Annual Report & Financial Statements

For the year ended 31 March 2016

The Future Together

Kenya Airways
The Pride of Africa
SKYTEAM

WORLD TRAVEL AWARDS WINNER 2015 2016

Voted African Airline of the Year 2016

We're the African Airline of the Year 2016. And it's all thanks to you.

We are immensely proud to have been named Best Airline in Africa at the World Travel Awards, 2016. We thank you for supporting us on our ongoing journey towards international excellence. We couldn't have achieved this significant accolade without you.

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Europe

OUR VISION:
Be the Pride of Africa, by inspiring our people and delighting our guests consistently.

OUR PURPOSE:
Contributing to the sustainable development of Africa.

Asia

America

Middle East

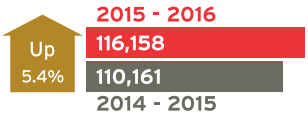
Africa

Australia

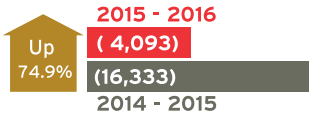
Performance Highlights

Highlights of the Year

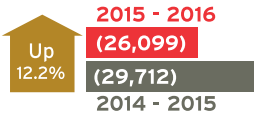
Turnover (KShs' Million)



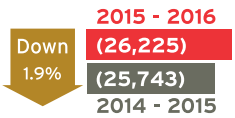
Operating loss (KShs' Million)



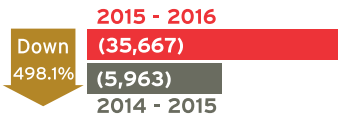
Loss before tax (KShs' Million)



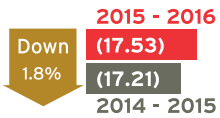
Net loss (KShs' Million)



Capital and reserves (KShs' Million)

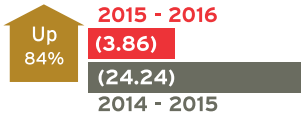


Loss per share (KShs' Million)

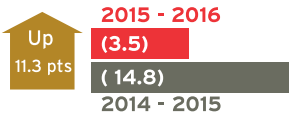


Key Financial Statistics

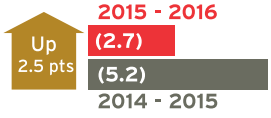
Net Debt/equity ratio



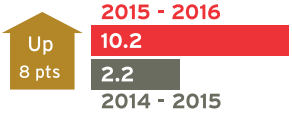
Operating margin



Interest cover

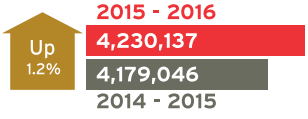


EBITDAR margin (%)

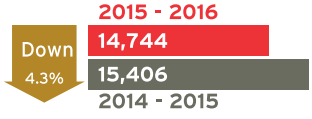


Operating Statistics

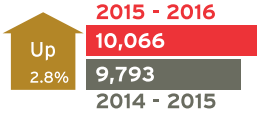
Passengers carried



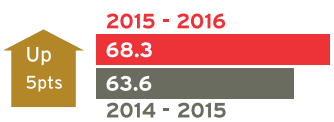
Available seats KM (million)



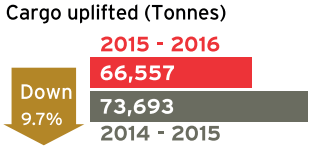
Revenue passengers KM (million)



Cabin factor (%)



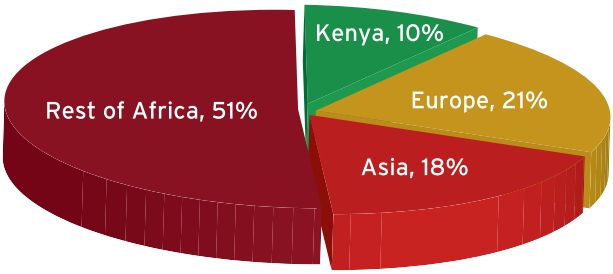
Cargo uplifted (Tonnes)



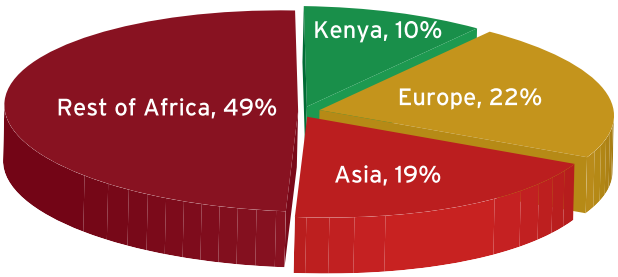
Performance Highlights *(Continued)*

Turnover by region

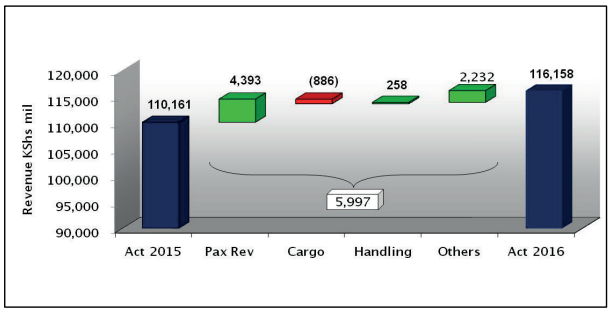
2016



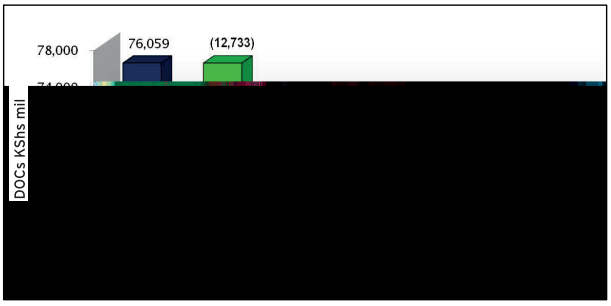
2015



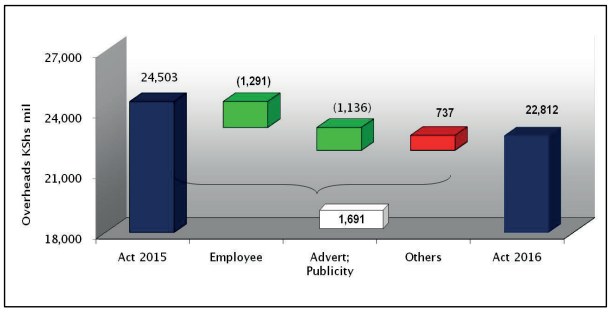
Turnover



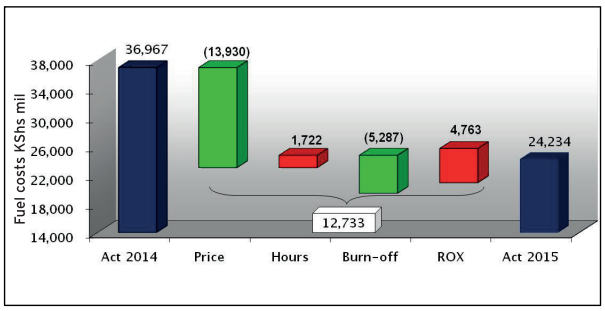
Direct operating costs



Overheads



Fuel costs



Performance Highlights (Continued)

Three year summary of financial highlights

Financial highlights

	2016		2015		2014	
	KShs. Million	US$ Million	KShs. Million	US$ Million	KShs. Million	US$ Million
Turnover						
Passenger	94,801	943.1	90,408	1,015.3	90,179	1,049.6
Freight & mail	8,897	88.5	9,783	109.9	9,942	115.7
Handling	2,338	23.3	2,080	23.4	1,947	22.7
Other	10,122	100.7	7,890	88.6	3,941	45.9
Total	**116,158**	**1,155.6**	**110,161**	**1,237.1**	**106,009**	**1,233.8**
Direct expenditure	(67,861)	(675.1)	(76,059)	(854.1)	(75,268)	(876.0)
Fleet ownership costs	(29,578)	(294.3)	(25,932)	(291.2)	(12,490)	(145.4)
Overheads	(22,812)	(226.9)	(24,503)	(275.2)	(20,972)	(244.1)
Operating loss	**(4,093)**	**(40.7)**	**(16,333)**	**(183.4)**	**(2,721)**	**(31.7)**
Operating margin%	**(3.5%)**		**(14.8%)**		**(2.6%)**	
Net finance costs	(7,039)	(70.0)	(4,581)	(51.4)	(1,601)	(18.6)
Fuel hedge derivatives	(4,155)	(41.3)	(7,452)	(83.7)	972	11.3
Other costs	(10,812)	(107.6)	(1,346)	(15.1)	(1,511)	(17.6)
Loss before tax	**(26,099)**	**(259.6)**	**(29,712)**	**(333.7)**	**(4,861)**	**(56.6)**
Income tax (expense) / credit	(126)	(1.3)	3,969	44.6	1,479	17.2
Loss for the year	**(26,225)**	**(260.9)**	**(25,743)**	**(289.1)**	**(3,382)**	**(39.4)**
Loss after tax margin%	**(22.6%)**		**(23.4%)**		**(3.2%)**	

Operating statistics	**2016**	**2015**	**2014**
Passengers	4,230,137	4,179,046	3,719,590
RPK's (Million)	10,066	9,793	9,309
ASK's (Million)	14,744	15,406	14,188
Passenger load factor (%)	68.3	63.6	65.6
Cargo tonnes	66,557	73,693	71,340
Pax yield/ RPK inc fuel surcharge (Usc)	8.81	9.55	10.47
Exchange rate	100.52	89.05	85.92
Employees			
Airline	3,349	3,463	3,449
Group	3,870	4,002	3,989
Aircraft at year end			
In service			
Boeing 787-800	9	6	1
Boeing 777-300	3	3	1
Boeing 767-300	-	5	6
Boeing 737-800	8	6	5
Boeing 737-700	2	4	4
Boeing 737-300	2	4	4
Embraer 190	15	15	15
B737-300 Freighter	2	2	2
Bombardier Dash 8-400	2	-	-
Dormant			
Embraer 170	2	3	5
Boeing 777-200	2	4	4
Total	**47**	**52**	**47**

Board of Directors

Amb. Dennis Awori

Mbuvi Ngunze

Pieter Elbers

Ron Schipper

Dr. Kamau Thugge

Caroline Armstrong

Joseph Veenstra

Vincent Rague

Wanjiku Mugane

Jason Kapkirwok

Irungu-Nyakera

Festus Kingori

Irene W. Ireri

Board of Directors' Profiles

Ambassador Dennis Awori

Non-Executive Chairman (61 Years)

Dennis Awori obtained a BSc (Hons) degree in Aeronautical Engineering from the University of Manchester in 1976. He is a graduate of both Ashridge Management College UK, in Business Leadership Program and Emory Business School Management Development Atlanta University. Dennis Awori began his career with Cooper Motor Corporation Holdings Ltd where he was General Sales Manager and then Branch Manager for the West Kenya region. He was appointed Managing Director of Lonrho Motors East Africa (previously named the Motor Mart Group) in 1997. He became Corporate Advisor and Executive Consultant, a post he held until he was appointed the Ambassador of the Republic of Kenya to Japan and Korea in 2004. Upon his return in April 2009, he was immediately appointed Chairman of Toyota East Africa Ltd and Executive Advisor to Toyota Tsusho Africa (Pty) Ltd and in April 2010 he was appointed to the NEPAD.

Mbuvi Ngunze

Group Managing Director & CEO (48 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 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 Boards of Bamburi Cement (from 1999), Hima Cement, Mbeya Cement, and serving as Secretary to the East African Cement Producers Association. He is currently the Chairman of Executive Committee of African Airlines Association (AFRAA), Chairman of Kenya Association of Airline Operators, a Board member of JamboJet Limited, Lewa Wildlife Conservancy, Precision Air and member of Board of Governors of IATA.

Pieter J. TH. Elbers

Non-Executive Director (46 Years)

Pieter Elbers is currently the President and Chief Executive Officer of KLM Royal Dutch Airlines. He is a member of the Executive Committee of the Air France KLM Group. Since July, 1st 2013 his primary responsibility has been to manage KLM's Passenger Business with Euros 6.6 billion of revenues, 25 million passengers per year, 160 aircraft, 650 flights per day to 131 international destinations and 20,000 staff. He is also responsible for defining and implementing KLM's strategic fleet development, KLM's main port strategy and enhancing Joint Venture partnerships with SkyTeam and other airlines.

Pieter has also served previously as the senior Vice President Network & Alliances, Vice President Network Planning, General Manager KLM Japan & Korea (based in Tokyo), and General Manager KLM Mediterranean (based in Athens). In addition to Kenya Airways, he also sits on the Board of Malfo B.V and Transavia Airlines B.V.and is a Member of the Advisory Board of The National Aerospace Laboratory of the Netherlands (NLR), Advisory Board of International Institute of Air & Space Law (IIASL) and the College Dutch Aerospace/"Lucht- en ruimtevaart Nederland" (LRN).

Ron Kornelis Adriaan Schipper

Non-Executive Director (70 Years)

Ron Schipper started his career in aviation in 1969 by joining KLM as a cabin attendant. He flew for 3 years and was then transferred to cabin crew management where he worked in various management positions until 1979. He left the Netherlands in 1980 for his first posting 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 Ron was appointed as General Manager Ghana and in 1989 he spent a brief period in France as interim General Manager France based in Paris before returning to the Netherlands to take up the appointment of Executive Secretary of the Passenger Division. In 1991 he was seconded to Antillean Airlines in Curacao as Managing Director. In 1994 Ron was

Board of Directors Profiles (Continued)

appointed as VP Africa based in Johannesburg and in 2004 the Near East was added to his area of responsibility.

Ron retired from KLM in 2008. During his period as VP Africa he has been instrumental in the process to link KLM to Kenya Airways which he considers as one of the milestone in his career. Ron has served as Chairman of the Board of the Chamber of Commerce South Africa / the Netherlands, is a member of the Human Resources committee of the KQ Board, Board Member of Precision Air and serves as Board Member of AviAssist, a Dutch foundation with focus on African Aviation Safety.

Dr. Kamau Thugge

Non-Executive Director (59 Years)

Dr. Kamau Thugge is the Principal Secretary, National Treasury, 2013. He has previously worked as a Senior Economic Advisor in the Ministry of Finance from 2010 to 2013. Before that he was the Deputy Division Chief, International Monetary Fund from 2008 to 2010, and the Economic Secretary and Head of Economic Affairs Department, Treasury (Kenya) from 2005 to 2008. He also previously held the positions of Head of Fiscal and Monetary Affairs Department, Treasury (Kenya) from 2004 to 2005 and Economist/Senior Economist, IMF from1985 to 2004. He has represented the Permanent Secretary, Finance on the Boards of the Central Bank of Kenya, the Monetary Policy Committee of the Central Bank of Kenya, the Kenya Revenue Authority and the Capital Markets Authorities

Caroline Armstrong Ogwapit

Non Executive Director (42 Years)

Caroline Armstrong's career has spanned 19 years, two continents and four financial institutions, both multi-national and local. She started her career as a management trainee with ABN AMRO Bank and has worked hard to rise through the ranks to become a senior executive in the banking industry. During her career she has had the benefit of managing a team of over 400 people and a team spanning five countries within the region. Her skills as both a leader and a strategic thinker able to translate broad concepts into specific actions enable her to perform her current role as the Director, Strategic Projects at the Housing Finance group of companies where she is responsible for the implementation of high impact projects that enable the achievement of business strategy.

Voted as one of Kenya's Top 40 Women under 40, she serves as a Non-Executive Director on the Housing Finance Foundation board whose key project is the creation of an Army of 1 million Artisans, a Vision 2030 flagship project. She also served as the Vice-Chairperson on Kenya's Mining Task Force that was responsible for reviewing all licences issued within the industry and determining their validity as well as providing recommendations for the country's national mining policy. During her lengthy and broad career, which has also seen her work at Citibank N.A. and Barclays Bank, she has acquired certain critical skills that include strategic thinking, cross-functional leadership, people and talent management and growth, quality management and an ability to underpin this with a focus on governance and controls.

Joseph Bernadus Veenstra

(Alternate to Mr. Pieter J.TH. Elbers & R.K Schipper) (49 Years)

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

Vincent Rague

Non-Executive Director (63 Years)

Vincent Rague has more than 25 years of experience in investment management, project and corporate finance and banking and policy advisory work in Africa, Latin America, Europe and Asia. He is a Co-Founder and Chairman of the Supervisory Panel of Catalyst Principal Partners, a Nairobi-based private equity fund manager.

Mr. Rague is also non-executive Chairman of the Financial Sector Deepening Africa (FSDA) program a DFID-funded program based in Nairobi. In addition, Vincent is non-executive Director of several companies, including the Pan-Africa Infrastructure Development Fund (PAIDF) and Kenya Airways. Mr. Rague also serves as a volunteers-member of the Advisory Council of the Global MBA of the Darden Business School, University of Virginia and a member of the International Advisory Board of ACE Group, a NYSE listed property and casualty insurance

company and he has attended the Executive Development Program (EDP) from Harvard Business School.

From October 2010 to June 2013, Mr. Rague served as Senior Financial and Private Sector Advisor to the National Treasury of Kenya. Between 1984 and 2009, Mr. Rague worked for the World Bank Group, specifically the International Finance Corporation (IFC) in Washington, DC in a variety of increasing senior positions, including as Chief Investment Officer, Head of Financial Markets and Advisory Operations in Eastern Europe and Central Asia, based in Istanbul, Turkey and Regional Head for Southern Africa based in Johannesburg, South Africa from 1994 - 1998. Mr. Rague's academic background is in Economics, Statistics, Banking and Finance.

Wanjiku Mugane

Non-Executive Director (52 Years)

Wanjiku Mugane MBS, is an entrepreneur, investment banker and lawyer. She is the Co-Founder of Eagle Africa Capital Partners, which offers corporate finance advisory and evergreen equity investment in East Africa. Prior to this, she co-founded the First Africa Group, an Africa cross-border Corporate Finance Advisory firm which had a presence in Johannesburg, Nairobi and Lagos, which she and her then partners sold to Standard Chartered Bank where she remained for three years as Managing Director responsible for the Bank's East Africa M&A and Equity Capital Markets advisory. Wanjiku was part of the Vision 2030 Technical Committee which oversaw the preparation of Kenya's Vision 2030 and subsequently of the Capital Markets Master Plan Steering Committee which delivered the blue print for the transformation of Kenya's Capital Markets, a flagship project under Kenya's Vision 2030. Wanjiku is a graduate of the University of Nairobi (LLB) and of Georgetown University (LLM).

Jason Kapkirwok

Non-Executive Director (56 Years)

Jason Kapkirwok is the Senior Regional Director and Head of the EAC-TradeMark East Africa Partnership Programme based in Arusha, Tanzania. In this position, he is a member of the senior management team of TMEA. Prior to this appointment, Kap was the Kenya Country Director for TMEA.

He joined TMEA from SBP Consult – a consultancy he set up in 2004 and through which he consulted for airlines across Africa, among others. His last assignment before joining TMEA was a long-term contract with the World Bank to support the 19 countries of the Common Market for Eastern & Southern Africa to integrate regional and national strategic planning. Kap was also the Senior Director and Head of Corporate Strategy and Operational Change for Heifer International, a US-based development organisation with a historical footprint in 125 countries.

Kap has also previously worked for the Kenya Airways Group as the Group Director for Corporate Strategy and Industry Affairs, and the Chief of Strategic Planning and Research for the Common Market for East And Southern Africa, COMESA. He has served in boards of many organisations including in the strategy committee of the Nairobi Stock Exchange. He has taught air transport management as a visiting lecturer for the City University of London. Besides being an award winning author (he has published five books), he is passionate about social justice and comments on economics and politics in his capacity as an occasional opinion columnist.

Kap is a graduate of University of Nairobi, Eastern University, Wharton Business School and Cape Town University.

Wilson Irungu Nyakera

Non-Executive Director (34 Years)

Mr. Irungu Nyakera is the Principal Secretary, State Department for Transport, Ministry of Transport, Infrastructure, Housing and Urban Development. Prior to his appointment in December 2015, he was the Managing Director of Equity Investment Bank, a subsidiary of Equity Group Holdings since 2014 where he spearheaded the Group's entry into investment banking and created 4 key divisions - Corporate Finance, Asset & Wealth Management, Brokerage Services and Business Advisory. Prior to this, he was the Regional Director, East and Southern Africa at GuarantCo, the Frontier Markets Fund Managers, where he was responsible for its regional mandate to provide infrastructure funding across the East, Central and Southern African countries. Irungu has also worked as the Managing Director at NIC Capital Limited, a subsidiary of NIC Bank Group, from 2009 to 2013, where he was responsible for its operations in Kenya, Uganda and Tanzania. Before joining NIC Capital, Mr. Nyakera worked at Citigroup Global Markets in London, UK in the Emerging Markets Investment Banking Team.

Mr. Nyakera is a Certified Public Accountant of Kenya, (CPA (K)), holds a Bachelor of Engineering (Management Science and

Board of Directors' Profiles (Continued)

Engineering) from Stanford University, CA, USA. He has a Post Graduate Program Diploma from Deerfield Academy, MA, USA and also graduated from the Kenya Institute of Management with a Diploma in Management Information Systems.

Festus W. King'ori

(Alternate to Dr. Kamau Thugge) (53 Years)

Mr. King'ori is the Alternate to the Principal Secretary/National Treasury. He holds a Bachelor of Commerce degree from the University of Nairobi and is finalising an MBA from JKUAT. Festus holds a post graduate certificate in Investment Appraisal and Management from Harvard University, among others. He has also undergone extensive training in general management, strategic leadership and financial management. Festus has extensive experience in public policy, particularly with regard to public investments, gained from local and international institutions, having worked on secondment by the GoK to the World Bank. Festus has also served on several other boards in the same capacity. He is trained in corporate governance and is a full member of the Kenya Institute of Management.

Irene W. Ireri

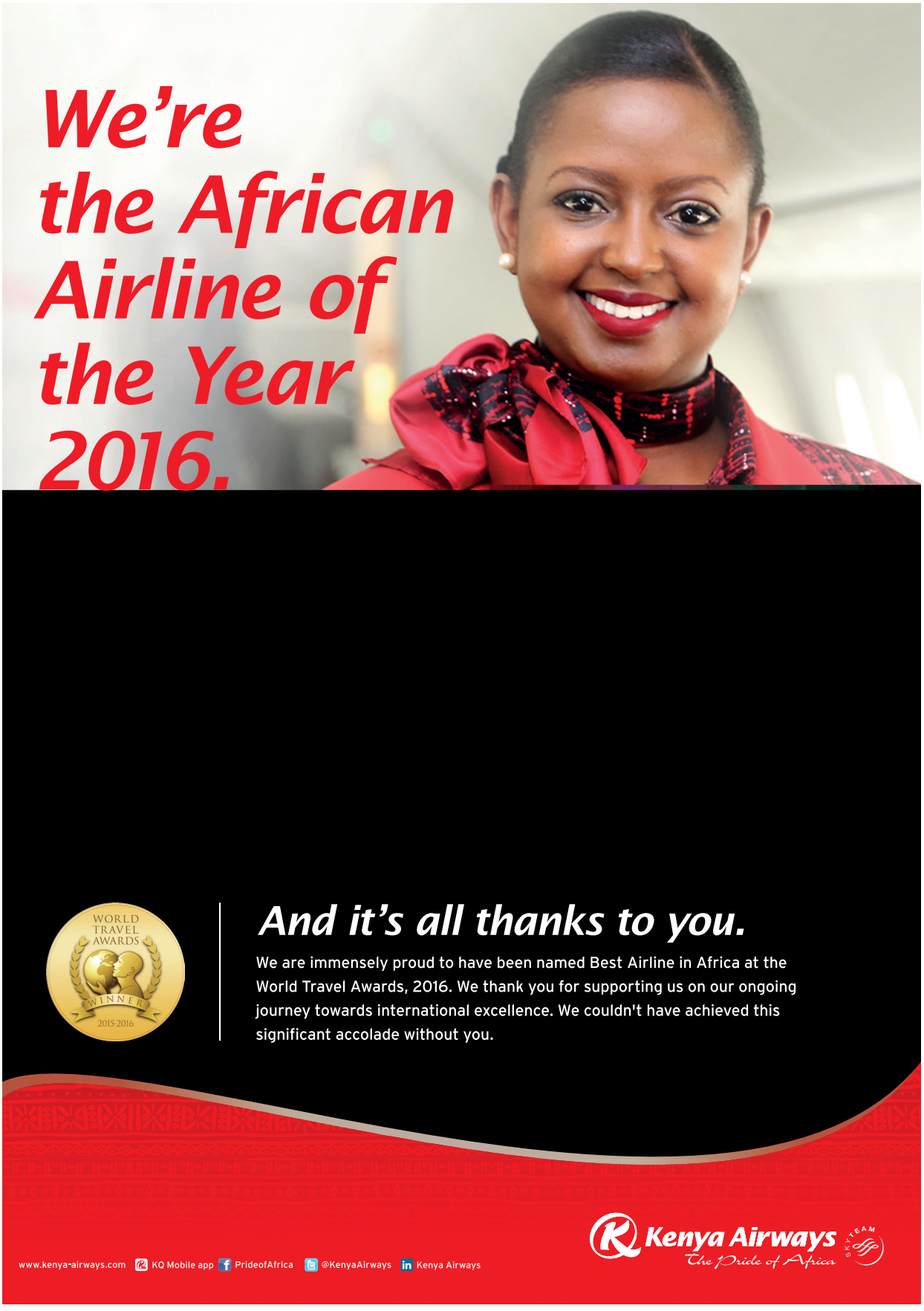
(Alternate to Mr. Irungu Nyakera) (53 Years)

Irene Wathiba Ireri is the Senior Assistant Director of Air Transport in the Ministry of Transport, Infrastructure, and Housing and Urban Development. Before joining the Kenya Airways Board, Irene was a member of Kenya Civil Aviation Authority from 2014 to April 2016.

Irene joined the Ministry in February 1990. She is responsible for the formulation and review of the national air transport policy and legislation, negotiation of Air Services Agreements, approving designated airline schedules, management of aviation industry, advising government on Airline Operations, Airport Operations, Aviation Safety & Security, overseeing the management and operations of KCAA and KAA, Administration and management of staff in Air Transport Division in the Ministry.

Mrs. Ireri holds a Masters in Business Administration in Aviation from Moi University, Bachelor of Arts from the University of Nairobi, Certificates in Air Law from Leiden University, Aviation Management from Singapore Aviation Academy, Air Traffic Control from East African School of Aviation (EASA), Aviation Security from EASA. Irene has also undertaken the Senior Management Course and Senior Leadership Development Programme at the School of Government and attended various courses in Air Transport.

African Airline of the Year



Chairman's Statement

Despite the significant challenges faced by the Company during the period under review, namely: security concerns in its home market and intense competition in the local and international markets, the airline is on the right track. The Board and the management remain focused on putting in place measures that in the long term will enable the airline strengthen its balance sheet and resume shareholder returns. On behalf of the Board, I call upon all employees, customers, investors and all stakeholders to work with us in transforming and turning around the Company's business performance and laying the foundations for future growth. I have no doubt that the **"Pride of Africa"** is poised to regain its altitude and that indeed Kenya Airways will continue flying the nation's flag with pride.

Industry overview

According to International Air Transport Association **("IATA")** *Air Passenger Analysis Report,* issued in January 2016, global air passenger traffic grew by 6.5% in 2015 as a whole and well above the 10-year average annual growth of 5.5%. While the economic backdrop was weaker in 2015 compared to the previous year, passenger traffic received a strong boost from lower air fares: after adjusting for distortions from the rise in the US dollar, global airfares in 2015 were approximately 5% lower than in 2014. IATA estimates that this boost drove around half of the annual growth in traffic last year. Total traffic growth outstripped the rise in capacity and the global load factor reached an all-time high of 80.3% in 2015.

