi nchini Cote d'Ivoire, kuliongeza uoga wa uwekezaji kwa kiwango kikubwa, hali iliyopunguza kusambaa kwa fedha na kupungua kwa uwekezaji wa kibinafsi. Fauka ya hayo uzalishaji na uuzaji wa mafuta uliathirika nchini Libya, huku utalii nao ukiathirika mno Misri na Tunisia.

Licha ya bei za juu za bidhaa, kupanda kwa bei za chakula na nguvu za umeme kumeumiza nchi za Afrika hasa zile ambazo hazina bidhaa za kuuza nchi za nje, athari hizi zikionekana zaidi katika uwiano wa malipo. Ukame na njaa katika nchi za Chad, Niger na nchi za pembe ya Afrika pia zilichangia sana kozorota kwa bara la Afrika.

Ukuaji wa uuzaji wa mafuta katika nchi za nje ulipungua kwa asilimia 5.1 mnamo mwaka wa 2010 na kufikia asilimia 1.5 mnamo

2011, licha ya mapato makubwa ya uuzaji wa mafuta uliotokana na kupanda kwa bei za mafuta ulimwenguni. Hali hii ilitokana na misukosuko ya kisiasa katika mataifa yanayouza mafuta ya Kaskazini mwa Afrika, hasa Libya. Uchumi wa nchi zinazouza mafuta ulikua ukisaidiwa na mahitaji ya mafuta katika nchi zao, ongezeko la matumizi ya uimarishaji muundomsingi na kuimarika kwa mazao ya kilimo.

Ukuaji huo uliongezeka kwa asilimia 4.2 mnamo mwaka wa 2011 kutoka asilimia 4.0 mnamo mwaka wa 2010, hali iliyoimarisha uchumi uliokuwa umeshuka kutokana na matatizo ya kifedha ulimwenguni.

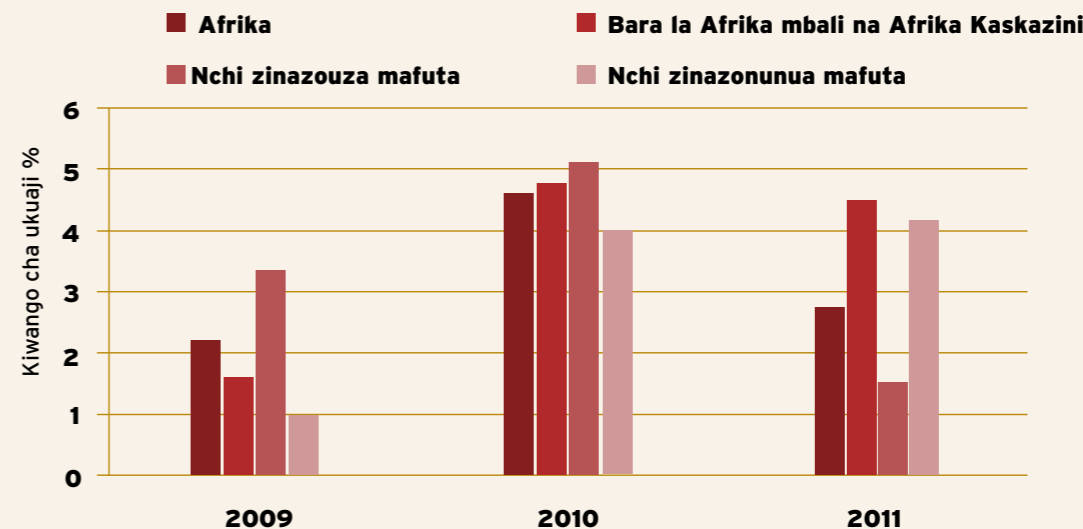
Mahitaji ya mafuta yaliongezeka kwa karibu 2.4mb/d hadi 89.1 mb/d mnamo 2011. Bei za mafuta ziliendelea kubadilika badilika kati ya dola ya Marekani 100 kwa pipa na 115 kwa pipa mnamo 2011. Kulingana na utabiri wa IATA, bei ya mafuta ilibadilishwa hadi dola 115 kwa pipa la mafuta ambayo hayajasafishwa mnamo Machi 2012 kutoka dola 99 mnamo Desemba 2011. Misukosuko ya kisiasa katika eneo la Guba imeongeza uwezekano wa kupanda kwa bei za mafuta, hali ambayo inaweza kusababisha hasara katika sekta ya uchukuzi wa safari za ndege.

Mnamo 2011, gharama ya maisha ilipanda ulimwenguni kote, ikisababishwa hasa na kupanda kwa bei za chakula na za mafuta. Mfumuko wa bei za ununuzi ulipanda kwa asilimia 8.4 mnamo 2011 kutoka asilimia 7.7 mnamo 2010. Katika eneo la Upembe wa Afrika, ukame mkali ulisababisha kupanga kwa gharama za maisha hasa chakula.

Idadi ya watu wa tabaka la kati wanaoishi chini ya Afrika ya Sahara inatarajiwa kuongezeka mara mbili katika muda wa

## Taarifa ya Mwenyekiti (inaendelea)

### Jumla ya pato la kitaifa



Source: Tume ya Umoja wa Mataifa ya Uchumi kwa Bara la Afrika.

miaka minane hali itakayosababisha ongezeko la matumizi na uwekezaji. Idadi hii inadhaniwa kufika milioni 626 kufikia mwaka wa 2020 na bilioni 1.232 kufikia 2030. Jambo hili linathibitisha uwezekano wa kukua kwa uchumi hadi asilimia 5.4, kiwango ambacho ni cha juu zaidi kikilinganishwa na kile cha jumla ulimwenguni cha asilimia 3.1 mwaka huu na uwezekano wa chumi za Afrika kurudia hali zao za kawaida.

Kwa sasa, hali ilivyo katika maendeleo ya kijamii na kibinadamu ni ya kutia moyo ijapokuwa bado kuna tofauti kati ya mataifa ya Kiafrika ambayo ari yao ya kufikia malengo yaliyoafikiwa ya kimataifa hasa Malengo ya Maendeleo ya Milenia, ni ya polepole sana. Bara la Afrika lilipiga hatua katika kuwasajili wanafunzi wa shule za msingi, kupunguza visa vya ugonjwa wa Ukimwi na vifo vya watoto wa chini ya miaka mitano. Hata hivyo, maendeleo ya vigezo vya afya yamekuwa ya kuvunja moyo, hali ya usafi imeimarika kwa kiwango kidogo na viwango vya umaskini vinaweza kupungua kwa nusu tu kufikia 2015 katika nchi nyingi. Hata hivyo, matokeo ya ulimwengu mzima kuhusiana na hali ilivyo kiuchumi yanadhihirisha uwezekano wa Afrika wa kuweza kurejelea hali yake ya kawaida huku ikiendelea kuimarisha maisha ya watu wake.

### Kenya

Uchumi wa Kenya uliendelea kuimarika mnamo mwaka wa 2011, ila haukufikia kiwango kinachotarajiwa wala kinachoweza kufikia. Uchumi uliimarika kwa asilimia 4.4 mnamo mwaka wa 2011, ikilinganishwa na asilimia 5.8 ya 2010. Kukua huku kulisadiwa na sababu kadha wa kadha zikijumuisha uwekezaji wa umma katika muundomsingi, ongezeko la mikopo katika sekta ya kibinafsi na uingizaji fedha za kigeni nchini kutoka kwa

wanaoishi katika nchi hizo.

Sekta ya utalii ilifanya vizuri mnamo mwaka wa 2011, jambo lililosababishwa na kuibuka kwa masoko mapya kama vile Asia, iliyoifanya Kenya kuwa eneo lenye thamani. Mapato ya utalii yaliongezeka na asilimia 32.8 kutoka shilingi za Kenya bilioni 73.7 mnamo mwaka wa 2010 hadi shilingi bilioni 97.9 mnamo 2011 huku wasafiri waliotembelea hapa nchini wakiongezeka na kufikia milioni 1.6 mnamo 2010 na kufikia milioni 1.8 mnamo 2011.

Kukua kwa sekta ya kilimo kulipungua kwa asilimia 2.4 mnamo mwaka wa 2011 ikilinganishwa na asilimia 6.4 mwaka wa 2010 kutokana na mabadiliko ya hali ya hewa na kuongezeka kwa gharama za uzalishaji wa bidhaa za kilimo. Hata hivyo, bei za juu za bidhaa zilisababisha mapato ya juu ya chai na kahawa. Vilevile, sekta ya viwanda iliimarika kwa kiwango kidogo cha asilimia 3.3 mnamo 2011 ikilinganishwa na asilimia 4.4 mnamo 2010. Ukuaji huu uliathiriwa na ongezeko la bei za mafuta na kushuka kwa thamani ya shilingi ya Kenya iliyosababisha kupanda kwa bei za ununuzi wa bidhaa za nje.

Mnamo mwaka wa 2011, Kenya ilikumbwa na changamoto nyingi za kiuchumi. Shilingi ya Kenya ilishuka hadi kiwango cha chini kabisa kushuhudiwa dhidi ya dola ya Marekani mnamo Oktoba 2011 na kubadilishwa kwa shilingi za Kenya 105.96 kwa dola moja ya Marekani. Hali hii ilisababishwa na kupanda kwa gharama ya chakula na mafuta, ukame uliozidishwa na malumbano katika Upembe wa Afrika, Matatizo yanayolikumba bara Uropa, kupanuka kwa hazina ya serikali na kupungua kwa akaunti za hundi, pamoja na kukosa ufanisi katika sekta ya kilimo. Kiwango cha kupanda kwa gharama ya maisha kiliongezeka hadi

## Taarifa ya Mwenyekiti (inaendelea)

asilimia 14.0 mnamo 2011 kutoka asilimia 4.1 mnamo 2010 kwa sababu ya kupanda kwa bei za mafuta ambayo hayajasafishwa. Kupungua kwa thamani ya shilingi dhidi ya sarafu kubwa za ulimwengu na mvua chache katika sehemu ya mwanzo ya mwaka wa 2010 hali iliyosababisha kupanda kwa bei za chakula.

Kushuka kwa akaunti za hundi za Kenya kulifikia kiwango cha juu kabisa; Akaunti zilishuka hadi shilingi za Kenya bilioni 296.0 mnamo mwaka wa 2011 kutoka kiwango cha shilingi bilioni 187.7 mnamo mwaka wa 2010 na kuongeka kwa shilingi bilioni 21.8 mwaka wa 2011. Hali hii ilitokana na ongezeko la uwekezaji wa moja kwa moja wa kigeni na kuingizwa kwa fedha nchini.

Hata hivyo, kuna hatari zinazoonekana, hasa ikiwa matatizo ya kiuchumi yanayoathiri bara Ulaya yataendelea. Matatizo ya bara Ulaya yataathiri vibaya baadhi ya bidhaa za Kenya zinazouzwa nchi za nje na ambazo hutegemea sana masoko ya Ulaya kama vile kilimo cha bustani na utalii.

Uhai wa uchumi wa Kenya kwa kiwango kikubwa utategemea kuimarika kwa biashara ndogo ndogo, amani nchini Somali kutokana na vita vinavyoendelea dhidi ya al-Shabab, uchaguzi wa amani nchini Kenya, ukifuatwa na mpito wa amani wa mamlaka kutoka kwa uongozi mmoja hadi mwingine.

Bandari ya Lamu, Sudan Kusini na Uhabeshi (Ethiopia), ambayo ni muundomsingi wa pamoja ulioanzishwa na serikali za Kenya, Ethiopia, na Sudan Kusini ulizinduliwa mwezi Machi, 2012. Mradi huu unaotarajiwa kumalizika baada ya miaka minne utaunganisha nchi za Ethiopia na Sudan Kusini na bahari na pia kufungua maendeleo katika sehemu nyingine za Kaskazini mwa Kenya.

Kulingana na benki ya Ulimwengu, changamoto kuu ya mwaka wa 2012 ni kusimamia mpito wa kisiasa ipasavyo, ili kuzuia kutokea tena kwa vurugu za baada ya uchaguzi zilizotokea mwaka wa 2008 na kuhakikisha kwamba kuna maendeleo katika uwekezaji pamoja na kubuni ajira kwa vijana. Uchumi wa Kenya unatazamiwa kuendelea kuimarika japo kwa kiwango cha chini cha kati ya asilimia 3.5 na 4.5, ukisaidiwa na kuimarika kwa mvua zinazonyesha na thamani ya shilingi inayoimarika.

### Matokeo ya Kampuni

Shirika la Ndege la Kenya lilipata faida murua katika mwaka wa fedha wa 2012 mbali na kuwepo na mazingira yaliyojaa changamoto za kiuchumi, kimaeneo na kisiasa zilizoshuhudiwa katika kipindi chote cha mwaka huo. Mambo yaliyoathiri shirika katika kipindi hicho ni kama vile kupanda kwa bei za mafuta, misukosuko iliyokumba Bara Uropa na kudorora kwa uchumi katika nchi za Magharibi. Shirika lilisafirisha jumla ya abiria milioni 3.6 kufikia mwisho mwa mwezi wa Machi mwaka wa 2012

hali inayonyesha kuimarika kwa kila mwaka kwa kiwango zaidi cha wasafiri milioni moja. Katika mwaka huo, Shirika la Ndege la Kenya lilifaulu kuanzisha vituo vipya vikiwemo Ndjamena, Ouagadougou na Jeddah.

Halmashauri inafuraha kueleza kuwa Shirika lilimudu kupata pato nono la Shilingi za Kenya, milioni 107.9 ambalo ni ongezeko la takriban asilimia 26 ikilinganishwa na pato la milioni 85.8 la mwaka uliotangulia. Faida iliyopatikana baada ya kulipa ushuru ilikuwa shilingi bilioni 1.66 ikilinganishwa na ile ya mwaka uliopita ya bilioni 3.5. Hali hii inaonyesha kiwango cha faida cha asilimia 1.5 kutoka asilimia 1.4 iliyopatikana mwaka wa fedha wa 2010/2011. Kiwango cha mapato kwa kila hisa kilishuka hadi shilingi 3.58 kutoka shilingi 7.65, mwaka uliotangulia.

Usimamizi wa Shirika uliendelea kuwekeza katika rasilimali kwa kudumisha viwango vya juu vya usalama katika kipindi chote cha mwaka.

### MAPATO

#### Wasafiri

Kulikuwa na ongezeko la kiwango cha asilimia 7.9 ya usafiri kwa mujibu wa upimaji wa viwango wa 'Available Seat Kilometre' (ASK) iliyotokana na kuongezeka kwa idadi ya misafara na vilevile kufunguliwa kwa vituo vipya. Idadi ya abiria nayo iliimarika kwa kiwango cha asilimia 11.8 zaidi ya ilivyokuwa mwaka uliotangulia kwa mujibu wa vipimo vya abiria vya 'Revenue Passenger Kilometre'. Hii ilitokana na kuongezeka kwa uhitaji. Mapato yatokanayo na wasafiri ikijumuishwa na kiwango cha utozwaji wa mafuta, senti ya Marekani iliongezeka hadi asilimia 1.1 na kuimarika zaidi hadi kufikia asilimia 12.4 ikihesabiwa kwa sarafu za shilingi ya Kenya, hasa kutokana na kushuka kwa sarafu ya Kenya mwaka wa 2010.

Mapato yaliyotokana na wasafiri mwaka huo yaliimarika hadi shilingi bilioni 95.2 ambayo ni asilimia 26.3 zaidi ya mwaka uliotangulia. Hii ilitokana na kuongezeka kwa idadi ya wasafiri, kuboreka kwa faida na kudorora kwa shilingi ya Kenya.

Ongezeko la wasafiri lilishuhudiwa katika maeneo yote: Katika eneo la Kusini mwa Afrika kulipatikana ongezeko la asilimia 25.8. Hii ilitokana na usafiri wa muhula wote kwenye vituo vilivyoanzishwa mwaka uliopita. Usafiri wa Kaskazini mwa Afrika nao ulikua kwa kiasi cha asilimia 23.3, ukitokana na mahitaji ya usafiri wa mara kwa mara kuelekea Juba.

Kwa upande wa eneo la Mashariki ya Kati, usafiri uliimarika kwa asilimia 16.4 kutokana na safari za Mumbai na pia kwa sababu ya kuanzishwa kwa kituo kipya cha Jeddah. Afrika Magharibi nako kulikuwa na ongezeko la asilimia 13.7 kutokana na kuanzishwa kwa vituo vya Ndjamena na Ouagadougou. Usafiri wa Mashariki

## Taarifa ya Mwenyekiti (inaendelea)

ya Mbali ulikuwa kwa asilimia 11.9 kwa sababu ya ongezeko la safari za njia ya Bangkok/Guangzhou. Usafiri wa Bara Uropa uliongezeka kwa kiasi cha asilimia 9.1.

Hii ilisababishwa na ongezeko la abiria wanaosafiri nje ya mji wa London, Paris na pia misafara ya kila mara ya Roma kwa mwaka mzima. Afrika ya Kati ilishuhudia kiwango kidogo cha usafiri cha asilimia 4.4. Hii ilisababishwa na uamuzi wa Shirika kuondoa huduma zake Malabo na Kisangani katika mwaka huo. Usafiri humu nchini uliimarika na kufikia kiwango cha asilimia 29.6 kutokana na misafara ya kila mara ya Mombasa, Kisumu na Malindi kunako misafara ya muhula mzima.

Kulikuwa na ongezeko la wasafiri kwa kiwango cha 'Overall Cabin Factor' cha asilimia 71.7 ikilinganishwa na ilivyokuwa mwaka uliotangulia ya asilimia 69.2.

### Mizigo

Uzani wa mizigo kwa kipimo cha tani ulifikia asilimia 10.8 zaidi ya mwaka uliopita na kuwa na mapato ya asilimia 6.8. Hali hii pamoja na kushuka kwa shilingi ya Kenya kulisababisha kuongezeka kwa mapato kwa kiasi cha asilimia 35.1 zaidi ya mwaka uliopita. Maeneo yaliyoshuhudia uzani mkubwa wa tani za mizigo ni kama vile Kusini mwa Afrika (+16.1%), Bara Uropa (+11.0%), Afrika Magharibi na Kati (+32%), Mashariki ya Mbali (+11.5%), Afrika Kaskazini (+6.2%) na Mashariki ya Kati (+5.7%). Hali hii inatokana na ubora wa vifaa na nafasi ya ubebaji.

Maeneo yaliyokuwa na viwango vya chini vya usafiri wa mizigo ni Afrika Mashariki (-7.5%) na Usafiri wa mumu humu nchini (-6.6) uliosababishwa na matatizo ya kivasaa katika eneo la Afrika Mashariki na kupungua kwa uhitaji nchini Kenya.

### Kiwango cha Ubadilishanaji

Dola ya Marekani ilinawiri kushinda shilingi ya Kenya kwa kiwango cha ubadilishanaji kwa wakati huo kikiwa KShs. 88.58 kwa kila Dola moja ya Marekani totauti na ilivyokuwa mwaka uliopita ikiwa KShs. 79.69 kwa kila Dola ya Marekani. Kuimarika kwa Dola ya Marekani dhidi ya shilingi ya Kenya katika kipindi hiki kulikuwa na manufaa kwa fedha za kigeni hasa katika ubadilishanaji. Ingawa hali hii ilibadilika kwa sababu ya athari ya gharama ya juu katika utumizi wa fedha za kigeni.

### GHARAMA

#### Gharama za Utendakazi

Gharama za utendajikazi ziliongezeka hadi shilingi milioni 77.2 ambalo ni ongezeko la shilingi bilioni 23.8 au asilimia 44.6 kuliko mwaka uliopita. Kuzidi huku kwa gharama hizi kunatokana na kupanda kwa bei za mafuta na kuongezeka kwa shughuli za utekelezi.

Bei ya mafuta, mbali na gharama zake iliongezeka hadi shilingi bilioni 40.7, jumla ya ongezeko la shilingi 15.9 au asilimia 64.1 ikilinganishwa na ile ya mwaka uliotangulia.

Ongezeko hili lilitokana na kupanda kwa bei ya mafuta ya ndege kufikia kima cha 258.4/cag mwaka wa 2011 hadi 343.4/cag mwaka wa 2012, ambalo ni ongezeko la asilimia 32.9%. Kwa kuwa bei za mafuta ya ndege huuzwa kwa mujibu wa sarafu ya Dola ya Marekani, sarafu ya Kenya iliyoshuka iliathiri pakubwa bei ya mafuta ya ndege kwa asilimia 11.2. Ziada nyingine ilitokana na ongezeko la gharama za utekelezaji.

### Matumizi ya kawaida

Matumizi ya kawaida yalizidi kwa kiasi cha asilimia 14.3 hadi shilingi bilioni 19.4. Matokeo hayo yaliathiriwa mno na kuongezeka kwa gharama za kushughulikia wafanyakazi zilizofika shilingi bilioni 2.2 na zingine shilingi milioni 203 za gharama ya usimamizi wa jumla na uzinduzi. Ongezeko hili lilishihinikizwa na mishahara mikubwa kutokana na kuongezeka kwa idadi ya wafanyakazi ili kukidhi ongezeko la ndege zetu na kuanzishwa kwa vituo vipya.

### SUALA LA HAKI

Haki za kutoa za Shirika la Ndege la Kenya zilifungua tarehe 2 April 2012 na kufunga tarehe 27 Aprili 2012. Mapato yaliyotokana na Haki zilizotolewa yalifikia jumla ya shilingi bilioni 14.5 na zitatumika kulipia arubuni ya ndege tunazotaka kununua kufuatia mpango wetu wa miaka kumi.

### MATARAJIO

Kulingana na Shirika la Kimataifa la Huduma za Ndege (IATA) faida inayopatikana katika biashara ya usafiri wa ndege kwa mwaka 2012 iko katika hali tete.

Kupanda kwa bei ya mafuta kwa kiwango cha juu tangu Disemba kumepunguza viwango vya faida katika biashara ya usafiri wa ndege vya 2012 kutoka dola za Marekani bilioni 3.5 billion hadi bilioni 3.0. Kuimarika kwa polepole kutoka kwa ratiba za mwaka 2012 kutaboresha shehena ya mambo na kuleta faida.

Ingawa mwaka ulikuwa na mazingira yenye changamoto za kiuchumi, kimaeneo na kisiasa, faida iliyopatikana baada ya kulipa ushuru katika mwaka wa fedha 2011/12 inaridhisha mno ikilinganishwa na mashirika mengine katika biashara hii.

Halmashauri inazingatia mno kupungua kwa uwezo katika mwaka wa 2012, ambapo kuna mahitaji ya usafiri na shinikizo la kupata mapato kutokana na kupanda kwa bei ya mafuta ya ndege na mashindano ya kibiashara.

Mambo haya yatahitaji shirika la Ndege la Kenya kupanga mikakati mwafaka ili kujiimarisha na kupata faida. Vichocheo mwafaka vya kuboresha matokeo ni idadi ya wasafiri, mapato mazuri na la mno kabisa, ni gharama za usimamizi.

## Taarifa ya Mwenyekiti (inaendelea)

Shirika litazidi kufungua njia mpya, uwekezaji katika ununuzi wa ndege, kutoa mafunzo kwa wafanyakazi na kuboresha mifumo ya shirika pamoja na huduma ya wafanyakazi.

Kwa kuzingatia vipengele hivi na kuongezwa kwa ndege zingine mpya na bora zaidi, Halmashauri ina matumaini kuwa matokeo ya shirika ya miaka ijayo yataimarika.

### Siasa za Sekta ya Ndege na Kufikika kwa Masoko

Ijakuwa Afrika bado imethibitiwa zaidi, ushirika kati ya Shirika la Ndege la Kenya na Serikali ya Kenya kupitia kwa Wizara ya Uchukuzi imeleta upanuzi wa masoko mapya kupitia kupanuliwa kwa haki za usafirishaji. Kundi la Huduma za Usafiri Pande mbili (Bilateral Air Services) linalosimamiwa na Wizara ya Uchukuzi lilijadiliana, likatafakari na kuamua zaidi ya Mikataba (10) ya Huduma za Usafiri Pande Mbili (Bilateral Air Services Agreements- BASA) kwa muda wa sasa. Mikataba iliyojadiliwa zaidi ilijumuisha ile inayohusiana na: Nigeria, Angola, Bara Hindi, Saudia, Canada, Mexico na nyingine.

Mkataba wa BASA wa kati ya Kenya na Angola ulijadiliwa, na wahusika wakakubaliana kwamba kuwe na maafikiano ya safari tatu za ndege kila wiki. Pia, kulikuwa na makubaliano kati ya nchi kama vile Bara Hindi na Shirika la Ndege la Kenya yaliyotoa nafasi zaidi za kwenda Mumbai, Delhi na miji mingine: Kulikuwa pia na makubaliano na Saudia yaliyoongeza yaliyoruhusu ndege za kila nchi kuongeza safari zake kutoka tatu kwa wiki hadi 21 kila wiki. Ili kuongeza mfumo wa usafiri kupitia ushirika wa kibiashara na mashirika mengine ya ndege hasa katika kundi la Sky, makubaliano kati ya Mexico na Canada yatakuwa muhimu katika kuanzisha kodi ya hisa ya sehemu ya anga ya Mexico, Ufaransa/KLM hadi maeneo ya Mexico na Canada Mtawalia.

Shirika la Ndege la Kenya liliendelea kufungulia Afrika ulimwengu. Maeneo matatu zaidi yalizinduliwa mnamo mwaka huu wa matumizi ya fedha, yakiwa ni Jedda huko Saudia, N'djamena nchini Chad na Ouagadougou nchini Burkina Faso. Mbali na kuanzisha njia mpya za kibiashara katika maeneo mapya kwa wananchi wa nchi hizi, Shirika la Ndege la Kenya liliendelea kuthibiti msimamo wake wa kuchangia katika maendeleo ya Afrika kupitia kuunganisha nchi hizi na ulimwengu.

Tukiendelea mbele, Shirika la Ndege la Kenya litaendelea kushirikiana na Serikali ya Kenya kupitia kwa Wizara ya Uchukuzi, kwa madhumuni ya kutoa nafasi zitakazoongeza majadiliano ya BASA na nchi za Afrika na kweingineko ili kuhakikisha kwamba kuna upanuzi wa biashara kwa ajili ya chumi za Afrika.

Licha ya matokeo haya mazuri, sekta ya ndege iliendelea kukumbana na changamoto za mazingira ya uthibiti na utendakazi. Ushuru, uthibiti wa Visa na uthibiti wa fedha za kigeni Afrika vimebakiya vikwazo visivyojificha lakini ambavyo vinaathari mbaya kibiashara. Changamoto za fedha za kigeni nchini Malawi, Angola na Ethiopia kati ya nchi zingine kumeathiri vibaya uimarishaji wa shirika. Shirika litaendelea kutafuta usaidizi kutoka kwa Serikali kupitia Wizara ya Fedha kwa madhumuni ya kuharakisha majadiliano ya Mikataba ya Ushuru wa Marambili (Double Taxation Agreements/ Treaties - DTA) na mataifa mengine hasa yale ya bara Afrika.