The passenger load factor increased for carriers in all regions except the Middle East, where capacity growth exceeded a 10% increase in passenger traffic. The easing in annual traffic growth seen towards the end of 2015 is largely attributable to temporary factors, including airline strikes in Europe. All told, global business confidence surveys suggest that economic conditions will remain supportive of another strong year for passenger traffic in 2016. Indeed, the additional decline in oil prices in recent months is likely to provide further stimulus for air travel growth throughout the year too.

IATA further reported that in 2015 the fastest growth in passenger traffic was registered by Middle Eastern carriers, with international RPKs up 10.5% year-on-year. Middle Eastern carriers' share of total international traffic rose to 14.2% in 2015, and overtook that of North American carriers (13.4%). Carriers in the Asia Pacific region accounted for one-third of the total annual increase in international traffic in 2015, with volumes up 8.2% from the previous year. A 7.3% increase in the number of direct airport connections within the Asia region during 2015 helped to stimulate demand by translating into time savings for passengers, and helped to offset the negative impacts of slower growth in many of the region's economies.

European carriers also made a significant contribution to total international growth; the 5.0% increase in international traffic was aided by a pick-up in consumer spending in the Eurozone and a moderate increase in flight frequencies in the region. That said, international traffic fell in the latter months of the year, partly as a result of strikes at Lufthansa and the shutdown of Russian carrier Transaero.

North American carriers' international traffic increased by 3.2% in 2015, broadly unchanged from the rate seen in 2014. With solid economic conditions in the US continuing to support passenger demand, 2015 was the first year since 2003 in which North American carriers' international traffic grew more slowly than domestic traffic.

It was the opposite case for Latin American carriers, whose international traffic expanded by 9.3% in 2015. The upward trend in international traffic showed little sign of slowing towards the end of last year. However, domestic traffic trended down throughout 2015 on the back of challenging conditions in the region's key economies – most notably Brazil.

African carriers' international traffic grew by 3.0% in 2015 – a recovery from an Ebola-affected 2014 but still slow for an emerging market. International traffic rose strongly in the second half of 2015, though, in conjunction with a jump in trade activity to and from the region.

Future global prospects

Global industry growth is projected at 3.4% in 2016 and 3.6% in 2017 up from 3.1% in 2015. The pickup in global activity in 2016 is projected to be more gradual than in 2015 especially in emerging market and developing economies. In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps.

The picture for emerging markets and developing economies is diverse and in many cases challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016–17.

The projected 3.6% pickup in growth in 2017 hinges crucially on rising growth in emerging markets and developing economies, as growth in advanced economies is expected to remain modest. This forgoing outcome relies on a number of important assumptions, namely;

- A gradual normalisation of conditions in several economies currently under stress;
- A successful rebalancing of China's economy with trend growth rates that, while lower than those of the past two decades, remain high;
- A pickup in activity in commodity exporters, albeit at rates more modest than in the past, and
- Resilient growth in other emerging market and developing economies.

Airline industry profitability outlook forecast for 2016 by IATA is expected to be $36.3 billion which sees an average net profit margin of 5.1%. This is an improvement from 2015 where the net profit was $33 billion with a 4.6% net profit margin. The strengthening aviation industry performance in 2016 is anticipated to be driven by a combination of factors, namely:

- Lower oil prices (forecast to be $55/barrel Brent in 2015 and averaging a lower $51/barrel in 2016) are giving airline profits a boost; however this is strongly moderated in many markets by the appreciation of the US dollar;
- Strong demand for passenger travel (+6.7% growth in 2015 and +6.9% in 2016) is making up for disappointing cargo demand growth (+1.9% in 2015; strengthening to 3.0% in 2016). Weak cargo performance reflects sluggish growth in trade;
- Stronger economic performance in some key economies (including a faster than expected recovery in the Eurozone) is outweighing the overall impact of slower growth in China and the downturn in the Brazilian economy. Global GDP growth is expected to improve to 2.7% in 2016 (up from 2.5% for 2015), and
- Efficiency gains by airlines as illustrated by record high load factors (80.6% in 2015, tapering slightly to 80.4% in 2016). Capacity is increasing and is expected to move ahead of demand growth in 2016. Yields, however, continue to deteriorate amid stiff competition.

Chairman's Statement (Continued)

In 2016 total global passenger numbers are expected to rise to 3.8 billion and the major drivers of performance will include:

- **Revenues:** Revenues are expected to rise by 0.9% to $717 billion in 2016. Industry revenues peaked in 2014 at $758 billion then declined to $710 billion in 2015 with the impact of the strengthening of the US dollar on non-dollar revenues. The increase in revenues in 2016 is expected to be wholly due to the contribution of the passenger side of the business ($525 billion in 2015 rising to $533 billion in 2016). Cargo revenues are expected to decline slightly to $50.8 billion (from $52.2 billion in 2015).
- **Demand:** The demand for passenger travel is expected to grow by 6.9% (similar to the 6.7% growth expected in 2015) with 3.8 billion passengers expected to travel in 2016. Passenger capacity is expected to grow slightly ahead of demand at 7.1% which is acceleration from the 5.5% capacity expansion in 2015. Demand for air cargo is expected to accelerate in 2016 to 3.0%, ahead of the 1.9% growth in 2015. This is slightly ahead of GDP growth which is expected to average 2.7% in 2016. Prior to the Global Financial Crisis this pace of economic growth would have generated much faster international trade and air cargo growth, but that pattern of growth appears to have stopped as companies bring supply chains closer to home. In total, the industry is expected to uplift 52.7 million tons of cargo in 2016.
- **Yields:** The cost of travel and shipping is expected to continue to decline with average yields for passengers falling by 5% and cargo falling by 5.5% in 2016. The pace of decline is a deceleration from 2015 when cargo yields fell by 18.0% and passenger yields fell by 11.7%. About 6% of the 2015 decline can be attributed to the appreciation of the US dollar and the impact this has had when accounting for non-US dollar revenues.

Africa

Growth in sub-Saharan Africa is expected to remain weak in 2016 at 3%, about 0.5% point lower than in 2015. Growth is projected to pick up to 4% in 2017, assisted by a small rebound in commodity prices and timely policy implementation. The ongoing slowdown is primarily driven by unfavourable external conditions: resource-intensive countries have suffered from the decline in commodity prices, while the region's frontier markets have been adversely affected by tighter global financing conditions.

Sub-Saharan Africa's oil-exporting countries are now projected to grow at 2% in 2016 and 3.4% in 2017. Within this group, growth in 2016 is expected to ease to 2.5% in Angola (down from 3% in 2015) and 2.3% in Nigeria (from 2.7% growth last year), as the negative impact of lower oil prices is compounded by disruptions to private sector activity through exchange rate restrictions.

The effect of the decline in oil prices on the region's oil-importing countries has been smaller than expected, as many of these economies export other non-renewable resources whose prices have also dropped. In South Africa, growth is expected to be halved to 0.6% in 2016 owing to lower export prices, elevated policy uncertainty, and tighter monetary and fiscal policy. In Zambia, the impact of the drought on electricity production is adding to downward pressure from low copper prices, and growth will remain subdued at 3.4% (slightly below the 3.6% achieved in 2015). In Ghana, growth is projected to increase in 2016 to 4.5%, from 3.5% last year, when it was hampered by power shortages and fiscal consolidation. In many other oil importers, inflationary pressures stemming from the pass-through of a strong U.S. dollar (which notably limited the decline of fuel prices in domestic-currency terms) and high food prices (due to the drought in eastern and southern Africa) have also offset to some extent the benefits of lower oil prices.

Nonetheless, ongoing investment in infrastructure and strong consumption in countries such as Côte d'Ivoire, Kenya, Rwanda, Senegal, and Tanzania is expected to drive growth at rates of between 6% – 7% or more this year and next. By contrast, Ethiopia's economy is held back by a drought, with growth projected to decline substantially to 4.5% (from 10.2% in 2015).

Airlines in Africa are expected to be in the red in both 2015 and 2016 with losses of $300 million and $100 million, respectively. Political instability is impacting important tourism markets in North Africa. The continent's carriers in general suffer from weak economies and stiff competition on international markets. Growth is also weak, with a 0.4% capacity expansion expected for 2015 and increasing to 1.6% in 2016.

Losses have emerged again due to regional conflict and competitive challenges. Breakeven load factors are relatively low, as yields are a little higher than average and costs are lower. However, few airlines in the region are able to achieve adequate load factors, which are the lowest globally at 56% in 2015 and 2016. Performance in the region is however improving at a slow pace.

Kenya

The outlook for Kenya's economy is bright. GDP growth will be supported by infrastructure projects, rising agricultural production, low oil prices and a looser monetary policy, even though ongoing security issues and uncertainty surrounding next year's elections pose downside risks.

The country's economy is fairly diversified and relies relatively little on commodities exports, making it more resilient to the price slump in raw materials. GDP growth ticked up to 5.5% in 2015, driven by gains in every sector except tourism, which suffered due to security concerns. While the current account deficit somewhat narrowed last year, mainly due to low oil prices.

Kenya's growth is projected to rise to 5.9% in 2016 and 6.1 % in 2017. The positive outlook is predicated upon infrastructure investments. Fiscal consolidation is expected to ease pressure on domestic interest rates and increase credit uptake by the private sector. The contraction in the current account deficit will continue to be supported by declining commodity prices and rising tea exports.

Aero politics and market access

Kenya Airways continues to enjoy great support from the Government of Kenya amidst the changing aero political environment both at the national and international levels.

As the policy maker, we hail the Ministry of Transport, Infrastructure, Housing and Urban Development for the enactment of the Kenya Civil Aviation Act 2015 and the proposed Fly Kenya Policy, in collaboration with the National Treasury and the Public Procurement and Oversight Authority. Both enactments will go a long way in opening new opportunities for the Kenya Aviation Industry in addition to raising the global standards through Regulations.

During the period under review, as regards bilateral agreements, Kenya reviewed and initiated Memorandum of Understanding (MOUs) and Air Service Agreements with a total of 19 countries during the ICAO Negotiation Meetings held in Antalya Turkey in November 2015. These included new Bilateral Air Service Agreements (BASA's) with Russia, Guinea Conakry, Serbia and New Zealand. India increased KQ's frequencies and entry points whilst Senegal received Kenya's request for fifth freedom to the US and gave positive indication of support.

As regards market access, Kenya Airways continues to enjoy the support of other African Governments which greatly assists in enhancing our true commitment of "contributing to the sustainable development of Africa". Our recent highlights include the granting of fifth freedom rights by the Zambian and South African Governments on the Livingstone – Cape Town route, which enabled us to re-launch our flights to Cape Town on 1st July 2016. The airline also received approval from the Governments of Uganda and the Central African Republic for the first ever direct link between Entebbe and Bangui, with fifth Freedom Rights.

Regionally, there has been increased focus on a multi-state approach to market liberalisation with ongoing discussions under the Airspace Management cluster of the Northern Corridor Integrated Projects and the AU Solemn Commitment on liberalisation by eleven (11) African States. We urge Government to ensure that the benefits of these projects are protected only to the interest of member states and that they safeguard the region from external undue competition. In addition, the longstanding debate on Africa's position vis a vis the EU Horizontal Arrangement which requires EU member States to amend all their Air Services Agreements with third EU Member States so as not to discriminate any airline from a member State continues to influence market expansion into Europe. It is envisaged that these debates will steer the opening of new markets for member states, strengthen and develop aviation standards for airlines to effectively compete in regional and global aviation markets.

The Aviation industry recognises the need for reasonable, co-ordinated regulations to ensure industry competitiveness. Kenya Airways continues to participate in the review of relevant laws namely; the Civil Aviation Act, Kenya Airports Authority Act, Consumer Protection Act, and Kenya Competition Act with a view of maintaining the security, safety and regularity of international air transport in Kenya. We also acknowledge the Kenya Civil Aviation Authority's (KCAA) efforts in promoting regulatory capacities by improving on their efficiencies through the introduction of on-line systems.

On Infrastructure, Kenya Airways congratulates Kenya Airports Authority's on their impeccable performance during the TSA Audit carried out in early May 2016 in which the preliminary report indicates nil findings. We continue to support KCAA in the second facet of FAA's Category 1 Audit status of JKIA. Further, in the region, the East African Facilitative Council (EAC

Chairman's Statement (Continued)

FAL) continues to benchmark the region's Airports in line with the ICAO Annex 9 with remarkable improvements observed in all airports from all Government Agencies facilitating passengers. During the 40th EAC FAL meeting held in Mombasa in June 2016 the other four EAC countries formerly welcomed South Sudan to the council. Further, the ongoing Dongo Kudu by-pass in Mombasa will improve the access to Moi International Airport (MIA) and reduce the traffic congestion experienced by passengers travelling into and out of Mombasa. We urge the Ministry to oversee the speedy implementation of this project to improve access to our airports in Nairobi and in particular, JKIA.

Finally, on matters relating to the environment, the debate over global Market Based Measures (MBM) to mitigate carbon dioxide gas emissions from international aviation continues to be of interest. The EUTS scheme as proposed by the EU was defered by international aviation as they wait for ICAO to come up with a universal scheme. Kenya Airways through the Kenya Civil Aviation Authority and Kenya's ICAO office in Montreal continues to participate in such discussions so as to adequately protect its interests related to such a scheme.

Company performance

Kenya Airways reduced its operating loss by 75% during the financial year 2015/2016, a clear indication that turnaround strategy is bearing fruit. Full year results for the year were as detailed below:

- Significant operating improvements
- Passenger numbers increased to 4.23 million, despite a reduction in Available Seat Kilometres (ASK)
- Cabin factor up five percent
- Revenue grew by five percent to Kshs 116 billion
- Operating costs reduced by five per cent
- Gross profit significantly improved, while reducing overall losses
- Gross profit improved 42 percent
- Operating margin improved by 11 percentage points
- Reduction in operating loss from Kshs 16 billion in FY14/15 to Kshs 4 billion in FY15/16
- Excluding one off impacts, break even achieved in the year at operating level
- The loss before tax reduced by 12 per cent from Kshs 30 billion to Kshs 26 billion

KQ Continues to implement Operation Pride and is reviewing long-term options in relation to its capital structure in order to underpin its turnaround strategy. Key stakeholders, including the Government of Kenya and KLM remain supportive of the Company's efforts.

Further detailed view of the Company performance and outlook can be found on pages 67 under the report of the Directors.

Shareholding

The number of shareholding on the Register of Members as at 31st March 2016 was 78,577. Out of these 40,473 shareholders have immobilised their shareholding in favour of CDSC Nominees Limited and opened accounts on the Central Depository System. The shareholder profiles as at 31st March 2016 is on page 58.

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 and continued support to Kenya Airways.

Directors

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

Ambassador Dennis Awori
Chairman

Taarifa ya Mwenyekiti

Licha ya changamoto kubwa zilizokabili Shirika hili katika kipindi cha mwaka tunaotathmini, kama vile: masuala ya utovu wa usalama katika soko lake nyumbani na ushindani mkubwa katika masoko ya humu ndani na ya kimataifa, shirika hili la ndege liko katika nafasi muafaka. Bodi ya usimamizi na halmashauri wangali na dhamira ya kuweka hatua ambazo kwa kipindi kirefu zitawezesha shirika hili la ndege kuimarisha mizania yake na kuanza kuletea faida wanahisa wake. Kwa niaba ya Bodi hii, nawasihi wafanyakazi wote, wateja, wawekezaji na wadau wote kuzidi kufanya kazi na sisi katika kubadilisha na kugeuza hali ya utendaji wa biashara wa Kampuni na kuweka misingi ya ukuaji wa baadaye. Sina shaka ya kwamba "Pride of Africa" ipo katika mwendo wa kurejea wadhifa wake wa juu na kwamba bila shaka Kenya Airways itaendelea kupeperusha bendera ya taifa hili kwa majivuno.

Muhtasari wa sekta

Kwa mujibu wa ripoti ya kutathmini abiria wasafiri wa ndege ya shirika la international air transport association ("IATA"), iliyotolewa katika Januari ya 2016, kwa ujumla abiria wasafiri wa ndege waliongezeka kwa 6.5% katika mwaka wa 2015 – ikiwa ni zaidi ya ukuaji wa wastani wa miaka 10 wa 5.5%. Wakati ambapo ukuaji wa kiuchumi uilikuwa dhaifu katika mwaka wa 2015 ikilinganishwa na mwaka uliopita, sehemu hii ya abiria wasafiri wa ndege ilipata msukumo wa kuongezeka kutokana na kupungua bei za nauli: baada ya kurekebisha mapotosho kutokana na kupanda kwa dola ya Marekani, nauli za ndege za kimataifa katika mwaka wa 2015 ilikuwa takriban 5% ikiwa ni chini kuliko katika mwaka wa 2014. IATA inakadiria kuwa kuongezeka huku kulichangia karibu nusu ya ukuaji wa kila mwaka abiria mwaka jana. Jumla ya ukuaji wa abiria ulifumuka na kupanda kuliko ujazo na uwezo wa kimataifa wa uchukuzi ulifikia kiwango cha juu kuliko wakati ule cha 80.3% katika mwaka wa 2015.

Ujazo wa abiria uliongezeka kwa wachukuzi katika kanda zote isipokuwa mashariki ya kati, ambako uwezo uliongezeka na kuzidi 10% katika uchukuzi wa abiria. Kupungua kwa ukuaji wa uchukuzi wa abiria kulishuhudiwa ilipokaribia mwisho wa mwaka 2015 na hasa zaidi ikitokana na sababu za muda mfupi, ikiwa ni pamoja na migomo ya ndege katika Ulaya. Licha ya yote, utafiti wa kujiamini kimataifa katika biashara hii unaonyesha kwamba hali ya uchumi itazidi kusaidia hadi kutufikisha mwaka mwingine thabiti wa uchukuzi abiria katika 2016. Kwa hakika, kushuka kwa ziada kwa bei za mafuta katika miezi ya hivi karibuni kuna uwezekano wa kutoa kichocheo zaidi kwa ukuaji wa usafiri wa anga tena katika mwaka mzima.

IATA iliendelea kutoa taarifa zaidi zinazoakisia kuwa mwaka wa 2015 ulikuwa mwaka wa ukuaji wa kasi katika uchukuzi wa abiria uliosajiliwa na mashirika ya ndege ya Mashariki ya Kati, huku RPKs za kimataifa zikipanda kwa 10.5% mwaka hadi mwaka. Mgao wa mashrika ya ndege za Mashariki ya Kati kwenye jumla ya uchukuzi abiria kimataifa ilizidi kwa 14.2% mwaka wa 2015, na kupita ile ya wachukuzi wa Amerika ya Kaskazini (13.4%).

Wachukuzi katika kanda ya Asia Pacific waliendelea na kupata theluthi moja ya ongezeko katika jumla ya kila mwaka ya ongezeko la kimataifa katika mwaka wa 2015, kukiwa na ongezeko la ujazo wa 8.2% kutoka mwaka uliopita. Ongezeko la 7.3% katika idadi ya mwunganisho wa moja kwa moja na uwanja wa ndege ndani ya kanda ya Asia katika 2015 ulisaidia kuchochea mahitaji kwa kutafsiri kuwa kama akiba kwa ajili ya abiria, na kusaidia kukabiliana na athari mbaya za ukuaji wa polepole katika nyingi ya chumi katika mataifa yao.

Mashirika wachukuzi ya Ulaya pia yalitoa mchango muhimu kwa jumla ya ukuaji wa kimataifa; ongezeko hili la 5.0% katika uchukuzi abiria kimataifa ulisaidiwa kuzidi kwa uwezo wa kutumia katika Eurozone na ongezeko la wastani la masafa ya ndege katika kanda. Baada ya kusema hayo, uchukuzi abiria kimataifa ulianguka katika miezi ya mwisho ya mwaka, sehemu ya sababu ikiwa ni matokeo ya migomo katika Lufthansa na kufungwa kwa shirika la ndege la Urusi liitwalo Transaero.

Uchukuzi wa abiria wa kimataifa katika Amerika ya kaskazini uliongezeka kwa 3.2% mwaka wa 2015 – hasa zaidi kukiwa hakuna mabadiliko makubwa tangu ilivyoonekana katika 2014. Kukiwa na hali imara ya kiuchumi nchini Marekani inayosaidia mahitaji ya abiria, 2015 ulikuwa mwaka wa kwanza tangu mwaka 2003 ambapo wachukuzi wa abiria wa kimataifa wa Amerika ya Kaskazini walipata ukuaji duni kuliko wachukuzi wa humo ndani.

Ilikuwa ni kinyume na hivi kwa wachukuzi wa abiria wa Amerika ya kusini, ambao kwao uchukuzi wa kimataifa ulipanuka kwa 9.3% katika mwaka wa 2015. Hali hii ya kuongezeka kwa uchukuzi wa kimataifa ilionyesha dalili kidogo ya kupungua ilipoelekea mwishoni mwa mwaka jana. Hata hivyo, mwenendo wa uchukuzi wa ndani ulienda chini katika 2015 kutokana na mazingira yenye changamoto katika chumi za mataifa muhimu ya kanda hiyo – hasa zaidi Brazil.

Uchukuzi wa abiria wa kimataifa kwa mashirika ya Afrika ulikuwa kwa 3.0% katika 2015 –

Taarifa ya Mwenyekiti *(Inaendelea)*

afueni hii ni baada ya kuathirika na kuzuka kwa janga la Ebola katika 2014 lakini bado ikiwa ni polepole kwa soko linalochipuka.. Uchukuzi wa abiria wa kimataifa uliongezeka sana katika nusu ya pili ya mwaka wa 2015, ingawa, pamoja na kusaidiwa na kuzidi kwa shughuli za kibiashara kuingia na kutoka kwa kanda hii.

Matarajio ya mataifa katika siku za usoni

Ukuaji kimataifa wa sekta hii unatarajiwa kuwa wa 3.4% katika mwaka wa 2016 na 3.6% mwaka wa 2017 kutoka 3.1% mwaka wa 2015. Kuongezeka kwa shughuli za kimataifa katika mwaka wa 2016 kunatarajiwa kuwa kwa taratibu zaidi kuliko mwaka wa 2015 hasa katika masoko ibuka na chumi zinazoendelea kustawi. Kwenye sehemu za uchumi mkubwa, afueni ya pole pole na sambamba inatarajiwa kuendelea, kukiwa na kupungua taratibu zaidi kwa mapengo ya mapato. Hali baina ya masoko ibuka na chumi zinazoendelea ni tofauti na mara nyingi huwa na changamoto. Kushuka na kuweka usawa tena kwa uchumi wa China, bei ya chini bidhaa, na hali ya matatizo katika baadhi chumi kubwa zinazoibuka kutaendelea kulemea matarajio ya ukuaji katika 2016-17.

Makadirio ya ukuaji wa 3.6% katika mwaka wa 2017 yanategemea mno juu ya kupanda kwa ukuaji katika masoko yanayoibuka na nchi zinazoendelea, wakati ukuaji wa uchumi mkubwa unatarajiwa kubaki wa kawaida. Matokeo haya yanayoendelea yanategemea idadi muhimu ya mawazo, yaani;

- usawazishaji taratibu wa hali katika nchi kadhaa hivi sasa uko kwenye dhiki
- Kufanikiwa kuweka usawa katika uchumi wa Uchina kukiwa na mwenendo wa ukuaji ambao, huku ukiwa chini zaidi kuliko ule wa miongo miwili iliyopita, utabaki juu
- Shughuli za kuongezeka kwa bidhaa za uza-nje, angalau katika viwango vya kawaida zaidi kuliko huko nyuma, na
- ukuaji mkakamavu katika nchi nyingine zenye uchumi ibuka na masoko yanayoendelea

Matarajio ya upataji faida katika sekta ya usafiri wa anga kwa 2016 kutoka IATA yanatarajiwa kuwa Dola bilioni 36.3 ambayo inapata wastani faida kamili ya kiasi cha 5.1%. Haya ni maendeleo kutoka 2015 ambapo faida halisi ilikuwa Dola bilioni 33 kukiwa na kima cha 4.6% kiasi cha faida. Kuimarishwa utendaji wa sekta ya anga katika mwaka 2016 kutazamiwa kuendeshwa na mchanganyiko wa mambo kadhaa, yaani:

- Bei ya chini ya mafuta (inatabiriwa kuwa Dola 55 / pipa la Brent mwaka wa 2015 na wastani wa chini wa Dola 51 / pipa mwaka wa 2016) hii ikitoa kichochea cha kuongeza faida kwa mashirika ya ndege; Hata hivyo, hii inathibitiwa mno katika masoko mengi kutokana na kupanda thamani kwa dola za Marekani;
- Mahitaji makubwa ya safari za abiria (ukuaji + 6.7% katika mwaka wa 2015 na + 6.9% katika mwaka wa 2016) yanasaidia kuauni mahitaji duni ya ukauji mizigo (+ 1.9% mwaka wa 2015; kuimarisha kwa 3.0% mwaka wa 2016). Udhaifu wa utendaji wa uchukuzi wa mizigo kunaonyesha ukuaji hafifu katika biashara;
- Mafanikio imara ya kiuchumi katika baadhi uchumi muhimu (ikiwa ni pamoja na afueni ya kasi zaidi kuliko ilivyotarajiwa katika eneo la Ulaya yaani Eurozone) ina uzito kuliko athari ya jumla ya ukuaji wa polepole katika China na kukosekana kwa uchumi wa Brazil. Ukuaji wa mapato ghafi ya kimataifa ya GDP yanatarajiwa kuboreka kwa 2.7% mwaka wa 2016 (kutoka 2.5% mwaka wa 2015), na
- Ufanisi wa faida kwa mashirika ya ndege kama unavyoonyeshwa na kumbukumbu ikiletwa na mambo ya mizigo (80.6% mwaka 2015, ikipungua kidogo kwa 80.4% mwaka 2016). Uwezo ni kuongeza na unatarajiwa kusonga mbele ya ukuaji mahitaji katika 2016. Mazao, hata hivyo, yanaendelea kuzorota huku kukiwa na ushindani mkali.

Katika mwaka wa 2016 jumla ya idadi ya abiria wa kimataifa inatarajiwa kupanda kwa bilioni 3.8 na vichocheo muhimu vya utendaji ikiwa ni pamoja na:

- **Mapato:** Mapato yanatarajiwa kupanda kwa 0.9% kufikia Dola bilioni 717 mwaka wa 2016. Mapato katika sekta yaliongezeka katika 2014 kwa Dola bilioni 758 kisha kushuka hadi Dola bilioni 710 mwaka wa 2015 na athari za uimarishaji wa dola ya Marekani dhidi ya mapato yasiyo ya dola. Kuongezeka kwa mapato katika mwaka wa 2016 unatarajiwa kwenda chini kabisa kutokana na mchango wa upande wa abiria ya biashara (Dola bilioni 525 mwaka wa 2015 na kupanda kwa Dola bilioni 533 mwaka wa 2016). Mapato kutokana na mizigo yanatarajiwa kushuka kidogo kwa Dola bilioni 50.8 (kutoka Dola bilioni 52.2 mwaka wa 2015).
- **Mahitaji:** Kuhitajiwa kwa usafiri wa abiria kunatarajiwa kukua kwa 6.9% (sawa na ukuaji wa 6.7% uliotarajiwa katika 2015) na abiria bilioni 3.8 wanatarajiwa kusafiri katika 2016. Uwezo wa kuchukua abiria unatarajiwa kukua kidogo kabla ya mahitaji katika 7.1% ambayo ni kuongeza kasi kutoka

5.5% uwezo wa upanuzi katika 2015. Mahitaji ya uchukuzi wa mizigo yanatarajiwa kuzidi katika mwaka wa 2016 kwa 3.0%, kabla ya ukuaji 1.9% mwaka 2015. Hii ni kidogo kabla ya ukuaji wa GDP ambao unatarajiwa wa wastani 2.7% mwaka 2016. Kabla ya mzozo wa kifedha duniani kasi hii ya ukuaji wa uchumi ingekuwa yanayotokana kwa kasi ya biashara ya kimataifa na hewa mizigo ukuaji, lakini kwamba mfumo wa ukuaji inaonekana kuwa kusimamishwa kama makampuni kuleta minyororo ya ugavi karibu na nyumbani. Kwa jumla, sekta unatarajiwa kubeba tani milioni 52.7 za mizigo mwaka 2016

- **Mazao:** Gharama za usafiri na usafirishaji mizigo zinatarajiwa kuendelea kushuka kwa wastani wa mazao kwa ajili ya uchukuzi wa abiria kuanguka kwa 5% na mizigo kuanguka kwa 5.5% mwaka wa 2016. Kasi ya kushuka ni chini kutoka 2015 wakati mizigo mazao ilishuka kwa 18.0% na abiria mavuno ilishuka kwa 11.7%. Kuhusu 6% ya kushuka mwaka wa 2015 kunaweza kuhusishwa na kuthamini dola ya Marekani na athari hii imekuwa na wakati uhasibu kwa mapato ya dola yasiyo ya Marekani.