### Uwanahisa

Idadi ya wanahisa katika kitabu cha Regista kufikia tarehe 31, Machi, 2012, ilikuwa wanahisa 74,066. Kati ya hawa, wanahisa 33,506, walitoa hisa zao kwa kampuni ya CDSC Nominees Limited na kufungua akaunti katika Mfumo wa Kuweka Fedha kwa Pamoja (Central Depository System). Maelezo ya wanahisa kufikia tarehe 31, Machi, 2012 yamo katika ukurasa wa 125.

### Mgawo wa Mwisho

Halmashauri inapendekeza kwamba wanahisa waidhinishe mgawo wa mwisho wa shilingi 0.25 kwa kila hisa, utakaolipwa wanahisa walio katika kitabu cha Rejesta kufikia tarehe 27, Septemba 2012, na utalipwa tarehe 30 Oktoba 2012 ama karibu na wakati huo. Hii inajumuisha hisa zilizouzwa katika Toleo la Hisa la hivi majuzi.

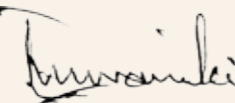
### Shukrani

Nachukua nafasi hii kuwashukuru wateja wetu, wanahisa, Serikali, uongozi, wafanya kazi, wanaotuzia bidhaa na wanachama wa Halmashauri kwa kujitolea kwao kukuza shirika hili la ndege.

### Wakurugenzi

Waliokuwa Wanachama wa Halmashauri mwaka huu wameonyeshwa katika ripoti ya Wakurugenzi katika ukurasa wa 66.

### EVANSON MWANIKI



### MWENYEKITI



**Management Team**

**Management Team**



**From Left to Right**

Alex W. Mbugua | Mohan Chandra | Mbuvi Ngunze | Kevin Kinyanjui | Dr. Titus Naikuni | Sauda Rajab | Yves Guibert | Alban Mwendar | Tom Kadoyo | Captain Paul Mwangi

## Management Team (cont'd)

### **DR. TITUS NAIKUNI:**

#### **Group Managing Director & Chief Executive Officer (58 Years)**

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 Programme for Management Development (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 combined it with being 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 previously served on various company boards including:

- member of the board of Brunner Mond (South Africa),
- Chairman of the Kenya Power & Lighting Company,
- Chairman of Housing Finance Company of Kenya Limited,
- member of the board Heritage Insurance
- member of the board CFC Bank

He is currently a board member of

- Maersk Kenya Ltd,
- Access Kenya Ltd,
- East African Portland Company,
- Precision Air Services Limited
- Deputy Chairman of Magadi Soda Company Ltd,
- Lafarge Advisory Board; and
- Police Reforms Implementation Committee (as Chairman).

Titus received the Manager of the Year Award in Kenya in 2002.

In 2009, during the 15th Aviation & Allied Business Leadership Conference in Addis Ababa, Ethiopia, Dr. Naikuni was awarded the 2009 Aviation & Allied Business Individual Achievement Award.

### **MBUVI NGUNZE:**

#### **Chief Operating Officer (44 Years)**

Mbuvi holds a Bachelor of Commerce degree accounting option from the University of Nairobi. He is a Chartered Accountant (England and Wales) and is also a graduate of the Harvard Business School's Management Development Program (PMD75).

He joined Price Waterhouse in Nairobi in 1990 and was seconded to Manchester in the United Kingdom where he was articled. In the UK, he started off as an Audit Assistant and left 5 years later as an Assistant Manager. In 1995, he rejoined Price Waterhouse in Kenya as Audit Manager, leading audits of various blue chip companies, and also involved in training and recruitment.

In 1998, he joined Bamburi Cement (a Lafarge subsidiary) as Finance Manager and was promoted to the Finance Director's position in February 1999. He held this position up to March 2002 when he was appointed Managing Director Hima Cement Uganda (Lafarge). In May 2006, he moved to the headquarters of Lafarge in Paris. He first took up the role of Mission Director in the Group Audit Department for six months, and then was appointed Group Vice President Internal Communications in November 2006.

In March 2009, he was appointed General Manager for Lafarge's operations in Tanzania (Mbeya Cement). He joined KQ in September 2011 as Chief Operating Officer.

Mbuvi has extensive Board room experience having served on the Board of Bamburi Cement (from 1999), Hima Cement, Mbeya Cement, and serving as Secretary to the East African Cement Producers Association.

### **ALEX W. MBUGUA:**

#### **Group Finance Director (48 Years)**

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.

### **CAPTAIN PAUL K. MWANGI:**

#### **Director Flight Operations (53 Years)**

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 safe operations of the flight crew (pilots and cabin crew), quality training of the crew both initial and recurrent, operation and maintenance of the B737NG KQ simulator, on-board catering and flight operations engineering which includes route planning and the flight operations library.

He joined the airline in 1984 at the age of 25, initially as a cadet officer and then as a co-pilot. 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 Airline Transport Pilot 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, the Programme for Management Development (PMD) at The University of Cape Town, South Africa and recently System thinking in Service Organisations at Hull University Business School in the UK.

### **YVES GUIBERT:**

#### **Director Ground Services (48 Years)**

Mr. Guibert, a French national, 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 a Relief Station Manager. For close to two years, he relieved

## Management Team (cont'd)

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 the Johannesburg and the opening the Cape Town Station 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 the Director Customer Service. At the time he left Virgin Nigeria to join KQ in April 2009, he was managing its entire ground services, training and in-flight services.

### **KEVIN KINYANJUI:**

#### **Informational Systems Director (45 Years)**

Mr. Kinyanjui has over 23 years' experience in the Information Technology field. This includes 6 years at a management consulting firm PricewaterhouseCoopers, 6 years at Bamburi Cement Limited and a total of 4 years in the banking sector, most recently at Housing Finance. 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 in Kenya and in other African countries including Uganda, Tanzania, Malawi and Ethiopia.

At Bamburi Cement where he was 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 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.

As IS Director at KQ, Mr. Kinyanjui has overseen a very busy period of Selection and implementation of many new business systems. These include e-ticketing, a new integrated passenger services systems suite, a new integrated Oracle E-Business Suite, a new suite of Integrated Operations Control and Management Systems, and customer & Staff Web Services.

In 2001, the Computer Society of Kenya awarded him the Chairman's Achievement Award in recognition of his achievements in the IT field. In 2010 Kevin's team received a CIO East Africa Top Award for the Transport Sector.

## Management Team (cont'd)

### **MOHAN CHANDRA:**

#### **Commercial Director (60 Years)**

Mohan Chandra is a New Zealand national. He joined KQ on 1 August 2009. Prior to joining KQ, Mohan was Aviation Advisor and Chief Operating Officer for Emirates Post Group. He commenced his airline career with DNATA, then a brief stint with Air India and onward to KLM for twenty-seven years as Regional Manager- UAE, Bangladesh, Sri Lanka, Maldives, Yemen and Oman. He has also worked in senior commercial management positions with Qantas and Emirates.

Besides various IATA and Management courses attended, Mohan holds a diploma from the American Management Association (AMA), of which he is a member. He also holds an Aviation Airline Transport Diploma from the New Zealand Civil Aviation Authority and a New Zealand Commercial Pilot License for single and twin engine aircraft.

Mohan has received accolades and recognition for outstanding performance throughout his airline career.

Most notable were the Worldwide Emirates Aviation Sales Award (2005-2006), Certificate of Appreciation from the President of Civil Aviation and Chairman of Emirates Airline, H. H. Sheikh Ahmed Bin Saeed Al Maktoum, for dedicated service to Dubai International Airport (1999) and TQP KLM Award for turning extra seats into extraordinary sales (1991-1992).

### **TOM OBONYO OUMA KADOYO:**

#### **Technical Director (55 Years)**

Tom Kadoyo is an alumni of Starehe Boys High School and strongly believes in the school's motto "Natulenge Juu", which means "Aim High".

Tom holds Master of Science degree in Aeronautical Engineering from Riga Institute of Civil Aviation.

He has gone through progressive training at Boeing and Airbus on diverse aircraft. Tom is currently attending the Executive Management Development Program at Gordon Institute of Business Science - University of Pretoria.

Tom joined KQ in 1986 as a graduate trainee rising through the ranks as Development Engineer, Senior Development Engineer, Principal Development Engineer, Manager Engineering Development, Head of Base Maintenances and currently, Technical Director.

Before joining KQ, Tom worked with the Ministry of Tourism and Wildlife as assistant engineer in charge of Air Wing section from June 1985 - December 1986.

Tom has 26 years' experience with the airline industry.

### **ALBAN M. MWENDAR:**

#### **Group HR Director (49 Years)**

Mr. Mwendar is an alumnus of the Alliance High School, and holds a Bachelor of Education (B.Ed.) degree and a Masters in Business Administration (MBA) degree, both attained at the University of

Nairobi. He is also a Fellow Member of the Institute of Human Resources Management of Kenya and recently completed his diploma at the highly accredited coaching organisation, the Academy of Executive Coaching in the United Kingdom.

Mr. Mwendar has extensive experience within multinational businesses in the corporate sector having joined Unilever (Kenya) Ltd in 1987 as a Management Trainee, and rising up the ranks within the HR function and in Logistics. He left Unilever in 1995 to take up the role of Head of Human Resources at British American Tobacco (Kenya) Ltd, a role he held until the year 2000 when he was appointed Group HR Director at Kenya Commercial Bank.

At KCB he spearheaded cultural reform programmes and internal branding initiatives that turned the bank from a parastatal organisation to the present day commercial organisation that prides itself as having the largest branch network in East & Central Africa.

In 2004, Mr. Mwendar was appointed Group HR Director of East Africa Breweries Ltd, a Diageo plc subsidiary, and again led internal rebranding initiatives that launched Diageo into the Eastern African markets.

During the course of his career, Mr. Mwendar has played a consultancy and advisory role on HR matters to numerous individuals and organisations and has made several presentations to HR practitioners in the region.

He has also attended numerous professional courses abroad including in institutions such as Harvard Law School.

He has been a past Vice Chairman of the Kenya Institute of Bankers, member - Board of Governors of Alliance High School, and Assistant Chairman - Institute of HR Management of Kenya. He currently sits on the Council of the Agricultural Society of Kenya.

He joined KQ in August 2011.

### **SAUDA RAJAB:**

#### **General Manager, Cargo (49 Years)**

Sauda Rajab joined Kenya Airways in 1989 as a Management Trainee. After her training she was posted to the Reservation Department where she rose through the ranks in various roles including; Country Manager - Uganda, Rwanda and Burundi, General Manager Kenya, Area Manager East Africa, Regional General Manager Europe, Americas and Asia and is currently the General Manager Cargo.

Besides various IATA and Airline Management courses, Sauda is a Graduate from the University of Nairobi and is currently pursuing an MBA at the Strathmore University.

Sauda's forte has been to be a change agent, and she has brought positive change in all the areas she has worked in Kenya Airways.



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**The company will set targets to achieve cost savings in all areas of our business by improving our work practices and processes without compromising or negatively impacting on our service to our customers.**

**Dr. Titus Naikuni**

## Chief Executive's Statement

The financial year 2011/2012 saw significant increases in fuel prices against a backdrop of a sluggish global economic recovery. Indeed Tony Tyler, IATA's Director General and CEO has already indicated that "2012 continues to be a challenging year for airlines.

The risk of a worsening Eurozone crisis has been replaced by an equally toxic risk - rising oil prices".

It is acknowledged that the major driver of reduced profitability in the industry is the skyrocketing oil prices.

The consensus forecast for 2012 has been revised from the previous US\$ 99 a barrel for Brent crude. Already the average price year-to-date is approaching \$120 and the consensus forecast for the year has been revised to \$115.

IATA has indicated that this will push fuel to 34% of average operating costs and see the overall industry fuel bill rise to US\$ 213 billion.

Given the sustained high price of fuel and other challenges that affect the aviation industry, Kenya Airways must maintain a strong focus on controlling costs for us to remain competitive. In order to achieve sustainable profits, we must drive efficiencies in the areas that we as an airline control.

The company will set targets to achieve cost savings in all areas of our business by improving our work practices and processes without compromising or negatively impacting on our service to our customers.

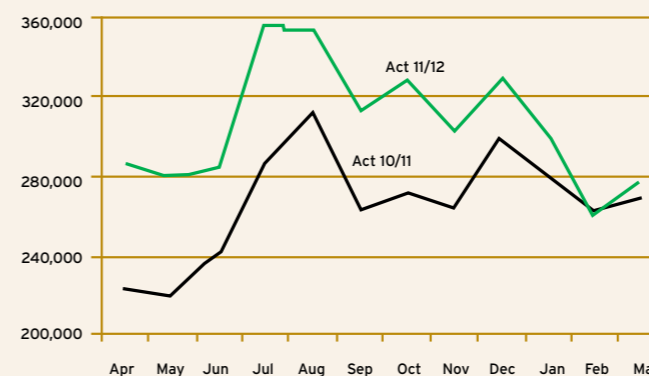
### COMMERCIAL HIGHLIGHTS

During the financial year 2011/2012, Kenya Airways carried a total of 3.644 million passengers compared to 3.136 million in the previous year, representing a growth of 16.2%.

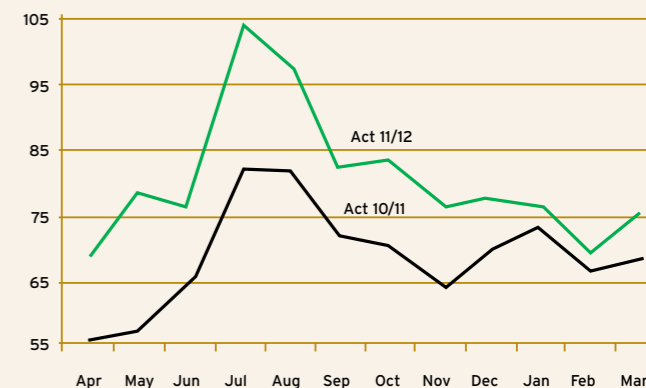
Passenger revenue stood at USD 981 Million compared to USD 876 Million in the previous year, a growth of 12.1%.

This impressive growth has been attributed to an expanded route network and additional frequencies on certain routes, improved on time performance, improved yield steering, customer loyalty and sales focus.

### Passenger Numbers



### Passenger Revenue (USD Millions)



### Regional Performance

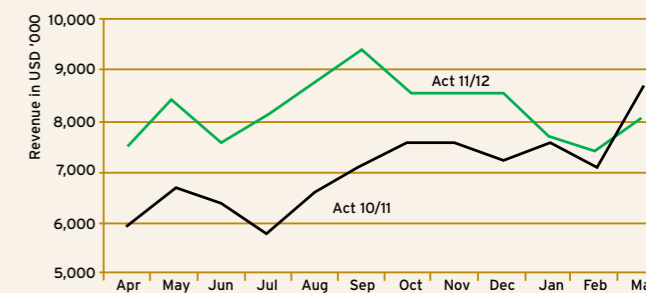
The total network passenger revenue recorded in the financial year 2011/2012 was USD 981 Million.

The Regional/Area management representations' revenue contribution to the total network were as follows; Kenya (20%); East & Northern Africa (10.48%); Southern Africa (12.9%); Central Africa (6.27%); West Africa (7.73%); Middle East (2.86%); India & Rest of Asia (3.71%); Far East & Asia (6.89%); Europe & America (29.03%).

### Cargo & Mail

Cargo revenue performance during the financial year 2011/12 was USD 98.5 Million compared to USD 84.2 Million in the previous year, representing a growth of 16.9%. Various strategies were implemented by the company during the period such as quality product mix, premium rates in high yield sectors and roll out of courier products to various destinations. These actions resulted in a 7 % increase in the cargo yield from USD1.46/kg during prior year to USD 1.57/kg during the period under review.

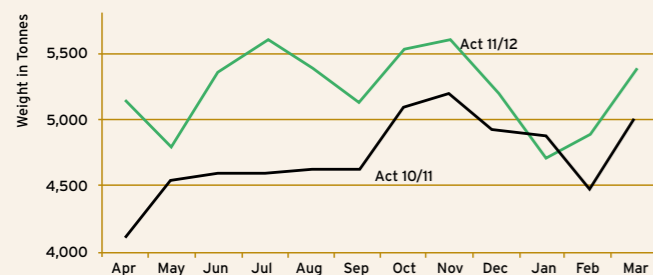
### Cargo Revenue (USD '000)



Cargo weight uplifted during the financial year 2011/2012 increased to 62.6 Million Kilograms compared to 56.6 Million Kilograms in the previous year. This performance represents a growth of 11%. The company put in place various initiatives

## Chief Executive's Statement (cont'd)

### Cargo Tonnage



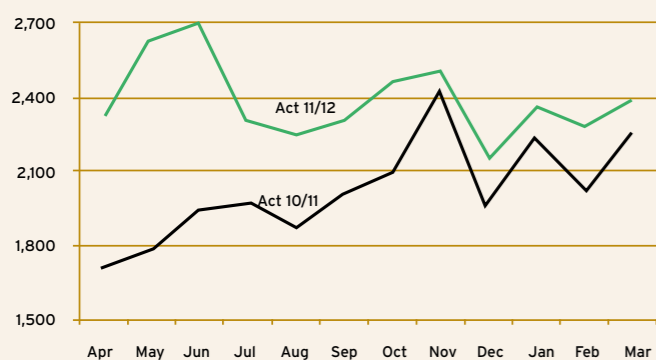
to steer the performance, which initiatives included consistent capacity rationalization, volumetric weight sensitization and increased focus on high density cargo.

Kenya Airways in partnership with KLM launched its cargo Joint Venture freighter operations using a B747-400 freighter in February 2012 with respect to the routes: Amsterdam - Sharjah - Guangzhou - Sharjah - Nairobi - Lagos - Nairobi - Amsterdam.

### Web Sales

Web sales performance continued to register significant improvements in response to various initiatives put in place by the company, namely; the new website look and feel and the new web booking portal. During the financial year 2011/2012, a total of USD 28.6 Million in ticket sales was driven through this channel, compared to USD 24.2 Million in the previous year which represents a growth of 17.9%.

### Web Sales Performance (USD '000)



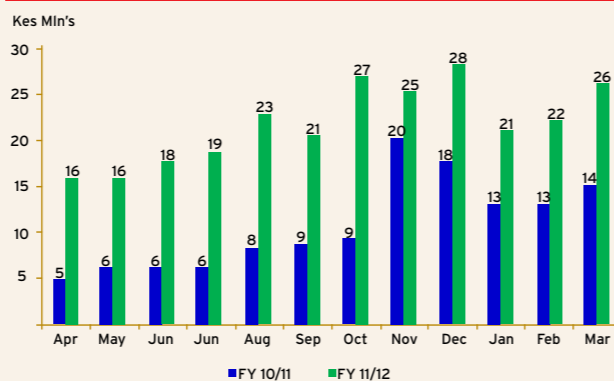
### Contact Centre

The 24/7 call centre in Embakasi which was established in the previous financial year continued to expand its scope and avail services to our customers in response to their various needs. During the year under review, the call centre implemented the Voice Recording System. This has assisted us in carrying out live Quality Monitoring (QM) including QM on recorded conversations of all customers' interactions. All these efforts are aimed at improving our focus on driving good Customer

Care delivery.

The foregoing convenient form of communication with our customers has translated into steady growth in ticket sales as evidenced by the growth in call centre sales from prior year. During the financial year 2011/2012, a total amount of Kshs. 262 Million in ticket sales was recorded as compared to Kshs. 128 Million in the previous year which performance translates to a growth of 104%.

### Contact Centre Sales Performance



### Flying Blue

During the period under review the Flying Blue - the KQ loyalty program in partnership with KLM and AF continued to register impressive performance as regards enrollment, redemptions and customer focus.

The membership of this loyalty program currently stands at 114,732 members of which 46% are active. This compares favorably against the international average of 44%. During the year 2011/2012 enrolments into the program grew by 8%, as compared to prior year. Accrual figures have been on the increase based on the overall increase of KQ passengers. On average, Flying Blue passenger numbers account for 21% of the total KQ passenger numbers.

As regards, Redemptions and Accruals, Kenya Airways renegotiated with its partners the reduction of the number of miles required for redemption. It is anticipated that this will increase revenues, by allowing our customers redeem their miles at a lower threshold. Popular redemption destinations during the period under review were: - JNB, MBA, LOS, EBB, LHR, DXB & AMS while the most popular Accrual Routes were MBA, EBB, AMS, DAR, JNB, LHR, and DXB.

### Customer Recognition and Appreciation

KQ embarked on recognising their Elite customers and visited a number of High Value customers as a sign of appreciation and to get to know their experiences. The company is now more

## Chief Executive's Statement (cont'd)

geared towards enhancing customer engagement through customer acquisition, retention, reward and recognition.

### Sponsorships

Kenya Airways continued to sponsor a number of activities in the industry and the country in general. Notable amongst such sponsorships during the financial year 2011/2012 were the KQ Golf Safari, Kenya Rugby Team, KQ Maasai Mara Marathon and the East African Safari Rally Classic.

### KQ Golf Safari

The 2011-2012 KQ Golf Safari commenced in September 2011 and the last destination event was held in Botswana Gaborone on 12th February 2012. This was followed by the final event held in Nairobi on 24th to 25th February 2012 at the Windsor Golf and Country club. During this event, all the winners of events hosted by the company at various KQ destinations, namely; Uganda, Tanzania, Ethiopia, South Africa, Cameroon (Yaoundé, Douala), Botswana, Zambia - both Lusaka & Ndola, Senegal, Zimbabwe, Nairobi, Seychelles, Rwanda, UK, Guangzhou, Bangkok, Abidjan, Burundi, and Malawi) and ten (18) corporate golf days (Golf clubs) participated. Clearly, the KQ Golf Safari series continue to be one of the most popular events in the African Golf calendar and has recorded great success.

Besides promoting Africa as a premier golf tourism destination, the KQ Golf Safari series offers a unique platform for KQ to engage its customers and partners in the countries we operate in on the continent.

### Kenya National Sevens Rugby Team

The Kenyan National Sevens Rugby Team participated in the HSBC World IRB series.

The first leg of the series was held in New Zealand and Australia and final one in London, on the 12th and 13th May 2012. Kenya Airways' support has assisted in making the team turn professional. During the 2011 IRB series, the team achieved 12th position, with Humphrey Kayange being named the IRB "keep Rugby Clean Ambassador".

As one of the biggest ambassadors of the brand "Kenya", the rugby team attracted over 300,000 stadium spectators and over 2000 hrs of TV viewership across the KQ network during the IRB series only.

KQ achieved huge exposure as the main sponsor of the rugby team. This sponsorship has also ensured that the KQ brand enjoys wide international exposure even in countries where we do not operate.

### Maasai Masai Marathon

Kenya Airways sponsored various marathon opportunities aimed at supporting sports tourism and Kenya as a tourist destination. Among other marathons sponsored was the Maasai Mara marathon which took place on November 19th 2011.

### East African Safari Rally Classic

Kenya Airways was once again the official sponsor of the Kenya Airways 2011/2012 East African Safari Rally Classic. The event took place from 1st to 28th November 2011 and Kenya Airways growth in visibility was witnessed across East Africa through strong corporate engagements across Kenya, Uganda and Tanzania.

This event was aimed at branding and selling Kenya as a rally destination amongst other tourist attractions available in Kenya.

As an area of sale, the event generated over Kshs.10 Million in tickets sales from foreign drivers and spectators, with our own KQ pilot - First Officer Samira Khan participating and completing the event.

### OTHER INITIATIVES

#### In-Flight Entertainment

During the period under review the company made changes to the content of the In-Flight Entertainment (IFE) to keep in line with our customers' feedback and to continuously improve our product, with the view of ensuring that our customers have an excellent on board experience across our network.

#### Msafiri Magazine

With effect from January 2012 the publication of Msafiri our popular in-flight magazine was changed from quarterly to bi-monthly publication in order to provide our customers with more readership flexibility and choice.

### HUMAN CAPITAL

As at 31st March 2012, Kenya Airways' headcount stood at 4,834. This represents a headcount increase of 11%, with the majority of the additional Human Resources being introduced in the operational and frontline areas of the business.

During the period under review, the key focus of the Human Resource Department was to drive employee engagement to ensure delivery of the company strategy.

To this end, we were able to achieve an employee engagement rating of 71%, as compared to the previous rating of 63% during prior year. Key to the foregoing was employee capability building programmes which was achieved through the robust training solutions that helped drive both technical and leadership skills across the business.

## Chief Executive's Statement (cont'd)

At the same time, we embarked on the enhancement of Human Resources Processes through customization to address the changing business requirements.

This customization was mainly in the area of recruitment, leave, performance management and the Core Human Resources Module. This will ensure that the Human Resources Department responds efficiently to the business needs of the day, and achieves customer satisfaction and excellent service delivery.

### Learning and development

During the year 2011/2012 the team experienced growth in the number of units with the addition of the Information Systems Training section which has been mandated to roll out e-learning in the business during the new financial year 2012-2013.

It is envisioned that by doing so the organisation shall drive a self-development learning culture within the business, and eventually realise the benefits of making learning at Kenya Airways more efficient.

### Corporate Training

The delivery of the already existing leadership development programs intensified within the year 2011/2012. These programs included Personal Effectiveness, where a total of 811 staff members were trained, Learning to lead with 292 staff trained and Business Leadership where 100 staff members were trained.

The above programs were complimented by other courses that targeted specific skill sets. These included; Presentation skills (89), Finance for non-finance managers (66) HR for non-HR managers (30) and Stress management (93).

### Leadership and Executive Development

To enhance the already existing leadership development offering, four key programs were launched in 2011/12 these included:

- Executive Development - targeting staff identified as potential successors to Directors,
- Coaching and Mentoring - targeting staff in leadership positions tasked with coaching and mentoring within their teams,
- Customer Care - This was initially rolled out to customer facing staff in Ground Services and Commercial Departments with the plan to roll it out to other sections within the business once the first phase is complete.
- Competency Based Interviewing - this was offered to staff involved in interviews to enhance the interviewing capability within Kenya Airways.

A key highlight for the next financial year will be the rolling out of Finance for Non Finance managers to all cost centre managers. This initiative is aimed at ensuring that all managers improve their commercial awareness skills.

### Flight Operations Training

The reorganisation of Flight Operations Training to bring Simulator and Dispatcher training on board continued. We conducted flight operations officer courses in-house and Embraer Operational Engineering introduced new courses in Nairobi. This had a positive savings effect on the training budget. Recruitment of SEPT/FOO Trainers and support staff was completed with minimal shortfall. Additionally, WCO training was successfully conducted for all newly recruited staff in the Division.

The UKCAA once again carried out a Qualification Inspection on 06th March 2012 for the Boeing 737-800W simulator and recommended continued qualification at Level D with the comment "Kenya Airways have done an admirable job in maintaining the simulator to a high standard in the first year as a simulator operator".

The simulator cumulative savings continued at 8% of the total investment in logistical fees and reduced the time pilots spend away from the operational base. Marketing for the excess simulator time continued with Boeing and Third party Airlines leading to RwandAir signing their contract for 60 sessions during the 2012/2013 budget year.

By the end of March 2012, forty five cadets and ninety five qualified pilots had undergone conversion and refresher training in the Pride Centre 2 simulators respectively.

The recruitment and training of Ab initio pilots (financed by the Cooperative Bank) continued, with 61 cadets joining the two schools in South Africa. Direct Entry and In-house Captains together with Second Officers performed their conversion training on various fleet types of Kenya Airways.

### Technical Training

During the financial year 2011/2012, the Technical Training school conducted courses that ensured that production had qualified staff that can support aircraft maintenance.

With increased aircraft numbers, several specialized courses were conducted to ensure that the company has engineers/technicians who can handle these specialised tasks. These included engine run courses, boroscope courses and other trainings that are specific to the E190/170 aircrafts.

## Chief Executive's Statement (cont'd)

The year saw continued delivery of refresher/continuous trainings courses to maintenance staff to ensure that they remained current. With Kenya Airways Engineering going for EASA 145 maintenance approval, the school has been conducting courses for maintenance staff in order to comply with the EASA requirements.

A key highlight for the financial year 2012/2013 will be the resumption of the apprentice programme. For this purpose, 20 diploma graduates that were interviewed in March 2012 are due to join the company. They will undergo a 2 year training programme before being absorbed into the organisation.

### Commercial Business Skills

The financial year 2011/2012 witnessed a review of the training curricula used to train In-flight service staff. The new curricula will be rolled out for all staff promoted to new positions within the financial year 2012/2013.

The sales staff department was supported by the fares and ticketing training team during their system changes. The training team offered training on the new systems and also acted as champions within the business. Key developments with regards to product offering during the year 2011/2012 include the introduction of the IATA Travel and Tourism Program. Through this program, students are able to sit for both the Foundation level which commenced in October 2011 and the consultant level which is set to commence in April 2012.

### Ground Services Training

The financial year 2011/2012 was an IATA Safety Audit for Ground Operations (ISAGO) year. Ground services training successfully focused on compliance with the audit requirements, both for Nairobi and Mombasa stations.

Beyond compliance, there was need for continuous improvement in safety standards, especially with regards to equipment operator training. In pursuit of this improvement, the section reviewed the curriculum and delivery of Ground Support Equipment (GSE) operator trainings.

A strong element of human factors training was one of the notable introductions to the new curricula. A module on GSE operations safety and Standard Operating Procedures (SOPs), and enhanced practical training was incorporated in all the sessions, with line checking and assessment of all operators at the ramp to ensure on-going competence.

In support of the migration from CODECO to ALTEA Departure control systems, Ground Services training launched an ambitious program to train not only Kenya Airways staff, but

also the staff of contracted Ground Handling Agents across the KQ network. Two main courses were delivered: ALTEA Customer Management system training - for staff handling passengers at the check-in and boarding gates; and ALTEA flight management system training for persons who handle aircraft weight and balance at the ramp.

To drive our revenue streams, Ground Services Training consolidated the existing certificate course in Airline Passenger Services and also introduced the Weight and Balance Course targeting both Kenya Airways Staff and the general public. The response was overwhelming; with the first class getting 100% attendance.

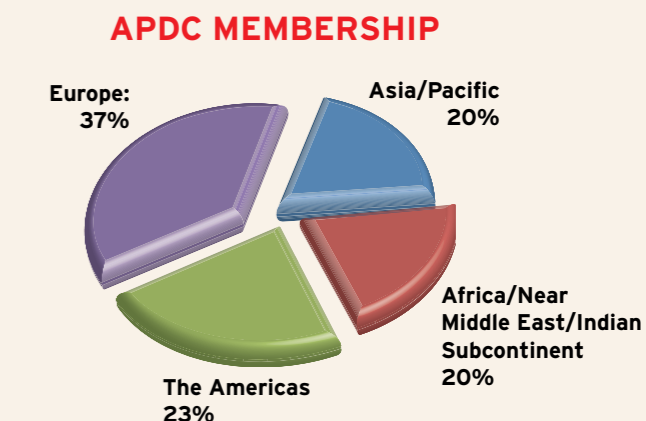
During the period the next financial year, the section will be focusing on introducing mandatory defensive driving course for all GSE operators and setting up an equipment training centre of excellence.

### Aviation security training

During the financial year 2011/2012 the Aviation security training section conducted courses for various staff within the different functions. Being a re-certification audit year, the section also successfully focused on compliance with ICAO, IATA & KCARS audit requirements both locally and at outstations. Within 2011/2012, the section also embarked on delivery of commercial training to corporate clients and successfully managed to attract several corporate organizations from Eastern and Southern Africa.

### The Airline Personnel Directors' Council (APDC)

During the year 2010, Kenya Airways joined the APDC. The APDC is an exclusive global Airline Human Resource Leaders' Network. It was founded in 1950 by AF, BE, BA, KL, PA, SK, and TW for the purpose of personal exchange of experiences on HR Management at top level. The regional representation of APDC is as follows:-



## Chief Executive's Statement (cont'd)

During the year 2011/2012, Kenya Airways made the decision to step up its participation in APDC, having been a member since 2010. Members of the APDC benefit from:

- A solid information and best practice exchange forum for all areas of HR Management,
- A Network through various levels of international airline HR Management,
- Insights in global developments and trends of personnel and social policies,
- Access to a globally exclusive online-tool for Remuneration and Productivity Benchmarks for Cockpit and Cabin Staff as well as for home-based MRO Staff, and
- Provision of Pay and Benefit data for each member's staff based internationally covering in total some 175 countries.
- Coordinated contacts at an international level e.g the International Labour Organisation (ILO).

The investment in APDC Membership is minimal compared to the achievable benefits as well as compared to equivalent cost for Consultants.

### Industrial Relations

Enhancing industrial relations between the company and the unions took centre stage this year.

The unions are Kenya Airline Pilots Association (KALPA), Aviation, Allied Workers Union (AAWU) and National Union of Air Transport Employees (NUATE).

### KALPA

The management and KALPA negotiated and registered CBAs for the 2010-2012 periods and 2012-2014 periods on 26th August 2011.

The company also engaged with the Association's leadership through the scheduled Group Managing Director/KALPA quarterly meetings, and Seniority and Promotion Committee meetings, as well as other meetings called on a need basis.

The company held various meetings on the issue of engaging expatriate captains into the business on short fixed term contracts.

The company has undertaken to completely exhaust the available and competent pilots eligible for promotion to Captain. It has also advertised externally for pilots to fill in the gap that will not be covered by the available internal pilots.

Management is still engaging KALPA on the issue in a bid to ensure that employment of the expatriate pilots will not slow down the growth and development of local Kenyan pilots.

### AAWU

Management continued to engage with AAWU through the quarterly meetings chaired by the Group Managing Director & CEO and meetings chaired by the HR Director.

Other issues were addressed through Joint Works Council Meetings as they arose.

After several meetings between AAWU and Management, we eventually agreed on the CBAs for the periods 2008-2010 period and 2010-2012.

The former was registered with one pending issue - Cabin crew Layover allowance, which was not agreed. The 2010-2012 CBA was registered with six (6) clauses not agreed namely:-

- Preamble - Representation.
- Allowances
- Redundancy - severance and notice pay
- Warnings - Validity period
- New Clause: Foreign Contract Employees
- New: Ground Operation Regulations

The company will continue to engage with AAWU to promote sound industrial relations in the business.

### National Union of Air Transport Union (Nuate)

The company has commenced negotiations with the Union which took place from 15th February to 17th February 2012 when most of the issues were agreed. Further negotiations are scheduled for the month of April 2012.

### Housing Project

The housing project for the building of 312 units in Embakasi has progressed well. All the units have been taken up by KQ employees who have already paid the ten percent (10%) deposit and other requisite charges for the units.

The show houses for both the two bed-roomed and three bed-roomed flats are ready and staff have been viewing them at their convenience.

### Kenya Airways Pride and Family Fun Day

The company's pride and sports day was held on the 17th December 2011 at the Kenya School of Monetary Studies. The highlight of the day was the Long Service Awards Ceremony where 341 staff, 57 of whom had served for over 25 years were awarded certificates and shopping vouchers.

### INFORMATION SYSTEMS (IS)

#### Awards

During the year under review, the airline was awarded the following professional awards:

Oracle Global Excellence award for the Transport Sector: in recognition for Kenya Airways' usage of the Oracle eBusiness ERP system.

## Chief Executive's Statement (cont'd)

The company has been using this system since the beginning of FY2008/2009 in its Financial, Supply Chain and HR functions across the enterprise including its outstations.

During the last four years, Kenya Airways achieved more than 200% return on its investment on the ERP system.

The company is the first enterprise in any sector from Africa and the Middle East region to win such a Global Excellence award.

CIO100 Transport sector award from CIO East Africa: Following the receipt of a similar award during the financial year 2010/2011 for its successful e-ticketing rollout, during the period under review, Kenya Airways received the award for its implementation of its revenue management system.

### JKIA Systems

#### Info Flow direct to Frontline staff

The company implemented a new system to deliver flight information directly from the Operations Control Centre to frontline staff like Check in Agents, Contact Center agents, Gate supervisors, and Duty Service managers. As a result our staff can answer customer enquiries on flight schedules without having to phone or radio back offices for more timely information.

#### Info Flow to/from Ramp Staff (Flight Turnaround Application)

We implemented a system which is accessed by ramp staff through electronic hand-held terminals. Staff can then electronically log and track all flight pre-departure activities by putting timestamps at the start and end of each activity.

This has led to more accurate monitoring of pre-departure activities and enables the provision of data to study trends over time so that staff can come up with required solutions to identified challenges.

#### Integration of KQ systems and KAA FIDs

The objective of this project was to ensure the delivery of accurate, timely and consistent flight information directly to the KAA Flight information display screens (FIDs) that are deployed across JKIA, so that passengers have accurate and timely access to KQ flight information when accessed from KAA FIDs screens.

The benefits the project has brought includes the complete elimination of the manual updating of the KQ Flights by KAA staff which practice was prone to errors and delays.

#### Internet/Mobile access to Electronic Flight Schedule for Third Parties

This new system access has enabled authorised third parties like Ground Handlers, NAS catering, KAA and KCAA access KQ's

real-time flight schedule via the internet and mobile phones. They now have the benefit that they do not have to telephone or radio KQ for flight schedule changes thereby making collaboration between the parties more efficient.

#### Upgrade of Baggage Tracing System to Graphical User Interface (GUI)

The legacy version of world tracer had cryptic commands and took staff long to train and required dedicated staff to use. This was clearly inefficient.

The company has upgraded the system to a newly-available GUI and this has meant that more service staff (like at the Contact Centre) are now using it and participating in tracing baggage to avoid any inconvenience being experienced by our customers.

#### Systems Utilisation Enhancement

During the period under review, we heavily focused on enhancing the utilisation of existing systems.

We enhanced the usage of the Oracle ERP system with improvement initiatives in the Financial, Supply Chain and HR processes.

The company has extended the usage of its existing data connectivity from Head Office in Nairobi to many of its destinations by carrying out telephone communication on Voice-over-IP technology. This has led to cost-savings in our international communication.

### FLIGHT OPERATIONS

Our key effort in Flight Operations is to ensure that we support operations through the recruitment and training of the required crew. During this financial year 2011/2012 a total of 62 Ab-initio cadets were commissioned for training in South Africa under the Co-operative Bank of Kenya financing scheme.

A total of 33 second officers cockpit crew joined the fleet strength following successful graduation from aviation schools in South Africa and direct entry pilots from the Kenyan market. The aviation industry is currently faced with the challenge of lack of qualified captains and KQ is not immune to this challenge. In line with our required qualifications and standards, the company promoted 37 pilots into command which figure is the highest in the last 3 years.

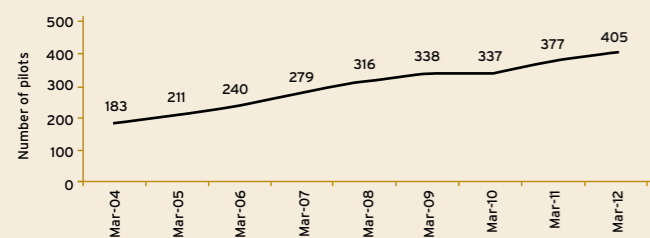
The company continues to encourage its pilots to acquire their Airline Transport Pilots' Licenses (ATPL) way in advance as they gain experience and increase their flying hours.

The management continues to work in close collaboration with the pilots' union - Kenya Airline Pilots Association (KALPA)

## Chief Executive's Statement (cont'd)

and are now embarking on sourcing for qualified direct entry captains on contract from the external market in order to boost the numbers and provide ample time for pilots that have joined the airline mainly through the Ab-initio program to gain the required experience.

The total number of pilots' strength during the period under review closed at 405 as compared to 337 during prior year.



### Pilots

In an effort to improve our cabin services by being helpful, courteous and attentive to our customers needs, we have recruited an additional 220 cabin crew out of which 16 are of Thai origin. We have also introduced a cabin crew internship program to foster on-board training experience.

Plans are underway to increase the number of cabin crew from other markets such as India, Burundi, Rwanda and Ghana as we embrace the diverse cultures in the various routes that we operate.

Within the current financial year, the company has managed to standardise recurrent checks and training across the fleets and we now have recurrent simulator training plans that cover a three (3) year program which provides the instructors with adequate time for additional checking and training.

Through the implementation of the NetSys system which provides a link of the weather system from the control tower to KQ Operations Control Centre (OCC), the company is able to minimize on time and travel by the dispatchers. This initiative also supports the call for On-Time performance.

To ensure that our crew training standards are adhered to and in order to boost channels of communication within flight operations department that mainly comprise of pilots and cabin crew, the company has initiated the following scheduled meetings:

- Monthly Seniority and Qualifications meeting to review pilots' fleet strength in line with network requirements and assess qualifications of pilots earmarked for promotion in accordance to stipulated standards

and procedures;

- Monthly Training Review Board - to ensure that crew training standards and procedures are adhered to;
- Monthly KALPA and management meetings to address any operational and human resources issues;
- Quarterly KALPA and Group CEO meetings to share company strategic goals and implementation;
- Monthly Flight Operations Bulletin to sensitise all staff in flight operations department on performance, and Monthly Mini Crew Forums and Bi-annual Main Crew Forums - to enhance teamwork, assess performance and areas with opportunities to improve.

### GROUND SERVICES

#### Safety

Our staff at Ground Services embarked on an all inclusive Safety Awareness Campaign within the department and the Airport fraternity. We recognize that being the main operations area, we must uphold utmost safety practices and we cannot do it alone.

We involved our third party handlers in our regular safety awareness sessions during which the staff held forums where they shared and educated each other on the importance of following the laid down Standard Operating Procedures (SOPs), observation of speed limits in designated areas, use of Personal Protective Equipment and the handling of Ground Support Equipment, amongst other topics related to safety.

This has yielded an improved safety culture instilled amongst our staff and other airport users and given rise to a decrease in the number of reported incidents.

Further, during the period under review, the Ground Services Health & Safety Committee members underwent the Statutory Occupation Safety & Health Act training (OSHA) offered by the Directorate of Occupational Health Services (DOSHS).

#### Communication

The company set out to improve the way it communicates its operational information. Our main aspiration is to ensure that information is received on a "real time" basis by our staff who in turn pass such information to our customers, suppliers and other stakeholders.

This exciting and revolutionary journey has seen us move from the old way of passing information through several intermediary points before getting to the customer.

Further, the company moved from the use of historical and

legacy document printing for operational flight activity to the use of electronic support. We engaged our key strategic partner, Kenya Airports Authority and successfully integrated our Flight Information System (SABRE) which is now the source of information for Kenya Airways flights displayed on airport screens. We can now serve our customers with confidence in the knowledge that information is only a button away.

#### Customer Service

In our endeavor to offer world class service, the company introduced a dedicated team that takes care of the "Arrival & Transfer" service to our customers. We now have a "Karibu team" comprised of 24 multilingual staff who meet and assist passengers with short connections or special needs.

This has greatly improved our customer experience at the JKIA hub. At the Nairobi domestic unit, the company upgraded the departure lounge and the Business class lounge, the latter of which now has a seating capacity of 38 passengers and provides a facility that caters for passengers with reduced mobility and mothers travelling with infants.

#### TECHNICAL

During the period under review, the Technical department formed a safety management committee in line with OSHA to ensure that all safety issues within the department are highlighted and appropriately addressed.

Awareness has been created on various incidents by the Quality Assurance unit which sends incident reports to all staff and updates the Kenya Airways Pride Centre training school so that such incidents are highlighted to staff during refresher and/or continuation training.

The Technical department recently changed the approval process for certifying staff to ensure that those certified and/or authorised to release aircraft to service are adequately trained and competent to execute their duties. Before being certified, staff undergo rigorous on the job training.

Upon completion, such staff are examined through oral interviews to ensure their suitability for certification. It is anticipated that this process will improve the quality of their work and issues relating to safety.

The company is running a B1 (Mechanical skills)/B2 (Avionics skills) course in preparation for EASA 145 approval that requires engineers to be trained by an EASA 147 approved organization. KLM, an approved EASA 147 Organization is conducting the course.

## Chief Executive's Statement (cont'd)

During the period under review, the company obtained the European Aviation Safety Agency (EASA) approval to facilitate the repair of aircraft maintenance components. This approval enables the Technical department inspect, repair, maintain and service aircraft components.

To retain the above approval under EASA, the Technical department was audited in November 2011 and following the audit the EASA approval was extended for another year.

In addition to other regulatory standards, the company currently meets the European standard safety/quality standards and generates income from providing related services for third parties.

Technical aircraft availability for the financial year 2011/2012 improved to 95% from 92% during prior year. This translated to one less aircraft being unavailable for operations as compared to the schedule. This was attributed to the introduction of the maintenance support team at the beginning of the financial year.

All planned checks were carried out in-house. The only outsourced check during the financial year was the B767-300, Registration Mark 5Y-KYY re-delivery check and the B737-700 Registration Mark 5Y-KQH sky team livery painting. This was due to lack of internal capability as regards to EASA approval for the former and paint hangar for the latter.

The ongoing B787 configuration has achieved significant milestones. The configuration team travelled to Seattle for the Initial Technical Configuration Meetings (ITCM) with the selected seat vendors, lessor and Boeing.

The Boeing representative attached to KQ will be carrying out an EIS overview and preparedness presentations to executive level leadership, following which various working groups are expected to be formed to address various issues that arise.

Following successful negotiations and purchase of ten (10) E190's, KQ takes delivery of the third leased E190 aircraft, Registration Mark - 5Y-KYT, in May 2012. All aircraft will be delivered ex-factory in 12 business class, 84 economy class configurations identical to the current KQ E190s fleet.

Hangar 3 tentative program is ongoing. A team of four KQ representatives visited two hangar sites in China in January and discussed their feedback with the Boeing consultants. The team submitted a proposal for a u-shaped seven bays hangar with support shops.

Tendering for the construction of the hangar will be carried out in the near future while ground breaking is planned for October 2012.

## Chief Executive's Statement (cont'd)

The technical stores improvement project is ongoing. The project is expected to bring in huge benefits in the form of stock integrity, ease of materials retrieval and upon completion, associated operational cost reduction benefits.

The refurbishment program of the economy seat covers for the five B767 aircraft in our fleet commenced on 19th March 2012 and is expected to be completed by 13th May, 2012.

Three B767 aircraft installed with Weber economy seats have been completed and two B767 aircraft installed with B/E Aerospace economy seats are planned for refurbishment before 13th May 2012.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

Kenya Airways' long term vision is to contribute to the sustainable development of the African continent. This is achieved through sustainable programs that assist the common mwananchi to participate actively in society.

Giving back to society through education, providing water, environmental safety and health are among the key projects that Kenya Airways embarked on during the financial year 2011/2012.

The purpose of all the CSR activities is to create positive change in society and support improvement in the lives of individuals and the environment in which the company operates.

The key highlights and achievements during the period under review included investment in communities through various projects aimed at enriching and empowering people through basic education, health and poverty reduction.

In this regard, the company injected Kshs. 45m in various projects.

In support of education the company completed the construction of schools in the following areas:

- Farasi lane primary school in western Kenya,
- Kwale primary school construction in Kwale- Mombasa, and
- Ongora primary school in Kisii.

During the period under review, Kenya Airways committed Kshs 1 million towards the construction of a dormitory in Aitong Primary School in the Mara North Conservancy in Narok County. The funds used were part of proceeds raised during the 2011 Kenya Airways Masai Mara Marathon.

The company also donated desks to primary schools in Malawi.

Other environmental conservation and water projects undertaken during the period under review included:

- Makueni water project in Ukambani,
- Taveta community water project,
- Runana water project in Runana Kenya,
- Gaigedi water project in Vihiga,
- Samburu-Lesidai water project in Turkana, and
- The Construction of pit latrines in schools in the DRC Congo.

Following the completion of the Runana water project, 4,000 people in the region have now access to clean water and with the completion of the Taveta water project, about 456 households comprising about 3192 people, have benefited.

As a result of Kenya Airways contribution to the various education projects by providing either cash contributions and/or materials, significant milestones have been achieved including, an increase in the number of children enrolling in the relevant schools, reduction in the number of school drop outs and noticeable improvement in the students' performance in national exams.

A case in point was witnessed in Kwale Primary School where the performance improved modestly from an average of 252.08 points in 2009 to an average of 254.32 in 2011.

Improvement in performance was also attributed to the availability of electricity which enables pupils to study in the evening on a daily basis.



Chief Operating Officer Mr. Mbuvi Ngunze cuts cake with Kiss Kids during the inaugural flight of the new Embraer 190 to Mombasa. Kenya Airways in collaboration with Radio Africa's Kiss 100FM sponsored children from various schools in Nairobi to fly to Mombasa on the new Embraer 190 jet.

## Chief Executive's Statement (cont'd)



1. Group Managing Director & CEO Dr Titus Naikuni waters a tree after a tree planting ceremony at the Ngong Hills.

2. Group Managing Director & CEO Dr. Titus Naikuni and Jos Veenstra KLM Vice President Mergers, Acquisitions and Holdings, a KQ Board Member, commission a new administration block at Aitong Boarding Primary School sponsored by Kenya Airways, the funds were contributed by both KLM and Kenya Airways during the Kenya Airways Masai Mara Marathon.

3. Anne Ndirangu - Kenya airways, Ruth Maweu - Kenya airways Country Manager- Malawi, Malawi's world vision National coordinator Mr Marko Ngwenya, Henry Obare - Kenya airways and Head teacher Mtanda Primary school in Lilongwe Mr. Aullex Jamusana celebrate with the pupils after handing over a donation of desks by Kenya Airways.

4. Human Resources Director Mr. Alban Mwendar Hands over a cheque of 290 Million to Chairman of the Kenya Rugby Union Mr. Mwangi Muthee being Kenya Airways contribution towards the sponsorship of Kenya Ruby Sevens team.

## Taarifa ya Afisa Mkuu Mtendaji

Mwaka wa fedha wa 2011/2012 ulishuhudia ongezeko la bei za mafuta kutokana na kuzorota kwa uchumi kimataifa. Ndiposa Tony Tyler, Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Chama cha Kimataifa cha Uchukuzi wa Ndege (IATA) akadokeza kuwa “mwaka wa 2012 utaendelea kuwa mwaka wa changamoto nyingi kwa mashirika ya ndege, kwani, mbali na kushuhudiwa kuibuka kwa mizozo inayochangia kuzorota kwa Bara la Uropa, hali hii inahatarishwa zaidi na ongezeko la bei za mafuta”.

Imedhihirika wazi kwamba jambo mojawapo linalosababisha mapato madogo katika biashara hii ni kupanda mno kwa bei za mafuta. Ubashiri wa mwaka wa 2012 umeonyesha mabadiliko ya dola za Marekani 99 kwa pipa la mafuta ambayo hayajasafishwa.

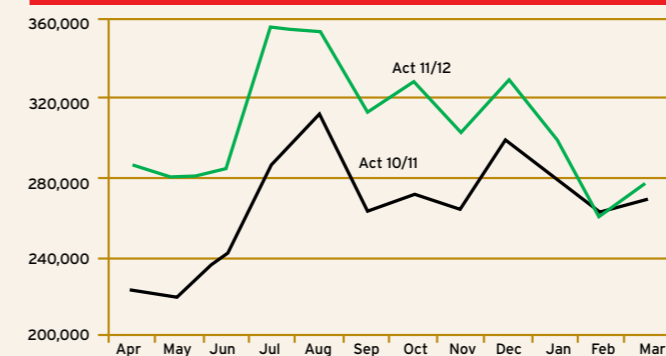
Tayari bei ya sasa inakaribia dola 120 ilhali makadirio ya mwaka ni dola 115. Chama cha Kimataifa cha Uchukuzi wa Ndege (IATA) kimedokeza kuwa hali hii itasababisha bei ya mafuta kupanda hadi kufikia asilimia 34 katika gharama za utendakazi na kusababisha gharama ya matumizi ya mafuta ya sekta hii kupanda hadi dola bilioni 213 za Marekani.

Kutokana na bei ya juu ya mafuta pamoja na changamoto zinazoikumba sekta ya ndege, Shirika la Ndege la Kenya halina budi ila kudumisha hali ili kudhibiti gharama kwa mujibu wa kuendelea kupata ufanisi. Tukitaka kudumisha faida sharti tujizatiti na kutilia mkazo zaidi sekta ambazo shirika letu limezidhibiti. Kampuni itaweka shabaha ya viwango vya kufikiwa ili kukata gharama katika sekta zote za biashara yetu kwa kuboresha utendakazi wetu bila kuathiri ubora wa huduma tunazowapa wateja wetu.