Afrika

Ukuaji katika nchi za Afrika kusini mwa Sahara unatarajiwa kuwa dhaifu mwaka wa 2016 katika 3%, karibu kima cha 0.5% chini zaidi katika mwaka wa 2015. Ukuaji unatarajiwa kuchukua hatua za kupanda hadi 4% mwaka wa 2017, ikisaidiwa na kurudi nyuma kidogo kwa bei za bidhaa na utekelezaji wa sera katika wakati ufaao. Kushuka kunakoendelea kimsingi kunaendeshwa na hali mbaya ya nje: nchi zinazotegemea zaidi rasilimali ziliathiriwa kutokana na kushuka kwa bei za bidhaa, wakati kanda ya masoko ya mpakani yameathiriwa vibaya na hali ya finyu ya kifedha duniani

Nchi za Afrika kusini mwa Sahara zinazouza mafuta sasa zinatarajiwa kupata ukuaji wa 2% katika 2016 na 3.4% katika 2017. Ndani ya kundi hili, ukuaji katika mwaka wa 2016 unatarajiwa kupungua kwa 2.5% katika Angola (chini kutoka 3% mwaka wa 2015) na 2.3% katika Nigeria (kutoka ukuaji wa 2.7% mwaka jana), huku madhara hasi ya bei ya chini mafuta yakizungukwa na kukatika kwa shughuli katika sekta ya kibinafsi kwa ajili ya vikwazo katika ubadilishanaji wa fedha za kigeni.

Athari za kushuka kwa bei ya mafuta katika nchi zinazouza mafuta imekuwa ndogo kuliko ilivyotarajiwa, kama ilivyo katika nyingi ya chumi hizi huuza nje rasilimali nyingine mbadala zisizo ambazo bei zake pia imeshuka. Nchini Afrika Kusini, ukuaji unatarajiwa kuwa nusu ya 0.6% katika mwaka wa 2016 kutokana na bei ya chini ya kuuza nje, sera iliyokuzwa ya kutokuwa na uhakika, na Sera finyu za hazina na fedha. Nchini Zambia, madhara ya ukame kwenye uzalishaji umeme inaongezea shinikizo kushuka kwa bei ya chini shaba, na ukuaji utabaki haba katika 3.4% (kidogo chini ya 3.6% ya mafanikio katika 2015). Nchini Ghana, ukuaji unatarajiwa kuongezeka katika mwaka wa 2016 kwa 4.5%, kutoka 3.5% mwaka jana, wakati ilipokuwa inakwamishwa na uhaba wa umeme na uimarishaji wa fedha. Katika nchi nyingi zinazoagiza mafuta, shinikizo la mfumuko wa bei kutokana na kupokezwa njia ya nguvu ya dola ya Marekani (ambayo hasa kwa udogo kupungua kwa bei za mafuta katika suala sarafu za ndani) na bei kubwa za vyakula (kutokana na ukame katika mashariki na kusini mwa Afrika) na pia kukabiliana kwa kiasi fulani ya faida ya bei ya chini ya mafuta.

Hata hivyo, uwekezaji unaoendelea katika miundombinu na matumizi makubwa katika nchi kama vile Ivory Coast, Kenya, Rwanda, Senegal, na Tanzania unatarajiwa kuchochea ukuaji katika viwango vya kati ya 6% - 7% au zaidi katika mwaka huu na ujao. Kwa upande mwingine, uchumi wa Ethiopia ulififia kutokana na ukame, pamoja na ukuaji unaokadiriwa kushuka kwa kiasi kikubwa cha 4.5% (kutoka 10.2% mwaka 2015).

Mashirika ya ndege barani Afrika yanatarajiwa kuwa katika hali mbaya kote katika miaka miwili 2015 na 2016 na hasara ya Dola Milioni 300 na Dola Milioni 100 mtawalia. Migogoro ya kisiasa ina athari kwa masoko muhimu ya utalii katika Afrika ya Kaskazini. Mashirika ya ndege ya Bara hili kwa ujumla yaliathiriwa kutokana na uchumi dhaifu na ushindani mkali katika masoko ya kimataifa. Ukuaji pia ni dhaifu, na 0.4% ya uwezo wa upanuzi inatarajiwa mwaka wa 2015 na kuongezeka kwa 1.6% mwaka wa 2016.

Hasara zilizojitokeza tena kutokana na migogoro ya kikanda na changamoto za ushindani. Uwezo wa upataja faida ulikuwa chini mno, wakati ambapo mazao yakiwa juu kuliko kawaida lakini gharama ziko chini. Hata hivyo, mashirika ya ndege machache katika kanda yana uwezo wa kufikia ujazo unaohitajika wa kutosha, ambayo wastani chini kimataifa katika 56% mwaka wa 2015 na 2016. Utendaji katika kanda hata hivyo ulistawi kwa mwendo kasi ndogo.

Kenya

Mtazamo wa uchumi wa Kenya unaonyesha matumaini. Ukuaji wa pato la taifa (GDP) utasaidiwa na miradi ya miundombinu,

Taarifa ya Mwenyekiti *(Inaendelea)*

kuongezeka kwa uzalishaji wa kilimo, bei ya chini mafuta na sera ya legeza masharti ya fedha, ingawa masuala yanaendelea ya usalama na hali ya kutokuwa na uhakika juu ya uchaguzi wa mwaka ujao pia una mashaka yake.

Uchumi wa nchi hii uko na mseto wa kutosha na hutegemea kiasi kidogo juu ya bidhaa za kuuzwa nje, na kuifanya kuwa kakamavu zaidi kukabiliana na kushuka kwa bei ya malighafi. Ukuaji wa pato la taifa (GDP) uliinuka juu hadi 5.5% mwaka wa 2015, hii ikichochewa na mafanikio katika sekta zote isipokuwa ya utalii, ambayo iliathirika kutokana na sababu za kiusalama. Huku akaunti ya current kwa kiasi nakisi yake ikipungua kidogo mwaka jana, zaidi hasa kutokana na bei ya chini ya mafuta.

Ustawi wa Kenya unakadiriwa kuongezeka kwa 5.9% katika mwaka wa 2016 na 6.1% mwaka wa 2017. Mtazamo wenye matumaini unatabiriwa katika uwekezaji wa miundombinu. Uimarishaji wa hali ya kifedha unatarajiwa kupunguza shinikizo juu ya viwango vya riba vya ndani na kuongeza uchukuaji mikopo kwa sekta ya kibinafsi. Unyweo wa nakisi uliyopo kwenye akaunti ya current kutaendelea kusaidiwa na kupungua kwa bei za bidhaa na kuongezeka kwa mauzo ya chai nje.

Siasa za anga na ufikiwaji wa masoko

Kenya Airways inazidi kufaidika na uungwaji mkono kutoka kwa Serikali ya Kenya kukiwa hali ya kubadilika kwa mazingira ya siasa za anga kote katika ngazi ya kitaifa na ya kimataifa.

Kama mtunzi wa sera, tunaipongeza wizara ya usafiri, miundombinu, nyumba na maendeleo Mijini kwa kutungwa kwa sheria za usafiri wa anga ibara ya 2015 na mapendekezo ya sera ya Fly Kenya Policy, kwa kushirikiana na Hazina ya kitaifa na mamlaka ya ununuzi wa umma na usimamizi. Utunzi wa sheria zote mbili utasaidia pakubwa katika kufungua fursa mpya kwa sekta ya anga ya Kenya pamoja na kuongeza katika kuinua viwango vya kimataifa kupitia uwekaji wa kanuni.

Katika kipindi hiki tunachokiangazia, kwa upande wa mikataba baina ya nchi, Kenya ilitazama upya na kuanzisha mikataba wa maelewano (MOUs) na mikataba ya huduma za anga na jumla ya nchi 19 wakati wa mkutano ya majadiliano ya ICAO uliofanyika kule Antalya Uturuki mwezi wa Novemba 2015. Hizi ni pamoja na mikataba mpya baina ya nchi mbili ya Bilateral Air Service Agreements (BASA's) na Urusi, Guinea Conakry, Serbia na New Zealand. India iliongeza idadi ya safari za KQ na sehemu za kuingilia huku Senegal ikipokea ombi la Kenya kupata uhuru wa tano kwenda Marekani na hii ilionyesha dalili za matumaini ya kupata msaada.

Kuhusu ufikiwaji wa masoko, Kenya Airways inaendelea kufurahia msaada wa serikali nyingine za Afrika ambazo zimesaidia sana katika kuimarisha dhamira yetu ya kweli ya "kuchangia kwenye maendeleo endelevu ya Afrika". Mambo yetu muhimu ya hivi karibuni ni pamoja na utoaji wa haki za uhuru wa tano na serikali za Zambia na Afrika Kusini juu ya njia ya safari a Livingstone - Cape Town, ambayo ilituwezesha kuzindua upya safari zetu za ndege za kwenda Cape Town mnamo tarehe 1 Julai 2016. Shirika hili la ndege pia lilipata kibali kutoka serikali za Uganda na Jamhuri ya Afrika ya Kati kwa safari ya mara ya kwanza ya moja kwa moja kati ya Entebbe na Bangui, pamoja na haki za uhuru wa tano.

Kikanda, mtazamo umekuwa ukidhamiria zaidi mwelekeo wa mataifa mengi kuleta hali ya soko huru kukiwa na majadiliano yanayoendelea chini ya Airspace Management nguzo ya miradi ya Northern Corridor Integrated Projects na maamuzi makini ya umoja wa nchi za Afrika juu ya biashara huru katika Mataifa kumi na moja (11) ya Afrika. Tunasihi Serikali kuhakikisha kuwa faida za miradi hii zinalindwa tu kwa maslahi ya nchi wanachama na kwamba wanalinda kanda hii kutokana na ushindani usiofaa wa nje. Aidha, ule mjadala wa muda mrefu juu ya msimamo wa Afrika kuelekeana kwa usawa na Umoja wa Ulaya kwa Mpangilio ambao unahitaji nchi wanachama wa Muungano wa Ulaya kufanya marekebisho Mikataba yao Huduma za Usafiri wa Anga yote na nchi ya Umoja wa Ulaya mwanachama wa tatu ili kusiwe na ubaguzi wa ndege yoyote kutoka nchi mwanachama, hii inaendelea kushawishi upanuzi wa soko katika Ulaya. Inatarajiwa kuwa mijadala hii iliyotajwa itapelekea katika ufunguzi wa masoko mapya kwa nchi wanachama, kuimarisha na kuendeleza viwango vya usafiri wa anga kwa mashirika ya ndege ili kufanikisha uwezo wa kushindana katika masoko ya kikanda naanga za kimataifa.

Sekta ya anga inatambua haja ya kuridhisha, kanuni zilizoratibiwa ili kuhakikisha uwezo wa ushindani wa sekta hii. Kenya Airways inaendelea kushiriki katika mapitio ya sheria husika ambazo ni; Sheria ya Usafiri wa Anga, Sheria ya Mamlaka ya Usimamizi wa Viwanja vya Ndege, Sheria ya kulinda Watumiaji, Matumizi ya Ulinzi Sheria, na Sheria ya Ushindani wa Kenya kwa lengo la kudumisha usalama, ulinzi na utaratibu wa usafiri wa anga za kimataifa nchini Kenya. Sisi pia tunatambua juhudi za Shirika la Kenya Civil Aviation Authority's (KCAA) katika kukuza uwezo wa kudhibiti kwa kuboresha juu ya ufanisi wao kwa njia ya kuanzishwa mifumo ya mtandao.

Kuhusu Miundombinu, Kenya Airways inaipongeza Mamlaka ya Usimamizi wa Wiwanja vya Ndege kwa utendakazi wao usio na

Taarifa ya Mwenyekiti (Inaendelea)

dosari wakati wa Ukaguzi wa TSA uliofanyika mapema katika mwezi Mei 2016 ambapo ripoti ya awali inaonyesha matokeo hasi. Tungali tunaendelea kuunga mkono KCAA katika nyanja ya pili ya kiwango cha FAA cha Ukaguzi wa hadhi ya JKIA. Zaidi ya hayo, katika kanda hii, baraza la East African Facilitative Council (EAC FAL) linaendelea kuweka kigezo cha Viwanja vya Ndege katika kanda sambamba na ICAO Annex 9 na maboresho yalizingatiwa katika viwanja vya ndege kwote katika Mashirika ya Serikali ya kushughulikia abiria. Wakati wa kikao cha 40 cha EAC FAL uliofanyika mjini Mombasa katika mwezi wa Juni 2016 nchi nyingine nne za Jumuiya ya Afrika Mashariki (EAC) za zamani zilikaribisha Sudan Kusini kujiunga na baraza. Zaidi ya hayo, ujenzi unaoendelea wa barabara ya Dongo Kudu katika Mombasa kutaboresha ufikiwaji wa uwanja wa ndege wa Moi International Airport (MIA) na kupunguza msongamano wa magari unaowapata abiria wanaosafiri kuingia na kutoka nje ya Mombasa. Tunaomba Wizara husika kuhakikisha mradi huu unakamilika kwa haraka ili kuboresha ufikiwaji wa upesi wa viwanja vyetu vya ndege katika Nairobi na hasa, JKIA.

Hatimaye, kuhusu masuala yanayohusiana na mazingira, mjadala juu ya soko za kimataifa kulingana na hatua za kuzuia athari ili kupunguza uzalishaji wa gesi carbon dioxide kutoka anga za kimataifa inaendelea kuwa ya kuvutia. Mpango wa EUTS kama ulivyopendekezwa na EU uliahirishwa na shirika la anga za kimataifa wakati wanaposubiri ICAO kuja na mpango wote kamili kwa watu wote. Kenya Airways kupitia mamlaka ya Kenya Civil Aviation Authority na Shirika la Kenya la ICAO katika Montreal inaendelea kushiriki katika mijadala hiyo ili kuweza kutosha kulinda maslahi yake kuhusiana na mpango huo.

Utendaji wa shirika

Kenya Airways ilipunguza hasara ya uendeshaji shughuli zake kwa 75% katika mwaka wa kifedha wa 2015/2016, hii ni ishara tosha kwamba mkakati kugeuza hali na kuanza kupata faida unazidi kuzaa matunda. Matokeo kamili ya mwaka ya kipindi yalikuwa kama inavyoonyeshwa hapa:

- Uboreshaji mkubwa wa utendakazi:
- Idadi ya wasafiri iliongezeka hadi milioni 4.23, licha ya kupungua kwa kima cha Viti vilivyoko kwa Kilomita (ASK)
- Hali ya ndani ya ndege ilipanda kwa asilimia tano
- Mapato yanapanda kwa asilimia tano hadi kufikia Kshs Bilioni 116
- Gharama za utendaji zilipungua kwa asilimia tano
- Faida ghafi ilistawishwa kwa kiasi kikubwa, huku kukiwa na kupunguzwa kwa hasara ya jumla:
- Faida ghafi iliimarika kwa asilimia 42
- Kiasi cha faida ya uendeshaji iliimarika kwa alama asilimia 11
- Kupungua kwa hasara za utendaji kutoka Kshs bilioni 16 katika mwaka wa kifedha wa 14/15 hadi Kshs Bilioni 4 katika mwaka wa kifedha wa 15/16
- Bila ya kuzingatia athari za mara moja, faida ya utendaji ilipatikana katika mwaka huu
- Hasara kabla ya kulipa kodi kupungua kwa asilimia 12 kutoka Kshs bilioni 30 hadi kufika Kshs bilioni 26

KQ inaendelea kutekeleza mkakati wa **Operation Pride** kwa kupitia upya chaguzi za muda mrefu katika mahusiano ya muundo wake wa mtaji ili kuimarisha mkakati wake wa kuanza kupata faida. Wadau muhimu, ikiwa ni pamoja serikali ya Kenya na KLM wangali wanazidi kuunga mkono juhudi za kampuni.

Mtazamo wa kina zaidi juu ya utendaji wa Kampuni na mtazamo wake yanaweza kupatikana kwenye kurasa wa 67 chini ya ripoti ya wakurugenzi.

Umiliki hisa

Idadi ya wamiliki hisa katika daftari la wanachama kufikia mwezi Machi tarehe 31, 2016 ilikuwa 78,577. Miongoni mwa hawa wanahisa 40,473 walikuwa wamesitisha hisa zao na kuhiari zisimamiwe na CDSC Nominees Limited na kufunguliwa akaunti kwenye mfumo wa Central Depository System. Maelezo kuhusu wamiliki hisa kufikia mwezi Machi tarehe 31, 2016 yapo katika ukurasa 58.

Shukrani

Nachukua fursa hii kutoa shukrani zangu za dhati kwa wateja wetu, wanahisa, Serikali, wasimamizi, wafanyakazi, wauzaji na wanachama wenza katika Bodi kwa mchango wao wa kujitolea na kuendelea kusaidia shirika hili la Kenya Airways.

Wakurugenzi

Wanachama wa Bodi ya wakurugenzi ambao waliwahi kuhudumu katika mwaka huu wa kifedha wanaonyeshwa katika ripoti ya Wakurugenzi kwenye ukurasa 66.

Balozi Dennis Awori
Mwenyekiti

Management Team and Profiles

Mbuvi Ngunze

Group Managing Director & CEO (48 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 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 Boards of Bamburi Cement (from 1999), Hima Cement, Mbeya Cement, and serving as Secretary to the East African Cement Producers Association. He is currently the Chairman of Executive Committee of African Airlines Association (AFRAA), Chairman of Kenya Association of Airline Operators, a Board member of JamboJet Limited, Lewa Wildlife Conservancy, Precision Air and member of Board of Governors of IATA.

Dick Murianki

Acting Group Finance Director (48 Years)

Until his current appointment as Ag Group Finance Director, Dick Murianki was the General Manager, Kenya Airways Cargo. Dick has been in the airline industry for over 15 years and has served in various roles including, Finance Manager, Commercial Business Performance Manager, Head of Internal Audit and Head of Financial Control prior to his recent role as General Manager for the cargo business in Kenya Airways.

Prior to joining Kenya Airways, he worked with Ernst and Young Public Accountants for over 8 years in accountancy and business consultancy roles. Dick holds an MBA from Moi University – Kenya, and a Bachelor of Commerce degree from

the University of Nairobi. He is a Certified Public Accountant-CPA(k) and also a Certified Internal Auditor (CIA).

Management Team and Profiles *(Continued)*

Jan de Vegt

Chief Operating Officer (57 Years)

Jan de Vegt became the airline's Chief Operating Officer on 1st August 2016. Jan joined Kenya Airways from Cobalt Ground Solutions in the UK where he was the Managing Director. He has been at Senior Managerial level for the last 22 years. Jan started with KLM in 1978 in accounting, from there he moved to IT.

In 1988, he got his Master's degree in Dutch Law. He became involved in the operation of cargo, worked on development of new cargo buildings and got involved with procurement. He became Director of Operations for the Benelux, UK and Ireland in 1994. In 1997, he moved to Singapore as Director for South East Asia and Australia.

In 1999, he moved back to the Netherlands and became Vice President Worldwide Cargo Operations, amongst others responsible for running KLM's hub at Amsterdam, exploitation of freighter and trucking network, introduction of the new 747-400F and procurement for the whole Cargo division. During this period he also became vice-chairman of AEA Cargo.

He was also chairman of the board of CSC India (Cargo handling company in BOM/DEL) and Blue Crown (KLM in house broker). In 2006, he moved to Singapore again, this time as Vice President Asia Pacific for Air France Cargo/KLM Cargo and Martinair Cargo.

In 2012, he moved to the UK to manage Cobalt Ground Solution, a handling company jointly owned by KLM and Air France. He holds a Master degree in Dutch Law with special subject: Air and Space Law.

Chris Diaz

Director Marketing (47 Years)

Chris Diaz has diverse experience in managing global brands. He is a Fellow of Chartered Institute of Marketing, attained a Bachelor of Commerce (Hons) in Accounting, a Diploma in Marketing and a Master of Science in International Marketing (UK). Chris has done executive leadership development certification in the US and UK for global brand leadership and holds a chartered and FCIM status. He has served as a trustee and director of the Chartered Institute of Marketing (CIM), the world's largest Marketing and professional sales body making a difference for global standards. Additionally he is a member of the Brand Kenya Board where he is charged with the responsibility of giving strategic input in activities to position Kenya positively to the rest of the world. He was awarded the Head of State Commendation (HSC) and was honored by the Marketing Society of Kenya (MSK) with the Warriors and Fellows Award 2009, for successful marketing and supporting growth of world class brands. Chris Diaz has significant experience in the FMCG sector and has a strong grasp of marketing to a global audience. Prior to joining Kenya Airways he served BIDCO Group as the Group Marketing Director, overseeing

functions in Communications, Corporate Affairs and Business Development across different countries. He sits on the board of BIDCO as a non-Executive board member. He worked as a Director at CMC Motors Group where he won the Chairman's trophy over 5 times for outstanding Regional profit, transport solutions and business team leadership. He is currently serving at the African Marketing Confederation and is presently a board member of the World Marketing Summit Group contributing to global leaders' marketing strategy and communications best standards.

Management Team and Profiles *(Continued)*

Kevin Kinyanjui

Information Systems Director (49 Years)

Mr. Kinyanjui joined Kenya Airways in February 2004. He has 30 years' experience in the Information Technology field including experience gained at management consulting firm - Price Waterhouse; Bamburi Cement Ltd; in the banking sector including more than 10 years in the airline industry.

As an IT management consultant, he has carried out numerous management consultancy assignments in the finance, hospitality, manufacturing and service industries in both private and public sectors, spread out beyond Kenya in other African countries including Uganda, Tanzania, Malawi and Ethiopia. As Group IS Manager at Bamburi Cement, in Kenya and Uganda he was instrumental in strategy formulation, shifting the group to an end user computing environment; implementing integrated ERP and manufacturing systems and putting in place a complete IT organisation. Kevin 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.

In 2001, the Computer Society of Kenya awarded him the Chairman's Achievement Award in recognition of his achievements in the IT field. He has attended many technical IT and management courses both locally and abroad, most recently an Executive Development Programme from Gordon Institute of Business Studies (GIBS) of University of Pretoria.

During his tenure at Kenya Airways Kevin has led the airline in the implementation of a number of systems, including but not limited to: Oracle ERP, e-ticketing, Amadeus Altea suite of passenger service systems, web services for its customers, revenue management and network planning systems, and cargo management systems. This has led the airline to be awarded various CIO East Africa awards in 2010, 2011 and 2014. Kevin was awarded the CIO of the Year Award from CIO East Africa in 2014.

Martyn Haines

Technical Director (54 Years)

Martyn joined Kenya Airways in August 2015. An experienced leader with 37 years in various Maintenance and Engineering roles, he joined from Virgin Atlantic where he had served for 25 years, and most recently as General Manager Engineering Services and EASA Part M Post holder. Some of his time included a secondment between 2006 and 2007 in Lagos as Head of Technical Services whilst setting up Virgin Nigeria. Starting his career in aviation as an apprentice engineer in 1978 with British Caledonian and then British Airways, he moved into Technical Services & Planning and Fleet Management roles, where he is experienced in safety management, delivery of cabin product innovations, new fleet introductions, and change programmes. Having participated and led industry steering

committees in Maintenance Programme development, he is a Licensed Engineer by trade, and most recently studied at the Cranfield University School of Management in 2010.

Management Team and Profiles (Continued)

Thomas Omondi – Achola

Director Strategy & Performance Management

(44 Years)

Thomas joined Kenya Airways in 2005 and is currently the Director Strategy and Performance Management at Kenya Airways, responsible for strategy development, execution and performance management, with over 21 years' experience at Senior Management level. Prior to that, he was Head of Human Resources Relationship Management, from April 2014 to October 2015 and Head of Operations Control at Kenya Airways, a position he held since January 2008 to March 2014.

Thomas has also previously been General Manager for JamboJet, the low cost subsidiary airline of Kenya Airways, Head of Cargo Operations, for a period of 7 months. Prior to joining the airline, Thomas worked with a leading retail chain in Kenya, Uchumi Supermarkets as the Head of IT and Strategy Implementation, a position he held until January 2005.

Thomas attended the University of Nairobi and graduated with a Bsc. Degree in 1995 in Mathematics and an MBA degree majoring in Accounting and Finance in the Year 2000. He also holds an MBA in General Management from IESE Business School, Spain where he was on a 'Global leader' Part-Scholarship awarded by the IESE Alumni.

Thomas has attended several other programmes including, Airline Planning course offered by Boeing Aircraft Manufacturer-Boeing, Executive Development Programme at Gordon Institute of Business Science-University of Pretoria, Executive Development Programme at General Electric's Crotonville Center in New York, a 3 day 'MBA' course in low cost airlines offered by 'The MBA training company' in London, Leadership development programmes organised by London Business School and Rolls-Royce on site (at KQ), in 2007 and 2008 respectively, in addition to numerous other courses both locally and internationally.

He is also a part-time lecturer in Post-graduate studies at the Jomo Kenyatta University of Agriculture and Technology in Kenya and a PHD Researcher in Aerospace Engineering at Delft University of Technology in the Netherlands.

Francis Musila

Ground Services Director (46 Years)

Francis Musila has been in the airline industry for over 9 years. He is currently the Director for Ground Services where he looks after airport operations in all the countries the airline flies to. He is based at the hub, Jomo Kenyatta International Airport in Nairobi, Kenya. Francis is an energetic and self-driven individual with over 20 years work experience in banking and aviation, and has a tremendous capacity for efficiency and goal achievement.

Prior to his current Ground Services role, Francis held the position of Head of Operations Control where he coordinated the network wide operations of the airline, including driving On Time Performance. He also took a Flight Dispatch course to better understand the Flight Operations environment. As Head

Management Team and Profiles *(Continued)*

of Fleet Development, he presided over a fleet renewal and growth programme that doubled the aircraft fleet size to meet the airlines network growth requirements. He also ably led the introduction of the new aircraft into the airline.

Francis recently attained an IATA diploma in Airline Management confirming him as a consummate airline professional. He has attended several management courses, including notable ones such as the Executive Development Programme with GIBS, SA and Building Tomorrow's Leader Programme with the London Business School, UK.

Francis graduated from the renowned Cranfield University, UK where he earned an MSc in Gas Turbine Technology. His undergraduate course was in Aeronautical Engineering from the Manchester University, also in the UK.

Francis has proven his versatility through his successful career changes from his field of training to the finance arena and then back to his passion – Engineering & Management. Throughout his working career, he has been heavily involved in Operations, Projects and People management, maintaining a keen interest in efficiency, process improvement and coaching.

Captain Noel Malinda

Director Flight Operations (58 Years)

Captain Noel Malinda has over 36 years experience in the airline business having joined Kenya Airways in 1979 as a second officer on the Fokker 27 fleet and rose to the position of Captain on the same fleet in 1986.

Captain Malinda has had extensive experience as an instructor and examiner on almost all the aircraft fleet types Kenya Airways has flown. He has also held several management positions within the Company beginning with Fleet Manager Fokker 27 in 1989 and the last being Chief Pilot in 2011. During this time he was deeply involved in setting up the Kenya Airways Ab-Initio program which allowed many young people of diverse backgrounds and diverse financial capabilities to pursue a career in piloting. To date, the program has trained over 200 Kenyan pilots including numerous captains on the new B787-8 aircraft.