### MAELEZO YA KIBIASHARA

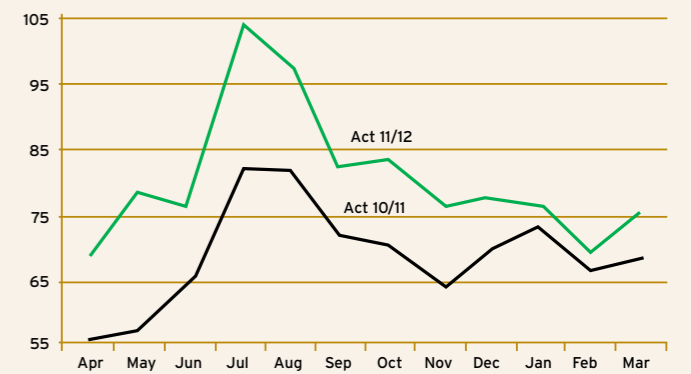
Katika kipindi cha Mwaka wa fedha cha 2011/2012, Shirika la Ndege la Kenya lilisafirisha jumla ya abiria milioni 3.644 ikilinganishwa na idadi ya mwaka uliotangulia ya milioni 3.136, hali inayoonyesha kuimarika kwa kiwango cha asilimia 16.2. Mapato kutokana na wasafiri yalifikia dola za Marekani Milioni 981 ikilinganishwa na ya mwaka uliotangulia ya dola za Marekani 871, ikiwa ni ukuaji wa asilimia 12.1. Kuimarika huku kunatokana na upanuzi wa mawanda

### Idadi ya Wasafiri



ya mtandao wa maeneo tunayohudumu, kuongezeka kwa idadi ya safari, uwajibikaji katika utendakazi, uaminifu kutoka kwa wateja wetu pamoja na shabaha zetu katika mauzo.

### Mapato kutoka Wasafiri-(Dola za Marikani Millioni)



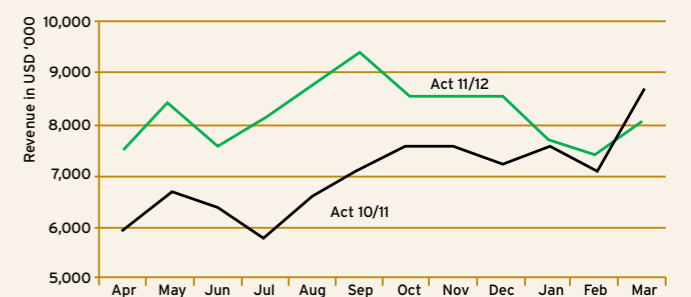
### Matokeo ya Kimaeneo

Jumla ya mapato kutokana na wasafiri katika kipindi cha fedha cha mwaka 2011/2012 kilikuwa dola milioni 981 za Marekani. Mchango wa Mapato kutoka maeneo kwa ujumla ulikuwa kama ifuatavyo; Kenya (20%); Afrika Mashariki na Kaskazini (10.48%); Afrika Kusini (12.9%); Afrika ya Kati (6.27%); Afrika Magharibi (7.73%); Mashariki ya Kati (2.86%); Bara Hindi na Sehemu zingine za Bara Asia (3.71%); Mashariki ya Mbali na Bara Asia (6.89); Bara Uropa na Marekani (29.03%).

### Mizigo na Barua

Kiasi cha mapato kutokana na mizigo katika kipindi cha fedha cha mwaka 2011/2012 yalikuwa dola milioni 98.5 za Marekani ikilinganishwa na dola za Marekani 84.2 za mwaka uliotangulia, hii ikionyesha kuimarika kwa asilimia 16.9%. Kampuni imeweka mikakati mbalimbali mkiwemo uboreshaji wa bidhaa, uwekezaji wa viwango vya juu kwenye sekta zenye mapato makubwa pamoja na kuanzisha huduma za kusafirisha vifurushi sehemu mbalimbali. Hatua hizi zilichangia kupanda kwa asilimia 7 % katika mapato ya mizigo yaani kutoka dola 1.46 za Marekani kwa kila kilo katika mwaka uliotangulia hadi dola 1.57 kwa kila kilo

### Mapato Kutoka kwa Mizigo (Dola za Marikani elfu)



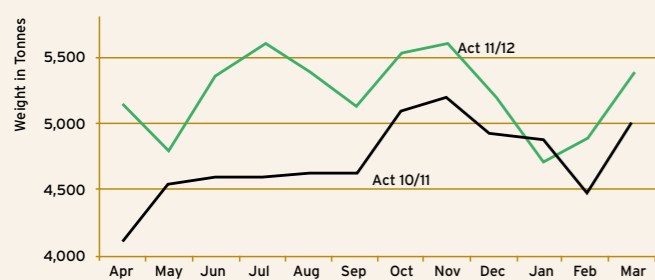
## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

wakati unaorejelewa hapa.

Uzani wa mizigo uliobebwa katika kipindi cha fedha cha mwaka 2011/2012 uliongezeka na kufikia Kilo Milioni 62.5 ikilinganishwa na Kilo Milioni 56.6 za mwaka uliotangulia. Kampuni ilibuni mbinu muafaka kuboresha matokeo hayo, mkiwemo ukadiriaji wa viwango, kuhamasisha juu ya uchukuzi wa uzani mkubwa na kutathmini mno uchukuzi wa mizigo yenye uzani mkubwa.

Shirika la Ndege la Kenya likishirikiana na KLM yalianzisha mradi unaohusu ujima katika shughuli za kutumia ubebaji wa mizigo kutumia ndege aina ya B747 - 400 katika mwezi wa Februari mwaka 2012 kuhudumia njia za: Amsterdam - Sharja - Guangzhou - Sharja - Nairobi - Lagos - Nairobi - Amsterdam.

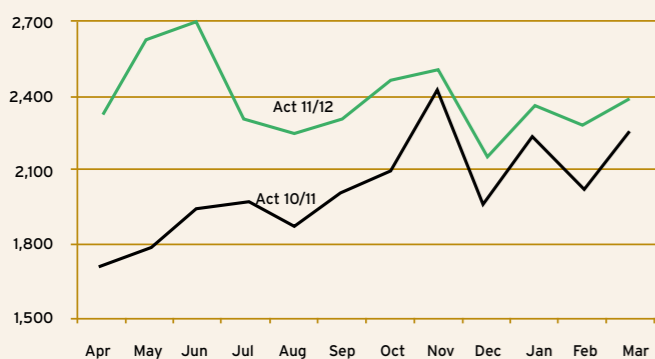
### Uzani wa Mizigo



### Mauzo Kupitia Mtandao

Mauzo kupitia mtandao yamezidi kuimarika mno kutokana na mikakati kabambe iliyoanzishwa na kampuni, mathalan, sura mpya ya Tovuti yenye mvuto na mpango mpya wa ukataji tiketi kupitia tovuti. Kufikia wakati wa mwaka wa kifedha wa 2011/2012, jumla ya dola milioni 28.6 za Marekani za mauzo ya tiketi zilipitia mfumo huu, ikilinganishwa na dola 24.2 za Marekani milioni za mwaka uliotangulia, hali ambayo inaonyesha kuimarika kwa asilimia 17.9.

### Mapato Kupitia Mtandao (Dola za Marikani elfu)



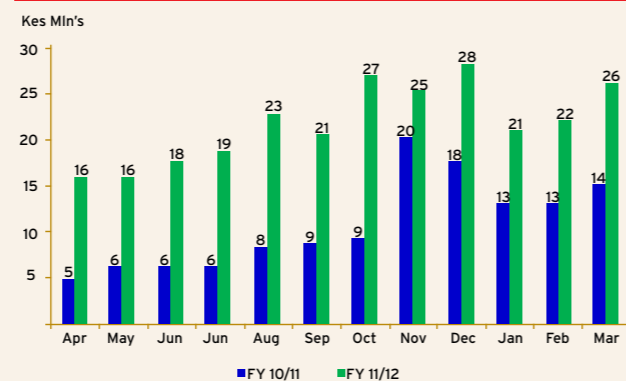
### Kitovu cha Mawasiliano

Kituo cha simu cha 24/7 kilicho Embakasi na ambacho kilianzishwa kipindi cha mwaka wa fedha uliopita kilizidi kupanua mawanda

yake na kuzidi kutoa huduma zake kwa wateja ili kukidhi matakwa yao mbalimbali. Katika kipindi cha mwaka huo, kituo hicho cha mawasiliano ya simu kilianzisha huduma ya Kurekodi Sauti. Hii imetuwzesha kufuatilia matukio papo kwa papo (QM) pamoja na kunasa mazungumzo yote yanayohusu mahusiano na wateja. Juhudi zote hizi zimelenga kuboresha shabaha yetu ya kutoa huduma nzuri na ya kustahili kwa mteja wetu ipasavyo.

Njia hii inayofaa ya mawasiliano na wateja wetu imeimarisha mauzo ya tiketi kama inavyoshuhudiwa sambamba na kuimarika kwa mapato ya simu kutoka mwaka uliotangulia. Kipindi cha mwaka wa fedha cha 2011/2012 kilikuwa na jumla ya shilingi milioni 262 za Kenya za mauzo ya tiketi zilizorekodiwa ikilinganishwa na shilingi milioni 128 katika kipindi cha mwaka uliopita, hali inayoonyesha wazi kukua kwa kiwango cha asilimia 104.

### Matokeo ya Mauzo ya Vituo vya Mawasiliano



### Mpango wa "Flying blue"

Katika kipindi hiki, Mpango wa 'Flying Blue' ambao unahusu ushirikiano na Shirika la Ndege la KLM na AF umezidi kutia fora hasa katika usajili na kujali wateja.

Idadi ya wanachama wa mpango huu imefika 114,732 ambapo asilimia 46 ni wanachama wakakamavu. Idadi hii imeweza kupita kile kiwango cha kimataifa cha asilimia 44. Katika kipindi cha mwaka wa 2011/2012 usajili katika mpango huu uliongezeka hadi asilimia 8, ikilinganishwa na kile cha mwaka uliopita. Takwimu za kuonyesha ongezeko zinazidi kutokana na kuongezeka kwa wasafiri wa Shirika la Ndege la Kenya. Kwa ujumla, wasafiri wa Flying Blue wanawakilisha asilimia 21 ya jumla ya idadi yote ya wasafiri wa shirika.

Shirika la Ndege la Kenya lilishauriana na washiriki wenzake kuhusu kukomboa maili zilizotumika. Iltarajiwa kuwa hii ingeongeza mapato kwa kuwapa fursa wateja wetu ya kuzikomboa maili za usafiri kwa kiwango cha chini. Vituo mashuhuri katika ushirika

huu ni JNB, MBA, LOS, EBB, LHR, DXB & AMS ilhali njia zilikuwa MBA, EBB, AMS, DAR, JNB, LHR na DXB.

### Kutambua na Kuridhia Wateja

Shirika la Ndege la Kenya lilianzisha desturi ya kuwatambua wateja wake mashuhuri na pia kuwatembelea wateja walioshamiri kihadhi kama njia mojawapo ya kuwatambua na kuwathamini na pia kupata fursa ya kujua tajriba zao. Kampuni sasa inaazimia kuwa na uhusiano mwema zaidi na wateja kupitia taratibu za kuwakaribisha, kuwadumisha, kuwazawadia na kuwatambua.

Udhamini

Shirika la Ndege la Kenya limeendelea kudhamini shughuli mbalimbali katika sekta hii na nchini kwa ujumla. Baadhi ya sehemu zilizopata udhamini wetu katika kipindi cha mwaka wa 2011/2012 ni kama vile KQ Golf Safari, timu ya Kenya ya Raga, mbio za masafa za Maasai Marathon na mashindano ya uendeshaji magari ya East African Safari Rally Classic.

### KQ Golf Safari

KQ Golf Safari ya mwaka wa 2011/2012 ilianza mnamo Septemba 2011 na msafara wake wa mwisho ukawa huko Botswana Gaboroe tarehe 12 Februari 2012. Hii ilifuatiwa na mchezo wake wa mwisho uliofanyika jijini Nairobi tarehe 24 na 25 Februari 2012 katika uwanja wa Klabu ya Golf ya Windsor.

Katika mashindano haya, washindi wote walioalikwa na Shirika katika vituo mbalimbali walishiriki. Vituo hivyo ni kama vile Uganda, Tanzania, Uhabeshi, Afrika Kusini, Cameroon (Younde, Douala), Botswana, Zambia - Lusaka na Ndola, Senegal, Zimbabwe, Nairobi, Ushelisheli, Rwanda, UK, Guangzhou, Bangkok, Abidjan, Burundi na Malawi.

Imedhihirika wazi kuwa tamasha la KQ Golf Safari limeendelea kuwa mojawapo ya yale matukio maarufu kabisa katika kalenda ya Golf ya Afrika na kufana mno. Mbali na mashindano haya kulipa sifa Bara la Afrika kama kituo cha kitalii cha mchezo wa Golf, msururu wa Golf wa KQ umetoa fursa mwafaka ya kuwahusisha wateja pamoja na washiriki wake katika nchi ambazo tunazihudumia barani.

### Timu ya Kenya ya Raga ya Wachezaji saba

Timu ya Raga ya Kenya ya wachezaji saba ilishiriki katika mchuano wa Kimataifa wa msururu wa IRB katika HSBC. Mchuano wa kwanza wa Ujerumani ulianza New Zealand na Australia na wa mwisho kufanyika mjini London tarehe 12 na 13 mwezi wa Mei. Msaada wa Shirika la Ndege la Kenya umeifanya timu hiyo kuimarika na kufikia kiwango cha juu.

Wakati wa msururu wa IRB wa mwaka wa 2011, timu hiyo ilinyakua nafasi ya 12, huku Humphrey Kayange akitajwa kama mshindi wa taji la "Keep Rugby Clean Ambassador".

## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

Mbali na timu hii kuwa kama mjumbe wa Kenya kwa kuipa sifa maridhawa nchi yetu, timu hii pia iliweza kuwavutia mashabiki zaidi ya 300,000 uwanjani pamoja na watazamaji kwenye runinga kwa zaidi ya saa 2000 katika maeneo ya mtandao wa KQ wakati wa michuano ya IRB. KQ vilevile ilijitambulisha kote kama mdamini wa timu hiyo ya raga. Isitoshe, udhamini huu umeitambulisha KQ kimataifa hata katika nchi ambazo hatujawahi kushirikiana kibashara.

### Mbio za Masafa za Maasai Mara Marathon

Shirika la Ndege la Kenya limeidhamini mbio mbalimbali kwa shabaha ya kuinua utalii wa kimichezo na kuitambulisha nchi yetu kwa jumla kama kituo cha Utalii. Mbio zingine zilizodhaminiwa na Shirika ni zile zilizofanyika mnamo tarehe 19, Novemba mwaka wa 2011. Mashindano ya Magari ya 'East African Safari Rally Classic' Shirika la Ndege la Kenya, kwa mara nyingine lilikuwa mdamini wa Mashindano ya Magari ya tamasha la mwaka wa 2011/2012 ya East African Safari Rally Classic. Mashindano hayo yalianza rasmi mnamo tarehe mosi hadi 28 Novemba mwaka wa 2011.

Kuimarika kwa shirika kulishuhudiwa kote Afrika Mshariki kupitia ushirikiano mkubwa uliopo kati ya Kenya, Uganda na Tanzania. Shabaha kuu ya tamasha hili ilikuwa kuitangaza Kenya kama kituo mwafaka cha mashindano ya magari na isitoshe, kama eneo lenye vivutio mbalimbali vya utalii.

Kama mojawapo ya biashara, tamasha hili liliipatia shirika jumla ya shilingi milioni 10 (pesa za Kenya) zilizotokana na mauzo ya tiketi kwa madereva wa kigeni pamoja na mashabiki, mkiwemo na rubani wetu wa KQ - Samira Khan kama mmoja wa waliojiunga kwenye mashindano hadi kumaliza mikondo.

### JUHUDI ZINGINE

#### Tafrija ndani ya Ndege

Katika kipindi kinachorejelewa shirika lilifanya mabadiliko katika huduma ya tafrija ndegeni (IFE) ili kuenda sambamba na matarajio ya wateja na pia kuboresha huduma, kwa minajili ya kuwapa wateja wetu nafasi nzuri wanapokuwa wakisafiri katika maeneo yetu.

#### Jarida la Msafiri

Kuanzia Januari 2012 muda wa toleo la jarida letu mashuhuri la Msafiri ulibadilishwa na badala mara nne kwa mwaka kama ilivyokuwa hapo awali, lilitolewa mara mbili kwa mwezi ili kuwapa wateja wetu fursa ya kufanya uteuzi mpana wa usomaji bora.

### WAFANYAKAZI

Kufikia tarehe 31 Machi, 2012 Shirika la Ndege la Kenya lilikuwa na wafanyakazi 4,834. Hii inaonyesha ongezeko la asilimia 11 mkiwemo ongezeko kubwa la walioajiriwa kuhudumu katika sehemu zinazopewa kipaumbele katika biashara hii.

## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

Katika kipindi hiki kinachorejelewa jambo lililoangaziwa mno katika Idara ya Masuala ya Wafanyakazi lilikuwa kuwahusisha wafanyakazi ili kuafikia malengo yaliyowekwa na kampuni. Kufikia sasa tumemudu kufikia viwango vya asilimia 71 katika mahusiano hayo ikilinganishwa na asilimia 63 ya mwaka uliotangulia.

Muhimu zaidi kwa hili, ilikuwa kuanzishwa kwa mikakati ya kuvikua vipawa vya wafanyakazi kupitia mafunzo yaliyowasaidia kuwapa ujuzi wa kuifundi na wa uongozi katika biashara.

Wakati huo huo, tulianzisha uboreshaji wa shughuli za Masuala ya Wafanyakazi. Nyanja zilizoshughulikiwa zilijumuisha kuajiriwa kazi, mapumziko, utendakazi na mfumo - kiini wa utekelezi wa wafanyakazi. Hali hii ingehakikisha kuwa Idara ya Masilahi ya Wafanyakazi inaitikia kikamilifu malengo na shughuli za shirika, na pia kuridhisha wateja, mbali na kutoa huduma bora.

Mafunzo na Maendeleo

Katika kipindi cha 2011/2012 kulikua na kuimarika kwa mafunzo si haba mkiwemo kujumuishwa kwa kitengo cha mafunzo ya Tarakilishi na Mawasiliano kwa shabaha ya kutoa mafunzo kupitia mtandao kwa madhumuni ya kukuza biashara kama ilivyokisiwa katika kipindi cha mwaka wa fedha cha 2012/2013. Maono yaliyokuwepo ni kutoa mwelekeo wa kimapunzo wa wafanyakazi wa shirika na kuwapa ari ya kujifunza zaidi huku mafunzo yao yakiweza kulifaidi shirika.

### Mafunzo katika Kampuni

Utekelezaji wa miradi ya usimamizi wa maendeleo uliimarika zaidi kufikia mwaka wa 2011/2012. Miradi hii ilihusisha Nyanja zifuatazo: Uwezo wa Utekelezaji wa mtu binafsi ambapo jumla ya wafanyakazi 811 walipewa mafunzo, Mpango wa Kujifunza uongozi uliokuwa na wafanyakazi 292 na Usimamizi wa Biashara iliokuwa na wafanyakazi 100 waliopewa mafunzo.

Miradi hiyo ilipokamilika, wafanyakazi walipata mafunzo ya ziada yenye ujuzi mahsusi kama vile: Vipawa vya Usikilizaji (89), Usimamizi wa Fedha kwa wale wasiosimamia fedha (66), Usimamizi wa Masilahi ya Wafanyakazi kwa wasiosimamia wafanyakazi (30) na Kudhibiti Shihinikizo za Kifikra (93).

### Mfumo wa Uongozi na Usimamizi

Ili kuimarisha zaidi uongozi uliopo, miradi minne muhimu ilianzishwa mwaka wa 2011/2012 kama ifuatavyo:

Usimamizi Imara - mradi huu ulilenga kuwaandaa wafanyakazi kurithi nyadhifa za Wakurugenzi.

Uzoefu na Ufuasi - kulenga wafanyakazi walio uongozini kupitia jukumu la kuwapa uzoefu na kuwafunza wafanyakazi miongoni mwao.

Maslahi ya Wateja - Huduma hii ilipoanzishwa ilikuwa inalenga wafanyakazi pekee waliokuwa na mwingiliano na wateja katika Huduma za Ardhini na Idara za Biashara kwa lengo la kuisambaza

kwa vitengo vingine baada ya awamu ya kwanza kukamilika. Tajriba ya Mahojiano - ililenga wafanyakazi wa Shirika waliohusika na kufanya mahojiano ili kuimarisha ujuzi wao wa kuhoji.

Jambo muhimu katika Kipindi cha mwaka wa fedha ujao ni kuwajumuisha Wasimamizi wa Fedha na wale wasiokuwa Wasimamizi wa Fedha kwa mameneja wa vituo vyote. Hii inalenga kuwawezesha mameneja kuimarisha ujuzi wao wa kibiashara.

### Mafunzo ya Operesheni ya Kuruka

Mpango mpya wa mafunzo ya Operesheni za kuruka na kuletwa mtambo wa kutoa mafunzo kwa marubani na mafunzo mengine yanayofanyika ndani ya ndege uliendelezwa.

Tunatoa mafunzo ya muda mfupi kwa Maafisa wa Operesheni katika shirika na 'Embreaer Operational Engineering' wameanzisha kozi mpya jijini Nairobi. Hali hii ilisaidia kupunguza gharama katika bajeti ya kutoa mafunzo. Kuajiriwa kwa wakufunzi wa SEPT/TOO na wafanyakazi wasaidizi kulifana.

Kwa kuongezea, mafunzo ya WCO yalifana mno kwa waajiriwa wapya katika Kitengo hicho.

Kama kawaida UKCAA ilifanya ukaguzi wake tarehe 6 Machi 2012 wa ndege ya Boeng 737 - 800W na kupendekeza kufuzu kwa kiwango D na kunukuu " Shirika la Ndege la Kenya limefanya kazi ya kupendeza mno kwa kuimarisha vyema mtambo wa kutolea mafunzo katika kiwango cha juu kwa mwaka wa kwanza wa kuutumia". Mtambo huo umekata gharama kwa kiwango cha asilimia 8 na isitoshe, umeokoa wakati ambao marubani wangeenda kupata mafunzo nje za kambi zao.

Mtambo wa ziada unafanywa unatambulishwa ambapo shirika la RwandaAir limeandikisha mkataba wa vipindi 60 katika mwaka wa fedha wa 2012/2013. Ilipofikia mwezi wa Machi 2012, makadeti 45 na marubani waliohitimu walikuwa wameshapewa mafunzo ya kubadilisha ndege na ya kuwapiga msasa katika mitambo ya Pride Centre 2.

Kuajiri na kuwapa mafunzo Marubani wa mpango wa Ab-Initio pilots (wanaopata udhamini wa Benki ya Ushirika), kumeendelea huku Makadeti 61 wakijiunga na shule mbili huko Afrika Kusini. Pia kulishuhudiwa kuingizwa moja kwa moja kwa Makaptani wazoefu wa Shirika na Maofisa wa Daraja la Pili ambao wamepata mafunzo yao ya kubadilisha ndege za aina mbalimbali za Shirika la Ndege za Kenya.

### Mafunzo ya Kiufundi

Katika kipindi cha mwaka wa Fedha cha 2011/2012 Taasisi ya Kiufundi iliandaa mafunzo ambayo yalilenga kupata wahudumu waliohitimu na wanaoweza kuhudumia utunzaji wa ndege. Kwa sababu ya kuongezeka kwa idadi ya ndege, mafunzo mbalimbali yalitolewa ili kuhakikisha kwamba shirika lina wahandisi wa

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kutoshwa na wenye kumudu majukumu haya maalum. Mafunzo haya yalihu kungurumisha mitambo ya ndege, miongoni mwa kozi zingine maalum za kuhudumia ndege za aina ya E190/170. Mwaka huo ulikuwa na mafunzo ya wafanyakazi wanagenzi pamoja na wafanyakazi wanaohudumu kuhakikisha kuwa wanaenda na wakati.

Kwa vile Uhandisi wa Shirika la Ndege la Kenya unanuia kujiunga na EASA 145 ili kuidhinishwa kwa huduma zake, chuo cha mafunzo kinajizatiti kuwapa mafunzo wahudumu ili kuafikia matakwa ya EASA.

Jambo muhimu la kutaja katika kipindi hicho cha mwaka wa fedha ni kurudishwa kwa mradi wa mtu kujifunza kazi huku akiwa katika ajira. Kutokana na mradi huu, mahafali 20 wa shahada ya Diploma walifanyiwa mahojiano mnamo Machi 2012 na wanatarajiwa kujiunga na kampuni. Hatimaye watapewa mafunzo kwa kipindi cha miaka miwili kabla kuajiriwa rasmi na shirika.

### Mafunzo ya Kibiashara

Katika kipindi cha mwaka wa 2011/2012 kulikuwa na kuratibiwa kwa ratiba ya mafunzo kwa wafanyakazi wa Shirika la Ndege la Kenya. Ratiba hiyo mpya itawekwa wazi kwa wafanyakazi wote ambao watapandishwa vyeo kwenye nyadhifa mpya katika mwaka wa 2012/2013.

Idara ya Mauzo ilitiliwa uhondo na Jopo la Nauli na Uuzaji Tiketi wakati mfumo wao ulipobadilika. Timu hiyo ya wakufunzi ilitoa mafunzo kuhusu mfumo huo mpya na pia kuibuka mabingwa katika biashara. Miongoni mwa maendeleo yaliyopatikana kutokana na bidhaa husika katika kipindi hicho cha 2011/2012 ni kuasisiwa kwa Mradi wa Usafiri na Utalii wa IATA. Kutokana na mradi huu wanafunzi wanaweza kufanya mtihani wa Daraja la Kimsingi ulioanzishwa mwezi wa Oktoba 2011 na mwingine wa Daraja la Ushauri uliotarajiwa kuanza mwezi wa Aprili 2012.

### Mafunzo ya Huduma za Ardhini

Mwaka wa fedha wa 2011/2012 ulikuwa mwaka wa Ukaguzi wa Usalama Kwa Operesheni za Ardhini (ISAGO). Mafunzo yaliyofana mno ya Ardhini, kote Nairobi na Mombasa yalilenga kutimiza matakwa ya Ukaguzi hususan katika matumizi ya vifaa. Ili kufanikisha maendeleo haya sekta hii iliratibu upya ratiba yake ya mafunzo na kuwasilishwa GSE (vifaa vya kuhimili Ardhini). Mojawapo ya kipegele muhimu kilichoingizwa katika ratiba hiyo ni mafunzo ya kumjali binadamu.

Vile vile kukawa na mwongozo wa GSE Operesheni ya usalama na pia Viwango vya Huduma vya kadiri, yaani Standard Operating Procedures (SOPs).

Isitoshe, kukajumuishwa mafunzo ya kiufundi katika vipindi vyote, huku mkazo ukitiliwa zaidi katika uvukaji wa Mstari na kuwatathmini maopareta wote kwenye kivuko cha Ndege

kuhakikisha ujuzi wa kazi yao.

Katika uungaji mkono uhamiaji kutoka CODECO hadi mifumo ya uhamiaji ya ALTEA, mafunzo ya huduma za Ardhini yalianzisha mradi kabambe wa kutoa mafunzo kwa wafanyakazi wa Kenya mkiwemo pia maajenti wote wa nyanjani waliopewa kandarasi. Ili kuongeza mapato, mafunzo ya Huduma za Ardhini yalijumuisha kozi za Shahada ya Msingi katika huduma kwa Wateja wa Ndege, pamoja na kozi za upimaji na usawazishaji, zote hizi zikiwalenga wafanyakazi wa Shirika la Ndege la Kenya pamoja na umma kwa jumla. Matokeo yake yalikuwa mazuri mno; kwani kiwango cha kwanza kilifikia mahudhuri ya asilimia 100.