Captain Malinda was instrumental in the operational introduction to service of the Fokker 50, B737, and Embraer E170/190 aircraft types into the KQ fleet. Additionally he has been a Kenya Civil Aviation Authority pilot examiner from 1989 to date. Captain Malinda holds several IATA certificates in airline management, has undertaken the SGS Internal Auditor Course and most recently completed the Strathmore Business School PMD. He is currently Kenya Airways' Director Flight Operations prior to which he was a captain on the B777-300ER Aircraft fleet.

Chief Executive Officer's Statement

The year to 31st March 2016 was one of the most challenging Kenya Airways has faced. While acknowledging that the 2015/16 result was unsatisfactory, we believe that KQ is taking the right actions to secure its earnings recovery, strengthen its financial position and shape a profitable, sustainable future. In November 2014, on the back of significant losses reported at the half year, KQ set four short term priorities for the business namely;

Financing through the appointment of a financial advisor and seeking of US$200M bridge loan (the **"Bridge Loan"**).

African Export Import Bank (**"Afrexim"**) were appointed as financial advisor and offered to provide the Bridge Loan. The Bridge Loan was approved and KQ drew down US$100M. The balance of US$100M has been received with the support of the Government of Kenya.

Commercial diagnostic following which a major price restructure was completed in August 2015, with a strong focus on productivity and sales efficiency, resulting in significant people changes.

Hub redesign taking into account the runway repair works for a year in 2015 where we targeted to improve connectivity by +20%, with greater focus on East Africa and SEA/Islands connections.

Cost containment focused on keeping overheads costs in check and improving on productivity with agreement reached on this with union representing cabin crew.

The above four priorities set the basis for the turnaround plan (the "**Plan" or "Operation Pride**") in mid 2015, when we reassessed the status of the business taking cognisance of the following:

- KQ has a well-known brand, good safety standards, a strong market position and is member of global alliance SkyTeam. Overall recognising that KQ is strategically well positioned with strong growth potential.
- Internal and external factors led to a sharp decline in profits and a decline in revenues over the last years (growth strategy "Project Mawingu" failed due to poor execution, exacerbated by a fire at the airport, terrorism warnings and the Ebola crisis).
- The severe financing challenges (negative equity, high losses and urgent cash need/overdue payables).

The particulars of the Plan are detailed on page 67 under the Report of the Directors.

In the last few months, KQ has taken some hard decisions on the number of aircraft in operation, as well as making substantial changes on other aspects of our business.

Operation Pride is targeted to deliver over USD 200 million of value, half of which focuses on cost decrease and the other half on revenues. We are on track with our plan, having successfully implemented some of the initiatives such as the sale and sublease of aircrafts (which will reduce operating cost by over $7 million per month), the reduction of waste in catering, and renegotiation of some contracts. KQ has also raised cash through monetising of some of its other assets including slots in London. These actions are critical as they secure both the cash flow and operating stability of the business.

The airline made a deliberate choice to invest in a modern fleet and focus on improving its service. Looking forward, given the competitive operating conditions facing KQ, we recognise that productivity and cost competitiveness will be vital for the airline. While we are already making progress, there is still a great deal of work to do. However, the Group is well positioned for the future success. Our people have responded to the challenges we face with courage and commitment, and it is thanks to their efforts that we see a brighter future. We remain indebted to our shareholders, in particular the Government of Kenya, our customers, stakeholders and suppliers for their continuous support during these tough times.

COMMERCIAL HIGHLIGHTS

During the financial year 2015/16, the Kenya Airways Group carried a total of 4.23 million passengers compared to 4.18 million in the previous year. KQ passenger revenues including fuel surcharge stood at Kshs 94.8 billion compared to Kshs 90.4 billion in the previous year, representing a 5% improvement on previous year performance. Out of the total number of passengers carried by the Group, JamboJet carried 572,010 passengers during the period and achieved passenger revenues of Kshs 3.4 billion.

During the period under review, we witnessed certain significant developments in the airline industry that have, in short and long term, positively impacted Kenya Airways' performance. To mention a few, such developments included, the lifting of the travel advisory issued by the British Foreign and Commonwealth Office on 18th September 2015 which provided a greater opportunity for leisure travel from the Europe tourist source markets and on 20th October 2015, the lifting of the

Chief Executive Officer's Statement (Continued)

travel advisory issued by the United States Government on the Kenyan coast. On another positive note, on the 9th May 2015, the World Health Organisation declared Liberia free from the Ebola virus which led to the re-introduction of KQ daily services to Monrovia (ROB) and Freetown (FNA).

During the financial year, Kenya Airways' commercial teams increased efforts to focus on new revenue opportunities. These efforts included the introduction of more-segment focused strategies, especially on improved engagement with Corporate Travel Agents (TMC's), Government Business, Leisure and the SME (Trader) segment.

The business has taken a conscious decision to re-introduce commissions in offline countries in the Far East in order to leverage on the Kenya Airways strength in the African market and compete favorably with Middle East carriers and Ethiopian Airlines.

Network and alliances

During the financial year 2015/16, the Jomo Kenyatta International Airport ("JKIA") was closed at night between 12.00 midnight and 6.00 am, due to runway maintenance. However, Kenya Airways was able to improve the utilisation of aircraft during the day, by changing the peak operating hours and flying extra frequencies to African stations. These extra frequencies increased the number of saleable connections by 20%, enabling Kenya Airways to sell more connecting traffic through the hub.

New operations commenced during the period under review included; Hanoi, Vietnam – launched on 30th of March 2015 and Bangui, Central African Republic - launched on 1st of November 2015. This brings the total number of destinations served by Kenya Airways to 53, out of which 43 are in Africa.

During the year under review, with the delivery of the last two B787-8s Dreamliners, the B777-300ER fleet has been removed from the network, hence reducing the number of empty seats on the long haul flights, and increasing load factors and financial performance of the affected routes.

E-Commerce

The direct online sales channel experienced exponential growth over the past year. Initiatives introduced by the commercial team included:

1. Msafiri Connect; A B2B web based solution that converts the inventory in a web application format and distributes it through the World Wide Web (www). The product is designed for SME and non-IATA travel agents.

2. Partnership with Google Kenya to reach out to more people across the globe that are using Google platform to search for convenient and reliable travel.

3. Partnership with PayPal in a move to enable customers from Kenya and around the globe to purchase travel tickets online and pay with PayPal.

4. A fully functional mobile application solution: this product is targeted at mobile phone users looking to use KQ services. Available services include booking, payments, mobile check-in, flight status and timetables, subscriptions to the Kenya Airways newsletter, follow us, like us and watch us on YouTube, Facebook and Twitter. The application is available for free on Google Play and Apple iStore.

Sales excellence

The airline commenced the Sales Excellence programme which has been working closely with the Corporate Executive Board ("CEB") for guidance on best practices.

An initial survey was carried out which helped prioritise areas critical to performance. The areas identified were Sales Operations and Customer Management. A project team was constituted with representation from across the network including a steering committee.

The **'AS IS'** and **'TO BE'** processes for Sales Operations (including Sales Processes) and Customer Management were completed using Business Process re-engineering methodology after taking into account benchmarks and best practice. After testing in pilot markets, network wide roll out begun in January 2016 and this is now 70% complete.

To embed best practices as defined by the processes, Coaching for Sales Excellence was introduced. A survey was carried out to gauge KQ's effectiveness and through this a coaching approach was defined and a curriculum developed. All the commercial team Managers were then trained and provided with a framework to apply, going forward.

Sales force automation

To enable the sales teams be part of a world class sales organisation, Kenya Airways has invested in various tools whose objectives are to:

- Enhance customer relationships;
- Improve sales team efficiencies in relation to time management, administration & communication;
- Improve sales team effectiveness through good use of available information & seamless sales processes, and
- Increase revenue through increased and focused sales.

The flagship tool implemented this financial year was **Oracle Sales Cloud (Fusion).** This is a Customer Relationship Management (CRM) system that enables teams to have a 360 degree view of the customers (retail, trade & corporate) and also maintain a legend of interaction with these customers. Consistent updates of the customer engagements gears the Company to frequently delight the guest, gain and maintain customer loyalty which in turn increases revenue.

Meetings, Incentives, Conferences & Events (MICE)

MICE revenues for the period up to December 2015 increased by 87% from the previous year aided mostly by a renewed focus on MICE within the Company, as well as a number of high profile events that occurred towards the end of the calendar year. These events included the following:

- The Global Entrepreneurship Summit held in July 2015 coupled with the first visit by a sitting United States President;
- The World Trade Organisation 10th Ministerial Conference ("WT MC10") held in December 2015 for which KQ was the official partner airline , and
- The Papal Visit in November 2015.

As a follow up to the success of WTO MC10, Kenya Airways was recently appointed the official partner airline for the United Nations Conference on Trade & Development (UNCTAD XIV), which was held in Nairobi for the second time in the history of the conference. This along with other conference partnerships puts the Company on target to reach and surpass its goal.

The MICE team has also developed a KQ MICE page that has been integrated into the KQ website and which allows KQ partners to make online enquiries regarding the conferencing offers and receive prompt feedback.

As conference tourism continues to grow in Kenya, Kenya Airways will be at the forefront of this growth and a willing partner to conference organisers.

Revenue management

Commercial process improvement

During the financial year 2014/15, the Company appointed Seabury Aviation Consulting to identify opportunities which could be leveraged upon in order to improve the revenue generating potential of the airline. In Revenue Management, this exercise was split into two phases: recommendations and implementation phases. The recommendation phase was completed within the financial year 2014/15. Within the financial year 2015/16, the implementation of the recommendations was carried out, and this resulted in the airline adopting a new pricing strategy. The pricing strategy was fully implemented in August 2015 and is currently being used.

During the year under review, as part of the wider Operation Pride Project, the Revenue Management sub-work stream commenced over 50 initiatives which were aimed at further improving the revenue generated by the airline. Besides revenue generation, the function is charged with ensuring optimal distribution through various channels.

Revenue Integrity Tool

During the financial year 2015/16, the function delivered phase 2b of the Revenue integrity tool. During this phase, the Company began tracking booked versus ticketed sub classes and Special Prorate Agreements. In the financial year, revenue collected as a result of revenue integrity reviews rose 64% from prior year to USD 1,742,511.

Revenue management systems utilisation

Revenue Management function is heavily dependent on tools to forecast demand and ensure that adequate decisions are made in a timely manner. Continued focus on proper utilisation of tools is being carried out. During the year, a number of reports were developed which guide users on how to better manage demand within the current systems. In the coming year, the Company has planned a number of health checks and system enhancements to ensure that system users are using the tools as intended and that the airline realises value from these tools.

CARGO & MAIL

Cargo Revenue and Tonnage:

During the financial year 2015/16, Freight sales revenue stood at Kshs 8.9 billion compared to Kshs 9.8 billion for prior year reflecting a 9.1% decline. The main driver was the cutback in deployed capacity with total operated ATKs (Available Ton Kilometers) standing at - 14.5%. Total uplift for the financial

Chief Executive Officer's Statement (Continued)

year 2015/16 was 60,457 tons compared to 66,029 in 2014/15, down by 8.4%. Despite capacity shrinking by 14.5%, total uplifts only declined by 8.4%, depicting an improved capacity uptake. The improved Load factor was up 61% in 2015 to 65.2% in 2016.

The overall tonnage yield during the year declined by 9% against previous year, as it was negatively impacted by downward pressure exerted by declining fuel prices and the depreciation of the EURO against the US dollar.

Warehouse handling revenues stood at Kshs 1.3 billion versus Kshs 1.5 billion in the prior year. The competitive landscape at JKIA continues to stiffen with the introduction of new entrants.

With this competitive environment the cargo team continues to focus on service delivery as a key strategic pillar to counter competition. The Export warehouse operational excellence pilot project was implemented in 2015 and recorded great success. Such initiatives will be extended to the Import and Courier facilities in 2016.

The new regulatory regime introduced by Kenya Bureau of Standards in December 2015, requiring all importers to have a certificate of conformity (COC) negatively impacted imports revenue during the fourth quarter as this significantly increased the import cycle times.

B737F Freighter

The Freighter delivered less volume this year attributable to reduced in-feed loads from the network as a result of decline in operated ATK on passenger fleet to critical feeder routes that include London, Amsterdam and China. Whereas these routes operated B777 in 2014, the routes in 2015 were largely operated by the B787 with lower cargo payload.

The cargo strategy to broaden partnerships initiated important first steps in 2015 to identify strategic partners for wide body freighter feeder and the engagement will be intensified in the next financial year to implement sustainable feeder traffic from key source markets.

OPERATIONS

Kenya Airways' on time performance (**"OTP"**) for the FY 2015/2016 has kept fluctuating and has followed the trend experienced the previous financial year although it was below that achieved in 2014/2015 for most of the year.

Measured at IATA benchmark target of 85% at 15 minutes, the achieved OTP fell short of target for most of the year closing at 77% being the same as the weekly moving average.

OTP was below the performance experienced during prior year - 2014/2015 except for July, August and September when the value exceeded that achieved during the same period in the previous year.

We continue to monitor the OTP for the whole network and generate periodic reports that are shared with the stakeholders so that the root causes can be addressed with appropriate root cause correction measures.

The top four delay contributors for the FY 2015/2016 were:

1. Ramp handling
2. Flight deck crew shortage
3. Aircraft Serviceability
4. ATC restrictions

There was a significant reduction in delays due to flight deck crew shortage in the last half of the period under review resulting in the relatively improved OTP towards the end of the year.

Technical Department was a regular contributor to the low OTP throughout the year due to the increased AOG situations on the older fleet. However, a number of AOGs were also experienced on the new fleet particularly at outstations.

Ground Services (passenger and ramp handling) department also sustained improvement in the last three months of the financial year under review as a result of increased accountability by the ramp team.

During the 2016-17 financial year there will be increased focus on OTP improvement by all the stakeholder departments with the following actions taken to support such initiative:

1. Increased focus on Domestic and regional flights due to tight rotations for both the E190 aircraft and crew.
2. Focus on reduction of controllable delays (less than 15 minutes) by responsible operational departments by identifying and addressing the root causes.
3. Review of the "Star" flights to flag them as "no delay" flights since they are feeder flights for the hub and have a significant impact on the network if delayed.

4. Consistent crew scheduling pre-planning within the Operational Control Centre window in order to manage disruptions due to crew sickness.
5. Closer liaison between Maintenance Control Centre and Operational Control Centre to improve on management of aircraft maintenance.

GROUND SERVICES

During the year under review, Ground Services had an eventful year that included necessary improvements to the infrastructure being completed and settling into the new terminal (Terminal 1A Departures) concourse, even as the parking garage for arriving guests was still in use. Right at the end of the financial year, Terminal 1A Arrivals was finally commissioned for the exclusive use by Kenya Airways and its Partners. This modern, spacious and world class facility can handle up to 2.5 Million international passengers per year.

Behind the scenes, Kenya Airports Authority **("KAA")** commissioned a state of the art baggage sorting system that is essential for the Hub of a network airline. This state of the art equipment can handle 25 bags per minute and is designed to automatically sort bags to respective flight bins; making the job of transferring bags between flights much easier, faster and more efficient.

Kenya Airways continues to receive accolades on the new lounge experience in Terminal 1A. The lounges are open to business class and SkyTeam Elite plus guests. In March 2016, Pride and Simba Lounges in Terminal 1A were voted by the SkyTeam guests as the 2nd best lounge amongst the SkyTeam airline lounges.

With the closure of the JKIA runway for six (6) hours at night during the financial year to facilitate runway pavement refurbishment, some flights failed to depart before midnight and had to be rescheduled to the following day with consequent impact on the guests' itinerary. This pushed the delivery of the Ground Services On-time performance at zero minutes to an average of 93%, versus a target of 95%.

In general, the number of Opportunities for Improvement **("OTI's"),** from the KQ guests, attributed to Ground Services was well above prior year. By far the largest OTI area was on mishandled bags.

With the baggage sorter and T1A Arrivals now delivered, a much better travel experience and consequent lower baggage OTI's will be realised.

Over the years, the airline has invested heavily in the ground handling infrastructure at JKIA. As a licensed Ground Handler the Company is able to offer competitive Ground Handling services to other airlines. This has become an important revenue stream for the Company with the twin benefit of improved asset utilisation during the quieter times of the day. This service is offered to both passenger and cargo freighter flights.

The Company has much to look forward to during the financial year 2016/17 and with the terminal infrastructure now in place, the focus for the coming year will be delivering the promise to the guests of:

- Improved customer service as guests' transit through the airports.
- Improved On Time Departure.
- Similar and consistent service in outstations as at the hub.
- Reducing the cost of operations and increasing revenue as part of the Operation Pride turnaround process.

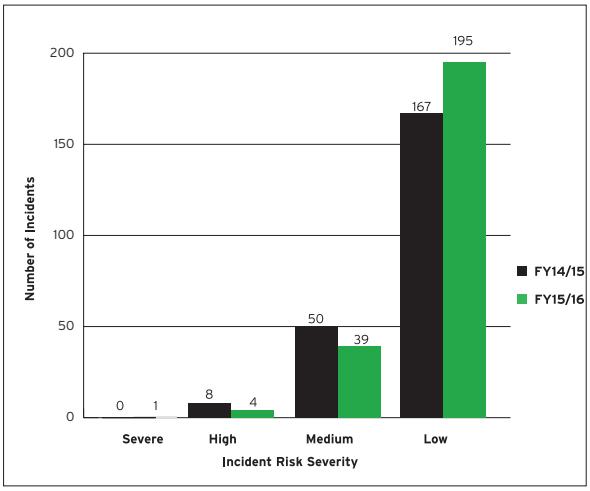
SAFETY, SECURITY AND QUALITY

Corporate Risk Management

The financial year 2015/16 focus was on reduction of risk severity within the Company's operations. The hazard and risk mitigation teams within the departments identified and analyzed 2455 hazards and incidents, representing a 50% increase compared to the previous financial year in which 1696 incidents were reported and analyzed. The effort put in reducing hazards prevented the increase of incidents and the general risk severity was notably lower.

Chief Executive Officer's Statement (Continued)

Incident Severity FY 14/15 vs FY 15/16 Compared

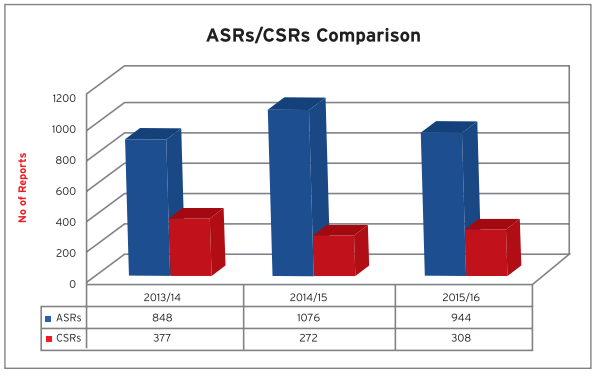


During the year under review, Safety Action Groups (SAGs) were formed in six more outstations; Accra, Addis Ababa, Mumbai, Juba, Johannesburg, and Dubai in addition to the five formed during the financial year 2014/15. The SAGs have been instrumental in monitoring and managing the safety aspects within the stations.

Kenya Airways won an International Safety Award with merit from the British Safety Council in recognition of its commitment to keeping its workers and workplaces healthy and safe during the 2015 calendar year. This is an improvement from a Pass Award achieved in the previous financial year. The target for next year is a distinction.

Flight safety section

Flight data



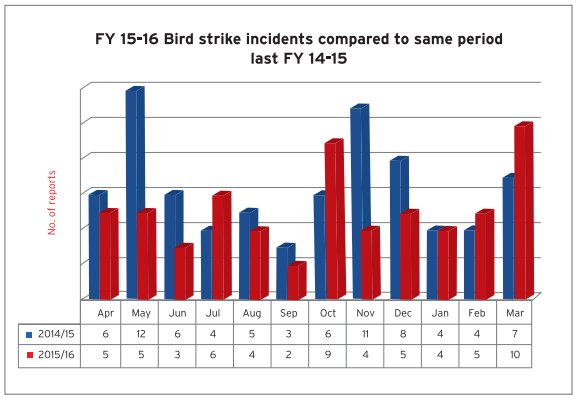
A reporting culture is critical to managing safety. At KQ, we have encouraged reporting as a way to capture and address issues.

The chart shows a graphical trend analysis of the Air Safety reports ("ASRs") and Cabin Safety Reports ("CSRs") received over the past three financial years. There was notable consistency in the number of ASRs and CSRs.

The continued good reporting of air and cabin safety occurrences during the 2015/16 financial year can be attributed to confidence in the reporting system, through provision of timely and credible feedback to incident reporters as part of implementation of the corporate safety management system.

Flight Safety team continues to endeavor to build on gains made through good communication on safety awareness through safety bulletins, safety awareness classes across the organisation, attendance of regulatory classes, and crew forums.

Bird strikes



A total of 63 bird strikes were reported during the financial year 2015/16 compared to 77 cases during the financial year 2014/15. Most of the reported bird strikes caused minimal damage to the aircraft and a few of those resulted in costly maintenance, parts replacement, and operational delays. There were however, no reported air turn back incidents due to bird strikes.

While bird strikes incidents continue to be an industry hazard to flight operations, Kenya Airways' Flight Safety office has continued to work with airport authorities and other aviation stakeholders in all its destinations to control the hazard by closely monitoring birds and wildlife activity.

Other incidents

There was a general reduction in unstable approaches by 39% during the financial year 2015/16 compared to a projected target reduction by 30% as the safety goal for the year.

Unstable approaches were due to various reasons including but not limited to; weather, Air Traffic Control (ATC) procedures, and human factors.

ATC service standards in Juba airspace continue to be a safety concern contributing to the high count of and an increase in air traffic management related incidents in the year. Flight Safety office is working with the authorities and IATA to resolve these issues.

21 incidents related to disruptive passengers/inappropriate behavior were reported during the financial year 2015/16 compared to eight incidents reported in prior year.

Quality assurance

During the financial year 2015/16, Kenya Airways successfully underwent the IATA Operations Safety Audit ("**IOSA**") and IATA Safety Audit for Ground Operations **("ISAGO")** registration renewal audits. The IOSA program is an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline.

ISAGO is a standardised and structured audit program of Ground Service Providers (ground handling companies operating at airports). It uses internationally recognised operational standards that have been developed by a diverse group of airline experts. Both IOSA and ISAGO audits are carried out by highly trained and experienced auditors. The audit programs provide airlines and ground service providers with a model for operational risk & safety management in their organisations.

In addition to the IOSA and ISAGO audits, 48 audits internal self audits were performed against 26 scheduled during the financial year 2015/2016. These included outstations, Known Shippers, 3rd party security and ad hoc catering audits. 146 Non Conformities were identified in those airports and entities audited. The Station Managers were advised to work closely with both the airport authorities, Ground Handling Agents, 3rd party security and catering facilities to address the Non-Conformities.

Corporate security

During the year under review, the following performance was reported:

1. Pilferage: 13% decrease in pilferage compared to FY14/15.

2. Canine operations: USD 15,000 was collected from narcotic and explosive detection services offered to commercial shippers. Similar services were deployed on Europe-bound KQ flights and cargo warehouses.

3. Compliance with regulatory requirements: the section performed exceptionally well during the IOSA and ISAGO audits – there were no findings! Security Services section also managed to retain ACC3 and RA3 certifications after various inspections by the EU representatives.

4. Threat and risk assessment: these were conducted in seven (7) hotels and fourteen (14) airports. Periodic airport fence surveys were conducted in seven airports. In the year, the reported political unrest in Burundi, Congo, and South Sudan which affected KQ operations to the destinations was monitored closely and mitigating measures were put in place.

   The Al Qaeda in Maghreb and the Al Shabaab remain among key terror groups threatening the civil aviation in East and West African regions.

5. Valuable cargo: the section sustained transportation of valuable cargo across Africa. 60.307 tonnage of valuable cargo was uplifted without a single incident of theft or loss, compared to 39.849 tonnes uplifted the previous year.

6. Firearms handling: a total of KSHS 15.6 million was generated through firearms handling.

TECHNICAL DEPARTMENT

Primary performance metrics for the period under review have been safety, quality & compliance, technical dispatch reliability, cost control and guest satisfaction.

Operation Pride became the key activity to both manage and optimise maintenance related costs, and has progressed to a position where significant cost savings have been identified, with clear action plans to deliver. This includes a combination of supplier related costs and performance, together with internal productivity improvements.

Chief Executive Officer's Statement (Continued)

Fleet technical dispatch reliability as measured at industry benchmark levels improved from 98.8% in the previous year to 98.9%. The 787 fleet outperformed the world feet average of 99.0% by an impressive 99.2%. The short haul fleet of 737 and E190 aircraft performed slightly below the world fleet average, but equal or above other African operators.

Safety, quality and compliance remain as the Company's key priority, and this was maintained by through proactive focus on near-miss reporting, safety management system enhancement, and effective risk management. In the period, the Company recorded a reduction in significant events and air turn backs compared to the previous year. Supported by the Kenya Civil Aviation Authority regulatory approvals, the Company also used the EASA 145 maintenance approval gained last year to good effect by maintaining other operator aircraft and equipment.

Guest satisfaction is measured by the reliability and performance of the on board products maintained by the department. Supply of spare parts from some key suppliers was the biggest challenge, but the Company's performance remained high on the younger fleet of aircraft.

FLEET DEVELOPMENT

Year under review

The primary focus for the fiscal year was finalising aircraft transitions that had previously been contracted. The Company took delivery of the last three (3) 787-8 Dreamliners and two (2) B737-800s. This was in addition to the exit of twelve (12) aircraft, which were either sold or returned to their owners at the end of their lease term.

Fleet		
Aircraft Type	**31-Mar-16**	**01-Apr-15**
B787-8	9	6
B777-300ER	3	3
B777-200ER	2	4
B767-300ER	-	5
B737-800	8	6
B737-700	2	4
B737-300	2	4
B737-300F	2	2
E190	15	15
Bombardier Dash 8-400	2	-
E170	2	3
TOTAL	**47**	**52**

The year ahead

The coming year will focus on right sizing the fleet in accordance with Operation Pride and the 5 year fleet plan. There will be further reductions in both fleet count and aircraft type with the initiative to have a lean and efficient, fleet tailored to the Company's network requirements. The following are the aircraft exits planned for the financial year 2016/17:

Fleet		
Aircraft Type	**No. to Exit**	**Reason for exit**
B787-8	2	Sub-lease to Oman Air
B777-300ER	3	Sub-lease to Turkish Airlines
B777-200ER	2	Sale (planned)
E170	2	End of Lease return
TOTAL	**9**	

MARKETING

Kenya Airways remains focused on strongly positioning the brand across the network. During the period under review, Kenya Airways was voted as Africa Leading Airline 2016 for the first time and Africa's Leading Airline- Business Class 2016 for the fourth year running at the annual World Travel Awards. This is testament to the hard work the Company's people especially customer facing staff have put towards delighting the KQ guests. KQ guest experience design and experience has been continuously innovated through consistent market research to improve quality and reduce wastage. The Company continues to communicate across the markets and to its guests using digital automation. The new branded fares and hot deals continue to be promoted among many campaigns globally.

Internally, the Company has continued to strengthen internal marketing and enhance KQ brand promise and values to staff through the Brand Ambassador program in which non-sales staff are rewarded for targeted new business and positively representing the Kenya Airways brand.

Externally, the improved hub has been well received by the Airline's guests who are looking forward to ease of use at the airport with less busing at the new Terminal 1A arrivals and departures. Kenya Airways lounges at JKIA continue to gain important acclaims with guests voting them the second best in the world across the SkyTeam airlines.

The guest relationship and 24 hours social media team continue to engage and manage the brand interactions, and

were recently rated among the top 5 best global airlines in quick guest responses as reported by the Economic magazine survey.

HUMAN CAPITAL

As at 31st March 2016, Kenya Airways' headcount stood at 3,870. This represents a reduction of 132 staff compared to prior year. The number of outsourced staff reduced from 626 to 591 while JamboJet headcount increased by 6 to stand at 35. During the period under review, there was an overall reduction in headcount for both permanent and outsourced staff. In a bid to control escalating employee costs, the Company continues to scrutinise any additional headcount requirements and reorganise existing roles to avoid unwarranted increase. Vacancies have by and large been filled internally and through re-organisation.

Talent management

In managing our talent, our key focus was to help the business restructure key areas and to maintain reduced staff numbers and still deliver the company objectives. During the period under review, the drive for robust succession planning was sustained to identify critical development needs of would-be successors to key positions in the business, and to create talent pipelines in each function. In an effort to enhance career development of our staff within the business, work had been ongoing on the creation of 'job families' within each function, in order to provide a blueprint of the expected competences at each role/level of one's career path. A leadership competency framework was also developed to be rolled out and embedded in the next financial year for all managers in the business.

In an effort to boost our talent pipeline for the Technical department, we developed and signed an MOU with Technical University of Kenya (TU-K) and Kenya Aeronautical College for the training of aviation technicians and engineers. The Partnership is aimed at improving the quality of training and giving practical exposure to students in the local colleges. In the long run, this will provide the airline with quality technicians for our business needs.

Learning and development

During the financial year 2015/16 the learning and development training team continued to focus and facilitate the development of Leadership Capabilities in the business.

Corporate training

In partnership with General Electric (GE) the airline conducted training referred to as "Building Essential Leadership Skills - BELS". The main objective was to provide the managers with opportunity to develop knowledge and skills required to effectively lead teams at Kenya Airways, focusing on leading & developing self and others. 96 managers and team leaders were trained.

Additionally, we conducted training on the leadership competencies to 88 Managers.

E-Learning

During the financial year 2015/2016, our main focus was to implement E-Learning Infrastructure at Kenya Airways. We have implemented a new Learning Management system referred to as *I-Learn.*

The system now has a number of Airline-based training content developed and uploaded in the system and are being used to deliver training to KQ staff online and remotely from their location (whether at their office desk, in hotel or at home). The system continues to be enhanced with new Content and Examination material and is expected to be the core Training Delivery Platform in the near future.

The Benefits of the System include:

- Increased access;
- Availability, anytime and anywhere;
- Convenience and flexibility to learners;
- Less expensive and measurable;
- Self-paced learning;
- Managing classroom training online, and
- Tracking and managing of attendance online.

Technical training

During the financial year under review, the department trained 2,517 staff broken down as follows:

- 3 Aircraft type courses with 50 staff trained;
- 76 continuation courses conducted and 762 staff trained
- 77 EASA and KCAA mandatory courses with 1172 staff trained;
- 4 A-rating courses with 53 technicians being trained, and
- Several other course including cabin and IFE, All Weather

Chief Executive Officer's Statement (Continued)

Operations, ETOPS and predictive maintenance related courses saw the school train 173 staff.

During the period under review, the airline launched two (2) e-learning courses for the Technical Team, namely; Basic ETOPs and Fuel Tank Safety. A key highlight for this financial year 2015/16 is that the Technical Training School released 20 apprentices to production.

Operational training

For other operational areas, we conducted other Diploma and Certificate level programs for private candidates who principally are candidates for outsourced labour.

The number of students under our cooperation agreement with JKUAT rose from 244 in the prior year to 389 during the 2015/16 FY.

On 1st February 2016, KQ Pride Training Centre was granted an Approved Training Organisation ("**ATO**") status from the Kenya Civil Aviation Authority.

Kenya Airways and Amadeus entered into a training partnership agreement on 28th July 2015. The agreement will enable KQ Pride Centre offer Amadeus Basic Training Courses to Travel professionals who are not familiar with the Amadeus reservation system and have limited or no experience with other Global Distribution Systems ("**GDS**").

Industrial relations

Enhancing industrial relations between the Company and the Unions was in key focus during the period under review. The Company laid emphasis on increasing productivity through improvements in the Union's Collective Bargaining Agreements with nil or minimal increase to the cost of Labour. In addition, we commenced increased engagements with the Unions with a view to sensitising them on the on-going Operation Pride turnaround initiatives in order to get their buy-in. The same focus will be maintained in the 2016/17 financial year by increasing consultations with the Unions on the on-going staff rationalisation exercise and the subsequent negotiations on the desired terms and conditions of service with a view to aligning the cost of labour with the objectives of Operation Pride.

Focus was also placed on having dialogue with staff through direct engagement forums with the aim of explaining and elaborating on the various management decisions affecting them, explaining HR policies as well as deliberating on Company performance. Key among the issues shared with staff during these forums is the business turnaround initiatives. As a result of these direct engagements with staff, a lot of ideas were gathered, many of which were converted into viable initiatives and are already in various stages of implementation under Operation Pride. More dialogue with staff will continue as the turnaround process goes through the implementation phase in the 2016/2017 financial year.

Kenya Airline Pilots Association (KALPA)

The Company engaged with KALPA's leadership through monthly management meetings and scheduled Group Managing Director/KALPA quarterly meetings, and Seniority and Promotion Committee meetings. In addition, we introduced pilots' round table forums where management engaged pilots on post-flight duties on a weekly basis.

Both management and KALPA also engaged in Collective Bargaining negotiations, which, following a deadlock at bipartite level, proceeded to conciliation at the Ministry of Labour level. At the end of the conciliation process, both sides deadlocked and a Certificate of Unresolved Dispute was issued to parties. The thrust of the negotiations was to drive greater productivity based pay from the pilot community, whilst achieving optimal pilot numbers for the agreed fleet size and network plan. The dispute was not progressed to arbitration stage in court as it was decided to re-open negotiations with the Union as part of Operation Pride cost saving initiatives.

As at 31st March 2016, the number of related suits filed in the Employment and Labour Courts had reduced and some were referred to conciliation level. Reasonable progress was made in closing some of the cases/disputes.

Aviation and Airport Services Workers Union (AASWU)

The Company still has a case pending in the Supreme Court over the redundancies that had been effected during the 2012/2013 financial year under the staff rationalisation program. The membership of AASWU has greatly diminished owing to the formation, registration and recognition by the Company of the Kenya Aviation Workers Union (KAWU)

Kenya Aviation Workers' Union (KAWU)

The Company and the Union concluded negotiations on the CBA for the period 2014 – 2016 which maintained basic salary levels at the current rates whilst introducing productivity based allowances.

Regular management/union meetings took place in order to appraise the Union leadership on business performance. Relations with the Union have remained cordial. The Union and its membership participated in Operation Pride idea generation sessions which were held from December 2015 to March 2016 and they have been supportive of the subsequent initiatives arising from the idea generation sessions. Consultations on initiatives touching on staff rationalisation and terms and conditions of service commenced and have been positive.

National Union of Air Transport Union (NUATE, Nigeria)

Negotiations with the Union on pending issues touching on the monetary clauses of the CBA were concluded and parties closed on all the issues, including those relating to leave travelling allowance, gratuity, employment terms and union membership.

Amalgated Transport and General Workers Union (ATGWU, Uganda)

The Company commenced negotiations with the Union on review of the monetary clauses of the CBA. Following negotiations, management and the Union have agreed to keep these issues in abeyance and review the status in August 2016, after assessing progress in Operation Pride turnaround program.

Staff restructuring

As part of Operation Pride turnaround plan, the Company has embarked on a restructuring process which involves staff redundancies and redeployments. Direct redundancies will affect staff that through the analysis of headcount needs, have been identified as being in excess of the requirements. Redundancy notices were issued to the various Unions and the Ministry of Labour on 31st March 2016 as required by law. The initiatives do not all touch on monetary aspects of the employees pay. Examples of other initiatives include, increasing leave uptake, change of Crew hotels from 5 stars hotels and others on productivity improvement initiatives.

INFORMATION SYSTEMS

Mobile Apps

Kenya Airways mobile application was first launched in 2014. During the financial year 2015 -16 a major mobile application ("**App**") development was initiated which saw the existing App enhanced to a world-class tool. The new App integrated the reservation and flight scheduling system, providing customers with solutions on their palm. The new App has incorporated flight status which shows the customers the status of a departed or en-route flight. The App also incorporated new features such as Lounge finder – an option which enables customers to search and get information on lounges at all airports where SkyTeam partners operate. The flight schedule was enhanced and is now giving departure and arrival flights in a selected date range.

Kenya Airways mobile App is available in iOS and Android platforms. The App is currently rated among the best airline Apps internationally with a rating of 4.1 out of a possible 5. The App enables customers book flights, change flights, pay, check flight status, flight schedule and view other KQ information such as events, corporate information among others.

Electronic Miscellaneous Document (EMD) and Airline Ancillary Services (AAS) Phase 2

The Electronic Miscellaneous Document (EMD) is an IATA industry standard which all airlines are required to conform to. KQ implemented EMD in the Reservation system in 2013. In 2015, the Company embarked on phase 2 of the EMD solution. The DCS EMD enables Customers to buy and pay for Ancillary products and services at the Check-In counter. Customers wishing to purchase services such as Excess baggage, extra leg room, merchandise among others, are now able to do so at the check-in counters. Payment is also possible at the Check-In counter using cash or Credit Cards. The new solution was delivered in January 2016 and rolled out to all KQ stations.

Website enhancements – Server mirroring, hotel Consolidator, Online Refunds, Campaign Manager

The website was greatly enhanced during the year 2015-16. Firstly, the website was migrated to a completely new set of hosting infrastructure.

Secondly, the website moved from three (3) servers to twelve (12) servers with redundancy and load balanced capabilities ensuring that there are no downtimes during server patching and upgrades. The new hosting environment went live in May 2015. During the year, KQ implemented website mirroring (or Content Delivery Networks) ensuring that website content is not accessed from the host servers but at locations where a customer is browsing from.

Chief Executive Officer's Statement (Continued)

Hotel Consolidator solution provides customers with ability to book hotels when making online ticket bookings. Customers now have a one-stop shop, booking and paying for hotels online from the KQ website. The Online Refund solution was implemented in January 2016. With this, customers are now able to apply for ticket refunds online and get their credit card accounts credited with the refund amounts without calling or walking to KQ offices. The Campaign Manager solution was implemented on the KQ website and now enables special offers to be launched automatically without manual intervention.

Alternative payment options

In November 2015, KQ went live with integration to GT Bank, offering customers in Nigeria and Ghana regions with online payment options for their tickets. With GT Pay integrations, customers in West Africa have an option to book tickets online and directly debit their GT bank account at their desk, using mobile, credit card or Debit Card options. In the same year, Equity Bank (Equitel) payment integration kicked off in December and was due to go live in May 2016.

Business class upgrade

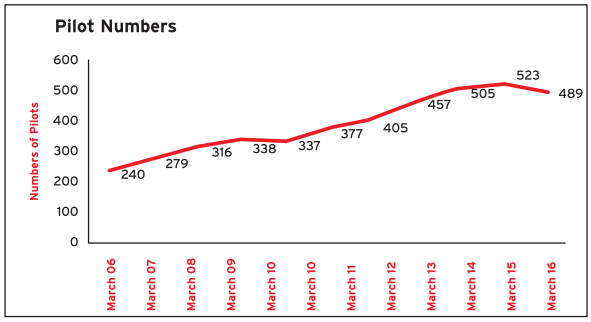
In January 2016, KQ implemented a new solution which enables customers to buy Economy class tickets but bid for Business Class upgrade through KQ website online upgrade bidding solution. The tool accepts multiple bids from customers who have already purchased Economy class tickets. The customer who makes the highest bid automatically gets an upgrade to Business Class.

This tool has enabled Customers to be upgraded to Business Class at a competitive rate but also ensuring that Business Class seats get filled up as much as possible.

FLIGHT OPERATIONS

Flight Operations department supports safe and reliable operations by providing qualified crew through recruitment and training. During the year under review, forty three (43) Captains and forty nine (49) First Officers checked out across the fleets. Additionally, four (4) direct entry pilots were recruited and forty one (41) pilots exited from the company. At the end of the year, the company had a total of four hundred and eighty nine (489) pilots and twenty one (21) Ab-Initio cadets.

The graph below shows pilot numbers over the years:



The department did very well by achieving an overall cabin crew rating of ninety four percent (94%) and a catering score of eighty four percent (84%) in a survey conducted in December 2015 and January 2016 by the marketing department. They also managed to scoop eight (8) awards in the international duty free sales competition known as TASPA (Tourvest Ambassador and Sales Person Awards) held in the month of February 2016 in Johannesburg.

In a bid to enhance communication within the department, weekly morning post-flight briefings as well as departmental staff forums and town halls were held. Further, a monthly Director's Bulletin was circulated to staff.

Finally, the department has been engaged in various Operation Pride initiatives in order to turn around the Company in the following areas:

- On-Board Product;
- In-flight catering loading standards;
- Supplier re-negotiations;
- Efficiency in training;
- Removal of Layover in certain destinations;
- Setting of uniform and grooming standards, and
- Reductions in crew leave arrears.

Mbuvi Ngunze
CEO

Taarifa ya Afisa Mkuu Mtendaji

Katika mwaka huu wa kifedha kufikia tarehe 31 Machi 2016 kulikuwa na changamoto nyingi zaidi kuwahi kukabili shirika hili la Kenya Airways. Huku tukikubali kuwa matokeo ya 2015/16 hayakuwa ya kuridhisha, tunaamini kuwa KQ inachukua hatua zifaazo ili kutimiza dhamira yake ya kufufua, kuimarisha nafasi yake ya kifedha na mwelekeo endelevu wa kuzalisha faida katika siku za usoni.

Katika mwezi wa Novemba 2014, ambapo kabla yake kulikuwa kumetolewa taarifa ya hasara kubwa katika nusu ya mwaka huo, KQ iliyapatia umuhimu zaidi mambo manne ya muhula mfupi kwa biashara hii ambayo ni:

Kugharamia kupitia uteuzi wa mshauri wa kifedha na kutafuta mkopo wa muda mfupi wa Dola Millioni 200 za Marekani **("Mkopo wa Muda Mfupi").** Benki ya African Export Import Bank ("Afrexim") iliteuliwa kama mshauri wa kifedha na kukubali kutoa mkopo huo wa muda Mfupi. Mkopo huo wa muda Mfupi ulipoidhinishwa kwanza KQ ilichukua kiasi cha Dola Milioni 100 za Marekani. Baki ya Dola Milioni 100 za Marekani zimepokewa kutokana na usaidizi wa Serikali ya Kenya.

Uchunguzi wa kibiashara ambao ulifuatiwa na shughuli kubwa ya uwekaji upya wa bei uliokamilika mwezi wa Agosti mwaka wa 2015, kukiwa na mtazamo mkubwa ulioangazia uzalishaji na ufanisi wa mauzo, hii ikisababisha mabadiliko makubwa miongoni mwa watu

Muundo mpya wa eneo la kupokea abiria ikizingatiwa kazi ya kukarabati njia za kupitia ndege katika mwaka wa 2015 ambapo tulidhamiria kuboresha uunganishaji kwa +20%, kipaumbele kikiwa zaidi katika muunganisho wa Afrika Mashariki na Bahari au Visiwani.

Kupunguza gharama kulilenga katika kuteremsha chini gharama za kawaida za uendeshaji shughuli katika kuangalia na kuboresha juu ya tija na makubaliano yaliyofikiwa juu ya hili na vyama vya wafanyikazi vinavowakilisha wahudumu wa ndani ya ndege.

Vipaumbele hivi vinne vilivyotangulia kutajwa viliweka msingi wa ule mpango wa kugeuza hali **("Mpango"au"Operation Pride")** katikati ya 2015, wakati tulipotathmini upya hali ya biashara yetu tukizingatia mambo yafuatayo:

- KQ ni chapa iliyo maarufu, viwango vizuri vya usalama, nafasi thabiti katika soko na kuwa ni mwanachama wa muungano wa kimataifa wa SkyTeam. Kwa ujumla kutambua kwamba kimkakati KQ iko katika nafasi nzuri na uwezo imara wa kustawi.
- Mambo ya ndani na ya nje yalisababisha kushuka kwa kasi kwa faida na kudorora kwa mapato kadri miaka ilivyopita (mkakati wa ukuaji "Project Mawingu" haukufaulu kutokana na utekelezaji mbaya, uliyozidishwa na kule kuchomeka moto kwa uwanja wa ndege, tahadhari za shambulizi la kigaidi na kuweko kwa janga la Ebola).
- Changamoto kali za kifedha (thamani hasi ya hisa, hasara kubwa na mahitaji ya haraka ya pesa au madeni yaliyochelewa kulipwa)

Maelezo ya mpango huu yameelezwa kwa kina katika ukurasa 67 wa taarifa ya wakurugenzi.

Katika miezi michache iliyopita, KQ imechukua maamuzi magumu kuhusu idadi ya ndege zitakazotumika, pamoja na kufanya mabadiliko makubwa katika nyanja nyingine za biashara hii yetu.

Operesheni iitwayo "**Operation Pride"** inalenga kuzalisha zaidi ya Dola milioni 200 za Marekani ya thamani, nusu ya hizi zikiangazia katika kupunguza gharama huku nusu hiyo nyingine ikitegemea mapato. Tuko sawa kabisa katika kufuatilia mpango wetu, baada ya kufanikiwa kutekeleza baadhi ya mipango yetu kama vile uuzaji na ukodishaji wa ndege (ambao utapunguza gharama za uendeshaji shughuli kwa zaidi ya Dola 7,000,000 kwa mwezi), kupunguza uharibifu katika uandazi wa maamkuli, pamoja na kujadiliana upya juu ya baadhi ya mikataba. KQ pia imechangisha fedha kwa njia ya kuchuma mapato kutokana na baadhi ya rasilimali zake zingine ikiwa ni pamoja na nafasi yake ya kuegesha kule London. Hatua hizi ni muhimu tunapowania kupata mtiririko wa fedha pamoja na utulivu katika utekelazaji wa biashara.

Shirika hili la ndege lilifanya uchaguzi wa makusudi wa kuwekeza katika ndege za kisasa na kuzingatia katika kuboresha huduma zake. Tunapoangazia mbele, kutokana na hali ya ushindani katika uendeshaji shughuli inayokabili KQ, tunatambua kwamba ufanisi wa utekekezaji na kuthibiti wa usawazishaji gharama utakuwa muhimu kwa shirika hili la ndege. Huku tukiwa tungali tunapiga hatua za maendeleo bado tuna kazi kubwa ya kufanya. Hata hivyo Shirika hili liko katika nafasi mzuri ya kupata mafanikio katika siku zijazo. Watu wetu wanashughulikia changamoto zinazotukabili kwa ujasiri na dhamira, na ni kutokana na juhudi zao kubwa hivi sasa tunaelekea kwenye mstakbala wetu tukiwa na matumaini. Tunazidi kuwashukuru wanahisa wetu, hasa Serilkali ya Kenya, wateja wetu, wadau na wasambazaji kwa kuendelea kwao kutuunga mkono katika wakati huu mgumu unaotukabili.

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

MAMBO MUHIMU YA KIBIASHARA

Katika kipindi cha mwaka huu wa kifedha wa 2015/16, Shirika la Kenya Airways lilibeba jumla ya abiria milioni 4.23 ikilinganishwa na Milioni 4.18 katika mwaka uliopita. Faida ya KQ kutokana na abiria ikijumuisha malipo ya ziada ya petroli ilifikia Kshs bilioni 94.8 ikilinganishwa na Kshs bilioni 90.4 za mwaka uliopita, hii ikiwakilisha kuimarika kwa kima cha 5% katika utendaji wa mwaka uliopita. Kati ya jumla ya idadi ya abiria waliosafirishwa na shirika hili, JamboJet ilibeba wasafiri 572,010 katika kipindi tunachoangazia na kufanikiwa kupata mapato ya Shilingi bilioni 3.4 kutokana na uchukuzi wa abiria.

Katika muda huu tunaoukariria, tulishuhudia matukio kadhaa muhimu katika sekta ya usafiri wa ndege ambayo kwa kipindi kifupi na kirefu yana athari chanya katika utendaji wa Kenya Airways. Kutaja machache tu, matukio hayo ni pamoja na, kuondolewa kwa ushauri wa kutosafiri humu na wizara ya Uingereza ya nchi za nje na masuala ya Jumuiya ya Ulaya tarehe 18 Septemba 2015 ambayo ilitoa fursa adhimu ya watalii kusafiri kutoka Ulaya na mnamo tarehe 20 Oktoba 2015, kuondolewa kwa ushauri wa kutosafiri humu kuliokuwa kumewekwa na Serikali ya Marekani kuzuru pwani ya Kenya. Lingine la kuleta matumaini, mnamo tarehe 9 Mei 2015, Shirika la Afya Duniani lilitangaza kuwa janga la ugonjwa wa Ebola kule Liberia limemalizwa jambo ambalo lilipelekea KQ kuzindua tena huduma ya safari za kila siku kuelekea Monrovia (ROB) na Freetown (FNA).

Katika kipindi cha mwaka huu wa kifedha, timu za mauzo za Kenya Airways ziliongeza jitihada zake za kuangazia katika fursa mpya za kuleta mapato. Jitihada hizi zilijumuisha uzinduzi wa mikakati inayotilia umuhimu zaidi vitengo, hasa kuboresha makubaliano na Mawakala wa Usafiri wa Mashirika (TMC's), Biashara na Serikali, kitengo cha Burudani na Wanabiashara wadogo (SME).

Biashara hii imechukua uamuzi wa ufahamu wa kuanzisha upya uwakilishi katika nchi zilizo nje ya mtandao wake za Mashariki ya Mbali ili kutumia kama nyenzo uwezo wa Kenya Airways katika soko la Afrika na kuweza kukabili ushindani kutoka mashirika ya ndege ya mashariki ya Kati na Ethiopia.

Mtandao na Ushirikiano

Katika mwaka wa kifedha wa 2015/16, uwanja wa ndege wa Jomo Kenyatta International Airport ("JKIA") ulifungwa kutumika wakati usiku kati ya saa sita usiku hadi saa kumi na mbili asubuhi, ili kukarabati njia zake za ndege. Hata hivyo, Kenya Airways iliweza kuboresha matumizi ya ndege wakati wa mchana, kwa kubadilisha masaa ya kilele ya uendeshaji shughuli na kuongeza zaidi safari za kupaa kwenda katika mataifa ya Afrika. Masafa haya ya ziada yaliongeza idadi ya mauzo ya safari za kuunganisha kwa 20%, na hivyo kuwezesha Kenya Airways kuuza zaidi safari za kuunganisha kupitia kitovu chake cha biashara.

Shughuli mpya zilizoanzishwa katika kipindi tunachokariria ni pamoja na ya; Hanoi, Vietnam – iliyozinduliwa mnamo tarehe 30 Machi 2015 na Bangui, Jamhuri ya Afrika ya Kati – iliyozinduliwa tarehe 1 Novemba 2015. Hii inafanya idadi ya maeneo ya kusafiriwa yanayohudumiwa na Kenya Airways kuwa 53, na kati ya hizo 43 zikiwa katika Afrika.

Katika kipindi hiki tunachoangazia, kukipokewa ndege mbili za mwisho aina ya B787-8s Dreamliners, na zile za B777-300ER zikiondolewa katika mtandao, hivyo basi kupunguza idadi ya viti tupu katika safari za ndege za masafa marefu na kuongeza shughuli za uchukuzi na utendaji wa kifedha katika safari zilizoathirika.

Biashara kupitia mtandao wa internet

Mauzo ya moja kwa moja kupitia njia ya internet yalipata ukuaji mkubwa wa kielelezo katika mwaka uliopita. Mipango iliyozinduliwa na timu ya shughuli za mauzo ilijumuisha:

1. Msafiri Connect; Suluhisho la kimtandao la Biashara hadi Biashara (B2B) linalogeuza zana katika mpangilio wa programu wa wavuti na kusambaza kupitia Wavuti Wa Walimwengu (www). Bidhaa imeundwa kwa wafanyibiashara wadogo (SME) na mawakala wa usafiri wasiyo wanachama wa IATA.

2. Ushirikiano na Google Kenya kujaribu kufikia watu wengi zaidi kote ulimwenguni wanaotumia mfumo wa Google kutafuta njia rahisi na za kutegemewa za usafiri.

3. Ushirikiano na PayPal katika hatua ya kuwezesha wateja kutoka Kenya na kote ulimwenguni kuweza kununua tikiti za ndege kupitia mtandao na kulipa kwa kutumia PayPal.

4. Programu vumbufu ya simu za mkononi inayofanya kazi kikamilifu: bidhaa hii inalenga watumiaji wa simu za mkononi ambao wanapenda kutumia huduma za KQ. Huduma zinazopatikana ni pamoja na uagizaji tikiti, malipo, kujiandikisha kufika, hali ya ndege na ratiba, usajili wa kupata jarida la Kenya Airways, kutufuata, kutupenda

na kututazama katika YouTube, Facebook na Twitter. Programu hii inapatikana bila malipo katika Google Play na Apple iStore.

Ubora katika Mauzo

Shirika hili la ndege lilianzisha mpango wa ubora katika mauzo ambao unaendeshwa chini ya usimamizi makini wa Bodi Tendaji ya Shirika ("CEB") kwa muongozo wa mbinu bora za utendakazi.

Utafiti wa awali uliofanyika ambao ulisaidia kuweka kipaumbele maeneo muhimu ya utendaji. Maeneo yaliyotambulika ni uendeshaji shughuli za mauzo na usimamizi wa wateja. Timu ya kusimamia mradi huu iliundwa kukiwa na uwakilishi kutoka kote katika mtandao ikiwa ni pamoja kamati ya uongozi.

Mifumo ijulikanayo kama '**AS IS'** na **'TO BE'** ya uendeshaji Shughuli za Mauzo (ikijumuisha mifumo ya Mauzo) na Usimamizi wa Wateja ilikamilishwa kwa kutumia Mchakato wa Biashara wa mbinu ya uhandisi upya baada ya kutilia maanani vigezo vya utendakazi bora. Baada ya kutathimni masoko ya majaribio, kueneza katika mtandao mpana kulianza katika mwezi wa Januari 2016 na hii sasa imetimu 70% kamili.

Ili kushinikiza njia bora zaidi inavyofafanuliwa na mfumo uliopo, mafunzo ya kufanikisha mauzo yalianzishwa. Utafiti ulifanywa kupima ufanisi wa KQ na kwa njia hii mbinu ya kufundisha ilifafanuliwa na mtaala kubuniwa. Wasimamizi wote wa timu ya kibiashara hatimaye walipata mafunzo na kupewa muundo wa kutuma maombi, wakati tunapoelekea mbele.

Matumizi ya Programu katika shughuli za Mauzo

Ili kuwezesha timu za mauzo kuwa miongoni mwa makundi ya daraja la kimataifa, Kenya Airways imewekeza katika zana ambazo madhumuni yake ni:

- Kuboresha uhusiano na wateja;
- Kuboresha utekelezaji wa timu ya mauzo kuhusiana na usimamizi wa muda, utawala na mawasiliano;
- Kuboresha utekelezaji wa timu ya mauzo kupitia matumizi mazuri ya maelezo yaliyomo na mchakato sambamba wa mauzo, na
- Kuzidisha faida kupitia kuongeza mauzo yaliyodhamiriwa.

Zana inayoongoza iliyotekelezwa mwaka huu wa kifedha ilikuwa ni ile ya Oracle Sales Cloud (Fusion). Huu ni mfumo wa usimamizi wa uhusiano na Wateja (CRM) unaowezesha timu kupata mtazamo wa digrii 360 wa wateja (wa rejareja, kibiashara na wa kampuni) na vile vile kudumisha historia ya mwingiliano na wateja hawa. Msimamo wa kufanyiza upya mahusiano na wateja inabadilika na Kampuni kuweza kufurahisha wageni mara kwa mara, kupata na kudumisha uaminifu wa wateja ambayo kwa upande mwingine huongeza faida.