Ifikiapo kipindi cha mwaka ujao wa fedha, sehemu hii itaangazia kuhimiza wafanyakazi kujifunza uendeshaji (GSE) na kuanzisha kituo cha mafunzo ya vifaa.

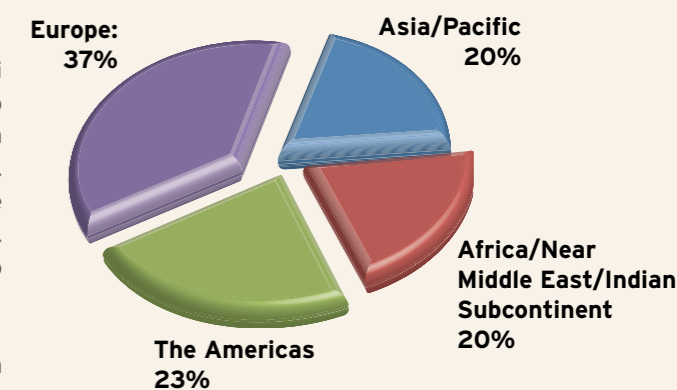
### Usalama wa Mafunzo ya Kuruka

Katika kipindi cha mwaka wa fedha wa 2011/2012 kitengo cha mafunzo ya Usalama wa Kuruka kilianzisha mafunzo yenye shabaha mbalimbali. Kwa kuwa ndio uliokuwa mwaka wa ukaguzi, kitengo hiki kilizingatia mno kutimiza matakwa ya ukaguzi wa ICAO, IATA na KCARS nchini na vituo vya nyanjani. Kufikia mwaka wa 2011/2012 sekta hii iliweza kutoa sehemu ya mashariki na Kusini mwa Afrika.

### Jopo la Wakurugenzi wa Shirika (APDC)

Kufikia mwaka wa 2010, Shirika la Ndege la Kenya lilijiunga na APDC. Jopo hili ni la kimataifa la mtandao wa viongozi wa Huduma za Masuala ya Wafanyakazi na liliundwa mwaka wa 1950 na AF, BE, BA, KL, PA, SK na TW kwa lengo la kubadilishana mawazo juu ya Usimamizi wa Masuala ya Wafanyakazi katika kiwango cha juu. Wawakilishi wa APDC ni kama wafuatao:

## Wawakilishi Wa APDC



Katika mwaka wa 2011/2012, Shirika la Ndege la Kenya lilifikia uamuzi wa kuipa hadhi ya juu sana APDC. Tangu liwe mwanachama tangu 2010, wanachama wa APDC wamefaidika kama ifuatavyo:

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- kupata habari muhimu na kupata jukwaa la kubadilishana mawazo katika sehemu zote za Usimamizi wa Wafanyakazi.
- Ni mtandao wa kufikia viwango vyote vya kimataifa vya usimamizi wa wafanyakazi wa usafiri wa ndege.
- Kupata maarifa ya maendeleo ya kote ulimwenguni na matukio yahasuyo sera za wafanyakazi na za kijamii.
- Kufikia mtandao wa kimataifa na kupata ufahamu juu ya mishahara na utendakazi wa marubani na wahudumu wa ndege na vilevile wafanyakazi wengine walio kwenye shirika.
- Kupata takwimu za malipo na faida ya kila mfanyakazi na mwanachama wa APDC kulingana na viwango vya kimataifa kwenye nchi zote 175 zilizo wanachama.
- Kuwasiliana katika kiwango cha kimataifa kama vile Shirika la Kimataifa la Wafanyakazi. Malipo ya kuwa mwanachama wa APDC ni kidogo ikilinganishwa na faida zinazopatikana na vilevile ikilinganishwa na gharama ya kulipia ushauri. Kuwepo kwa uhusiano mwema kati ya kampuni na vyama vya wafanyakazi kumedhihirika mno mwaka huu. Vyama husika ni kama vile Chama cha Marubani wa Kenya (KALPA), Wahudumu wa Ndege na Washirika wao (AAWU) na Umoja wa Kitaifa wa Usafiri Angani (NUATE).

### KALPA

Viongozi wa KALPA walijadiliana na kuafikiana kuwepo kwa mkataba wa nyongeza ya mishahara (CBAs) kwa vipindi vya 2011-2012 na 2012-2014 mnamo tarehe 26th Agosti. Isitoshe, Kampuni ilifanya makubaliano na viongozi wa chama katika mikutano kati ya Meneja Mkurugenzi na KALPA wa kukutana mara nne kwa mwaka. Pia walikubaliana na viongozi kukutana wakati wowote kunapotokea dharura.

Kampuni ilifanya vikao vingi kujadili pendekezo la kuwaajiri Makapteni wa Kutoka nje kwa mkataba wa kandarasi za muda mfupi. Kampuni inanua kuwapandisha vyeo marubani wote wenye tajriba kuwa Makapteni. Kampuni pia imeshatangaza nafasi za kazi za marubani. Usimamizi wa kampuni unashauriana na KALPA kuhakikisha kuwa kuajiriwa kwa marubani kutoka nchi ya nje hakutaathiri uimarikaji na udhibiti wa marubani wa humu nchini.

### AAWU

Usimamizi wa Shirika uliendelea kuwa na mikutano na viongozi wa AAWU kupitia mikutano minne iliyoongozwa na Meneja Mkurugenzi na Afisa Mkuu Mtendaji na pia mikutano iliyoongozwa na Mkurugenzi wa Masuala ya Wafanyakazi. Baada ya mikutano mingi kati ya wawakilishi wa AAWU na viongozi wa Shirika, hatimaye mkataba uliafiwa wa nyongeza

ya mishahara (CBAs) kwa kipindi cha 2008 - 2010 na 2010 - 2012. Mikataba ile ya mwanzo ilikubaliwa ingawa ingawa jambo moja halikuwa limetekelezwa - lile la kuwalipa Wahudumu wa ndege marupurupu yao, ambalo halikuwa . Nyongeza ya kipindi cha 2010 - 2012 iliafiwa ingawa vipengele sita (6) havikukubaliwa:

- Mwanzo - kuwakilisha
  - Marupurupu
  - Kukithiri - kukatiza na notisi ya malipo
  - Tahadhari - Kipindi cha uyakinifu
  - Kifungu kipya - Wafanyakazi wa Kigeni wa Kandarasi
  - Kifungu kipya - Kanuni za Operesheni ya Ardhi
- Kampuni itaendelea kushirikiana na AAWU ili kuimarisha uhusiano mwema na maelewano katika biashara hii.

### Umoja wa Kitaifa wa Safari za Angani (NUATE)

Kampuni imeshaanza mazungumzo na wanachama wa NUATE yaliyoanza tarehe 15th Februari hadi 17 Februari, 2012 ambapo kulikuwa na makubaliano kuhusu mambo mengi. Mazungumzo zaidi yamepangiwa kufanywa mwezi wa Aprili 2012.

### Mradi wa Nyumba

Mradi wa kujenga nyumba 312 huko Embakasi unaendelea vyema. Nyuma zote zimepewa wakazi wa Shirika la Ndege la Kenya ambao wamelipa asilimia 10 ya rubuni na malipo mengine yaliyohitajika kulipwa. Sehemu ya maonyesho ya nyumba za vyumba viwili na za vyumba vitatu imeshatayarishwa na wafanyakazi wameshaanza kuzitembelea wakati ufaao ili kujionea.

### Siku ya KQ na Tamasha la Familia

Tamasha la kujivunia ufanisi wa Kampuni na Siku ya Michezo ilifanyika tarehe 17 Disemba 2011 katika Taasisi ya Kitaifa ya Uhasibu na Fedha. Kilele cha tamasha hilo ilikuwa wakati wa kuwazawadia wafanyakazi waliohudumu kwa muda mrefu. Jumla ya wafanyakazi 341, miongoni mwao 57 wakiwa wamehudumia shirika kwa zaidi ya miaka 25 walipewa vyeti pamoja na Vocha za kujinunulia bidhaa.

### MIFUMO YA HABARI (IS)

#### Tuzo

Katika kipindi hiki, Shirika la Ndege la Kenya lilitunukiwa tuzo zifuatazo:

#### 'Oracle Global Excellence Award'

Tuzo ya Kimataifa ya Oracle Global Excellence ya Sekta ya Usafiri ilitokana na Shirika la Ndege la Kenya kutumia mfumo mpya wa Oracle eBusiness ERP System.

Kampuni ilikuwa ikiutumia mfumo huu tangu kuanzishwa kwa FY2008/2009 katika huduma zake za fedha, mauzo na shughuli za Masuala ya Wafanyakazi kote hadi katika vituo vya nje ya nchi. Kufikia miaka minne iliyopita, Kampuni ilikuwa imeshapata

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asilimia 200 ya faida katika uwekezaji wake kwa ERP. Kampuni hii ndiyo ya kwanza katika eneo la Afrika na pia katika Mashariki ya kati kupewa tuzo hii ya Kimataifa.

CIO100 Transport Sector award kutoka kwa CIO Afrika Mashariki: Kutokana na kuzawadia tuzo kama hiyo ya mwaka wa fedha wa 2010/2011 kwa kutumia mfumo wa e- ticketing shirika lilipata tuzo hili kutokana na juhudi zake za kuwa na mfumo mzuri wa matumizi ya ushuru wake.

### Mipango katika JKIA

#### Mawasiliano ya moja kwa moja na Wahudumu

Kampuni imeimarisha mpango wa kusambaza habari zinazohusu usafiri wa ndege moja kwa moja kutoka kwa wasimamizi wa kituo cha kuongoza ndege hadi kwa wafanyakazi kama vile Maajenti Wanaosajili, Maajenti wa Kituo cha Mawasiliano, Wakaguzi kwenye lango, na Mameneja wa Huduma.

Hali hii ya mawasiliano imewezesha wahudumu wetu kushughulikia matatizo ya wateja kuhusu ratiba ya safari bila kupiga simu ama kutumia redio.

### Mawasiliano ya kufika na kutoka Ramp

Tulianzisha mpango ambao hufuatiliwa na mfanyakazi wa rampu anayetumia kifaa cha kielektroniki. Mfanyakazi anatumia kifaa hicho kunasa hatua zote kabla ndege kuruka hivyo kuwezesha kufuatilia kwa usahihi yote yanayotokea kabla ya ndege kuondoka. Hii husaidia wafanyakazi kuweza kutatua changamoto zinazojitokeza.

### Muongano wa mifumo ya KQ na ya KAA FIDs

Shabaha ya mradi huu ni kuhakikisha kwamba habari muhimu na sahihi zinawakilishwa, kuna wepesi unaoweza kutegemewa moja kwa moja hadi kwenye viwambo vya kuonyesha mawasiliano vya KAA na ambavyo vimeangazwa kila mahali katika uwanja wa JKIA. Manufaa ya mradi huu ni kumaliza upangaji wa shughuli za ndege kiholela, jambo ambalo hapo awali lilisababisha kuwepo kwa hitilafu na kucheleweshwa kwa usafiri.

### Matumizi ya Mtandao/Simu ya mkono kufikia

#### Ratiba ya Usafiri wa ndege

Njia hii mpya imewezesha mashirika yalioidhinishwa na Kampuni kama vile Ground Handlers, Nas Catering, KAA na KCAA kufahamu safari za ndege za shirika kupitia mawasiliano ya mtandao au kwa simu tamba. Mashirika pia yanaweza kufanya mabadiliko yanayohusu usafiri bila kupiga simu au kutumia redio ya mawasiliano.

Kuanzisha Mfumo wa kuangazia Mizigo wa Kielektroniki (GUI) Kifaa cha awali cha kufuatilia mizigo ya wateja kilikuwa na masharti mengi na hivyo kuchukua muda mrefu kuhudumia na kuhitaji mfanyakazi aliyewajibika mno. Hali hii ilikuwa dhaifu mno. Kampuni imeanza kutumia mfumo mpya wa GUI na kufanya

huduma nyingi kuutumia mfumo huo hivyo, kuepuka changamoto nyingi zilizowakumba wateja wetu.

Matumizi ya Mifumo

Katika kipindi hicho tulizingatia sana matumizi ya mifumo iliyopo kama vile Mfumo wa Oracle ERP uliorahisisha shughuli katika sekta ya Fedha, ya mauzo na shughuli za Huduma za Masuala ya Wafanyakazi (HR).

Kampuni imeongeza matumizi yake ya kuunganishwa kwa mtandao mmoja kutoka Kituo kikuu kilicho Nairobi hadi katika vituo mbalimbali kwa kutumia simu za teknolojia ya Voice-over-IP.

### HUDUMA ZA NDEGE

Juhudi zetu kubwa katika Huduma za Ndege ni kuhakikisha kuwa tunaunga mkono huduma hii kupitia kuajiri na kuwapa mafunzo wafanyakazi wanaofanya kazi katika ndege. Katika kipindi hiki cha mwaka wa fedha 2011/2012 jumla ya makadeti wa mpango wa Ab-initio 62 walisajiliwa na kwenda kupata mafunzo Afrika Kusini chini ya ufadhili wa Benki ya Ushirika.

Jumla a Maafisa 33 wa huduma ya ndege walijiunga na wafanyakazi wa shirika baada ya kufuzu masomo yao kutoka shule ya uendeshaji ndege huko Afrika Kusini pamoja na kuchukuliwa moja kwa moja kwa marubani kutoka Kenya.

Usafiri na huduma za ndege kote kwa ujumla umekumbwa na changamoto ya kukosa makapteni. Shirika nalo linakumbwa na changamoto hii. Kwa mujibu wa viwango vyetu vinavyohitajika, Kampuni ilipandisha vyeo marubani 37, ambayo ni idadi kubwa katika muda wa miaka mitatu. Kampuni pia inawahimiza marubani wake wapate leseni ya Urushaji ndege ya 'Airline Transport Pilots' Licences (ATPL) mapema kila wanavyoongeza tajriba yao na kuogezwa masaa ya urukaji.

Ashirika linaendelea kushirikiana na Chama cha Marubani nchini (KALPA) na sasa kuna mipango ya kupata makapteni kutoka nje watakoajiriwa kwa kandarasi ili kuboresha hali ya marubani kwa kupitia mpango wa Ab-initio ili wapate tajriba inayohitajika.

Jumla ya marubani wa Shirika katika kipindi cha 2011/2012 walifikia 405 ikilinganishwa na idadi ya 337 ya muhula uliotangulia.

### Marubani

Kwa lengo la kuboresha huduma zetu ndani ya ndege na kuzidisha kusaidia wasafiri, kuheshimu na kushughulikia mahitaji ya wateja wetu, Shirika liliajiri wahudumu 220 zaidi, miongoni mwao wakiwa ni wahudumu 16 wa jamii ya Thai.

Vilevile tumeanzisha mpango wa mafunzo ambapo wahudumu wanapewa mafunzo wakiwa kazini ili kuwawezesha kupata tajriba pana ya kazi.

## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

Mipango ya kuwaongeza wahudumu wa ndege katika masoko yetu ya Bara Hindi, Burundi na Ghana inaendelea tukitilia maanani utamaduni wa wananchi za sehemu tunazopita.

Katika mwaka huu wa fedha Kampuni imemudu kufanya ukaguzi wa mara kwa mara na pia kutoa mafunzo kwa wahudumu wa ndege zetu zote. Isitoshe, kuna mradi wa miaka mitatu (3) wa kuwapa mafunzo wakufunzi ili wapate muda wa kutosha wa kukagua na kufunza.

Kupitia mradi wa NetSys ambapo mawasiliano yanapatikana moja kwa moja kwenye mfumo wa Hali ya anga kutoka kwa mnara wa mawasiliano wa Kampuni wa Operation Control Centre (OCC), Kampuni imemudu kupunguza muda wa maandalizi ya usafiri unaotumika.

Mpango huu umewezesha kuimarika kwa mradi wa matumizi ya wakati uitwao 'On-Time Performance'.

Ili kuhakikisha kuwa viwango vya mafunzo yetu kwa wahudumu wa ndege vimeafikiwa na vilevile kuimarisha mawasiliano bora katika idara nzima ya usafiri ambayo hujumuisha marubani na wahudumu wa ndege, Kampuni imepanga kuweco kwa mikutano kama ifuatavyo:

- kila mwezi kuwe na mkutano wa Wakuu kutathmini ufanisi wa marubani kwa kuzingatia kufikiwa kwa mahitaji yanayotarajiwa hasa kwa marubani wanaoteuliwa kupandishwa vyeo.
- kila mwezi kuwe na mkutano wa Ukaguzi na Utathmini wa Mafunzo - kuhakikisha kuwa mafunzo kwa wahudumu wa ndege yanazingatia viwango na sheria zinazohitajika.
- kila mwezi KALPA na viongozi wa Kampuni- kujadiliana mambo yote yanayohusu utendakazi na masuala ya wafanyakazi kwa ujumla.
- mara nne kwa mwaka - KALPA na kamati ya Afisa Mkuu Mtendaji - kujadiliana juu ya malengo ya shirika na njia za kuafikiwa kwake.
- jarida la kila mwezi juu ya usafiri ili kuhamasisha wafanyakazi katika idara ya usafiri wa ndege juu ya utendakazi. Pia vikao vidogo vya kila mwezi vya wahudumu wa ndege na vikao vingine vya mara mbili kwa mwaka - kwa shabaha ya kuwaleta pamoja, kutathmini utendakazi na kuboresha sehemu ambazo bado hazijaimarika.

### HUDUMA ZA ARDHINI

#### Usalama

Wafanyakazi wetu wa Ardhini walianzisha kampeni kabambe ya Kuhamasisha watu katika idara na watu wote walioko katika uwanja wa ndege kuhusu Usalama .Tuligundua kwamba ni sharti hali ya usalama izingatiwe kote na hatungeweza kufanikisha jambo hili peke yetu.

Tumehusisha wadau wetu pia wakati wote wa vipindi vya usalama ambapo viongozi walianzisha vikao vya kuwaelimisha wenzao juu ya umuhimu wa kuzingatia Viwango vinavyohitajika vya kanuni za utendakazi (Standard Operating Systems) (SOPs), madereva kuzingatia mwendo unaohitajika, mavazi rasmi ya kujikinga, na matumizi ya Vifaa vitumikavyo Ardhini, miongoni mwa mada zingine zinazohusiana na usalama. Mafunzo haya yamehamasisha wafanyakazi juu ya usalama na ndiposa visa vya ajali vimepungua mno. Isitoshe wanakamati wa Usalama na Afya waliopata mafunzo kutoka kwa Statutory Occupation Safety & Health Act (OSHA) iliyodhaminiwa na Directorate of Occupational Health Services (DOSHS).

#### Mawasiliano

Kampuni imejitolea kuboresha jinsi mawasiliano yanavyosambazwa. Azma yetu ni kuhakikisha kuwa habari inamfika mlengwa kwa wakati ufaao na kwa wepesi ambapo viongozi wanapasha habari wateja, wanabiashara na wadau. Kampuni imeacha kutumia mbinu za zilizopitwa na wakati za mawasiliano ambapo habari zilipitishwa kutoka kituo hadi kituo ambapo sasa mbinu mpya na za kisasa za kielektroniki zinatumwa. Tumehusisha mshirika wetu Mamlaka ya Viwanja vya Ndege (Kenya Airports Authority -KAA) waliotuunganisha na mtandao wa Flight Information Systems (SABRE) ambao sasa ndio kitovu cha habari zetu zote za Shirika ambazo huangazwa kwenye viwambo vyote vilivyoko katika uwanja wa ndege. Sasa tunaweza kuwahudumia wateja wetu kwa ukakamavu tukifahamu kuwa tunapobonyeza kitufe tu, habari inasambaa mara moja.

#### Huduma kwa Wateja

Katika kutimiza azma yetu ya kutoa huduma bora na za kiwango cha kimataifa, Kampuni imeanzisha kikundi cha wahudumu wanaosimamia "Majilio na Usafiri" wa wateja. Tuna kikundi cha "Karibu Team" chenye wahusika 24 wenye ujuzi wa kuongea lugha nyingi wanaofanya kazi ya kuwahudumia wateja wapatwapo na dharura. Hii imesaidia sana wateja katika sehemu ya makaribisho ya uwanja wa ndege wa JKIA. Katika kitengo chetu Mjini Nairobi, Kampuni imerekibisha mahali pa kupokea wageni pa wasafiri wanaotoka na pia mahali pa wale wa daraja la Kibiashara (Business Class lounge).

Mahali pa daraja la Kibiashara sasa panaweza kuwa na wageni 38 na pana huduma za kuwakidhi wateja wasioweza kutembea na akina mama wenye watoto wachanga.

#### UFUNDI

Katika kipindi tunachokizungumzia, Idara ya ufundi iliunda kamati ya kuhusika na suala la usalama ikishirikiana na OSHA ili kuhakikisha kuwa mambo yote yanayohusu usalama miongoni mwa idara yanaangaziwa na kushughulikiwa ipasavyo. Habari juu ya masuala ya usalama zinasambazwa na kitengo cha Uboreshaji

## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

Viwango na ambao hutoa habari juu ya visa mbalimbali kuhusu usalama. Wao pia kupeleka ripoti juu ya visa hivyo kwenye kituo cha mafunzo cha Kenya Airways Pride Centre ambako habari hizo husambazwa kwa wafanya kazi wakati wa mafunzo ya kuwapiga msasa wale wanaoendelea.

Idara ya Ufundi iligeuza mbinu yake ya kuwakagua wafanyakazi ili kuhakikisha kuwa wale wanaopewa idhini ya kurusha ndege ni wale tu ambao wamepata mafunzo ya kutosha na wana tajriba ya utendakazi wao. Kabla ya kuidhinishwa, mfanyakazi sharti apatie mafunzo kabambe ya kazi yake. Baada ya mafunzo wanapitia mahojiano ndipo wafuzu kupewa vyeti vyao. Hali hii inatarajiwa kuboresha na kuimarisha viwango vya kazi zao na pia kushughulikia suala la usalama.

Kampuni inatoa mafunzo ya Kiufundi ya B1 (Mechanical skills)/ B2 (Avionic skills) kwa matayarisho ya ukaguzi wa shirika la European Aviation Safety Agency EASA 145 inayohitaji wahandisi wawe wamefunzwa na Shirika la EASA 147. Shirika la ndege la KLM ambalo limethibitishwa na EASA 147 ndilo linalotoa mafunzo hayo.

Katika kipindi hiki cha 2011/2012 Kampuni iliidhinishwa na EASA kufanya ukarabati wa ndege na vifaa vya ndege.

Ili kuhifadhi na kuendeleza kupewa kibali hicho Idara ya Ufundi ilifanya ukaguzi mwezi wa Novemba 2011 na kutokana na kufanya hivyo, EASA waliongeza muda wa kibali cha idhinisho kwa mwaka mmoja mwingine. Mbali na kuzingatia viwango vya usalama, Kampuni pia inazingatia viwango vingi vingine vya kiusalama vilivyowekwa na EASA.

Kuwepo kwa ndege inapohitajika kuliimarika mno katika mwaka wa fedha wa 2011/2012 kwa asilimia 95 kutoka asilimia 92 mwaka uliotangulia. Hii inaonyesha kutokuwepo kwa ndege moja kama ilivyokuwa katika ratiba. Na hali hii ilitokana na kuwekwa kwa watu wa kurekebisha na kukarabati mwanzoni mwa mwaka wa fedha.

Ukaguzi wote ulifanywa na shirika isipokuwa ndege ya B767 - 300, ya namba ya usajili 5Y - KYY iliyofanyiwa ukaguzi nje pamoja na B737-700 , yenye namba ya usajili Mark 5Y-KQH iliyopigwa rangi nje. Hii ilitokana na ushauri wa EASA wa kutimiza viwango vya kuikarabati ndege hiyo ya kwanza napia ukosefu wa banda la ndege la kuipigia rangi ndege hiyo ya pili.

Umbo la ndege ya B787 imeleta ufanisi mkubwa mno. Jopo lililohusika lilisafiri hadi Seattle kuhudhuria mkutano wa kujadili umbo la ndege hiyo, yaani Initial Technical Configuration Meeting (ITCM). Mwakilishi wa Boeng anayefanya kazi karibu na Kampuni atapanga utaratibu wa kuelimisha na kuwaonyesha juu ya utekelezaji wa uongozi ambapo makundi mbalimbali yataundwa

ili kushughulikia mambo yanayotukia.

Kufuatia ufanisi wa mazungumzo na ununuzi wa ndege 10 za aina ya E190, shirika linapanga kupata ndege ya E190 , namba Mark 5Y - KYT ifikapo mwezi wa Mei 2012. Ndege zote zitakazokabidhiwa ni 12 zenye umbo la Kiwango cha Biashara na 84 Kiwango cha Kiuchumi kama zilivyo zile tulizonazo za KQ E190.

Mradi wa kujenga banda la ndege unaendelea na Kampuni ilituma wawakilishi wa Shirika huko Uchina kuzuru mabanda mawili ya ndege na hatimaye kushauriana na washauri wa Boeng. Wanajopo hao walipendekeza banda la umbo la U lenye mabwawa saba. Matayarisho ya kutoa tenda kwa wajenzi yatafanywa hivi karibuni na ufunguzi rasmi wa mahali patakapojengwa unapangwa kufanyika mwezi wa Oktoba 2012.

Ukarabati wa stoo za ufundi unaendelea vizuri. Mradi huo unatarajiwa kuleta manufaa makubwa katika uaminifu wa uwekaji vifaa, urahisi wa kutoa vifaa na pia utapunguza gharama nyingi za upande wa matumizi.

Mradi wa kuweka upya matandiko ya viti vya ndege tano za B767 ulianza tarehe 19 Machi 2012 na unatarajiwa kukamilika tarehe 13 Mei 2012. Ndege 3 zimeshawekwa viti vya aina ya Webe economy na mbili zinapangiwa kuwekwa vile vya aina ya B/E Aerospace ifikapo tarehe 13 mwezi wa Mei 2012.

#### HUDUMA ZA KAMPUNI KWA JAMII (CSR)

Ruwaza ya Shirika la Kenya ni kusaidia kufanya maendeleo Barani Afrika. Jambo hili litawezekana kupitia miradi mbalimbali inayomhusu mwanachi. Miradi ya Shirika ya kuhudumia jamii katika nyanja za elimu, huduma za maji, mazingira ya kiusalama na afya ni miongoni mwa ile iliyotekelezwa katika kipindi cha mwaka wa fedha 2011/2012.

Shabaha ya kuweco kwa CSR ni kuleta mabadiliko mema miongoni mwa jamii na kusaidia kuboresha maisha ya wananchi pamoja na mazingira wanamoishi.