Mikutano, Motisha, Mihadhara na Matukio (MICE)

Mapato kutokana na MICE katika kipindi cha hadi kufikia Disemba ya 2015 iliongezeka kwa 87% kutoka mwaka uliopita ikisaidwa zaidi na mtazamo mpya kwa MICE ndani ya Kampuni, pamoja na idadi ya matukio ya hadhi ya juu ambayo yalitokea ilipokaribia mwishoni mwa mwaka. Matukio hayo yalikuwa ni pamoja na yafuatayo:

- Kongamano la Ujasiriamali lilifanyika katika mwezi wa Julai 2015 pamoja na ziara ya kwanza ya Rais wa Marekani aliye uongozini;
- Mkutano wa 10 wa mawaziri wa Shirika la Biashara Duniani ("WT MC10") ulifanyika Disemba 2015 ambapo KQ ilikuwa ndiyo shirika rasmi la ndege, na
- Ziara ya Papa Mtakatifu katika mwezi wa Novemba 2015.

Katika kufuatilia mafanikio ya kongamano la WTO MC10, hivi karibuni Kenya Airways iliteuliwa kuwa Shirika rasmi la ndege kwa mkutano wa Umoja wa Mataifa wa Biashara na Maendeleo (UNCTAD XIV), uliofanyika mjini Nairobi kwa mara ya pili katika historia ya mikutano hiyo. Hii ni pamoja na kudumisha ushirikiano katika mikutano mingine ambako kunaweka shirika hili katika nafasi maridhawa ya kufikia malengo yake na hata zaidi.

Timu ya MICE pia imebuni ukurasa wa KQ MICE ambao umejumuishwa katika tovuti ya KQ na kuwezesha washirika wa KQ kuweza kuuliza maswali kuhusu kuweko kwa mikutano na kupokea majibu kwa haraka

Huku mikutano ya kiutalii ikiendelea kustawi nchini Kenya, Kenya Airways itakuwa katika mstari wa mbele ya ukuaji huu na mshirika rasmi mtambulika kwa waandalizi wa mikutano hiyo.

Usimamizi wa Mapato

Mchakato wa kuboresha biashara

Katika mwaka wa kifedha wa 2014/15, shirika hili liliteua Seabury Aviation Consulting kuchunguza na kutambua fursa ambazo zinaweza kutumika kama nyenzo ya kuboresha uwezo wa uzalishaji mapato wa shirika hili la ndege. Katika usimamizi mapato, jukumu hili liligawanywa awamu mbili:

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awamu ya mapendekezo na ya utekelezaji. Awamu ya mapendekezo ilikamilishwa ndani mwaka wa kifedha wa 2014/15. Katika mwaka huu wa kifedha wa 2015/16, utekelezaji wa mapendekezo hayo ulifanyika, na hii ndio maana shirika hili la ndege lilichukua mkakati mpya wa uwekaji bei. Mkakati wa uwekaji bei ulitekelezwa kikamilifu katika mwezi wa Agosti 2015 na hata hivi sasa ndiyo unaotumika.

Katika kipindi cha mwaka tunaoutathmini, kama sehemu ya mpango mpana wa mradi wa **Operation Pride,** Mkondo mdogo wa kazi ya usimamizi wa mapato ulianzia kwa zaidi ya mipango 50 ambayo ilidhamiria kuboresha zaidi uzalishaji mapato kwa shirika hili la ndege. Mbali na uzalishaji wa mapato,kazi hii ina jukumu la kuhakikisha kuna usambazaji bora zaidi kupitia njia mbalimbali zilizopo.

Kifaa cha uadilifu katika mapato

Katika kipindi cha mwaka wa kifedha wa 2015/16, shughuli hii iliwasilisha awamu ya 2b ya kifaa cha uadilifu katika mapato. Wakati wa awamu hii, Shirika lilianza kufuatilia tikiti zilizoagizwa dhidi ya utoaji tikiti za madaraja madogo na mikataba maalum ya ugawaji sawa. Katika mwaka huo wa fedha, mapato yaliyokusanywa kutokana na upitiwaji wa uadilifu wa mapato ulikuwa kwa kima cha 64% kutoka mwaka uliopita kufikia dola 1,742,511.

Matumizi ya mifumo ya usimamizi wa mapato

Usimamizi wa mapato ni kazi inayotegemea mno zana za kutabiri mahitaji na kuhakikisha kuwa maamuzi yafaayo yamefanywa katika wakati unaostahili. Kuendelea kusisitiza katika matumizi yafaayo ya zana bado kunatekelezwa. Mwakani, idadi kadhaa ya ripoti zilikuwa zimetayarishwa na kuanza kutumika kama mwongozo kwa watumiaji juu ya jinsi ya kusimamia vizuri zaidi mahitaji ya ndani ya mifumo iliyopo. Katika mwaka unaokuja, shirika limeweka mipango mbali mbali ya kukagua hali na kuboresha mifumo ili kuhakikisha kuwa watumiaji wa mifumo hii wanatumia zana zenyewe kama zilivyodhamiriwa na kuwa shirika hili la ndege linapata thamani bora kutokana na zana hizi.

MIZIGO NA BARUA

Mapato kutokana na mizigo na uwezo wa shehena:

Katika kipindi cha mwaka wa kifedha wa 2015/16, mapato kutokana na uchukuzi shehena yalikuwa Kshs bilioni 8.9 ikilinganishwa na Kshs bilioni 9.8 za mwaka uliotangulia hii ikiakisi upunguaji wa 9.1%. Kichochezi kikubwa kilikuwa kupunguzwa kwa ujazo uliopangiwa kukiwa na jumla ya ATKs (Kilomita za tani zilizopo) katika kima cha -14.5%. Jumla ya shehena iliyobebwa katika mwaka wa kifedha wa 2015/16 ilikuwa tani 60,457 ikilinganishwa na 66,029 katika 2014/15, hii ikiwa ni chini kwa 8.4%. Licha ya kupungua kwa ujazo kwa 14.5%, jumla ya shehena zilizochukuliwa zilipungua kwa 8.4%, hii ikidhihirisha kuboreka kwa mahitaji ya uchukuzi. Hali hii ya kuboreka kwa uchukuzi kulipanda kwa 61% katika 2015 hadi kufikia 65.2% katika 2016.

Kwa ujumla uwezo wa uchukuzi shehena katika mwaka tunaokariria ulipungua kwa 9% ikilinganishwa na mwaka wa awali, kutokana na kuathiriwa vibaya na shinikizo la kusukuma chini la kupungua kwa bei ya mafuta na kupungua thamani kwa sarafu ya EURO dhidi ya Dola ya Marekani.

Mapato kutokana na shughuli za usimamizi wa ghala zilituwama katika Kshs bilioni 1.3 dhidi ya Kshs Bilioni 1.5 billion za mwaka uliopita. Hali ya ushindani katika uwanja wa ndege wa JKIA inazidi kuwa ngumu kutokana na kuingia kwa washindani wengine wapya.

Kukiwa na mazingira haya ya ushindani timu ya uchukuzi shehena inazidi kuangazia katika kuwasilisha huduma bora kama nguzo kuu ya mkakati wa kukabili washindani. Ghala la kushughulikia kuuza nje lilianza kutekeleza majaribio ya mradi huo katika mwaka wa 2015 na kurekodi mafanikio makubwa. Mipango kama hii itaenezwa kutumika katika maghala ya kuuza ndani na ya uchukuzi katika 2016

Mfumo wa udhibiti kanuni ulioanzishwa na Shirika la Ukadriaji Ubora la Kenya (KEBS) katika Disemba ya 2015, linalowahitaji waagizaji nje wote kuwa na cheti cha Ulinganifu (COC) uliathiri vibaya mapato kutokana na uuzaji nje katika robo ya nne ya mwaka kwa vile hii ilizidisha pakubwa mizunguko ya uagizaji.

Ndege ya shehena aina ya B737F

Ndege hii ya Shehena iliwasilisha ujazo duni katika mwaka huu hii ikihusishwa na kupungua kwa shehena kutoka kwa mtandao sababu ya kupunguzwa kwa ujazo wa shughuli za ATK katika ndege za uchukuzi abiria hadi njia muhimu za safari zikijumlisha Miji ya London, Amsterdam na nchi ya Uchina. Wakati njia hizi zikishughulikiwa na B777 katika 2014, njia katika 2015 zilishughulikiwa zaidi na B787 ambayo iko na mapato madogo kutokana na shehena.

Mkakati wa uchukuzi shehena wa kuongeza ushirikiano ulianzisha hatua muhimu za kwanza katika 2015 za kutafuta mshirika wa kimkakati wa ndege kubwa ya shehena ya kutilia

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

nguvu na makubaliano hayo yatashadidiwa katika mwaka ujao wa kifedha kutekeleza ongezeko la safari endelevu za kuleta shehena kutoka masoko muhimu.

UENDESHAJI SHUGHULI

Utendaji kwa Wakati ufaao ("OTP") wa KQ katika mwaka wa kifedha wa 2015/2016, kuliendelea kushuka na kumefuata mwenendo uliopatikana katika mwaka wa kifedha uliopita pamoja na kwamba ulikuwa chini ya ule uliopatikana katika 2014/2015 kwa kipindi kikubwa cha mwaka

Ikipimwa na kigezo lengo cha IATA cha 85% kwa dakika 15, OTP iliofikiwa ilikuwa chini ya iliyotarajiwa kwa kipindi kikubwa cha mwaka na kufungia mwaka katika 77% ikiwa ni sawa na wastani wa kila wiki.

OTP ilikuwa chini ya utendaji wa kawaida katika mwaka wa awali - 2014/2015 ila katika miezi ya Julai, Agosti na Septemba ambapo thamani ilizidi ile iliofikiwa katika kipindi kama hiki katika mwaka uliopita.

Tunaendelea kuchunguza OTP katika mtandao mzima na taarifa za mara kwa mara huwa zinazotolewa kwa washikadau ili viini vya sababu viweze kushughulikiwa huku chanzo halisi kikichukuliwa hatua za kurekebishwa.

Vichangio vinne vikubwa vya kuchelewa katika mwaka wa kifedha wa 2015/2016 vilikuwa:

1. Kushughulikia ngazi
2. Uhaba wa wafanyikazi wa ndani ya ndege
3. Utumiaji wa Ndege
4. Masharti ya ATC

Kulikuwa na upungufu mkubwa katika kuchelewa kutokana na uhaba wa wafanyikazi wa ndani ya ndege katika nusu ya mwisho katika kipindi tunachokiangazia na kusababisha kuboreka kiasi kwa OTP mwishoni mwa mwaka.

Idara ya ufundi ilikuwa mchangiaji wa mara kwa mara kwa OTP kuwa chini kwa mwaka mzima kutokana na kuongezeka kwa hali za AOG kwa ndege kubwa. Hata hivyo, idadi ya AOGs pia ilipatikana kwa ndege mpya hasa kwenye vituo vya mbali.

Idara ya huduma za uwanjani (abiria na kushughulikia ngazi) pia ilipata ustawi endelevu katika miezi mitatu iliyopita ya mwaka wa kifedha katika mwaka unaokaririwa kutokana na kuongezeka kwa uwajibikaji na timu ya kushughulikia ngazi

Katika kipindi cha mwaka wa kifedha 2016-17 kutakuwa na zingatio kubwa katika kuboresha OTP na idara zote za wadau huku hatua zifuatazo zikichukuliwa ili kusaidia mipango hiyo

1. Kuongezeka kuzingatiwa zaidi kwa safari za ndege za humu na katika kanda kutokana na mizunguko iliyosongwa kwa ndege ya E190 na wafanyakazi
2. Kutiliwa mkazo juu ya upunguzaji wa ucheleweshaji unaoweza kuthibitiwa (chini ya dakika 15) idara husika za uendeshaji kwa kutambua na kushughulikia mzizi wa sababu
3. Tathmini ya safari za ndege za ''Nyota'' kuzifanya ziwe za hadhi ya "kutochelewa '' kwa vile ni za safari za ndege za kuingia kwa kitovu na kuwa na zenye athari kubwa juu ya mtandao iwapo zitachelewa
4. Msimamo wa kuweka ratiba ya wafanyakazi iliyopangwa kimbele ndani ya mwanya wa kituo cha usimamizi wa utendaji ili kusimamia kukatizwa kutokana na wafanyakazi kuwa wagonjwa.
5. Ushirikiano wa karibu baina ya kituo cha urekebishaji na kituo cha utendaji ili kuboresha usimamizi wa marekebisho ya ndege

HUDUMA ZA UWANJANI

Katika kipindi cha mwaka tunaoukariria, huduma za uwanjani zilikuwa zimejaa matukio mengi ikiwa ni pamoja na maboresho muhimu katika muundo-msingi yakikamilika na mambo kutulia katika kituo kipya cha kusafiria (Terminal 1A Departures), hata wakati gereji ya kuegeshea kwa wageni wanaowasili ikiwa ingali inatumika. Mwisho kabisa ya mwaka wa kifedha, eneo la kupokewa wanaowasili la Terminal 1A lilikamilika na hatimaye kufunguliwa rasmi kwa matumizi ya Kenya Airways pekee na washirika wake. Jengo hili la kisasa, lenye nafasi ya kutosha na la haadhi ya kimataifa linaweza kushughulikia hadi abiria milioni 2.5 milioni abiria wa kimataifa kwa mwaka

Huko nyuma, Mamlaka ya Kenya ya usimamizi wa viwanja vya ndege ("KAA") ilizindua mfumo wa kisasa kabisa wa kukagua mizigo ambao ni muhimu kwa kitovu cha mtandao wa shirika lolote la ndege. Mashini hizi za kisasa zinaweza kushugulikia mabegi 25 kila dakika na zimeundwa ili kuweza kukagua zenyewe na kugawanyisha mabegi kwa kila ndege husika; na kufanya kazi ya uhawilishaji mabegi baina ya ndege zinazosafiri kuwa rahisi, haraka na kwa ufanisi zaidi.

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

Kenya Airways inaendelea kupokea sifa kutokana na sebule zake mpya za kupokea wageni katika Terminal 1A. Sebule hizi ziko wazi kutumiwa na wasafiri wa daraja la business class na SkyTeam Elite pamoja na wageni. Katika mwezi wa Machi 2016, Sebule za Pride na Simba katika Terminal 1A zilichaguliwa wasafiri wa SkyTeam kuwa namba 2 kwa ubora miongoni mwa sebule zingine za Shirika la SkyTeam.

Kutokana na kufungwa kwa njia za ndege za uwanja wa JKIA kwa muda wa masaa sita (6) usiku katika kipindi cha mwaka wa kifedha ili kufanyia ukarabati njia hizo, baadhi ya safari za ndege hazikufaulu kuondoka kabla ya kufika saa sita usiku na ilibidi zipangiwe upya ratiba na kuondoka siku iliyofuatia na kuathiri vibaya mipango ya wageni. Hii ilisukuma mbele uwasilishaji wa kutekelezwa kwa utoaji huduma za uwanjani kwa wakati ufaao kutoka dakika sufuri hadi kufikia wastani wa 93%, dhidi ya kiwango kilichodhamiriwa cha 95%.

Kwa ujumla, idadi ya fursa za kujiboresha **("OTI's"),** kutokana na wageni wa KQ, zinazohusishwa na huduma za uwanjani zilikuwea juu zaidi inapolinganishwa na mwaka uliopita. Katika OTI kiwango kikubwa ilikuwa malalamishi ya mabegi kutoshughuliwa vyema.

Kutokana na kuwasilishwa kwa kikaguzi kipya cha mabegi na kukamilika kwa sehemu ya T1A kupokea wanaowasili, hali bora zaidi ya usafiri itahisiwa na kupungua kwa matokeo ya mizigo katika OTI's kuwa ya chini zaidi.

Kadri miaka ilivyopita, shirika hili la ndege limewekeza sana katika miundombinu wa shughuli za uwanjani katika JKIA. Kama shirika lenye leseni ya kuendesha shughuli za uwanjani liko na uwezo wa kutoa huduma za kushughulika uwanjani zenye ushindani kwa mashirika mengine ya ndege. Huu umekuwa mfumo muhimu wa kuleta mapato kwa shirika hili kukiwa na faida pacha ya kuboresha utumiaji bora wa rasilimali wakati kimya usio na shughuli nyingi mchana. Huduma hii inatolewa kote kwa ndege za abiria na ndege za uchukuzi wa shehena.

Kampuni hii ina mengi ya kutarajia tunapoelekea mbele katika mwaka wa kifedha 2016/17 na wakati huu kukiwa na miundombinu uwanjani, kipaumbele katika mwaka unaokuja itakuwa kutimiza ahadi kwa wageni ya:

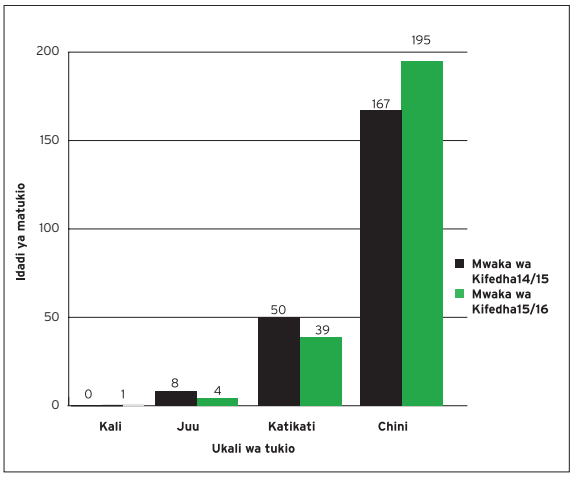
- Kuboreshwa kwa huduma kwa wateja wakati wageni wanaposafiri kupitia katika viwanja vyetu.
- Kuboresha kuondoka kwa muda uliowekwa.
- Huduma sawa na thabiti katika vituo vya nje kama ilivyo katika kitovu.
- Kupunguza gharama za uendeshaji shughuli na kuongeza uzalishaji mapato kama sehemu moja ya mpango wa Operation Pride ya mchakato wa kuanza kuleta faida.

USALAMA, ULINZI NA UBORA

Usimamizi wa dhima ya Shirika

Malengo katika mwaka wa kifedha wa 2015/16 yalikuwa kuangazia upunguzaji wa ukali wa dhima katika uendeshaji shughuli za shirika. Timu za kukabiliana na upunguzaji wa hatari na dhima ndani ya idara mbali mbali zilitambua na kuchambua majanga na matukio 2,455, hii ikiwakilisha ongezeko la 50% ikilinganishwa na mwaka wa fedha uliopita ambao uliripoti matukio 1,696 yaliyochambuliwa. Juhudi zilizowekwa zikipunguza ongezeko la matukio ya hatari na ukali wa dhima na kuwa wa kiwango cha chini

Ukali wa Matukio mwaka wa kifedha wa 14/15 dhidi ya 15/16 Ukilinganishwa



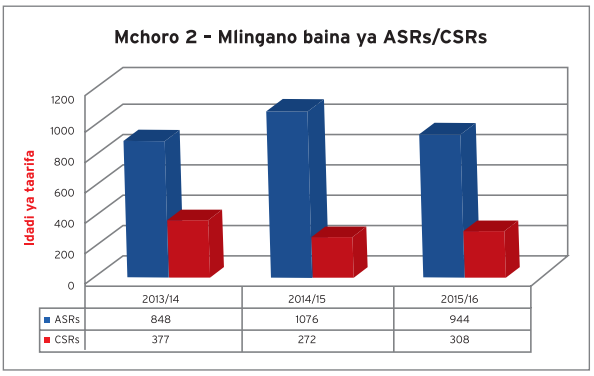
Katika mwaka tunaoutazama, makundi ya kuchukua hatua za kiusalama (SAGs) yalibuniwa katika vituo sita zaidi vya nje; Accra, Addis Ababa, Mumbai, Juba, Johannesburg, na Dubai ikiongeza idadi tano vilivyoundwa awali katika mwaka wa kifedha wa 2014/15. Makundi haya ya SAGs yamekuwa muhimu katika ufuatiliaji na usimamizi wa masuala ya usalama kwenye vituo hivi.

Kenya Airways ilishinda tuzo la usalama la kimataifa kwa usahihi kutoka baraza la usalama la Uingereza katika kutambua ahadi yake ya kuweka wafanyakazi wake na maeneo ya kazi kiafya na kwa salama katika mwaka wa 2015. Haya ni maendeleo kutoka tuzo la Pass lililopatikana katika mwaka wa fedha uliopita. Lengo la mwaka ujao ni kufaulu kushinda tuzo la Distinction.

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

Sehemu ya Usalama wa Ndege

Data ya safari za ndege



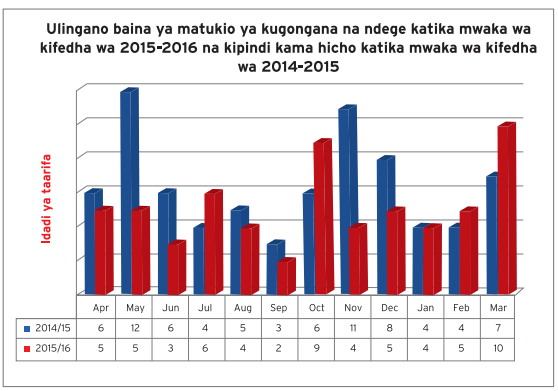
Desturi ya kutoa taarifa ni muhimu sana katika kusimamia usalama. Katika KQ, tunahimiza utoaji taarifa kama njia ya kutambua na kuangazia maswala.

Jedwali linaonyesha mchoro wa uchambuzi wa mwenendo wa ripoti za usalama Angani ("ASRs") na taarifa ya usalama ndani ya ndege ("CSRs") zilizopokewa katika kipindi cha miaka mitatu ya kifedha iliyopita. Kulikuwa na msimamo unaodhihirika katika idadi ya ASRs na CSRs.

Kuendelea kwa utoaji mzuri wa ripoti za matukio ya usalama hewani na ndani ya ndege katika mwaka wa kifedha wa 2015/16 kunaweza kuhusishwa na kuaminika kwa mfumo wa utoaji wa taarifa, kupitia utoaji wa maoni za kuaminika kwa wakati na watoaji taarifa za matukio hayo kama sehemu ya utekelezaji wa mfumo wa usimamizi bora wa mfumo wa usalama wa kampuni.

Timu ya usalama wa ndege ingali inaendelea na jitihada za kujenga juu ya mafanikio yaliyopatikana kutokana na mawasiliano mazuri ya mwamko wa usalama kupitia utoaji taarifa za usalama, mafunzo ya kuhamasisha usalama kote katika shirika, mahudhurio ya mafunzo ya udhibiti kanuni, na vikao vya wafanyakazi.

Kugongana na ndege



Idadi ya ndege 63 wanaopuruka waliripotiwa kugongwa katika mwaka wa kifedha wa 2015/16 ikilinganishwa na 77 ulioripotiwa katika mwaka wa kifedha wa 2014/15. Hasa zaidi ugongaji wa ndege uliyoripotiwa ulisababisha uharibifu hafifu kwa ndege na ni chache mno zilizobidi kufanyiwa marekebisho ya gharama kubwa, kubadilisha vipuri, na kuleta ucheleweshaji wa shughuli. Hata hivyo hakuna, taarifa zozote za kurudi kwa ndege kutokana na kugonga ndege wanaopuruka.

Wakati matukio ya kugongwa kwa ndege yakiendelea kuwa hatari kubwa katika uendesha shughuli za usafiri wa ndege, Ofisi ya Kenya Airways ya usalama inazidi kushirikiana na mamlaka ya usimamizi wa uwanja wa ndege na wadau wengine wa sekta ya anga katika nchi zote inakosafiria ili kudhibiti hatari hii kwa kufuatilia kwa makini shughuli za ndege na wanyamapori.

Matukio mengine

Kulikuwa na upungufu wa jumla katika mitazamo ya hali isiotabirika kwa kima cha 39% katika mwaka wa kifedha wa 2015/16 ikilinganishwa na makadirio yaliyokuwa yamedhamiriwa ya upungufu kwa 30% kama lengo la usalama la mwaka huo. Mitazamo ya hali zisizotabirika ni kutokana na sababu mbalimbali ikiwa ni pamoja na lakini bila kukomea hapo; hali ya hewa, utaratibu wa usimamizi wa ndege zinazoingia na zinazoondoka (ATC), na sababu za kibinadamu.

Huduma duni za usimamizi wa ndege zinazoingia na zinazoondoka (ATC) katika anga ya Juba ingali ni hali ya wasiwasi kiusalama inayochangia pakubwa ongezeko la matukio ya mashaka katika usimamizi wa usafiri wa ndege mwakani. Ofisi ya usalama wa ndege inafanya kazi kwa ushirikiano na mamlaka na IATA kutatua masuala haya.

Matukio 21 yanayohusiana na usumbufu wa abiria / tabia zisizofaa yaliripotiwa katika mwaka wa kifedha wa 2015/16 ikilinganishwa na matukio manane yaliyoripotiwa katika mwaka uliotangulia.

Hakikisho la Ubora

Katika kipindi cha mwaka wa kifedha wa 2015/16, Kenya Airways ilifanikiwa baada ya kupitia ukaguzi wa usalama wa IATA Operations Safety Audit ("IOSA") na ule wa usalama Kiwanjani wa IATA Safety Audit for Ground Operations ("ISAGO") ya ukaguzi ili kupata usajili mpya. Mfumo huu wa IOSA unatambulika kimataifa na kukubalika kama kigezo cha mfumo wa kutathmini kilichobuniwa kukadiria mifumo ya usimamizi na uthibiti wa uendeshaji shughuli za shirika la ndege.

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

ISAGO ni muundo sanifu wa mpango wa ukaguzi wa watoaji Huduma Uwanjani (makampuni yanayohusika na kazi ya utoaji huduma katika viwanja vya ndege). Hutumia vigezo vya ukadriaji ubora vinavyotambulika ambavyo vimebuniwa na makundi mbali mbali ya wataalamu wa masuala ya mashirika ya ndege. Ukadriaji wote, wa IOSA na ISAGO, hufanywa na wakaguzi wenye mafunzo na uzoefu wa hali ya juu. Mipango hii ya ukaguzi wa mashirika ya ndege na watoa huduma uwanjani kukiwa na kielelezo cha kuigwa kwa usimamizi wa dhima na usalama katika mashirika yao.

Mbali na ukaguzi wa IOSA na ISAGO, ukaguzi 48 wa ndani wa kibinafsi ulifanywa dhidi ya 26 iliyokuwa imepangiwa katika mwaka wa kifedha wa 2015/2016. Hii ilijumuisha vituo vya nje, wasafirishaji watambulika, msambazaji wa 3 wa usalama na ukaguzi dharura wa upishi. Matukio 146 kutoambatana yalibainishwa katika viwanja hivyo vya ndege na kadhaa kukaguliwa. Wasimamizi wa vituo walishauriwa kufanya kazi kwa ushirikiano na wote wenye mamlaka viwanja vya ndege, Mawakala wa Uwanjani, Msambazaji wa 3 wa huduma za kiusalama na watoaji huduma za upishi kushughulikia matukio hayo yasioambatana.

Usalama wa Shirika

Katika kipindi cha mwaka huu tunaoukariria, matukio yafuatayo yaliripotiwa:

1. Hasara ya Udokozi: 13% ya upungufu wa hasara ya udokozi ikilinganishwa na mwaka wa kifedha wa 14/15.

2. Upelelezi kutumia mbwa: Dola za Marekani 15,000 zilipatikana kutokana na huduma ya upelelezi wa mihadarati na vilipuzi iliyotolewa kwa mashirika ya biashara ya usafirishaji. Huduma kama hizi pia zilitolewa kwa ndege za KQ za kwenda Ulaya na mabohari ya shehena.

3. Kutii mahitaji ya kuthibiti kanuni: kitengo hiki kilifanya kazi vyema wakati ukaguzi wa IOSA na ISAGO ulipokuwa unafanyika – hakukuwa na chochote kilichopatikana. Kitengo cha huduma za usalama pia kilifaulu kurejesha upataji vyeti vya ACC3 na RA3 baada ya kufanyiwa ukaguzi mbali mbali uliofanywa na wawakilishi wa Umoja wa Mataifa ya Ulaya.

4. Tathmini ya tishio na dhima: Hii ilifanyika katika hoteli saba (7) na viwanja vya ndege kumi na nne (14). Upimaji wa mara kwa mara wa uzio wa kiwanja ulifanyika katika viwanja saba vya ndege. Katika mwaka huo, taarifa za machafuko ya kisiasa nchini Burundi, Congo na Sudan Kusini matukio yalioathiri shughuli za KQ kwenda katika nchi hizo, hii ilifuatiliwa kwa makini na hatua za kutuliza hali hii ziliwekwa.

   Kundi la Al Qaeda katika Maghreb na Al Shabaab bado yangali makundi makubwa ya kigaidi yanayotishia Mashirika ya usafiri wa anga katika Afrika Mashariki na kanda ya Afrika Magharibi

5. Mizigo ya thamani: Sehemu hii ilidumisha usafirishaji wa mizigo ya thamani kote katika bara la Afrika. Shehena ya tani 60.307 ya mizigo ya thamani ilihawilishwa bila ya tukio hata moja la wizi au hasara, ikilinganishwa na tani 39.849 zilizohawilishwa katika mwaka uliopita

6. Ushughulikiaji wa mabunduki: Jumla ya shilingi milioni 15.6 zilipatikana kutokana na ushughulikiaji wa silaha hizi.

IDARA YA KIUFUNDI

Kimsingi mfumo wa utendaji kwa kipindi tunachokitathmini umekuwa ni usalama, ubora na ufuatiliaji kanuni, kutegemea urahishaji wa kiufundi, kudhibiti gharama na kuridhisha wageni.

Mpango wa Operation Pride ulikuwa shughuli muhimu kwa hali zote kusimamia na kuongeza marekebisho yahusuyo gharama, na hili limeendelea hadi kufikia kiwango ambacho uokoaji gharama umetambuliwa ulipo, kukiwa na mipango dhahiri ya kuwasilisha mafanikio. Hii ikijumuisha mchanganyiko wa gharama zinazohusishwa na usambazaji na utendaji, pamoja na maboresho ya ndani ya uzalishaji.

Utegemewaji wa utoaji wa ndege kiufundi kama ulivyopimwa daraja la vigezo vya sekta hii ulisitawi kutoka 98.8% mwaka uliopita hadi 98.9%. Ndege za 787 zilifanya bora zaidi futi wastani za dunia wastani za 99.0% kwa kiwango cha kuvutia cha 99.2%. Ndege za masafa mafupi za 737 na E190 zikifanya kidogo chini ya wastani wa ndege za dunia, lakini sawa au juu ya watoa huduma wengine wa Afrika.

Usalama, ubora na ufuatiliaji bado unapatiwa kipaumbele na shirika hili, na hii iliimarishwa kupitia mwelekeo wa kujituma na umakini wa utoaji wa taarifa, mfumo wa usimamizi wa usalama na utekelezaji usimamizi bora wa dhima. Katika kipindi hicho, shirika lilirekodi kupungua kukubwa kwa matukio na kurudi baada ya kupaa hewani ikilinganishwa na mwaka uliopita. Kwa usaidizi wa mamlaka ya usimamizi wa usafiri wa angani ya Kenya kuidhinisha vibali vya udhibiti, Shirika pia lilitumia vibali vya idhini ya kurekebisha ya EASA 145 iliyopatikana mwaka jana kwa njia muafaka kwa kudumisha ndege zingine na vifaa.

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Kuridhika kwa wageni ukadiriwa kwa bidhaa na huduma za kutegemewa na utendaji ndani ya ndege ziimarishwazo na idara. Ugavi wa vipuri kutoka kwa baadhi wauzaji muhimu ilikuwa changamoto kubwa, lakini utendaji wa Shirika ulibakia juu kwa msururu wa ndege mpya.

UENDELEZAJI WA NDEGE ZETU

Mwaka unaokaguliwa

Lengo la msingi kwa mwaka huu wa kifedha lilikuwa kukamilisha kubadilisha msururu wa ndege ambazo hapo awali zilikuwa zimekodishwa. Shirika lilipokea ndege tatu (3) za mwisho aina ya 787-8 Dreamliners na mbili (2) za B737-800s. Hii ilikuwa ni pamoja na kuondolewa kwa ndege kumi na mbili (12), ambazo aitha zilikuwa zimeuzwa au zimerudishiwa wenyewe baada ya kukamilika kwa muda wake wa kukodishwa.

Kundi la ndege		
Aina ya ndege	**31-Mar-16**	**01-Apr-15**
B787-8	9	6
B777-300ER	3	3
B777-200ER	2	4
B767-300ER	-	5
B737-800	8	6
B737-700	2	4
B737-300	2	4
B737-300F	2	2
E190	15	15
Bombardier Dash 8-400	2	-
E170	2	3
Jumla	**47**	**52**

Mwaka ujao

Mwaka ujao utazingatia kuweka uwiano wa msururu wa ndege kwa mujibu wa mpango wa **Operation Pride** na ule wa miaka 5 wa kubadilisha ndege. Kutakuwa na kupunguzwa zaidi kote kwa idadi ya ndege na aina ya ndege kukiwa na mpango wa kuwa na ndege chache na zenye ufanisi, na kuwa na ndege zilizoundwa mahsusan kwa mahitaji ya mtandao wa Shirika. Ufuatao ni mpango wa kuondoa ndege uliyopangiwa katika mwaka wa kifedha wa 2016/17.

Kundi la ndege		
Aina ya ndege	**Idadi**	**Sababu za kuondoka**
B787-8	2	Kukodishiwa Oman Air
B777-300ER	3	Kukodishiwa Turkish Airlines
B777-200ER	2	Kuuza (Kuliopangiwa)
E170	2	Mwisho wa mkataba wa kukodisha
Jumla	**9**	

UUZAJI

Kenya Airways bado inatilia mkazo zaidi katika kuiweka chapa katika nafasi muafaka kote katika mtandao. Wakati wa kipindi cha mwaka tunaoupitia, Kenya Airways ilichaguliwa kwa mara ya kwanza kama shirika la ndege linaloongoza Afrika – kitengo cha Business Class 2016 kwa mwaka wa nne mfululizo katika tamasha ya tuzo ya World Travel Awards. Huu ni ushahidi kuwa bidii ya kazi ya wafanyikazi wa kampuni hasa wale wanaowahudumia wateja moja kwa moja na kuweka jitihada za kuwafurahisha wageni wa KQ. Muundo wa uzoefu wa wageni wa KQ unaendelea kufanyiwa ubunifu kupitia utafiti thabiti wa soko ili kuboresha ubora na kupunguza uharibifu. Shirika hili linaendelea kuwasiliana kote katika masoko na kwa wageni wake kwa kutumia njia za kidijitali. Nauli mpya zenye chapa na toleo za ofa za kuvutia zinazidi kuhamasishwa kupitia kampeni miongoni mwa wengi duniani.

Kwa upande wa ndani, kampuni imeendelea kuimarisha masoko ya ndani na kuboresha chapa ya KQ inayotoa ahadi na maadili kwa wafanyakazi kupitia mpango wa ubalozi wa chapa ambayo kupitia kwake wafanyakazi wasio wa mauzo huwazawadiwa kwa kuleta biashara mpya lengwa na kuwakilisha vyema chapa ya Kenya Airways

Nje, kitovu kilichoboreshwa kimepokewa vizuri na wageni wa shirika hili la ndege ambao wanatafuta mbele urahisi matumizi katika uwanja wa ndege na kurahisishwa shughuli wanapofika kituoni cha Terminal 1A cha kuwasili na kuondoka. Kumbi za Kenya Airways katika uwanja wa JKIA zazidi kupata umaarufu na wageni hadi kufikia wao kupiga kura kuchagua kuwa pili bora duniani kote miongoni mwa SkyTeam

Uhusiano na wageni na kundi la wahudumu la saa 24 la kushughulikia mtandao wa kijamii linaendelea kushirikisha na kusimamia mwingiliano na chapa, na hivi karibuni walidhaminiwa kuwa kati ya 5 bora miongoni mwa mashirika ya ndege ya kimataifa katika kuitikia haraka mahitaji ya wageni kama ilivyoripotiwa na jarida la Economic magazine survey

RASILIMALI YA WATU

Kufikia mnamo Machi 31, 2016, idadi ya wafanyikazi wa Kenya Airways ilitimu 3,870. Hii ikiwakilisha kupungua kwa wafanyakazi 132 ikilinganishwa na mwaka wa awali. idadi ya wafanyakazi wa kandarasi ilipungua kutoka 626 hadi 591 huku idadi ya wafanyikazi wa JamboJet iliongezeka kwa watu 6 na hadi katika 35. Wakati wa kipindi cha mapitio haya, kulikuwa na kupungua kwa jumla kwa idadi ya wafanyakazi wote wa kudumu

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na wa kandarasi. Katika jitihada za kudhibiti kuongezeka kwa gharama za wafanyikazi, Kampuni hii inaendelea kuchunguza mahitaji yoyote ya ziada na kupanga vizuri majukumu yaliopo ili kuepuka kuongezeka kusikohitajika. Nafasi za kazi kwa kiasi kikubwa zimekuwa zikijazwa kwa ndani na kupitia kujipanga upya kikazi.

Usimamizi wa Vipawa

Katika kusimamia vipawa vyetu, mtazamo wetu mkubwa ulikuwa kusaidia biashara katika urekebishaji maeneo muhimu na kudumisha idadi iliopunguzwa ya wafanyakazi na hapo hapo kufanikisha malengo ya kampuni. Wakati wa kipindi hiki cha mapitio, kichocheo cha kupokezana hatamu kilidumishwa ili kutambua maendeleo muhimu ya kuendeleza mahitaji maalum ya warithi hatamu watarijiwa wa nafasi muhimu za kazi katika biashara hii, na kujenga mfululizo wa vipaji katika kila aina ya kazi. Katika jitihada za kuongeza uwezo wa kazi kwa wafanyakazi wetu ndani ya biashara hii, juhudi zimekuwa zikiendelea za kubuniwa kwa 'familia za kazi' ndani ya kila shughuli ya kazi, ili kutoa mwongozo wa uwezo unaotarajiwa katika kila jukumu / kiwango katika maendeleo ya kila mfanyikazi. Muundo wa mfumo wa uongozi pia ulibuniwa ili kuenezwa na kushinikizwa katika mwaka ujao wa kifedha kwa wasimamizi wote katika shirika hili.

Katika jitihada za kuongeza mtiriko wa vipaji kwa ajili ya idara ya Ufundi, tulianzisha na kutia saini mkataba wa pamoja na chuo kikuu cha kiufundi cha Technical University of Kenya (TU-K) na Chuo cha Mafunzo ya Anga cha Kenya Aeronautical College cha kutoa mafunzo kwa mafundi na wahandisi. Ushirikiano huu ukiwa na lengo la kuongeza ubora wa mafunzo na kwa vitendo yatakikanayo wanafunzi katika vyuo vya humu nchini. Katika kipindi cha muda mrefu, hii italetea shirika hili la ndege na wataalamu bora kwa ajili ya mahitaji biashara hii yetu.

Mafunzo na maendeleo

Katika mwaka wa kifedha wa 2015/16 timu ya mazoezi ya mafunzo na maendeleo iliendelea kuzingatia na kuwezesha maendeleo ya uwezo wa uongozi katika biashara hii.

Mafunzo ya shirika

Kwa ushirikiano na kampuni ya General Electric (GE) shirika hili la ndege liliandaa mafunzo yanayojulikana kama "Building Essential Leadership Skills - BELS". Madhumuni makuu yakiwa kutoa fursa kwa mameneja kupata maarifa na ujuzi unaohitajika ili kuongoza vyema timu tofauti katika Kenya Airways, ikidhamiria uongozo na maendeleo yao wenyewe na wengine. Mameneja 96 na viongozi wa timu walifunzwa.

Zaidi ya hayo, tuliandaa mafunzo juu ya uwezo wa kuongoza kwa wasimamizi 88.

Mafunzo kupitia mtandao wa Intaneti

Katika kipindi cha mwaka wa kifedha wa 2015/2016, dhamira yetu kubwa ilikuwa kutekeleza muundo-msingi hapa Kenya Airways wa mafunzo kupitia Intaneti. Tumeweka mfumo mpya wa programu ya kujifunza yaani Learning Management system ujulikanao kama I-Learn.

Mfumo huu ndani yake kuna yaliyomo kadhaa yaliyobuniwa na kupakiliwa humo na yanayotumika kutoa mafunzo kwa wafanyakazi wa KQ mtandaoni na kutoka popote walipo katika maeneo yao (iwe katika dawati ofisini mwao, katika hoteli au nyumbani). Mfumo huu unaendelea kuimarishwa na maudhui mpya na vifaa vipya vya Uchunguzi na unatarajiwa kuwa msingi wa utoaji mafunzo utoaji katika siku za usoni

Manufaa ya mfumo huu ni pamoja na:

- Kuongezeka kwa upatikanaji;
- kupatikana, wakati wowote mahala popote;
- Urahisi na unyumbufu kwa wanaojifunza;
- Sio ghali na inapimika;
- Kujifunza kwa muda wako;
- Usimamizi wa mafunzo darasani kupitia mtandao, na
- Kusimamia na kufuatilia mahudhurio mtandaoni.

Mafunzo ya kiufundi

Katika mwaka huu wa kifedha tunaouangalia, idara ilifunza wafanyikazi 2,517 waliogawanyika kama ifuatavyo:

- Kozi za aina 3 za ndege kukiwa na wafanyikazi 50 waliofunzwa;
- Idadi ya kozi 76 zilifanyika na wafanyikazi 762 walifunzwa;
- Kozi za lazima za 77 EASA na KCAA kukiwa na wafanyikazi 1172 waliofunzwa;
- Kozi za 4 A-rating kukiwa na wataalamu 53 waliofunzwa, na
- Kozi nyingine nyingi zikiwa ni pamoja na za wahudumu wa ndani ya ndege na IFE, Uendeshaji shughuli katika hali yoyote ya hewa, ETOPS na kozi zinazohusu urekebishaji zilipelekea shule kufunza wafanyikazi 173.

Katika kipindi cha mwaka tunaoutathmini, shirika hili la ndege lilizindua kozi mbili (2) za mafunzo kupitia intaneti kwa timu ya kiufundi, iitwayo; Basic ETOPs and Fuel Tank Safety. Tukio muhimu kwa mwaka huu wa kifedha wa 2015/16 ni kuwa shule ya mafunzo ya kiufundi ilitoa wanagenzi 20 kwa idara ya uzalishaji.

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

Mafunzo ya Utendakazi

Kwa maeneo mengine ya uendeshaji, tulifanya mpango wa kutoa stashahada na Cheti kwa watahiniwa binafsi ambao kimsingi ni wagombea kwa ajili ya kazi za kandarasi.

Idadi ya wanafunzi walio kwenye mkataba wetu wa ushirikiano na JKUAT iliongezeka kutoka 244 katika mwaka uliopita hadi 389 katika mwaka wa kifedha wa 2015/16.

Mnamo tarehe 1 Februari 2016, kituo cha mafunzo cha KQ Pride Training Centre kilipewa idhini ya haadhi ya Approved Training Organization **("ATO")** na mamlaka ya Kenya Civil Aviation Authority.

Kenya Airways na Amadeus waliingia katika makubaliano ya mafunzo mnamo tarehe 28 Julai 2015. Mkataba huu uliwezesha kituo cha KQ Pride Centre kuweza kutoa kozi za Amadeus Basic Training Courses kwa Wataalamu wa Usafiri ambao awali hawakujua mfumo wa Amadeus reservation system wa kuagiza nauli na wana uzoefu mdogo au hawana kabisa wa mifumo mengine ya Global Distribution Systems ("GDS").

Uhusiano na Vyama vya Wafanyikazi

Kuimarisha uhusiano mwema kati ya Kampuni na vyama vya wafanyikazi ilikuwa ni katika lengo muhimu katika kipindi hicho. Kampuni iliweka mkazo juu ya kuongeza uzalishaji kupitia kuboresha mikataba na vyama vya wafanyikazi ya makubaliano ya pamoja na kuwe na ongezeko hasi au ongezeko dogo zaidi la gharama ya kuajiri wafanyikazi. Aidha, tulianzisha kuongezea ushirikiano na vyama kukiwa na lengo la kuwahamasisha wao mpango unaoendelea wa Operation Pride wa kugeuza mwenendo ili kupata ridhaa yao. Lengo hilo litadumishwa katika mwaka wa kifedha wa 2016/17 kwa kuongeza mashauriano na vyama juu ya zoezi linaloendelea la kupunguza wafanyakazi na mazungumzo ya baadaye juu ya vigezo na masharti ya kupendeza kwa lengo la kufanya uwiano wa gharama za kazi na malengo ya Operation Pride.

Mazungumzo ya moja kwa moja yalisitishwa na wafanyakazi kupitia vikao kwa lengo la kueleza na kufafanua maamuzi mbalimbali ya usimamizi yanayowahusu, kuelezea sera Uajiri kama vile Kujadili mapendekezo juu ya hali ya utendaji wa Kampuni. Masuala muhimu miongoni mwa yaliotolewa kwa wafanyikazi wakati vikao hivi ni mipango ya kurudusha hali ya biashara kama ilivyokuwa. Kutokana na ushirikiano huu wa moja kwa moja na wafanyikazi, mawazo mengi yameweza kukukusanywa, na mengi kati ya hayo kugeuzwa na kuwa mipango yenye faida na tayari iko katika hatua mbalimbali za utekelezaji chini ya Operation Pride. Mazungumzo zaidi na wafanyakazi yatadumishwa wakati mchakato wa kurudisha hali ya kawaida unapopitia katika awamu ya utekelezaji kwenye mwaka wa kifedha wa 2016/2017.

Chama cha Umoja wa Marobani cha Kenya (KALPA)

Kampuni ilijadiliana na uongozi wa KALPA kwa njia ya mikutano ya kila mwezi ya usimamizi na ile iliopangwa ya Afisa mkuu mtendaji wa Shirika/ KALPA ya kila baada ya miezi mitatu, na mikutano ya kamati ya vyeo na upandishaji wadhifa. Aidha, tulianzisha vikao vya pande zote mbili vya kila wiki na marubani ambapo usimamizi ulijadiliana na marubani juu ya wajibu wa baada ya kukamilisha safari ya ndege.

Wote wawili, usimamizi na KALPA pia walishiriki katika mazungumzo ya makubaliano ya pamoja, ambayo, kufuatia mgogoro katika ngazi ya wahusika wawili, uliendelea na upatanishi katika kiwango cha Wizara ya Leba. Mwishoni mwa mchakato wa upatanishi, pande zote mbili zilikwama na cheti cha mgogoro usiotatulika kilitolewa kwa wahusika. Madhumuni hasa ya mazungumzo ilikuwa kuleta uzalisha zaidi kwa kuzingatia malipo kutoka kwa kundi la marubani, wakati huo huo kufikia idadi ya marobani kwa ukubwa wa ndege kama walivyokubaliana na mpango wa mtandao. Mzozo huu haukuwahi kufika katika kiwango cha hatua ya usuluhishi mahakamani kwa vile iliamuliwa kuanzishwa upya mazungumzo na Chama kama sehemu ya mpango wa Operation Pride wa kuokoa gharama.

Hadi ilipofika tarehe 31 Machi 2016, idadi ya kesi husika zilizofikishwa katika Mahakama ya Ajira zillipungua na baadhi yake kupelekwa katika ngazi ya upatanishi. Maendeleo ya kuridhisha yalifanyika katika kufunga baadhi ya kesi / migogoro

Chama cha Wafanyikazi wa Anga na Huduma za Uwanja wa Ndege (AASWU)

Kampuni bado iko na kesi katika mahakama kuu sababu ya zoezi la kupunguza wafanyikazi lililofanyika mwaka wa kifedha wa 2012/2013 chini ya mpango wa kusawazisha wafanyakazi. Uanachama katika cha AASWU umepungua sana kutokana na kuanzishwa, kusajiliwa na kutambulika na kampuni hii kwa chama cha Kenya Aviation Workers Union (KAWU).

Chama cha Kenya Aviation Workers' Union (KAWU)

Shirika lilihitimisha mazungumzo na chama hiki juu ya makubaliano ya pamoja (CBA) kwa kipindi cha 2014 - 2016 ambayo yalidumisha viwango vya mshahara vibaki vilivyo hivi sasa na wakati huo huo kuanzisha uzingatiaji posho kulingana na uzalishaji.

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

Mikutano ya mara kwa mara baina ya Menejmenti / Muungano wa vyama ilifanyika ili kutathamini na kufafanulia uongozi wa vyama juu ya utendaji wa biashara. Uhusiano baina yetu na Vyama vya Wafanyikazi umebakia kuwa mzuri. Chama na wanachama wake walishiriki katika vikao vya kuchambua na kuchangia mawazo mpango wa Operation Pride ambavyo vilifanyika kuanzia Desemba 2015 hadi Machi 2016 na wamekuwa wakiunga mkono mipango ilioazimiwa kutokana na vikao hivyo. Mashauriano juu ya mipango ihusuyo usawazishaji wafanyikazi na vigezo na masharti vya huduma yalianza na yaonekana kuleta natija nzuri.

Chama cha National Union of Air Transport Union (NUATE, Nigeria)

Mazungumzo na umoja wa vyama juu ya masuala yaliopo yanayogusia vifungu fedha ya CBA yalikamilishwa na pande zote mbili kufunga suala hilo, ikiwa ni pamoja na yale yanayohusiana na marupurupu ya usafiri wakati wa likizo, kiinua mgongo, vigezo vya ajira na uanachama katika vyama vya wafanyikazi.

Chama cha Amalgated Transport and General Workers Union (ATGWU, Uganda)

Kampuni ilianzisha mazungumzo na Chama hiki juu ya mapitio ya vifungu fedha ya CBA. Kufuatia majadiliano hayo, menejmenti na chama walikubaliana kuweka masuala haya katika hali ya kutotumika na kuyatathmini hali yake katika mwezi Agosti 2016, baada ya kutathmini ufanisi wa kurudisha wa mpango wa Operation Pride.

Kupunguza idadi ya wafanyikazi

Kama sehemu ya mpango wa kurudisha hali ya kawaida ya **Operation Pride,** kampuni imeanzisha mchakato wa marekebisho ambayo unahusisha upunguzaji wa wafanyakazi na pamoja na kubadilisha nyadhifa. Upunguzaji wa moja kwa moja utaathiri wafanyakazi kwa njia ya uchambuzi wa mahitaji idadi, imetambulika kuwa idadi ni zaidi ya ya mahitaji. Ilani za upunguzaji wafanyikazi zilitolewa kwa vyama mbalimbali pamoja na wizara ya leba mnamo Machi 31, 2016 kama inavyohitajika kisheria. Mipango sio yote inayohusisha masuala ya fedha za malipo ya wafanyakazi. Mifano ya mipango mingine ni pamoja na, kuongeza uitishaji likizo, kubadilisha migahawa ya wafanyikazi kutoka ile ya nyota 5 na wengine juu ya mipango ya kuboresha uzalishaji.

MIFUMO YA MAWASILIANO

Programu za rununu

Programu za simu za rununu za Kenya Airways zilizinduliwa kwa mara ya kwanza katika 2014. Katika mwaka wa kifedha wa 2015 -16 programu muhimu ya simu ("App") ilianzishwa ambayo ilipelekea programu zilizopo kuimarishwa na kuwa za daraja la haadhi ya kimataifa. Programu mpya zimejumuisha uagizaji nauli na mfumo wa ratiba za ndege, kutoa kwa wateja ufumbuzi uliyo mikononi mwao. Programu hii mpya inajumuisha maelezo juu ya hali ndege na huwaonyesha wateja hali ya ndege iliyoondoka au iliyo angani. Kwenye Programu pia kullingizwa makala mpya kama vile kitafuta Sebule - chaguo ambalo litawezesha wateja kutafuta na kupata habari juu ya sebule zilizopo katika viwanja vyote vya ndege ambako washirika wa SkyTeam walipo. Kifaa cha ratiba ya safari za ndege pia kiliboreshwa na sasa kinatoa muda wa kuondoka na wa kuwasili katika kiwango teule cha tarehe.

Programu ya rununu ya Kenya Airways inapatikana katika iOS na Android. Kwa sasa Programu hii imeratibiwa kuwa iliyo bora zaidi miongoni mwa zingine za mashirika ya ndege ya kimataifa na kupewa alama 4.1 katika 5. Programu hii huwezesha wateja kuagiza nauli ya ndege, kubadilisha ndege, kulipa, kutazama hali ya ndege, ratiba ya usafiri na pia kutazama habari zingine kuhusu KQ kama vile matukio, maelezo kuhusu kampuni na mengine mengi.

Awamu ya pili ya mpango wa Electronic Miscellaneous Document (EMD) and Airline Ancillary Services (AAS)

Mpango wa Electronic Miscellaneous Document (EMD) ni moja ya vigezo vya shirika la IATA ambacho mashirika yote ya ndege yanatakiwa kufuata. KQ ilitekeleza EMD katika mfumo wake wa ukataji tikiti katika mwaka wa 2013. Katika mwaka wa 2015, shirika lilianzisha awamu ya 2 ya ufumbuzi wa EMD. DCS EMD inawezesha wateja kununua na kulipia bidhaa na huduma, kuongeza nafasi ya kuketi ndani ya ndege, bidhaa na mengine mengi, na sasa wana uwezo wa kufanya hivyo wakiwa mahala pa kupokelewa. Malipo pia yanawezekana katika mahala pa kupokelewa kwa kutumia fedha taslimu au kadi za mikopo. Ufumbuzi huu mpya uliwasilishwa Januari 2016 na kuanza kutekelezwa katika vituo vyote vya KQ.

Uboreshaji Wavuti - Kuakisia Hifadhi-data, Kujumuisha hoteli, Fidia kupitia Mtandao, Maneja wa Kuhamasisha

Wavuti uliboreshwa mno katika kipindi cha mwaka wa 2015-16. Kwanza, wavuti ulihamishwa kwenda sehemu nyingine mpya kabisa ya kukaribisha muundo-msingi. Pili, wavuti ulihawilishwa kutoka kwa hifadhi-data tatu (3) hadi kwa hifadhi-data kumi na mbili (12) zenye uwezo wa kupunguza na kusawazisha hivyo basi kuhakikisha kuwa hakuna kutwezwa na kupungua utoaji huduma wakati hifadhi-data inapojiboresha. Mazingira haya mapya ya kuweka wavuti yalihuishwa mnamo mwezi

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

wa Mei 2015. Mwakani, KQ ilitekeleza uakisio wa wavuti (au Mitandao ya utoaji maudhui) kuhakikisha maudhua ya wavuti hayapatikani kutoka kwa hifadhi-data zilizouweka bali katika sehemu ambako mteja anakovinjaria mtandao.

Fumbuzi ya kujumuisha hoteli hutoa kwa wateja uwezo wa kuitisha nafasi katika hoteli wakati wa kuagiza tikiti mtadaoni. Wateja sasa wako na mahala pamoja pa ununuzi, kuagiza tikiti na kulipia hoteli mtandaoni wakiwa katika wavuti wa KQ. Ufumbuzi wa ulipaji fidia mtandaoni ulianza kutekelezwa mwezi wa Januari 2016. Kupitia hii, Wateja sasa wana uwezo wa kuomba kurejeshewa tiketi mtandaoni na kuidhinishwa kwa akaunti zao za kadi za mkopo kuwekewa kiasi hicho cha fidia bila kupiga simu au kulazimika kuja katika ofisi za KQ. Ufumbuzi wa meneja wa Hamasisho ulianza kutekelezwa kwenye wavuti ya KQ na sasa inawezesha utoaji ofa maalum za mauzo kila zinapozinduliwa moja kwa moja bila kuingilia mwongozo uliopo.