Ufanisi mkubwa wa miradi hiyo katika kipindi cha 2011/2012 unajumuisha kuimarisha maisha na hali za jamii kupitia miradi yenye shabaha ya kuwanufaisha pamoja na kuwapa uwezo wanajamii kupitia elimu msingi, afya na kupunguza umaskini. Kutokana na shughuli hizi Kampuni ilitumia Shilingi za Kenya milioni 45 kwa miradi mbalimbali.

Katika kusaidia mambo yanayohusu elimu, Kampuni ilikamilisha ujenzi wa shule katika sehemu zifuatazo:

- Shule ya Msingi ya Farasi Lane iliyoko Magharibi mwa Kenya
- Shule ya Msingi ya Kwale katika kaunti ya Kwale (Pwani) na
- Shule ya Msingi ya Ongora iliyoko Kisii.

## ***Taarifa ya Afisa Mkuu Mtendaji (inaendelea)***

Katika kipindi hiki cha 2011/2012 Shirika la Ndege la Kenya lilitumia shilingi milioni moja kujenga bweni la shule ya msingi ya Aitong iliyoko Mara Kaskazini katika Kaunti ya Narok.

Fedha zilizotumika ni baadhi ya mapato yaliyopatikana wakati wa mashindano ya mbio za Shirika ka Ndege la Kenya Maasai Mara Marathon.

Kampuni pia ilitoa ufadhili wa madawati katika shule za msingi nchini Malawi.

Ifuatayo ni baadhi ya miradi ya uhifadhi na utunzaji wa mazingira pamoja na miradi ya maji iliyofadhiliwa katika kipindi cha 2011/2012:

- Mradi wa maji wa Makueni huko Ukambani
- Mradi wa maji wa Taveta Water Community
- Mradi wa maji wa Runana ulio Runana, Kenya
- Mradi wa maji wa Gaigedi huko Vihiga
- Mradi wa maji Samburu-Lesidai ulioko Turkana na
- Ujenzi wa vyoo vya shimo katika shule kadhaa nchini DRC Congo.

Kufuatia kumalizika kwa mradi wa maji wa Runana, wakazi 4,000 katika sehemu hiyo sasa wanapata maji safi na salama. Vilevile kukamilika kwa mradi wa maji wa Taveta, takriban nyumba 456 zimepata maji ambapo ni jumla ya wakazi 3192 wanaofaidika na mradi huo.

Kutokana na Shirika la Ndege la Kenya kufadhili miradi mbalimbali ya elimu ama kwa kutoa pesa taslimu au/na vifaa, kumeleta mafanikio makubwa yakiwemo ongezeko la idadi ya watoto wajiungao na shule, kupungua kwa idadi ya watoto wanaoacha shule na zaidi ya hayo, kuimarika kwa matokeo ya shule katika mitihani ya kitaifa.

Mfano unaonekana wazi katika shule ya msingi ya Kwale ambapo matokeo yaliimarika kutoka kima cha 252.08 mwaka wa 2009 hadi 254.32 mwaka wa 2011.

Kuimarika kwa matokeo hayo pia kulichangiwa na kuwepo kwa umeme shuleni uliowawezesha wanafunzi kudurusu wakati wa jioni na kila siku wakati walipohitaji kusoma.



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## Corporate Governance

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

Kenya Airways Board of Directors is responsible for the overall management of the 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 practices in corporate governance and business ethics.

The Directors are committed to the need to conduct 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 receive all information relevant to the discharge of their obligations in accurate, timely and clear form so that they can guide and 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 eleven members of the Board are non-executive including the Chairman of the Board, and all others except 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.

In addition, during the course of 2011, the Board formed a Rights Issue sub-committee to deal with specific issues relating to the Rights Issue offer.

### Audit and Risk Management Committee

The Board has constituted an Audit and Risk Management committee which meets four times a year or as necessary. Mr. Dinesh Kapila, an independent non executive Director chairs this sub committee whose other members include Mr. Joseph K. Kinyua or his alternate Mr Vincent Rague, Mr. Jos Veenstra

and Mr Ayisi Makatiani. 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 Ambassador Dennis Awori, also an independent non executive Director and Chairman, Mr. Ron Schipper and Ms Salma Mazrui-Watt and Group Managing Director.

The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management, 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 Director of Human Resources attends all meetings of the committee.

### Nominations Committee

There is a Nominations committee of the Board. Its membership comprises Mr. Evanson Mwaniki (Chairman), Mr. Peter Hartman, Mr. Joseph Kinyua (or his alternate Mr Vincent Rague) and Ambassador Dennis Awori. 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 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.

### Rights Issue Committee

During the course of the year, the Board established this sub-committee whose mandate was to consider important issues and oversee progress of the Rights Issue.

It was chaired by Mr Dinesh Kapila and its members included Mr Evanson Mwaniki, Dr Titus Naikuni, Mr Alex Mbugua, Mr Jos Veenstra and Mr Vincent Rague.

Other senior management and external advisors were

requested to attend meetings of this sub-committee who were able to meet regularly to determine and make critical decisions relating to the Rights Issue.

### 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 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 undermine 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.

## Corporate Governance

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.

The Annual Report is published each year on the Company's web site together with the notice and minutes of the Annual General Meeting.

### Directors Emoluments and loans

The aggregate amount emoluments paid to Directors for services rendered during the financial year 2011/12 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.

The Company has a strict insider trading policy to which the Directors and senior management must adhere.

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 31 March 2012 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
Salma Mazrui-Watt	1,000 (joint shareholding)
Alex Mbugua	6,054
Cyrus Njiru	1,000

## Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 March 2012, in accordance with Section 157 of the Kenyan Companies Act, which discloses the state of affairs of Kenya Airways Limited (the Company) and its subsidiaries (together, the Group).

### 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 56 destinations in Africa, Middle East, Asia and Europe.

At 31 March 2012, the Group had 34 aircraft, either owned or on operating leases. These comprised four Boeing 777 wide body jets, five Boeing 767 wide body jets, fifteen Boeing 737 narrow body jets, nine Embraer regional jets and one B747 Freighter.

### RESULTS AND DIVIDENDS

The net profit for the year of KShs 1,660 million (2011: KShs 3,538 million) has been added to retained earnings. The directors recommend the approval of a final dividend totalling Kshs 374 million (2011: KShs 693 million), at the annual general meeting (See Note 14).

The results for the year are set out fully on pages 69 to 124 in the attached financial statements.

### DIRECTORS

The directors who held office during the year and to the date of this report were:

#### EXECUTIVE DIRECTORS

Dr. T. T. Naikuni	- Managing Director
A.W. Mbugua	- Group Finance Director

#### NON EXECUTIVE DIRECTORS

E. Mwaniki	- Chairman
D. Kapila	
J. Kinyua	
R. Schipper	
P. F. Hartman	
A. Makatiani	
C. Njiru	
S. Mazrui	
D. Awori	- Appointed on 14 October 2011
D. D. Afande	- Retired on 14 October 2011
J. Veenstra	- Alternate to R.Schipper and P.F.Hartman
V. Rague	- Alternate to J Kinyua (appointed 27 May 2011)

### AUDITOR

The Company's auditor, PricewaterhouseCoopers, have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

### APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 13 June 2012.

By order of the Board

**Secretary**

**13 June 2012**

## Statement of Directors' Responsibilities

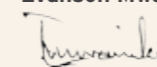
The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group's profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company and of the Group's profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

**Evanson Mwaniki**



Director

**13 June 2012**

**Titus Naikuni**



Director

## Report of the Independent Auditor to the members of Kenya Airways Limited

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kenya Airways Limited (the Company) and its subsidiaries (together, the Group), as set out on pages 69 to 124.

These financial statements comprise the consolidated statement of financial position at 31 March 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended; together with the statement of financial position of the Company standing alone as at 31 March 2012 and the statement of changes in equity of the Company for the year 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 consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal control, as the directors determine necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 March 2012 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

### Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- 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;
- in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- the Company's statement of financial position, income statement and statement of comprehensive income are in agreement with the books of account.



**Certified Public Accountants**  
14 June 2012  
Nairobi

## Consolidated income statement

For the year ended 31 March 2012

	Notes	Year ended 31 March	
		2012 KShs million	2011 KShs million
<b>Revenue</b>	5 (b)	107,897	85,836
Direct costs	6 (a)	(77,217)	(53,419)
Fleet ownership costs	6 (b)	(9,970)	(9,622)
Overheads	6 (c)	(19,404)	(16,980)
<b>Operating profit</b>		1,306	5,815
Finance costs	7	(1,341)	(1,379)
Finance income	7	244	172
Realised gains on fuel derivatives	8 (a)	2,508	298
Fair value (losses)/gains on fuel derivatives	8 (b)	(41)	30
Other gains and losses	9	(1,019)	254
Share of results of associate, net of tax	18 (c)	238	(188)
Gain on deemed partial disposal of interest in associate	18 (c)	251	-
Profit before income tax	10	2,146	5,002
Income tax expense	11	(486)	(1,464)
<b>Profit for the year</b>	<b>12</b>	<b>1,660</b>	<b>3,538</b>
<b>Attributable to:</b>			
Owners of the parent		1,652	3,535
Non-controlling interest		8	3
		<b>1,660</b>	<b>3,538</b>
<b>Earnings per share attributable to the equity holders of the Company - basic and diluted (KShs per share)</b>	13	3.58	7.65

The notes on pages 76 to 124 are an integral part of these financial statements.

## Consolidated statement of comprehensive income

For the year ended 31 March 2012

	Notes	Year ended 31 March	
		2012 KShs million	2011 KShs million
<b>Profit for the year</b>	12	1,660	3,538
<b>Other comprehensive income for the year</b>			
Gain /(loss) on hedged exchange differences on borrowings	28	415	(2,021)
(Loss) / gain on hedged fuel contracts		(1,115)	2,155
Deferred taxation on cash flow hedges	29	210	(40)
Share of other comprehensive income of associate	18 (c)	(597)	-
<b>Total comprehensive income for the year</b>		<b>573</b>	<b>3,632</b>
<b>Attributable to:</b>			
Owners of the parent		565	3,629
Non-controlling interest		8	3
<b>Total comprehensive income for the year</b>		<b>573</b>	<b>3,632</b>

The notes on pages 76 to 124 are an integral part of these financial statements.

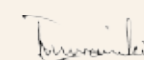
## Consolidated statement of financial position

As at 31 March 2012

ASSETS	Notes	As at 31 March	
		2012 KShs million	2011 KShs million
<b>Non-current assets</b>			
Property, plant and equipment	15	49,373	50,794
Intangible assets	16	1,423	1,029
Prepaid operating lease rentals	17	5	5
Investment in associate	18(c)	230	338
Deferred expenditure	19	94	-
Aircraft deposits	20	4,364	2,797
Fuel derivatives	21	110	132
		<b>55,599</b>	<b>55,095</b>
<b>Current assets</b>			
Inventories	22	2,683	1,907
Trade and other receivables	23	10,219	11,159
Current income tax recoverable	11	764	835
Fuel derivatives	21	1,327	2,462
Bank and cash balances	24	6,840	7,254
		<b>21,833</b>	<b>23,617</b>
<b>TOTAL ASSETS</b>		<b>77,432</b>	<b>78,712</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners</b>			
Share capital	25	2,308	2,308
Reserves	26	20,280	20,089
Proposed dividend		374	693
		<b>22,962</b>	<b>23,090</b>
Non controlling interest	27	61	53
<b>Total equity</b>		<b>23,023</b>	<b>23,143</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	28	19,154	21,750
Deferred tax liability	29	8,318	8,277
Deferred income	30	2,158	2,232
Finance lease obligations	31	1,023	1,101
		<b>30,653</b>	<b>33,360</b>
<b>Current liabilities</b>			
Sales in advance of carriage	32	6,628	9,010
Finance lease obligations	31	199	335
Trade and other payables	33	9,040	8,991
Deferred income	30	174	174
Borrowings	28	7,715	3,699
		<b>23,756</b>	<b>22,209</b>
<b>Total liabilities</b>		<b>54,409</b>	<b>55,569</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>77,432</b>	<b>78,712</b>

The financial statements on pages 69 to 124 were approved for issue by the board of directors on 13 June 2012 and signed on its behalf by:

Evanson Mwaniki

  
Director

Titus Naikuni

  
Director

The notes on pages 76 to 124 are an integral part of these financial statements.

## Company statement of financial position

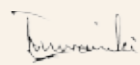
As at 31 March 2012

ASSETS	Notes	As at 31 March	
		2012 KShs million	2011 KShs million
<b>Non-current assets</b>			
Property, plant and equipment	15	48,880	50,303
Intangible assets	16	1,418	1,021
Prepaid operating lease rentals	17	5	5
Investment in subsidiaries	18(a)	435	454
Investment in associated company	18(c)	155	155
Deferred expenditure	19	94	-
Aircraft deposits	20	4,364	2,797
Fuel derivatives	21	110	132
		<b>55,461</b>	<b>54,867</b>
<b>Current assets</b>			
Inventories	22	2,683	1,907
Trade and other receivables	23	13,817	14,364
Current income tax recoverable	11	762	817
Fuel derivatives	21	1,327	2,462
Bank and cash balances	24	6,519	7,168
		<b>25,108</b>	<b>26,718</b>
<b>TOTAL ASSETS</b>		<b>80,569</b>	<b>81,585</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners</b>			
Share capital	25	2,308	2,308
Reserves	26	17,621	17,662
Proposed dividend		374	693
<b>Total equity</b>		<b>20,303</b>	<b>20,663</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	28	19,154	21,750
Deferred tax liability	29	8,343	8,303
Deferred income	30	2,158	2,232
Finance lease obligations	31	1,023	1,101
		<b>30,678</b>	<b>33,386</b>
<b>Current liabilities</b>			
Sales in advance of carriage	32	6,628	9,010
Finance lease obligations	31	199	335
Trade and other payables	33	14,872	14,318
Deferred income	30	174	174
Borrowings	28	7,715	3,699
		<b>29,588</b>	<b>27,536</b>
<b>Total liabilities</b>		<b>60,266</b>	<b>60,922</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>80,569</b>	<b>81,585</b>

The financial statements on pages 69 to 124 were approved for issue by the board of directors on 13 June 2012 and signed on its behalf by:

Evanson Mwaniki  
Director

Titus Naikuni  
Director




The notes on pages 76 to 124 are an integral part of these financial statements.

## Consolidated statement of changes in equity

For the year ended 31 March 2012

	Attributable to equity holders of the Company				Total equity Ksh Mill
	Share capital Ksh Mill	Reserves Ksh Mill	Proposed dividends Ksh Mill	Non Controlling interest Ksh Mill	
<b>Year ended 31 March 2011</b>					
At beginning of year	2,308	17,153	462	50	19,973
<b>Comprehensive income</b>					
Profit for the year	-	3,535	-	3	3,538
<b>Other comprehensive income:</b>					
Losses on hedged exchange differences on borrowings	-	(2,021)	-	-	(2,021)
Gains on hedged fuel contracts	-	2,155	-	-	2,155
Deferred taxation on cash flow hedges	-	(40)	-	-	(40)
<b>Total comprehensive income</b>	-	<b>3,629</b>	-	<b>3</b>	<b>3,632</b>
<b>Transactions with owners</b>					
Dividend:					
- Final for 2010 paid	-	-	(462)	-	(462)
- Proposed for 2011	-	(693)	693	-	-
<b>Total transactions with owners</b>	-	<b>(693)</b>	<b>231</b>	-	<b>(462)</b>
<b>At end of year</b>	<b>2,308</b>	<b>20,089</b>	<b>693</b>	<b>53</b>	<b>23,143</b>
<b>Year ended 31 March 2012</b>					
At beginning of year	2,308	20,089	693	53	23,143
<b>Comprehensive income</b>					
Profit for the year	-	1,652	-	8	1,660
<b>Other comprehensive income</b>					
Gains on hedged exchange differences on borrowings	-	415	-	-	415
Losses on hedged fuel contracts	-	(1,115)	-	-	(1,115)
Deferred taxation on cash flow hedges	-	210	-	-	210
Share of other comprehensive income of associate	-	(597)	-	-	(597)
<b>Total comprehensive income</b>	-	<b>565</b>	-	<b>8</b>	<b>573</b>
<b>Transactions with owners</b>					
Dividend:					
- Final for 2011 paid	-	-	(693)	-	(693)
- Proposed for 2012	-	(374)	374	-	-
<b>Total transactions with owners</b>	-	<b>(374)</b>	<b>(319)</b>	-	<b>(693)</b>
<b>At end of year</b>	<b>2,308</b>	<b>20,280</b>	<b>374</b>	<b>61</b>	<b>23,023</b>

The notes on pages 76 to 124 are an integral part of these financial statements.

## Company statement of changes in equity

For the year ended 31 March 2012

	Attributable to equity holders of the Company			
	Share capital	Retained earnings	Proposed dividend	Total equity
	KShs Mill	KShs Mill	KShs Mill	KShs Mill
<b>Year ended 31 March 2011</b>				
At beginning of year	2,308	14,807	462	17,577
<b>Comprehensive income</b>				
Profit for the year	-	3,454	-	3,454
<b>Other comprehensive income:</b>				
Gains on hedged exchange differences on borrowings	-	(2,021)	-	(2,021)
Gains on hedged fuel contracts	-	2,155	-	2,155
Deferred taxation on cash flow hedges	-	(40)	-	(40)
<b>Total comprehensive income</b>	-	<b>3,548</b>	-	<b>3,548</b>
<b>Transactions with owners</b>				
Dividend:				
- Final for 2010 paid	-	-	(462)	(462)
- Proposed for 2011	-	(693)	693	-
<b>Total transactions with owners</b>	-	<b>(693)</b>	<b>231</b>	<b>(462)</b>
<b>At end of year</b>	<b>2,308</b>	<b>17,662</b>	<b>693</b>	<b>20,663</b>
<b>Year ended 31 March 2012</b>				
At beginning of year	2,308	17,662	693	20,663
<b>Comprehensive income</b>				
Profit for the year	-	823	-	823
<b>Other comprehensive income:</b>				
Gains on hedged exchange differences on borrowings	-	415	-	415
Losses on hedged fuel contracts	-	(1,115)	-	(1,115)
Deferred taxation on cash flow hedges	-	210	-	210
<b>Total comprehensive income</b>	-	<b>333</b>	-	<b>333</b>
<b>Transactions with owners</b>				
Dividend:				
- Final for 2011 paid	-	-	(693)	(693)
- Proposed for 2012	-	(374)	374	-
<b>Total transactions with owners</b>	-	<b>(374)</b>	<b>(319)</b>	<b>(693)</b>
<b>At end of year</b>	<b>2,308</b>	<b>17,621</b>	<b>374</b>	<b>20,303</b>

The notes on pages 76 to 124 are an integral part of these financial statements.

## Consolidated statement of cash flows

For the year ended 31 March 2012

	Notes	Year ended 31 March	
		2012	2011
		KShs million	KShs million
<b>Cash flows from operating activities</b>			
Cash generated from operations	35	5,639	10,537
Interest received	7	244	172
Interest paid	7	(1,341)	(1,379)
Income tax paid	11	(164)	(116)
<b>Net cash from operating activities</b>		<b>4,378</b>	<b>9,214</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	(3,258)	(3,186)
Proceeds from disposal of property, plant and equipment		188	47
Deposits refunds received	20	318	-
Purchase of intangible assets	16	(326)	(371)
Deposits paid for aircraft purchases	20	(2,053)	(287)
Deferred expenditure	19	(94)	-
Boeing subsidy received	30	100	-
<b>Net cash used in investing activities</b>		<b>(5,125)</b>	<b>(3,797)</b>
<b>Cash flows from financing activities</b>			
Borrowings received	28	5,207	-
Repayments of borrowings	28	(3,954)	(3,687)
Repayment of finance lease obligations	31	(227)	(137)
Dividends paid to Company's shareholders	14	(693)	(462)
Proceeds of maturity of short term deposits maturing over 90 days	24	2,204	807
<b>Net cash generated from / (used in) financing activities</b>		<b>2,537</b>	<b>(3,479)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,790</b>	<b>1,938</b>
Cash and cash equivalents at beginning of year		5,050	3,112
<b>Cash and cash equivalents at end of year</b>	<b>24</b>	<b>6,840</b>	<b>5,050</b>

The notes on pages 76 to 124 are an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2012

## 1 GENERAL INFORMATION

Kenya Airways Limited is incorporated in Kenya under the Companies Act as a public limited liability company, and is domiciled in Kenya. The address of its registered office is:

**P. O Box 19002-00501  
Nairobi  
Kenya**

The Company's shares are listed on the Nairobi Securities Exchange.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, and apply to both the Group and the Company unless otherwise stated.

### (a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and derivative instruments at fair value through profit or loss. The financial statements are presented in Kenyan Shillings (KShs), rounded to the nearest million.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### Changes in accounting policy and disclosures

#### (i) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 April 2011.

Standard	Title
IAS 1	Presentation of financial statements
IAS 24	Related party disclosures
IFRS 7	Financial instruments: Disclosures

- The amendment to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Group and Company was already disclosing the analysis of other comprehensive income on its statement of changes in equity.
- The amendment to IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. Related party disclosures have increased following adoption of this amendment.
- The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following;
  - Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
  - Fair value of collaterals; and
  - Renegotiated assets that would otherwise be past due but not impaired.
 The application of the above amendment has simplified financial risk disclosures made by the Group and Company.

Other amendments and interpretations to standards became mandatory for the year beginning 1 April 2011 but had no significant effect on the Group's financial statements.

# Notes to the Financial Statements cont'd

For the year ended 31 March 2012

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(cont'd)

### Changes in accounting policy and disclosures (cont'd)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Group and Company

Standard	Title	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements	1 July 2012
IFRS 9	Financial instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013

#### • IAS 1, Presentation of financial statements

The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

#### • IFRS 9, 'Financial instruments'

IFRS 9 was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and

those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Group and Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

#### • IFRS 10, 'Consolidated financial statements'

This is a new standard that replaces the consolidation requirements in SIC-12 Consolidation-Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

The revised definition of control focuses on the need to have both power and variable returns before control is present. The Group will need to consider the new guidance.

#### • IFRS 12, 'Disclosure of Interests in other entities'

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including interests in subsidiaries, associates, joint arrangements, special purpose entities and other off balance sheet vehicles. The Group is yet to assess IFRS 12s full impact.

#### • IFRS 13, 'Fair value measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group is yet to assess IFRS 13s full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Changes in accounting policy and disclosures (cont'd)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (cont'd)

#### • IAS 28, 'Investments in Associates and joint ventures'

Consequential amendments resulting from the issue of IFRS 10, 11 and 12.

IAS 28 is renamed and incorporates the accounting for joint ventures. The scope exception for venture capital organisations, or mutual funds, unit trusts and similar entities, including investment-linked insurance funds has been eliminated and has been characterized as a measurement exemption from the requirement to measure investments in associates and joint ventures using the equity method.

The revised IAS 28 permits an entity that has an investment in an associate, a portion of which is held indirectly through venture capital organisations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds to elect to measure that portion of the investment in the associate at fair value through profit or loss in accordance with IFRS 9 regardless of whether these entities have significant influence over that portion of the investment.

#### (b) 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 end of the reporting period 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.

#### (c) Consolidation

##### (i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Consolidation (cont'd)

##### (i) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

##### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest

as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

##### (iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Consolidation (cont'd)

#### (iv) Associates (cont'd)

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates are recognised in profit or loss.

#### (d) Functional currency and translation of foreign currencies

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kenyan Shillings (KShs)', which is the Company's functional currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign currency exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

##### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement amount are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

#### (e) Intangible assets

##### (i) Computer software costs

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets, when the following criteria have been met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) Intangible assets (cont'd)

##### (i) Computer software costs (cont'd)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

##### (ii) 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 statement of financial position. 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 is presented separately in the statement of financial position.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### (f) 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 statement of financial position 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 to profit or loss 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 profit or loss on the straight line basis over the term of the lease.

#### (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.

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 profit or loss in the period in which they are incurred.

#### (h) Employee entitlements

The estimated monetary liability for employees' accrued leave entitlements at the end of the reporting period is recognised as an expense accrual.

The group has an Employee Share Option Scheme (ESOP) set up during the initial Public Offering in 1996. The scheme is inactive and currently holds 1,970,500 shares.

#### (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 companies within the Group and employees.

The Group also makes contributions to the statutory pension schemes 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 profit or loss as they fall due. The Group has no further payment obligations once the contributions have been paid.

#### (j) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Current and deferred income tax (cont'd)

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials 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.

#### (l) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation or any recognised impairment loss. Properties in the course of construction are carried at 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.

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
Simulator	5.00

Vehicles and equipment	%
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 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 through profit or loss.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (n) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to fuel price risk and foreign currency exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### (o) Hedge accounting

The Group designates certain hedging instruments in respect of foreign currency risk and fuel price risk as cash flow hedges. At the inception of the hedge relationship, the Group 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 comprehensive income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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.

#### (p) Manufacturers' compensation (credits)

The Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. These credits are offset against the cost of new aircraft.

#### (q) Financial assets

##### (i) Classification

The Group and Company classifies its financial assets in the following categories: at fair value through profit or loss (the derivative financial instruments) and loans and receivables. The directors determine the appropriate classification of the financial assets at initial recognition.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (q) Financial assets (cont'd)

##### (i) Classification (cont'd)

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

##### 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 are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', and 'bank and cash balances' in the statement of financial position.

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 subsequently 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.

##### (ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised profit or loss when the Group' and Company's right to receive payments is established.

##### (iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### 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 Group 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 cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (r) Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

#### (s) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

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

Debt and equity instruments are classified as either financial liabilities or 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 trade payables and 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) 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 obligation and a reliable estimate can be made of the amount of the obligation.

#### (v) Frequent flyer programmes

Kenya Airways Limited is currently hosted on Air France's frequent flyer programme called Flying Blue. Under the Flying Blue programme, members earn miles by using both airline and non-airline partners. Kenya Airways Limited is required to pay Air France / 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 Limited earns revenue as miles are redeemed on its services.

#### (w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments. The Chief Operating Decision Maker is the Chief Executive Officer.

#### (x) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (y) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

#### (z) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

### 3 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 directors to exercise judgement in the process of applying the Group's accounting policies.

In the process of applying the Group's accounting policies, directors have 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:

#### (i) Critical accounting estimates and assumptions

##### Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the financial statements. Directors assess 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 directors' judgement, the carrying values of aircraft are not impaired as of the date of these financial statements.

##### 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 and 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.

##### 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.

#### (ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, the directors have made judgements in determining:

- the classification of financial assets and leases
- whether financial and non-financial assets are impaired
- the functional currency of the Company.

### 4 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 management 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, jet 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

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

highly volatile, commercial environment. Therefore, both opportunities and risks are encountered as part of everyday business for the Company and the Group.

The Group's ability to recognise, successfully control and manage risks early in their development and to identify and exploit opportunities is key to its ability to successfully realise the corporate vision.

#### (a) Market risk

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - interest rate risk, jet fuel price risk and foreign currency risk.

##### i) Interest rate risk

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

Most of the Group's debts are asset related, reflecting the capital intensive nature of the airline industry. At 31 March 2012, 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.

At 31 March 2012, an increase/decrease of 100 basis points would have resulted in an decrease/increase in consolidated post tax profit of KShs 1.7 Million (2011: KShs 1.2 Million), mainly as a result of higher/lower interest income on variable rate cash deposits.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### (a) Market risk (cont'd)

##### ii) Jet 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 2012. As at 31 March 2012 the Group had in place fuel hedging contracts for 80 percent of its anticipated fuel requirements for the period up to 31 March 2013 and 36 percent of anticipated fuel requirements for the period to 31 March 2014.

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

	2012		2011	
	KShs million Effect on profit	KShs million Effect on equity	KShs million Effect on profit	KShs million Effect on equity
Fuel price				
-1% Movement	407	407	248	248
+1% Movement	(407)	(407)	(248)	(248)

##### iii) 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 Shilling.

The sensitivity analysis presented below shows how profit and equity would change if the market risk variables had been different at the end of the reporting period with all other variables held constant.

	Group		Company	
	2012 KShs million Effect on profit/equity	2011 KShs million Effect on profit/equity	2012 KShs million Effect on profit/equity	2011 KShs million Effect on profit/equity
Currency-UK pounds				
+1% KShs Appreciation	90	83	88	81
-1% KShs Depreciation	(90)	(83)	(88)	(81)
Currency-Euro				
+1% KShs Appreciation	68	64	66	62
-1% KShs Depreciation	(68)	(64)	(66)	(62)
Currency-American dollars				
+1% KShs Appreciation	92	106	88	99
-1% KShs Depreciation	(92)	(106)	(88)	(99)

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### (a) Market risk (cont'd)

##### iii) Foreign currency risk (continued)

Below is a summary of the financial assets and liabilities of the Group denominated in various currencies at their carrying amounts at 31 March 2012:

Closing rate Currency	1 KES KShs million	83 USD KShs million	111.02 EUR KShs million	131.10 GBP KShs million	- Others KShs million	Total KShs million
<b>Financial assets:</b>						
Bank balances	1,428	2,257	(8)	(52)	3,215	6,840
Trade and other receivables	1,295	3,056	247	945	4,676	10,219
Derivative financial instruments	-	1,437	-	-	-	1,437
<b>Total</b>	<b>2,723</b>	<b>6,750</b>	<b>239</b>	<b>893</b>	<b>7,891</b>	<b>18,496</b>
<b>Financial liabilities:</b>						
Trade and other payables	3,391	4,176	319	366	788	9,040
Borrowings	-	26,869	-	-	-	26,869
Finance lease obligations	-	1,222	-	-	-	1,222
<b>Total</b>	<b>3,391</b>	<b>32,267</b>	<b>319</b>	<b>366</b>	<b>788</b>	<b>37,131</b>
<b>Net exposure</b>	<b>(668)</b>	<b>(25,517)</b>	<b>(80)</b>	<b>527</b>	<b>7,103</b>	<b>(18,635)</b>

Below is a summary of the financial assets and liabilities of the Company's denominated in various currencies at their carrying amounts at 31 March 2012:

Closing rate Currency	1 KES KShs million	83 USD KShs million	111.02 EUR KShs million	131.10 GBP KShs million	- Others KShs million	Total KShs million
<b>Financial assets:</b>						
Bank balances	1,289	2,074	(8)	(52)	3,216	6,519
Trade and other receivables	685	7,205	306	945	4,676	13,817
Derivative financial instruments	-	1,437	-	-	-	1,437
<b>Total</b>	<b>1,974</b>	<b>10,716</b>	<b>298</b>	<b>893</b>	<b>7,892</b>	<b>21,773</b>
<b>Financial liabilities:</b>						
Trade and other payables	4,704	9,143	(61)	316	770	14,872
Borrowings	-	26,869	-	-	-	26,869
Finance lease obligations	-	1,222	-	-	-	1,222
<b>Total</b>	<b>4,704</b>	<b>37,234</b>	<b>(61)</b>	<b>316</b>	<b>770</b>	<b>42,963</b>
<b>Net exposure</b>	<b>(2,730)</b>	<b>(26,518)</b>	<b>359</b>	<b>577</b>	<b>7,122</b>	<b>(21,190)</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### (a) Market risk (cont'd)

##### iii) Foreign currency risk (continued)

Below is a summary of the financial assets and liabilities of the Group denominated in various currencies at their carrying amounts at 31 March 2011:

Closing rate Currency	1 KES KShs million	83.25 USD KShs million	115 EUR KShs million	128 GBP KShs million	- Others KShs million	Total KShs million
<b>Financial assets:</b>						
Bank balances	1,015	891	99	42	3,003	5,050
Term deposits	2,204	-	-	-	-	2,204
Trade and other receivables	3,714	4,213	152	682	2,398	11,159
Derivative financial instruments	-	2,594	-	-	-	2,594
<b>Total</b>	<b>6,933</b>	<b>7,698</b>	<b>251</b>	<b>724</b>	<b>5,401</b>	<b>21,007</b>
<b>Financial liabilities:</b>						
Trade and other payables	4,435	3,217	398	99	842	8,991
Borrowings	-	25,449	-	-	-	25,449
Finance lease obligations	-	1,418	18	-	-	1,436
<b>Total</b>	<b>4,435</b>	<b>30,084</b>	<b>416</b>	<b>99</b>	<b>842</b>	<b>35,876</b>
<b>Net exposure</b>	<b>2,498</b>	<b>(22,386)</b>	<b>(165)</b>	<b>625</b>	<b>4,559</b>	<b>(14,869)</b>

Below is a summary of the financial assets and liabilities of the Company's denominated in various currencies at their carrying amounts at 31 March 2011:

Closing rate Currency	1 KES KShs million	83.25 USD KShs million	115 EUR KShs million	128 GBP KShs million	- Others KShs million	Total KShs million
<b>Financial assets:</b>						
Bank balances	968	852	99	42	3,003	4,964
Term deposits	2,204	-	-	-	-	2,204
Trade and other receivables	6,973	4,159	152	682	2,398	14,364
Derivative financial instruments	-	2,594	-	-	-	2,594
<b>Total</b>	<b>10,145</b>	<b>7,605</b>	<b>251</b>	<b>724</b>	<b>5,401</b>	<b>24,126</b>
<b>Financial liabilities:</b>						
Trade and other payables	9,792	3,187	398	99	842	14,318
Borrowings	-	25,449	-	-	-	25,449
Finance lease obligations	-	1,418	18	-	-	1,436
<b>Total</b>	<b>9,792</b>	<b>30,054</b>	<b>416</b>	<b>99</b>	<b>842</b>	<b>41,203</b>
<b>Net exposure</b>	<b>353</b>	<b>(22,449)</b>	<b>(165)</b>	<b>625</b>	<b>4,559</b>	<b>(17,077)</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### (b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

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.

Management perform cash flow forecasting and monitor rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn borrowing facilities (Note 28) at all times so that the Group and Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Summarised in the table below is the maturity profile of financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows:

Group	Less than 1 year KShs million	2 - 5 years KShs million	Over 5 years KShs million	Total KShs million
<b>31 March 2012</b>				
Borrowings	8,720	19,432	1,589	29,741
Finance lease obligations	239	1,068	-	1,307
Trade and other payables	8,968	-	-	8,968
Due to related parties	72	-	-	72
	<b>17,999</b>	<b>20,500</b>	<b>1,589</b>	<b>40,088</b>
<b>31 March 2011</b>				
Borrowings	4,936	18,944	6,132	30,012
Finance Lease obligations	258	1,311	-	1,569
Trade and other payables	8,949	-	-	8,949
Due to related parties	42	-	-	42
	<b>14,185</b>	<b>20,255</b>	<b>6,132</b>	<b>40,572</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### (b) Liquidity risk (continued)

Company	Less than 1 year	2 - 5 years	Over 5 years	Total
	KShs	KShs	KShs	KShs
	million	million	million	million
<b>31 March 2012</b>				
Borrowings	8,720	19,432	1,589	29,741
Finance lease obligations	239	1,068	-	1,307
Trade and other payables	8,646	-	-	8,646
Due to related parties	6,226	-	-	6,226
	<b>23,831</b>	<b>20,500</b>	<b>1,589</b>	<b>45,920</b>
<b>31 March 2011</b>				
Borrowings	4,936	18,944	6,132	30,012
Finance lease obligations	258	1,311	-	1,569
Trade and other payables	8,695	-	-	8,695
Due to related parties	5,623	-	-	5,623
	<b>19,512</b>	<b>20,255</b>	<b>6,132</b>	<b>45,899</b>

#### (c) Credit risk

The Group is exposed to credit risk which is the risk that the counter party will cause a financial loss to the Group by failing to discharge an obligation. Credit risk arises mainly from surplus funds held in the form of bank balances or short term deposits. 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 are maintained in 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.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### (c) Credit risk (continued)

Financial instruments whose carrying amounts do not represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in Note 39.

None of the Group's or Company's financial assets are either past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced). The trade receivables which were past due but not impaired relate to a number of independent customers for whom there is no history of default.

The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2012	2011	2012	2011
	KShs	KShs	KShs	KShs
	million	million	million	million
Past due but not impaired:				
- by up to 30 days	98	81	95	71
- by 31 to 60 days	13	169	2	166
- by over 61 days	694	1,147	659	1,140
<b>Total past due but not impaired</b>	<b>805</b>	<b>1,397</b>	<b>756</b>	<b>1,377</b>

	Group		Company	
	2012	2011	2012	2011
	KShs	KShs	KShs	KShs
	million	million	million	million
Receivables individually determined to be impaired:				
Carrying amount before provision for impairment loss	880	556	1,487	1,165
Provision for impairment loss	(880)	(556)	(1,487)	(1,165)
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### (d) Fair value hierarchy

The Group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy;

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	KShs million	KShs million	KShs million	KShs million
<b>31 March 2012</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	1,437	-	1,437
<b>31 March 2011</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	2,594	-	2,594

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 4 FINANCIAL RISK MANAGEMENT (cont'd)

#### (e) Capital risk management

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 2012, Kenya Airways Limited achieved a return on shareholder's equity of 7% (2011: 15%) in comparison to an effective interest rate of 5.5% incurred (2011: 5.3%) on borrowings.

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

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

	2012	2011
	KShs million	KShs million
Equity*	23,023	23,143
Total borrowings	26,869	25,449
Less: Bank and cash balances	(6,840)	(5,050)
Deposits with financial institutions	-	(2,204)
<b>Net borrowings</b>	<b>20,029</b>	<b>18,195</b>
<b>Net debt to equity ratio</b>	<b>87%</b>	<b>79%</b>

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

	2012	2011
	KShs million	KShs million
Equity*	20,303	20,663
Total borrowings	26,869	25,449
Less: Bank and cash balances	(6,519)	(4,964)
Deposits with financial institutions	-	(2,204)
<b>Net borrowings</b>	<b>20,350</b>	<b>18,281</b>
<b>Net debt to equity ratio</b>	<b>100%</b>	<b>88%</b>

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

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 5. SEGMENT INFORMATION AND REVENUE

#### (a) Segment information

The accounting policies of the reportable segments are the same as the Group's accounting policies applied in the last audited financial statements for the year ended 31 March 2011.

Directors have determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

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

The major part of the business of the Group falls under the category of aviation transport with income from other categories comprising less than 2% of total income.

Analysis of turnover according to business segments for the year ended 31 March 2012:

	Passenger	Freight and mail	Handling	Others	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Domestic	5,184	26	6	385	5,601
Foreign	89,968	8,785	1,863	1,680	102,296
	<b>95,152</b>	<b>8,811</b>	<b>1,869</b>	<b>2,065</b>	<b>107,897</b>

Analysis of turnover according to business segments for the year ended 31 March 2011:

	Passenger	Freight and mail	Handling	Others	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Domestic	3,715	25	6	680	4,426
Foreign	71,640	6,497	1,486	1,787	81,410
	<b>75,355</b>	<b>6,522</b>	<b>1,492</b>	<b>2,467</b>	<b>85,836</b>

Apart from Nairobi - Amsterdam and Nairobi - London routes which contribute 21% of turnover in aggregate, no single route contributes more than 10% of the total Group revenues.

Analysis of operating profit per business segments

	31 March 2012	31 March 2011
Passengers	692	3,083
Freight, mail and others	614	2,732
	<b>1,306</b>	<b>5,815</b>

Profit by business segment is only analysed between "Passengers" and "Freight, mail and others".

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 5 (a) SEGMENT INFORMATION AND REVENUE (cont'd)

#### (a) Segment information (cont'd)

##### 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 operating segments. Since the aircraft fleet is deployed flexibly across the Company's route network, providing information on non current assets by geographical and business segments is not considered meaningful.

No single external customer contributes 10% or more of the Group's revenues.

	2012 KShs million	2011 KShs million
<b>(b) Revenue</b>		
Passengers	95,152	75,355
Freight and Mail	8,811	6,522
Handling	1,869	1,492
Others	2,065	2,467
	<b>107,897</b>	<b>85,836</b>

### 6 EXPENSES BY NATURE

#### (a) Direct costs

Aircraft fuel and oil	40,714	24,778
Aircraft landing, handling and navigation	11,468	8,486
Aircraft maintenance	7,610	6,835
Passenger services	6,130	4,683
Commissions on sales	3,927	2,785
Aircraft, passenger and cargo insurance	502	487
Crew route expenses	2,624	2,221
Central reservation system and frequent flyer programme	3,521	2,561
Others	721	583
	<b>77,217</b>	<b>53,419</b>

#### b) Fleet ownership costs

Hire of aircraft and engines	6,821	5,902
Depreciation on aircraft and engines	3,015	3,622
Depreciation on rotables	308	272
Aircraft purchase subsidy (Note 30)	(174)	(174)
	<b>9,970</b>	<b>9,622</b>

**Notes to the Financial Statements cont'd**

For the year ended 31 March 2012

**6 EXPENSES BY NATURE (cont'd)**

<b>c) Overheads</b>	<b>2012</b>	<b>2011</b>
	<b>KShs million</b>	<b>KShs million</b>
<b>Administration</b>		
Employee costs (Note 6 (d) )	13,418	11,197
Legal and professional fees	327	306
Directors' remuneration (Note 36 (c) )	96	78
Audit fees	11	11
General expenses	2,329	1,906
	<b>16,181</b>	<b>13,498</b>
<b>Establishment</b>		
General maintenance and supplies	1,043	1,264
Depreciation on buildings, vehicles and other equipment	931	963
Amortisation of intangible assets and prepaid operating lease	326	286
	<b>2,300</b>	<b>2,513</b>
<b>Selling</b>		
Advertising and publicity	599	607
Bad debts expense	324	362
	<b>923</b>	<b>969</b>
<b>Total overheads</b>	<b>19,404</b>	<b>16,980</b>

**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:

<b>Costs</b>	<b>2012</b>	<b>2011</b>
	<b>KShs million</b>	<b>KShs million</b>
Wages and salaries	10,667	8,379
Contributions to retirement benefits	690	550
National Social Security Fund	10	9
Leave pay provision	224	498
Others	1,827	1,761
	<b>13,418</b>	<b>11,197</b>

**Notes to the Financial Statements cont'd**

For the year ended 31 March 2012

**6 EXPENSES BY NATURE (cont'd)**

	<b>2012</b>	<b>2011</b>
Employee numbers		
Kenya	4,170	3,952
Overseas	664	403
	<b>4,834</b>	<b>4,355</b>

**7 NET FINANCE COSTS**

	<b>2012</b>	<b>Group</b>
	<b>KShs million</b>	<b>2011</b>
		<b>KShs million</b>
<b>Finance costs</b>		
Interest expense:		
Interest payable on long term borrowings	(1,341)	(1,379)
<b>Finance income:</b>		
Interest income on short term bank deposits	244	172
<b>Net finance costs</b>	<b>(1,097)</b>	<b>(1,207)</b>

**8 FUEL DERIVATIVES GAINS**

<b>(a) Realised gains on fuel derivatives</b>		
Realised gains - Net receipts	2,508	298

The realised gains on the fuel derivatives represent receipts from counter parties for fuel derivatives that matured during the financial year.

	<b>2012</b>	<b>2011</b>
	<b>KShs million</b>	<b>KShs million</b>
<b>(b) Fair value movements</b>		
Fair value (losses) / gains on fuel derivatives	(41)	30

The fair value movements on fuel derivatives represent the changes in the fair value (mark to market) of the fuel derivatives that do not qualify for hedge accounting.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 9 OTHER GAINS/(LOSSES)

	2012 KShs million	Group 2011 KShs million
Foreign currency exchange (losses) / gains	(804)	361
Other costs	(215)	(107)
	<b>(1,019)</b>	<b>254</b>

### 10 PROFIT BEFORE INCOME TAX

The profit before taxation is arrived at after charging/(crediting):

Employee costs (Note 6 (d))	13,418	11,197
Depreciation of property, plant and equipment (Note 15 (a))	4,254	4,857
Amortisation of intangible assets (Note 16)	326	285
Auditors' remuneration	11	11
Directors' remuneration:		
Fees	14	12
Other emoluments	82	66
Inventories written off	64	73
Manufacturer's compensation on aircraft	(174)	(174)
(Profit)/ loss on disposal of property, plant and equipment	(156)	543

### 11 INCOME TAX EXPENSE

Current income tax		
Current tax on profits for the year	235	113
Deferred income tax		
Current year	251	1,290
Adjustments in respect of prior years	-	61
	<b>486</b>	<b>1,464</b>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 11 INCOME TAX EXPENSE (cont'd)

	2012 KShs million	Group 2011 KShs million
<b>Profit before income tax</b>	2,146	5,002
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2011: 30%)	644	1,500
Tax effect of:		
Share of results of associate recorded net of tax	(71)	56
Gain of deemed partial disposal of interest in associate	(75)	-
Other income not subject to tax	(147)	(162)
Expenses not deductible for tax purposes	135	120
Utilisation of previously unrecognised tax losses	-	11
Prior year deferred tax on overprovision	-	(61)
<b>Income tax expense</b>	<b>486</b>	<b>1,464</b>

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
<b>Taxation recoverable</b>				
At beginning of year	835	832	817	782
Charge for the year	(235)	(113)	(89)	-
Paid during the year	164	116	34	35
<b>At end of year</b>	<b>764</b>	<b>835</b>	<b>762</b>	<b>817</b>
<b>Analysed:</b>				
Taxation recoverable	780	840	762	817
Taxation payable	(16)	(5)	-	-
<b>Net tax recoverable</b>	<b>764</b>	<b>835</b>	<b>762</b>	<b>817</b>

### 12 PROFIT FOR THE YEAR

The profit for the year amounted to KShs 1,660 million (2011: KShs 3,538 million) of which KShs 823 million (2011: KShs 3,454 million) has been dealt with in the accounts of the Company.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 13 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2012	2011
Profit attributable to equity holders of the Company (KShs million)	1,652	3,535
Weighted average number of ordinary shares (million)	462	462
Basic earnings per share (KShs)	3.58	7.65

There were no potentially dilutive shares outstanding as at 31 March 2012 or 2011. Diluted earnings per share are therefore the same as basic earnings per share.

### 14 DIVIDENDS

	*Expected at the date of payment	At 31 March 2012	At 31 March 2011
Dividends - proposed (KShs million)	374	374	693
Number of ordinary shares (million)	1,496	462	462
Dividend per share (KShs)	0.25	0.81	1.5

A dividend of KShs 1.50 per share amounting to KShs 693 million relating to the year ended 31 March 2011 was approved at the last Annual General Meeting and paid during the year.

In respect of the current financial year, the directors propose a first and final dividend totalling to KShs 374 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 end of the reporting period.

\*Subsequent to the statement of financial position date, an additional 1,034,853,551 ordinary shares were issued in a Rights issue. The new shares are expected to participate in the dividends to be paid after approval by shareholders at the forthcoming Annual General Meeting.

The movement in the unclaimed dividends account is as follows:

	2012 Kshs million	2011 Kshs million
At beginning of year	109	109
Declared during the year	693	462
Paid during the year	(693)	(462)
<b>At the end of year (note 33)</b>	<b>109</b>	<b>109</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 15 PLANT, PROPERTY AND EQUIPMENT

#### (a) Group

	Freehold land & buildings KShs million	Aircraft engines and rotables KShs million	Vehicles & ground service equipment KShs million	In-complete Projects KShs million	Total KShs million
<b>Cost</b>					
At 1 April 2010	3,740	62,284	6,991	1,257	74,272
Additions	337	1,770	718	361	3,186
Aircraft deposit capitalised	-	86	-	-	86
Assets purchased through finance lease obligations	-	1,491	35	-	1,526
Transfer from incomplete projects	69	353	255	(716)	(39)
Disposals	(24)	(1,574)	(27)	-	(1,625)
Transfer to intangible assets	-	-	(5)	-	(5)
<b>At 31 March 2011</b>	<b>4,122</b>	<b>64,410</b>	<b>7,967</b>	<b>902</b>	<b>77,401</b>

#### Depreciation

At 1 April 2010	474	17,420	4,837	54	22,785
Charge for the year	101	3,894	862	-	4,857
Eliminated on disposal	(8)	(1,000)	(27)	-	(1,035)
<b>At 31 March 2011</b>	<b>567</b>	<b>20,314</b>	<b>5,672</b>	<b>54</b>	<b>26,607</b>

#### Net Book Value

<b>At 31 March 2011</b>	<b>3,555</b>	<b>44,096</b>	<b>2,295</b>	<b>848</b>	<b>50,794</b>
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#### Cost

At 1 April 2011	4,122	64,410	7,967	902	77,401
Additions	17	2,154	753	334	3,258
Transfer from incomplete projects	-	-	3	(397)	(394)
Transfer to incomplete projects	-	-	(16)	16	-
Disposals	(13)	(217)	(48)	-	(278)
<b>At 31 March 2012</b>	<b>4,126</b>	<b>66,347</b>	<b>8,659</b>	<b>855</b>	<b>79,987</b>

#### Depreciation

At 1 April 2011	567	20,314	5,672	54	26,607
Charge for the year	95	3,323	836	-	4,254
Eliminated on disposal	(5)	(194)	(48)	-	(247)

#### At 31 March 2012

<b>657</b>	<b>23,443</b>	<b>6,460</b>	<b>54</b>	<b>30,614</b>	
<b>Net Book Value</b>					
<b>At 31 March 2012</b>	<b>3,469</b>	<b>42,904</b>	<b>2,199</b>	<b>801</b>	<b>49,373</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 15 PLANT, PROPERTY AND EQUIPMENT (cont'd)

#### (b) Company

	Freehold land & buildings KShs million	Aircraft engines and rotables KShs million	Vehicles & ground service equipment KShs million	In-complete Projects KShs million	Total KShs million
<b>Cost</b>					
At 1 April 2010	3,237	62,284	6,721	1,164	73,406
Additions	337	1,770	676	348	3,131
Aircraft deposit capitalised	-	86	-	-	86
Purchase through finance lease	-	1,491	35	-	1,526
Transfer from incomplete projects	69	353	161	(621)	(38)
Transfer to intangible assets	-	-	(5)	-	(5)
Disposals	(24)	(1,574)	(27)	-	(1,625)
<b>At 31 March 2011</b>	<b>3,619</b>	<b>64,410</b>	<b>7,561</b>	<b>891</b>	<b>76,481</b>
<b>Depreciation</b>					
At 1 April 2010	335	17,420	4,568	54	22,377
Charge for the year	89	3,894	853	-	4,836
Eliminated on disposal	(8)	(1,000)	(27)	-	(1,035)
<b>At 31 March 2011</b>	<b>416</b>	<b>20,314</b>	<b>5,394</b>	<b>54</b>	<b>26,178</b>
<b>Net Book Value</b>					
<b>At 31 March 2011</b>	<b>3,203</b>	<b>44,096</b>	<b>2,167</b>	<b>837</b>	<b>50,303</b>
<b>Cost</b>					
At 1 April 2011	3,619	64,410	7,561	891	76,481
Additions	17	2,154	731	323	3,225
Transfer from incomplete projects	-	-	3	(397)	(394)
Transfer to incomplete projects	-	-	(16)	16	-
Disposals	(13)	(217)	(48)	-	(278)
<b>At 31 March 2012</b>	<b>3,623</b>	<b>66,347</b>	<b>8,231</b>	<b>833</b>	<b>79,034</b>
<b>Depreciation</b>					
At 1 April 2011	416	20,314	5,394	54	26,178
Charge for the year	82	3,323	818	-	4,223
Eliminated on disposal	(5)	(194)	(48)	-	(247)
<b>At 31 March 2012</b>	<b>493</b>	<b>23,443</b>	<b>6,164</b>	<b>54</b>	<b>30,154</b>
<b>Net Book Value</b>					
<b>At 31 March 2012</b>	<b>3,130</b>	<b>42,904</b>	<b>2,067</b>	<b>779</b>	<b>48,880</b>

For both Group and Company, the net book value of aircraft charged as security for loans obtained to finance the purchase of the aircraft is KShs 39,199 million (2011 : KShs 41,076 million).

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 16 INTANGIBLE ASSETS

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
<b>Cost</b>				
At beginning of the year	2,135	1,720	2,113	1,708
Additions for the year	326	371	326	362
Transfer from incomplete projects	394	39	394	38
Transfer from property plant and equipment	-	5	-	5
<b>At end of the year</b>	<b>2,855</b>	<b>2,135</b>	<b>2,833</b>	<b>2,113</b>
<b>Amortisation</b>				
At beginning of the year	1,106	821	1,092	809
Amortisation for the year	326	285	323	283
<b>At end of the year</b>	<b>1,432</b>	<b>1,106</b>	<b>1,415</b>	<b>1,092</b>
<b>Net Book Value</b>	<b>1,423</b>	<b>1,029</b>	<b>1,418</b>	<b>1,021</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.

### 17 PREPAID OPERATING LEASES

	Group and Company	
	2012 KShs million	2011 KShs million
<b>Cost</b>		
At beginning of year	8	8
<b>At end of year</b>	<b>8</b>	<b>8</b>
<b>Amortisation</b>		
At beginning of year	3	2
Amortisation during the year	*-	1
<b>At end of year</b>	<b>3</b>	<b>3</b>
<b>Net Book Value</b>	<b>5</b>	<b>5</b>

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

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 17 PREPAID OPERATING LEASES (CONTINUED)

Prepaid operating lease rentals relate to the cost incurred to acquire interests in leasehold buildings. The costs are carried in the financial statements as long term prepayments and amortised to profit or loss on the straight line basis over the terms of the related buildings.

### 18 INVESTMENTS

#### (a) Investment in subsidiaries

Details of investment	Country of incorporation	Activity	2012 % of equity interest	2011 % of equity interest	2012 KShs million	2011 KShsmillion
Kenya Airfreight Handling Limited (2,550,000 shares of KShs 20 each)	Kenya	Cargo handling for perishable products	51%	51%	51	51
Flamingo Airlines Limited (5,000 shares of KShs 20 each)	Kenya	Dormant	100%	100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Dormant	100%	100%	-	19
African Cargo Handling Limited (5,753,822 shares of KShs 100 each)	Kenya	Cargo handling	100%	100%	384	384
<b>At 31 March</b>					<b>435</b>	<b>454</b>

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

The investment in Kencargo Airlines International Limited was fully provided for in the current year since the Company has been inactive, casting doubt on the recoverability and valuation of the investment.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 18 INVESTMENTS (cont'd)

#### (b) Other Investments

	2012 KShsmillion	2011 KShs million
(i) African Tours and Hotels Limited:		
(100,398 ordinary shares of KShs 20 each)	2	2
Less: provision for impairment	(2)	(2)
<b>Carrying value</b>	<b>-</b>	<b>-</b>

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) SITA SC:

The company holds 9 (2011:9) shares in SITA SC 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.

#### (c) Investment in associates

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
Precision Air Services Limited:				
At beginning of the year	338	526	155	155
Share of net results for the year	238	(188)	-	-
Share of the comprehensive income	(597)	-	-	-
Gain on deemed partial disposal of interest in associate*	251	-	-	-
<b>At end of the year</b>	<b>230</b>	<b>338</b>	<b>155</b>	<b>155</b>

\* During the year, Kenya Airways Limited's investment in Precision Air Services Limited, an associate incorporated in Tanzania, was diluted from 49% to 41.23% following an initial public offer in the associate which Kenya Airways did not participate in. However, there was a net gain of KShs 251 Million on dilution resulting from the capital injection from the initial public offer.

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 cont'd

For the year ended 31 March 2012

### 18 INVESTMENTS (cont'd)

#### (c) Investment in associates (continued)

Summarised financial information in respect of the Associate is set out below:

	2012 KShs million	2011 KShs million
Total assets	12,613	9,902
Total liabilities	(11,616)	(8,743)
Net assets	997	1,159
Less: Adjustment to align accounting policies with Group*	(440)	(466)
	<b>557</b>	<b>693</b>
Group's share of net assets of associate	230	338
Total revenue	9,034	5,781
Profit / (loss) for the year	470	(384)
Group's share of profit / (loss) of associate	238	(188)
Group's share of associate's contingent liabilities	14	37

\* The Associate carries aircraft and aircraft components at revalued amounts, which is not in line with the Group policy of accounting for all Property, plant and equipment at cost less accumulated depreciation or any recognised impairment loss. As a result, the revaluation reserve in the Associate's financial statements is excluded from the computation of Kenya Airways Limited's share of net assets in the Associate.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 19 DEFERRED EXPENDITURE

	Group and Company	
	2012 KShs million	2011 KShs million
<b>Cost</b>		
At beginning of year	-	299
Additions	94	-
Disposals	-	(299)
<b>At end of year</b>	<b>94</b>	<b>-</b>
<b>Amortisation</b>		
At beginning of year	-	299
Eliminated on disposal	-	(299)
<b>At end of year</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>		
<b>At 31 March</b>	<b>94</b>	<b>-</b>

The deferred expenditure relates to B767 aircraft interiors refurbishment cost. This amount is refundable by Boeing upon delivery of B777 aircraft. The amount in the previous year related to costs incurred in preparation of refurbishment of a leased Boeing 767 (5Y KQQ). The costs were amortised on a straight line basis over the term of the lease. The aircraft was re-delivered to the lessor in October 2010.

### 20 AIRCRAFT DEPOSITS

	Group and Company	
	2012 KShs million	2011 KShs million
Deposits for aircraft leases under long-term operating leases	693	631
Deposits paid towards acquisition of aircraft	3,671	2,166
	<b>4,364</b>	<b>2,797</b>

The deposits under long-term operating leases relate to lease of aircraft and engines of Boeing 737's, Boeing 767's, Boeing 777's Embraer E170's and Embraer E190's.

The deposits paid towards acquisition of aircraft represent amounts paid to Boeing Corporation towards acquisition of nine Boeing 787-8 aircraft, one Boeing 777-300ER and ten Embraer E190, scheduled for delivery between 2013 and 2015. These deposits do not earn any interest and are carried at amortised cost.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 20 AIRCRAFT DEPOSITS (cont'd)

	Group and Company	
	2012	2011
	KShs million	KShs million

The movement in the aircraft deposits is as follows:

At beginning of year	2,797	2,351
Additional deposits paid	2,053	287
Deposit refunded	(318)	-
Amortisation*	2	17
Capitalised deposit (note 15)	-	(86)
Foreign exchange differences	(170)	228
<b>At end of year</b>	<b>4,364</b>	<b>2,797</b>

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

### 21 FUEL DERIVATIVES - GROUP AND COMPANY

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 end of the reporting period to the contractual maturity.

#### (a) Maturity analysis of derivatives at fair value through profit or loss:

	1-6 months	7-9 months	10-12 months	1-2 years	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
<b>31 March 2012</b>					
Swaps	-	-	-	-	-
Options	955	271	101	110	1,437
	<b>955</b>	<b>271</b>	<b>101</b>	<b>110</b>	<b>1,437</b>
<b>31 March 2011</b>					
Swaps	898	449	-	-	1,347
Options	835	140	140	132	1,247
	<b>1,733</b>	<b>589</b>	<b>140</b>	<b>132</b>	<b>2,594</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 21 FUEL DERIVATIVES - GROUP AND COMPANY (cont'd)

	Group and Company	
	2012	2011
	KShs million	KShs million

#### b) Derivative asset

Within one year	1,327	2,462
Between one and two years	110	132
	<b>1,437</b>	<b>2,594</b>

### 22 INVENTORIES

Aircraft consumables inventories	2,089	1,506
Other inventories	594	401
	<b>2,683</b>	<b>1,907</b>

The cost of inventories recognised as an expense and included in the consolidated 'Direct costs' amounted to KShs 936 Million (2011: KShs 932 Million).

### 23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	KShs million	KShs million	KShs million	KShs million
Trade and other receivables	11,099	11,715	15,304	15,529
Less: Provision for impairment	(880)	(556)	(1,487)	(1,165)
	<b>10,219</b>	<b>11,159</b>	<b>13,817</b>	<b>14,364</b>

#### Analysed as follows:

Trade - airlines	837	952	774	927
Trade - agents	5,722	6,906	5,599	6,836
Trade - others	1,296	812	1,285	764
Trade - Government ministries and parastatals	59	70	59	70
Prepayments	1,179	1,818	1,164	1,812
Staff receivables	186	68	186	68
Other receivables	834	533	827	534
Due from related parties (Note 36 (b))	106	-	3,923	3,353
	<b>10,219</b>	<b>11,159</b>	<b>13,817</b>	<b>14,364</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 23 TRADE AND OTHER RECEIVABLES (cont'd)

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2012	2011	2012	2011
At beginning of year	556	2,010	1,165	2,618
Provision in the year	324	362	322	358
Receivables written off during the year as uncollectible	-	(1,816)	-	(1,811)
<b>At end of year</b>	<b>880</b>	<b>556</b>	<b>1,487</b>	<b>1,165</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group and Company does not hold any collateral as security.

The fair value of trade and other receivables approximates their carrying value.

### 24 BANK AND CASH BALANCES

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
Cash in hand and at bank	5,836	4,545	5,515	4,459
Short term deposits maturing within 90 days	1,004	505	1,004	505
Short term deposits maturing between 90 and 182 days	-	2,204	-	2,204
	<b>6,840</b>	<b>7,254</b>	<b>6,519</b>	<b>7,168</b>

The effective interest rates on short term deposits ranged from 6% - 26.25% (2011: 4% - 6.5%) depending on the country where the deposit has been placed.

### 25 SHARE CAPITAL

Group and Company	Number of shares (Thousands)	Ordinary shares KShs million	Total KShs million
<b>Authorised:</b>			
2,000,000,000 ordinary shares of KShs 5 each	2,000,000	10,000	10,000
<b>Issued and fully paid:</b>			
As at 1 April 2010, 31 March 2011 and 31 March 2012			
461,615,484 ordinary shares of KShs 5 each	461,615	2,308	2,308

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 25 SHARE CAPITAL (cont'd)

During an Annual General Meeting held on 14 October 2011, a resolution was passed by the shareholders to increase the authorised share capital from KShs 5 Billion to KShs 10 Billion divided into 2 Billion ordinary shares of Ksh 5 each, by creation of additional 1 billion shares to rank pari passu in all respects with the existing ordinary shares of the Company.

Subsequent to 31 March 2012, an additional 1,034,853,551 ordinary shares (Shs 14,488 million) were issued in a Rights issue concluded in June 2012.

### 26 RESERVES

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
<b>Revenue reserves</b>	21,298	20,021	18,042	17,594
<b>Cash flow hedging reserve, net of tax</b>				
Hedged exchange differences on borrowings	(1,427)	(1,718)	(1,427)	(1,718)
Fuel hedge contracts	1,006	1,786	1,006	1,786
Share of associate reserves	(597)	-	-	-
	<b>(1,018)</b>	<b>68</b>	<b>(421)</b>	<b>68</b>
	<b>20,280</b>	<b>20,089</b>	<b>17,621</b>	<b>17,662</b>

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

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in 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 relevant accounting policy.

Losses of KShs 582 million (2011: 195 Million) have been transferred from equity into profit or loss during the year.

### 27 NON CONTROLLING INTERESTS

	2012 KShs million	2011 KShs million
<b>Stamina Group B.V</b>		
At beginning of year	53	50
Share of profit for the year	8	3
<b>At end of year</b>	<b>61</b>	<b>53</b>
<b>Represented by:</b>		
Holding in Kenya Airfreight Handling Limited	49%	49%

**Notes to the Financial Statements cont'd**

For the year ended 31 March 2012

**28 BORROWINGS**

**(a) Analysis of interest bearing loans and borrowings:**

	2012 Average interest rates	Maturities	Group and Company	
			2012 KShsmillion	2011 KShsmillion
Citibank NA - Aircraft loans	5.36%	2007-2019	6,111	-
Barclays Bank PLC - Aircraft loans	4.84%	2005-2014	15,574	18,617
ABN AMRO Bank - Aircraft loans	5.37%	2007-2019	-	6,832
Co-operative Bank - Engine loan	4.55%	2016	629	-
Short Term Facilities	7.4%	2013-2014	4,555	-
			<b>26,869</b>	<b>25,449</b>

The loans were obtained for the purpose of funding aircraft acquisition; aircraft spare engines and for pre-delivery payments for ordered aircraft.

The Barclays Bank PLC and Citibank N.A loans are repayable over periods of twelve years from the dates of disbursement of each loan. The loans were advanced to Swara Aircraft Financing Limited, Ndovu Aircraft Financing Limited, Nyati Aircraft Financing Limited and Kifaru Aircraft Financing Limited by Barclays Bank PLC and to Chui Aircraft Financing Limited by Citibank N.A and are guaranteed by Export-Import Bank of the United States of America (Eximbank). The aircraft are registered in the name of Swara Aircraft Financing Limited, Ndovu Aircraft Financing Limited, Nyati 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.

Co-operative Bank financed the acquisition of an Embraer spare engine. The loan is on a one year moratorium and repayable over a period of five years starting June 2012. The short term facilities were draw down from Barclays Bank, Standard Chartered Bank, Kenya Commercial Bank, Equity Bank and Ecobank for the financing of pre-delivery payments for ordered aircraft.

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

	Group and Company	
	2012 KShs million	2011 KShs million
The borrowings are made up as follows:		
Within one year	7,715	3,699
Between two and five years	17,887	19,228
Later than 5 years	1,267	2,522
<b>Total borrowings</b>	<b>26,869</b>	<b>25,449</b>

**Notes to the Financial Statements cont'd**

For the year ended 31 March 2012

**28 BORROWINGS (cont'd)**

**(c) The movement in the borrowings is as follows:**

	2012 KShs million	2011 KShs million
At beginning of the year	25,449	26,920
Additions	5,207	-
Repaid in the year	(3,954)	(3,687)
Exchange difference	167	2,216
<b>At end of year</b>	<b>26,869</b>	<b>25,449</b>

The exchange differences have been dealt with as follows:

	Group and Company	
	2012 KShs million	2011 KShs million
Total exchange differences on borrowings	(167)	(2,216)
Realised on settlement of loans	582	195
<b>Net hedge effect</b>	<b>415</b>	<b>(2,021)</b>

The Group has multi-currency credit line facilities with a total value of KShs 24,095 million (2011: KShs 21,780 million) with various local and international banks for tenures of one year and renewable. At 31 March 2012, the Group had utilised guarantees amounting to KShs 6,769 million (2011: KShs 1,757 million) against these facilities leaving an unutilised facility of KShs 17,326 million (2011: KShs 20,023 million).

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 29 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2011: 30%). The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
<b>Deferred tax assets</b>				
Leave pay provision	(259)	(208)	(259)	(209)
Other provisions	(84)	(231)	(80)	(230)
Tax losses	-	(224)	-	(219)
Hedge losses	(181)	-	(181)	-
	<b>(524)</b>	<b>(663)</b>	<b>(520)</b>	<b>(658)</b>
<b>Deferred tax liabilities</b>				
Accelerated capital allowances	8,842	8,799	8,863	8,820
Unrealised exchange gain	-	111	-	111
Hedge gains	-	30	-	30
	<b>8,842</b>	<b>8,940</b>	<b>8,863</b>	<b>8,961</b>
<b>Net deferred tax liability</b>	<b>8,318</b>	<b>8,277</b>	<b>8,343</b>	<b>8,303</b>
<b>Comprising:</b>				
Deferred tax asset	(25)	(26)	-	-
Deferred tax liability	(8,343)	8,303	8,343	8,303
<b>Net deferred tax liability</b>	<b>8,318</b>	<b>8,277</b>	<b>8,343</b>	<b>8,303</b>

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

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
At beginning of year	8,277	6,886	8,303	6,918
Income statement charge (note 11)	251	1,351	250	1,345
Deferred tax dealt with in other comprehensive income	(210)	40	(210)	40
<b>At end of year</b>	<b>8,318</b>	<b>8,277</b>	<b>8,343</b>	<b>8,303</b>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 30 DEFERRED INCOME - COMPENSATION FROM MANUFACTURER

	Group and Company	
	2012 KShs million	2011 KShs million
At beginning of year	2,406	2,580
Additions	100	-
Released to income	(174)	(174)
<b>At end of year</b>	<b>2,332</b>	<b>2,406</b>
<b>Deferred income comprises:</b>		
Amounts due within one year	174	174
Amounts due after one year	2,158	2,232
	<b>2,332</b>	<b>2,406</b>

### 31 FINANCE LEASE OBLIGATIONS

	Group and Company	
	2012 KShs million	2011 KShs million
At beginning of year	1,436	-
Additions	-	1,526
Repaid in the year	(227)	(137)
Exchange difference	13	47
<b>At end of year</b>	<b>1,222</b>	<b>1,436</b>

During the year 2011, the Group acquired two Boeing 737 aircraft as well as ground handling equipment through finance lease. These leases are repayable over a period of four and two years respectively.

### Finance lease obligations comprises:

	Group and Company	
	2012 KShs million	2011 KShs million
Amounts due within one year	199	335
Amounts due after one year	1,023	1,101
	<b>1,222</b>	<b>1,436</b>

### 32 SALES IN ADVANCE OF CARRIAGE

	Group and Company	
	2012 KShs million	2011 KShs million
Passengers	6,492	8,705
Cargo	136	305
	<b>6,628</b>	<b>9,010</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 33 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
Trade payables	6,504	6,254	6,311	6,115
Other payables and accruals	1,492	1,880	1,363	1,773
Accruals for staff leave entitlements (note 34)	863	706	863	698
Due to related parties (note 36)	72	42	6,226	5,623
Unclaimed dividends	109	109	109	109
	<b>9,040</b>	<b>8,991</b>	<b>14,872</b>	<b>14,318</b>

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

### 34 ACCRUALS FOR STAFF LEAVE ENTITLEMENTS

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
At beginning of year	706	1,253	698	1,242
Leave entitlement for the year	216	499	216	493
Amounts utilised during the year	(59)	(1,046)	(51)	(1,037)
<b>At end of year</b>	<b>863</b>	<b>706</b>	<b>863</b>	<b>698</b>

### 35 CASH GENERATED FROM OPERATIONS

#### (a) Cash generated from operations

	2012 KShs million	2011 KShs million
Profit before income tax	2,146	5,002
<b>Adjustments for:</b>		
Depreciation (Note 15)	4,254	4,857
Amortisation of intangible assets (Note 16)	326	285
Amortisation of prepaid lease rentals (Note 17)	-	1
Aircraft purchase subsidy released to income (Note 30)	(174)	(174)
(Profit) /loss on disposal of property, plant and equipment (Note 10)	(156)	543
Share of results of associate company (Note 18 (c))	(238)	188
Gain on deemed disposal of associate company (Note 18 (c))	(251)	-
Amortisation of aircraft deposits (Note 20)	(2)	(17)
Unrealised exchange differences	183	(179)
Exchange differences on settlement of loans (Note 28)	582	195
Fair value movements on fuel derivatives (Note 8)	41	(30)
Interest expense (Note 7)	1,341	1,379
Interest income (Note 7)	(244)	(172)

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 35 CASH GENERATED FROM OPERATIONS (cont'd)

#### (a) Cash generated from operations (continued)

##### Working capital changes:

	2012 KShs million	2011 KShs million
Increase in inventories	(776)	(364)
Decrease /(increase) in trade and other receivables	940	(2,106)
(Decrease) / increase in sales in advance of carriage	(2,382)	310
Increase in trade and other payables	49	819
<b>Cash generated from operations</b>	<b>5,639</b>	<b>10,537</b>

#### (b) Cash and cash equivalents

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

	2012 KShs million	2011 KShs million
Cash in hand and at bank	5,836	4,545
Short term deposits maturing within 90 days	1,004	505
	<b>6,840</b>	<b>5,050</b>

In year 2011, cash and cash equivalents in the statement of cash flows, excludes deposits with financial institutions amounting to KShs 2,204 million with a maturity period greater than 90 days but less than one year. There were no such deposits in the current year.

	2012 KShs million	2011 KShs million
Balance inclusive of investments with maturity greater than 90 days but less than one year.	<b>6,840</b>	<b>7,254</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 36 RELATED PARTY TRANSACTIONS

#### a) Nature of related party transactions

During the year, companies within the Group entered into transactions with related parties who are not members of the Group. Details of 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 Limited holds 41.23% (2011: 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 Limited, KLM Royal Dutch Airlines and Precision Air Services Limited 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.

#### b) Related companies balances

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

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
<b>(i) Due from related companies</b>				
Precision Air Services Limited	37	-	37	-
Stamina Group B.V	69	-	-	-
Kenya Airfreight Handling Limited	-	-	115	83
African Cargo Handling Limited	-	-	3,771	3,270
	<b>106</b>	<b>-</b>	<b>3,923</b>	<b>3,353</b>
<b>(ii) Due to related companies</b>				
KLM	13	-	-	-
Stamina Group B.V	59	42	-	-
Kenya Airfreight Handling Limited	-	-	48	48
African Cargo Handling Limited	-	-	6,178	5,575
	<b>72</b>	<b>42</b>	<b>6,226</b>	<b>5,623</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 36 RELATED PARTY TRANSACTIONS (cont'd)

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 Limited. It also includes an amount of KShs 19.6 million loan secured by KAHL from Kenya Airways Limited. 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	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
Salaries and other benefits	246	213	236	204
Non monetary benefits	10	10	9	9
	<b>256</b>	<b>223</b>	<b>245</b>	<b>213</b>

Directors' remuneration (included in key management compensation above):

	Group		Company	
	2012 KShs million	2011 KShs million	2012 KShs million	2011 KShs million
As executives	82	66	82	66
As non executives	14	12	14	12
	<b>96</b>	<b>78</b>	<b>96</b>	<b>78</b>
Non - monetary benefits	5	5	5	5
	<b>101</b>	<b>83</b>	<b>101</b>	<b>83</b>

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 37 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:

	2012 KShs million	Group	2011 KShs million
Authorised and contracted for	121,313		96,673
Authorised but not contracted for	6,503		4,646
	<b>127,816</b>		<b>101,319</b>

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

### 38 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:

	2012 KShs million	Group	2011 KShs million
Within one year	6,350		5,698
After one year but not more than five years	12,311		15,035
More than five years	2,680		1,964
	<b>21,341</b>		<b>22,697</b>

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.

### 39 CONTINGENCIES

#### a) Contingent liabilities

	2012 KShs million	Group	2011 KShs million
Guarantees	6,769		1,757
Litigation	643		419
	<b>7,412</b>		<b>2,176</b>

#### 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 these guarantees.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### 39 CONTINGENCIES (cont'd)

#### Litigation

##### Douala crash - KQ507

A leased aircraft, Boeing 737-800 (registration mark 5Y-KYA) operating as flight number KQ507 crashed shortly after take-off from Douala airport in Cameroon on 5th May 2007. All the 105 passengers and 9 crew members on board perished in the accident. The investigation of the accident carried out under the auspices of the Cameroon civil aviation authorities is now complete. Kenya Airways Limited is fully insured for any legal obligations arising out of the accident.

##### i) Claims

The claim in connection with the hull of the aircraft was concluded within three weeks of the accident with a direct payment to the aircraft lessor.

Kenya Airways Limited is fully conversant with its legal obligations with regard to compensation to the families. Negotiations with the next of kin and their lawyers are ongoing and a number of full and final settlements have already been concluded.

##### ii) Site clear up

After the accident there had been concerns locally that the accident site had not been made sufficiently safe and secure. On 30 December 2008, the Cameroon Prime Minister appointed a local committee to oversee a clean up and restoration of the site of the accident. Kenya Airways was asked to nominate a representative and did so. To our knowledge, there have been no further developments since this date regarding the site clear up. We suspect that given the site is located in a tidal mangrove swamp, is difficult to access and the nearest habitation is some distance from the site, it will be very difficult for the committee to achieve its aims in any event.

##### iii) Criminal action in Cameroon

A Criminal investigation into the accident was opened in the Court of First Instance in Ndokoti, Douala, Cameroon in November 2009. This is separate and distinct from the investigation undertaken by the Official Accident Investigation Commission in accordance with Annex 13 Chicago Convention. The purpose of the criminal process is to establish whether there has been any criminal wrongdoing.

A number of hearings took place. Notwithstanding subsequent publication of the official accident report, the Magistrate has indicated that he wishes to continue with his investigations. It is unclear when the next hearing may be and there have been no recent developments.

##### iv) Coroner's Inquest

We have recently been notified of a Coroner's Inquest in England to consider the deaths of the British nationals on board. KQ has already arranged for representation and approached insurers for their support in the handling of this matter.

## Notes to the Financial Statements cont'd

For the year ended 31 March 2012

### LITIGATION (cont'd)

#### Abidjan crash - KQ 431

On 30 January 2000, a Kenya Airways Airbus 310 aircraft registration 5Y-BEN on flight KQ431 from Abidjan (Ivory Coast) to Nairobi crashed into the sea. A total of 169 passengers perished in the crash. KQ negotiated and reached agreement in majority of the claims.

A criminal investigation was initiated to establish if there was evidence of wrong doing on the part of the Company that led to the fatal accident. The investigating Magistrate put KQ under investigation on 29 September 2010. Insurers have agreed to meet the cost of any defence (i.e the cost of legal representation in the process).

#### List of Material Litigation

- a) Civil Suit No. 151 of 2009 (Uganda) - breach of contract claim in which the plaintiff seeks special and general damages;
- b) FHC/I/CS/1221/2002 (Nigeria) - claim for special and general damages for non-delivery of textile materials; and
- c) Nairobi Industrial Court Cause No. 539 of 2011 (Kenya)- action against the Company by a former employee.

There are other 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 disclosures have not been made for each case as these may be prejudicial to the position of the Group.

#### Kenya Revenue Authority tax assessment

In the year 2011, the Kenya Revenue Authority (KRA) issued an assessment to the Company in respect of various indirect taxes for prior years which the Company disputed. Negotiations with KRA were finalised in the year under review and all principal taxes paid. Management has further applied for a waiver on the penalties and interest on the tax matters, but these are yet to be granted.

#### (b) Contingent assets

	Group	
	2012	2011
	KShs million	KShs million
Litigation	-	170

This represents various legal suits filed by the Company against third parties. In the year 2011, the outstanding litigations seemed favourable to Kenya Airways Limited. However, based on management's assessment in the current year, these are irrecoverable.

## PRINCIPAL SHAREHOLDERS

The ten largest shareholdings in the Company and the respective number of shares held at 31 March 2012 are as follows:

Name of shareholder	Number of shares
1. KLM - Koninklijke Luchtvaart Maatschappij	120,020,026
2. Permanent Secretary To The Treasury	106,171,561
3. Standard Chartered Nominees Ltd Non Resident a/c 9057	16,932,400
4. Standard Chartered Nominees Ltd Non Resident a/c 9318	13,317,028
5. Standard Chartered Nominees Ltd A/c 9230	4,912,089
6. Standard Chartered Nominees Ltd Non Resident a/c 9054	3,464,700
7. The Jubilee Insurance Company of Kenya Limited	2,849,324
8. Paul Wanderi Ndungu	2,844,844
9. Standard Chartered Nominees Ltd A/c 9389	2,788,600
10. APA Insurance Limited	2,426,392
Other shareholders	185,888,519
<b>Total</b>	<b>461,615,483</b>

#### Distribution of shareholders

	Number of shareholders	Number of shares	% Shareholding
Less than 500 shares	34,461	13,796,870	2.99
500 - 5,000 shares	36,508	50,649,690	10.97
5,001 - 10,000 shares	1,506	11,223,604	2.43
10,001 - 100,000 shares	1,391	36,624,698	7.93
100,001 - 1,000,000 shares	178	56,726,681	12.29
Over 1,000,000 shares	22	292,593,940	63.39
<b>Total</b>	<b>74,066</b>	<b>461,615,483</b>	<b>100</b>

#### Distribution of shareholders by region

	Number of shareholders	Number of shares	% Shareholding
Foreign Institutions	40	167,453,252	36.28
Foreign Individuals	517	3,614,241	0.78
Local Institutions	3,365	182,424,338	39.52
Local Individuals	70,144	108,123,652	23.42
<b>Total</b>	<b>74,066</b>	<b>461,615,483</b>	<b>100</b>







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