Njia mbadala za malipo

Katika Novemba ya 2015, KQ ilihuisha uwiano na ushirikiano kwa benki ya GT, kutoa njia kwa wateja katika maeneo ya Nigeria na Ghana kuwa njia chaguzi ya malipo ya tiketi zao mtandaoni. Kwa njia ya uwiano wa malipo ya GT, wateja katika Afrika Magharibi wana hiari ya kuagiza tikiti mtandaoni na moja kwa moja kutoa pesa kutoka akaunti zao katika benki ya GT wakiwa tu katika dawati zao, kwa kutumia simu, kadi ya mikopo au chaguo la kadi ya malipo. Katika mwaka huo huo, ushirikiano wa mfumo wa malipo wa Equity Bank (Equitel) ulizinduliwa katika mwezi wa Disemba na ulitarajiwa kuhuishwa na kuanza kutumika katika Mei ya 2016.

Kupandisha daraja la Business Class

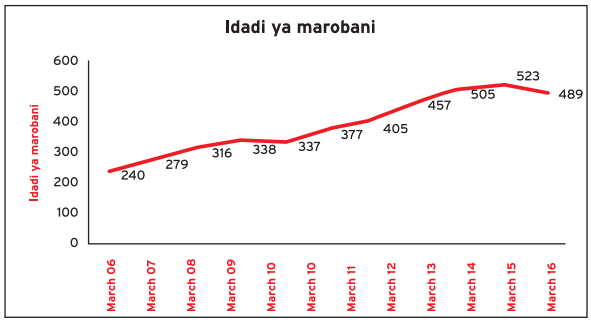
Katika Januari ya 2016, KQ ilitekeleza ufumbuzi mpya ambao unawezesha wateja kununua tikiti za kiwango cha Economy Class lakini kuwa na ofa ya kujipandisha daraja hadi kiwango cha Business Class kupitia programu ya kuzabuni mtandaoni katika wavuti wa KQ. Zana hii inakubali kupokea zabuni mbalimbali kutoka kwa wateja ambao tayari wamenunua tikiti za Economy Class. Wateja ambao hufanya jitihada kubwa zaidi katika kuzabuni moja kwa moja hupata fursa ya kupanda gredi hadi Bussiness Class.

Zana hii huwezesha wateja kujipandisha gredi hadi Bussiness Class kupitia kiwango cha ushindani lakini pia hii huhakikisha viti vya Business Class vinajazwa haraka iwezekanavyo.

SHUGHULI ZA USAFIRI WA NDEGE

Idara ya shughuli za usafiri wa ndege huunga mkono utendakazi kwa njia salama na ya kutegemewa kwa kuhakikisha kuna wafanyikazi waliohitimu kupitia mpango wa kuajiri na kutoa mafunzo. Katika kipindi cha mwaka huu unaokaguliwa, Manahodha arobaini na tatu (43) na Maofisa wa Kwanza arobaini na tisa (49) waliopelekwa kwa ndege tofauti tofauti. Zaidi ya hayo, marobani wanne (4) wa kiwango cha kuingia waliajiriwa na Marubani arobaini na moja (41) waliamua kuondoka kwa kampuni. Mwishoni mwa mwaka, Kampuni hii ilikuwa na jumla ya Marobani mia nne na themanini tisa (489) na Kadeti wa kuanzia ishirini na moja (21)

Mchoro huu hapa chini unaonyesha idadi ya marobani kwa kipindi cha miaka:



idara ilifanya vizuri sana na kufikia kwa ujumla idadi ya wafanyakazi wa ndani ya ndege ya asilimia tisini na nne (94%) na alma ya upishi ya asilimia themanini na nne (84%) katika utafiti uliofanywa katika mwezi wa Desemba 2015 na Januari 2016 na Idara ya Masoko. Wao pia waliweza kupata tuzo nane (8) katika mashindano ya kimataifa ya international duty free sales competition yajulikanayo kama TASPA (Tourvest Ambassador and Sales Person Awards) yaliofanyika katika mwezi wa Februari 2016 kule Johannesburg.

Katika jitihada za kuboresha mawasiliano ndani ya idara,vikao vifupi vya kila wiki asubuhi baada ya ndege kuondoka pamoja na vikao vya wafanyikazi wa idara ya wafayakazi na kumbi za mji ilifanyika. Zaidi ya hayo, matangazo ya mkurugenzi ya kila mwezi yalisambazwa kwa wafanyakazi wote.

Hatimaye, idara imekuwa ikishiriki katika mipango mbalimbali Operation Pride ili kujaribu kurudisha Kampuni katika hali ya kawaida katika maeneo yafuatayo::

Taarifa ya Afisa Mkuu Mtendaji (Inaendelea)

- Bidhaa za ndani ya ndege;
- Viwango vya kupakia mankuli ndani ya ndege;
- Majadiliano mapya na Wasambazaji wetu;
- Ufanisi wa Mafunzo;
- Kuondolewa kwa Mapumziko katika safari fulani;
- Kuweka viwango vya Sare na Kujipamba, na
- Kupunguza Malimbikizo ya likizo za Wafanyikazi.

Mbuvi Ngunze
Mkurugenzi Mkuu wa Shirika na Afisa Mkuu Mtendaji

Corporate Governance

Kenya Airways Board of Directors is responsible for the overall governance of the Company 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 fostering a culture that values ethical behaviour, integrity and respect and the need to conduct the business and operations of the airline and the group in accordance with generally accepted corporate practices. The Directors believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

Board of Directors

The Articles of Association of the Company provide that the business and affairs of the airline are to be managed under the direction of the Board. The Board clearly understands its role, powers, duties and functions, and in this regard, is guided by a Board Charter approved by the Board and executed by all individual Directors.

The Chairman is responsible for leadership and effective performance of the Board and for the maintenance of relations between directors and management that are open, cordial and conducive to productive cooperation.

The Board has in place an annual Work Plan that enables it to have detailed reviews of the airline's operating business units, approval of strategy, business plans, budgets and financial statements. The Board receives regular reports on the Group's financial and operational results.

The full Board meets regularly to conduct its affairs. 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.

In line with good governance practice, the Board has delegated authority for the 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. All 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 and Code of Corporate Governance for Issuers of securities in Kenya, issued by the Capital Markets Authority. In this regard, two Directors will retire by normal rotation.

During the year under review, the Board conducted Board Evaluation and attended corporate governance training in order to keep the Board up skilled.

Board succession planning provides further information on the mix of skills and diversity that the Board seeks to achieve in the membership of the Board. The Board manages its succession planning with the assistance of the Corporate Governance and Nominations Committee, which has prepared a detailed skills matrix for the Board. The committee annually puts in place a succession plan for the Board and in line with the skills matrix, reviews existing and desired competencies across members and reports its conclusions to the Board.

The Board considers that collectively the directors have the range of skills, knowledge and experience necessary to direct the company. The directors on the Board represent a diverse range of skills and backgrounds. The Board recognises that there is a gender imbalance, and that an opportunity exists to address this upon future retirements of non-executive directors.

Upon appointment of a new Director, management guides them through a formal induction programme explaining the anatomy of the airline, its operations and they get the opportunity to meet the key officers. They are also taken through corporate Governance training so as to understand their roles and responsibilities as directors.

In addition, the Board is able to seek external advice or assistance on issues over which there is concern, if it is considered necessary.

Committees of the Board

The Board has three standing committees, and one ad hoc Committee, which meet regularly under the terms of reference set by the Board.

Audit and risk management committee

The Board has constituted an Audit and Risk Management committee, which meets at a minimum, four times a year.

Corporate Governance (Continued)

Ms. Wanjiku Mugane, an independent non-executive Director chairs this committee whose other members include Dr Kamau Thugge, Mr. Pieter Elbers and Mr. Wilson Irungu Nyakera. Its responsibilities include the formulation of audit and risk management policies, 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.

Through this Committee, the Company has implemented an Enterprise Risk Management Framework, which is a strategic business discipline that supports the achievement of Kenya Airways objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio.

Human resources committee

There is a Human resources committee of the Board. Mr. Vincent Rague, also an independent non-executive Director, chairs the Committee. The other members are Mr. Ron Schipper, Ms Caroline Armstrong, and Mr. Jason Kapkirwok. The committee meets at least quarterly. The committee is responsible for formulating human resources policies, monitoring and appraising the performance of senior management as well as determining the remuneration of senior management.

Corporate governance and nominations committee

There is a Corporate Governance and Nominations committee of the Board. Its membership comprises Ambassador Dennis Awori as its Chairman, Dr Kamau Thugge, Mr. Pieter Elbers, Mr. Vincent Rague and Mr. Mbuvi Ngunze. The committee meets at least twice a year or as required. The committee is responsible for overseeing and monitoring the Company's corporate governance policies, practices and guidelines and 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.

Candidates who are recommended by this committee are interviewed by the Chairman and the major shareholders and their suitability assessed and discussed. In addition, there is an opportunity for other candidates to be proposed by a shareholder for consideration and voting by the members at the Annual General Meeting.

The Board through its Corporate Governance and Nominations Committee actively seeks to ensure that the Board continues to have the right balance of skills, knowledge and experience necessary to direct the Company in accordance with high standards of corporate governance.

This committee is also responsible for appraising the role, contribution and effectiveness of the Board as a whole and individual directors.

Ad hoc strategy and business development committee

The Board has constituted an Ad hoc Strategy and Business Development Committee, which meets as and when necessary. Ms. Wanjiku Mugane, an independent non-executive Director chairs this committee whose other members include Dr Kamau Thugge, Mr. Pieter Elbers and Ms Caroline Armstrong, Mr. Jason Kapkirwok, and Mr. Irungu Nyakera. Its responsibility is to consider and review matters relating to strategy and business development of the Company and oversee what actions need to be carried out with immediate effect and in the short term, as well as in the long term. The Group Managing Director and the Ag Group Finance Director attend all meetings of the committee. Mr. Vincent Rague a Board Director also attends meetings by invitation.

Internal controls

The Group has defined procedures for internal controls to ensure the integrity of the assets of the airline and 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 organisation 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 by 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.

Management is constantly updating and activating any changes in legislation or regulations pertinent to the Company and liaise with the Kenya Civil Aviation Authority on such changes. They participate in workshops and lobby either individually or as an industry through the Air Operators Association and other

bodies for changes which are considered prudent or likely to affect the Company.

Internal audit

The Internal Audit function reports to the Board through the Audit and Risk Committee. Internal Audit is independent of both business management and of the activities it reviews. Internal Audit provides assurance that the design and operation of the Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the audit program targets the higher risk activities in each business unit or function. All audits are conducted in a manner that conforms to international auditing standards.

External auditor relationship

The Audit and Risk Management Committee oversees the relationship with the External Auditor and the requirement to ensure the independence of the External Auditor. The Audit and Risk Management Committee also manages the rotation of the external Auditor through competitive tendering.

Code of business conduct & 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 the Board, management, employees and stakeholders on acceptable behaviour in conducting business. All Board members and employees of the airline are expected to avoid activities and financial interests that could undermine their responsibilities to the airline.

In addition, the Board applies a Conflict of Interest policy. A director with an actual or potential conflict of interest in relation to a matter before the Board is required to disclose such interest and, excuse himself or herself from the Board for discussion relating to the matter in question.

Transparency and disclosure

The company is committed to ensuring that shareholders and the financial markets are provided with full, accurate 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 and on the Company's web site of its half yearly and annual results, and quarterly disclosures of operating statistics to the stock markets and capital markets authorities. There is also a minimum of two investor briefings per annum for institutional investors.

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

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

Directors emoluments and loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2015/16 is disclosed in the notes to the financial statements. At no time during the year was there any arrangement to which the company was a party, whereby Directors acquired benefits by means of transactions in the Company's shares outside applicable law.

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 2016 were as follows:

Directors interests;

Name of Director	**Number of shares**
Cabinet secretary to the National Treasury	445,920,557

Principal Shareholders

The ten largest shareholdings and the respective number of shares held at 31 March 2016 are as follows;

Name of shareholder	Number of Shares
Permanent Secretary to the Treasury	445, 920, 557
KLM-Koninklijke Lunchtvaart Maatschappij	400, 020, 026
Standard Chartered Nominees Non Resd a/c ke11752	143, 000, 000
Standard Chartered Nominee Account ke17682	45, 995, 567
Mike Maina Kamau	41, 048, 440
Standard Chartered Nominees a/c 9187	35, 906, 095
Vijay Tumar Ratilal Shah	15, 757, 500
Standard Chartered nominees a/c 9230	14, 630, 773
Gulamali Ismail	10, 696, 700
Galot International limited	5, 913, 982
Other shareholders	337,579,395
Total	**1, 496, 469, 035**

Distribution of shareholders

	Number of shareholders	Number of Shares	% Shareholding
Less than 500	31, 979	12, 562, 294	0.84%
501 to 5, 000	40, 197	65, 194, 929	4.36%
5, 001 to 10, 000	2, 992	22, 566, 522	1.51%
10, 001 to 100, 000	3, 079	81, 898, 248	5.47%
100, 001 to 1, 000, 000	284	79, 508, 310	5.31%
Above 1, 000, 000	46	1, 234, 738, 732	82.51%
Total	**78, 577**	**1, 496, 469, 035**	**100.00%**

Distribution of shareholders by region

	No. of Shareholders	Number of Shares	% Shareholding
Foreign institutions	16	599, 282, 247	40.05%
Foreign individuals	551	9, 710, 652	0.65%
Local institutions	3, 113	588, 023, 785	39.29%
Local individuals	74, 897	299, 452, 351	20.01%
Total	**78, 577**	**1, 496, 469, 035**	**100.00%**

Best Business Class Airline in Africa

Corporate Social Responsibilities (CSR)

Kenya Airways invests in initiatives geared towards supporting communities in countries that it operates, specifically, in the areas of education, environment, water and health as part of its contribution to the sustainable development of its destinations. Through the Company's Corporate Social Responsibility **("CSR")** programmes, the Company has been able to support sustainable, long-term initiatives that bring positive change to the communities by empowering them and introducing new opportunities.

One of the Company's initiatives towards wildlife conservation dubbed 'Change brings change' is a partnership with **Born Free Foundation** where bags are circulated in all Kenya Airways' flights for guests to donate towards wildlife conservation. Wildlife is not only part of Kenya's heritage but also a key driver of the tourism industry, which is a major foreign exchange earner and creator of job opportunities. For this reason, everyone has the responsibility to support the conservation of wildlife.

Kenya's Tourism Cabinet Secretary Hon Najib Balala tests out the seats in the Dreamliner Business Class during the renaming of the aircraft in support of Kenya's tourism sector. Looking on are Tourism Principal Secretary Fatuma Hirsi Mohamed, Chairman of Kenya Tourism Board Jimi Kariuki and KQ CEO Mbuvi Ngunze.

Kenya National Sevens Rugby Team members and Kenya Airways staff join Kenya Wildlife Service ranger during the historic ivory burning ceremony in Kenya. Kenya Airways is a big supporter of wildlife conservation.

Kenya Airways is a founding member of the task force and is one of the signatories to the *Declaration of the United for Wildlife International Taskforce* on the Transportation of illegal Wildlife Products signed at Buckingham Palace, London, in March 2016 (the "**Declaration**").

The CEO of the airline who signed the Declaration on behalf of the airline joined 40 other leaders in the transport and conservation sectors to sign the initiative led by His Royal Highness The Duke of Cambridge. This initiative aims to support efforts to prevent the growing trade in illegal wildlife and products around the world, with the taskforce for transportation playing a major role in ensuring that such illegal products, including ivory, do not move through their organisations.

Kenya Airways has a zero tolerance policy to illegal wildlife trade and is a signatory to the declaration. It will work closely with other government agencies, especially at JKIA, to ensure that illegal products are not transported on its aircraft. The declaration by the global transport players is ambitious with eleven commitments which require signatories to commit to supporting global efforts to prevent illegal wildlife smuggling, through putting in place real measures where the transport industry can specifically assist shut down routes exploited by traffickers. Other signatories to the declaration from Africa include South African Airlines and the African Airlines Association (AFRAA).

Corporate Social Responsibilities (CSR) (Continued)

Kenya Airways seeks and works with local partners to support an array of sporting activities in diverse communities. Kenya Airways strategy is focused around engaging directly with customers through local and international events, celebrations and festivals.

Kenya Airways is keen to increase its support for sports across the African continent as it is an integral part of the Company's sponsorship strategy, development of sports especially for the youth, as well as a key pillar of building strong communal bonds. This is reaffirmed by the Company's role as the official sponsor of the Kenya National Rugby Sevens Team .The team finished the World Rugby Series in position 7 with 98 points, having won the main cup at Singapore 7s. KQ brand was positively positioned globally as a significant contributor to sports and social development.

The Triumphant Kenya National Sevens Rugby Team pose for a picture after jetting back into the country following their historic cup win in the Singapore leg of the World Rugby Series. Kenya Airways is the shirt sponsor of the Kenya Sevens Rugby team .

During the period under review, Kenya Airways also hosted the 7th edition of the East Africa Safari Rally Classic. The rally has over the years attracted visitors from all over the world to take part in this exciting event and take advantage of the fabulous safari holiday options along the route. The whole safari event was about 3,331 kilometers (2,070 miles) long, spread over a period of nine days in both Kenya and Tanzania.

Kenya Airway's seeks to work with various communities across Africa to improve educational infrastructure. This is because we believe that a strong educational foundation will ensure that the young people are appropriately skilled for the demanding job market. Some of the projects the Company has supported this year include completion of the Lemek Namunyakwe girls School Laboratory and dining hall in Narok County. The construction of the dining hall at Emmom Primary School in Kerio Valley was also finalised. These initiatives are aimed at delivering sustainable educational programs that support communities from the grassroots.

Mbuvi Ngunze
Group Managing Director & CEO

Kuwajibika kwa shirika katika jumuiya

Kenya Airways huwekeza katika mipango inayolenga kusaidia jumuiya katika nchi inakoendesha shughuli zake, hasa, katika nyanja za elimu, mazingira, maji na afya kama sehemu ya mchango wake katika maendeleo endelevu ya maeneo hayo inakokwenda. Kupitia Mipango ya Kampuni ya Kuwajibika katika Jumuiya **("CSR"),** Kampuni hii imekuwa na uwezo wa msimamo imara wa kusaidia, mipango ya muda mrefu ambayo amabyo inanuiya kuleta mabadiliko mazuri kwa jamii kwa kuwawezesha na kuwaletea fursa mpya.

Moja ya mipango Kampuni ni kusaidia uhifadhi wa wanyamapori uliyopewa jina la 'Change brings change' kwa kushirikiana na **Born Free Foundation** ambapo mifuko husambazwa kote katika ndege za Kenya Airways kwa wageni kuchangia uhifadhi wa wanyamapori. Wanyamapori sio tu sehemu ya urithi wa Kenya lakini pia ni kichocheo muhimu cha sekta ya utalii, ambayo ni mchangiaji mkubwa wa kuleta fedha nyingi za kigeni na mtoaji fursa za ajira. Kwa sababu hii, kila mtu ana wajibu wa kuunga mkono jitihada za uhifadhi wanyamapori

Wachezaji wa Timu ya kitaifa ya raga ya watu saba kila upande na wafanyikazi wa Kenya Airways wanaungana na askari wa Shirika la kulinda wanyamapori la Kenya Wildlife Service wakati wa tukio la kihistoria la sherehe ya kuchoma pembe za ndovu nchini Kenya. Kenya Airways ni mfadhili mkubwa katika ulindaji wanyamapori.

Waziri wa Utalii Mhe. Najib Balala akijaribu viti vya Dreamliner Business Class wakati wa kupewa jina kwa ndege hiyo kwa ajili ya kuunga mkono sekta ya utalii ya Kenya. Wanaotazama ni Katibu Mkuu wa Wizara ya Utalii Fatuma Hirsi Mohamed, Mwenyekiti wa Bodi ya Utalii ya Kenya Jimi Kariuki na Afisa Mkuu Mtendaji wa KQ Mbuvi Ngunze.

Kenya Airways ni mwanachama mwanzilishi wa kikosi cha kazi na ni mmoja ya waliotia saini Azimio la Declaration of the United for Wildlife International Taskforce juu ya Usafirishaji haramu wa Bidhaa za Wanyamapori liliotiwa saini katika Buckingham Palace, London, Machi 2016 ("Azimio").

Afisa Mkuu Mtendaji wa shirika hili la ndege ambae alisaini Azimio hilo kwa niaba ya Shirika hili la ndege alijiunga na viongozi wengine 40 katika sekta hii ya usafiri na uhifadhi katika kutia saini mpango huo wakiongozwa na His Royal Highness The Duke of Cambridge. Mpango huu una lengo la kuunga mkono juhudi za kuzuia biashara haramu inayozidi kukua ya wanyamapori na bidhaa zake kinyume cha sheria kote duniani, na kwa kikosi cha kazi kwa ajili ya usafiri kikitekeleza jukumu kubwa katika kuhakikisha kwamba bidhaa hizo haramu, ikiwa ni pamoja na pembe za ndovu, hazisafirishwi kupitia mashirika yao.

Kenya Airways ina sera thabiti ya msimamo wa kutokubali kamwe kwa biashara haramu ya wanyamapori na imeridhia kwa kusaini Azimio. Itashirikiana na mashirika mengine ya serikali, hasa katika JKIA, ili kuhakikisha kwamba bidhaa hizi haramu hazisafirishwi katika ndege zake.

Azimio la wadau wa kimataifa wa usafiri ni kabambe kukiwa na ahadi kumi na moja ambazo zahitaji saini ili kujitolea kwa kusaidia jitihada za kimataifa za kuzuia magendo haramu ya wanyamapori, kwa njia ya kuweka kwa hatua halisi ambapo sekta ya usafiri inaweza mahsusi kusaidia kuzima njia zinazotumiwa na wafanyabiashara hawa haramu. Wengine waliosaini Azimio kutoka Afrika ni pamoja na Afrika Kusini na Mashirika ya ndege ya Afrika wancahama wa African Airlines Association (AFRAA).

Kenya Airways inatafuta na kufanya kazi na washirika wa humu ndani kwa kusaidia shughuli mbali mbali za

Kuwajibika kwa shirika katika jumuiya (Inaendelea)

michezo katika jamii mbalimbali. Mkakati wa Kenya Airways unalenga katika kujihusisha moja kwa moja na wateja kwa njia ya matukio ya humu na ya kimataifa, maadhimisho na tamasha.

Kenya Airways ina dhamira ya kuongeza ufadhili wake katika michezo kote katika bara la Afrika kwa kiungo muhimu cha Mkakati wa Kampuni udhamini, maendeleo ya michezo hasa kwa vijana, pamoja na kuwa kama nguzo muhimu ya kujenga na kuunganisha jamii. Hii ni inathibitishwa na ufadhili wa Kampuni kama mdhamini rasmi wa timu ya Taifa ya Kenya ya raga ya wachezaji saba kila upande. Timu hii ilimaliza katika nafasi ya 7 kwenye mashindano ya World Rugby Series ikiwa na pointi 98, baada ya kushinda kikombe kikuu katika Singapore 7s. Chapa ya KQ iko katika nafasi muafaka kimataifa kama mchangiaji muhimu katika michezo na maendeleo ya kijamii.

Mabingwa wa timu ya kitaifa ya raga ya watu saba kila upande wanapigwa picha mara tu baada ya kuwasili nchini kufuatia ushindi wao wa kihistoria wa kombe katika mechi ya Singapore ya msururu wa michuano ya raga duniani. Kenya Airways ndio wafadhili wa jesi wa timu ya Kenya ya raga ya watu saba kila upande.

Wakati wa kipindi cha mwaka huu wa mapitio, Kenya Airways pia ilikuwa mwenyeji wa mashindano ya magari toleo la 7 la East Africa Safari Rally Classic. Kwa miaka sasa mashindano haya yamekuwa kivutio cha wageni wengi kutoka kote duniani kushiriki katika tukio hili kusisimua na kuchukua fursa ya likizo ya kuzuru vivutio vya watalii vilivyo kando ya njia. Tukio hili lote Safari lilikuwa la masafa ya kilomita 3,331 (maili 2,070), na kuenea kwa kipindi cha siku tisa nchini Kenya na Tanzania.

Kenya Airways inataka kufanya kazi na jamii mbalimbali barani Afrika ili kuboresha miundombinu ya elimu. Hii ni kwa sababu tunaamini kwamba msingi imara wa elimu utahakikisha kwamba vijana wanapata ujuzi ipasavyo ili kuwania soko la ajira. Baadhi ya miradi ambayo Shirika imesaidia katika mwaka huu ni pamoja na kukamilika kwa maabara na ukumbi wa chakula katika shule ya wasichana ya Lemek Namunyakwe kule Narok. Ujenzi wa ukumbi wa chakula katika Shule ya Msingi Emmom katika Kerio Valley pia ulikamilika. Juhudi hizi zinalenga kutoa mipango endelevu ya elimu ambayo ina dhamira ya kusaidia jamii kutoka mashinani.

Mbuvi Ngunze
Mkurugenzi Mkuu wa Shirika na Afisa Mkuu Mtendaji

Financial Report
for the year ended 31 March 2016

Directors and statutory information for the year ended 31 March 2016

EXECUTIVE DIRECTORS

M. Ngunze	Managing Director
A.W. Mbugua	Group Finance Director (Retired 3 May 2016)

NON EXECUTIVE DIRECTORS

Ambassador Dennis Awori	Chairman (With effect from 14 October 2015)
E. Mwaniki	Chairman (Retired 9 October 2015)
P. Elbers *	(Alternate - J. Veenstra *)
R. Schipper *	(Alternate - J. Veenstra *)
V. Rague	
K. Thugge	(Alternate - F. Kingori)
J. Muli	Resigned 1 January 2016
W. Mugane	
C. Armstrong	
J. Kapkirwok	Appointed 14 October 2015
W. Irungu	Appointed 8 January 2016 (Alternate - I. Ireri appointed 31 March 2016)

* Dutch

COMPANY SECRETARY
Catherine Musakali FCPS (K)
Dorion Associates
Thompson Estate, off Ole Dume Road
PO Box 29737 - 00202
Nairobi

AUDITORS
KPMG Kenya
8th Floor, ABC Towers
ABC Place, Waiyaki Way
PO Box 40612 - 00100
Nairobi

REGISTERED OFFICE
Kenya Airways Headquarters and Base
Airport North Road, Embakasi
PO Box 19002 - 00501
Nairobi

REGISTRARS AND TRANSFER OFFICE
Custody & Registrars Services Limited
6th Floor, Bruce House
Standard Street
PO Box 8484 - 00100
Nairobi

LEGAL ADVISORS
Kaplan & Stratton Advocates
9th Floor, Williamson House,
4th Ngong Avenue, Upper Hill
PO Box 40111 - 00100
Nairobi

TRIPLEOKLAW Advocates
5th Floor, Block C, ACK Garden House,
1st Ngong, Avenue, off Bishops Road
Nairobi

PRINCIPAL BANKERS
Citibank N. A
Citibank House, Upper Hill Road
PO Box 30711-00100
Nairobi

Standard Chartered bank Limited
48 Chiromo, Level 5
Westlands Road
PO Box 30003-00100
Nairobi

Barclays Bank of Kenya Limited
The West End Building, 4th Floor
Waiyaki way, Head Office
PO Box 30120-00100
Nairobi

National Bank of Kenya Limited
13th Floor, National Bank Building
Harambee Avenue
PO Box 72866-00200
Nairobi

Equity Bank Limited
7th Floor, Equity Centre
Upper Hill
PO Box 75104-00200
Nairobi

Report of the Directors for the year ended 31 March 2016

The directors submit their report together with the audited financial statements for the year ended 31 March 2016, in accordance with Section 653(1) of the Kenyan Companies Act, 2015, which discloses the state of affairs of Kenya Airways Limited (the "Company") and its subsidiaries (together, the "Group").

1. 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 53 destinations in Africa, Middle East, Asia and Europe.

At 31 March 2016, the Group had 47 aircraft, either owned or on operating leases. These comprised five Boeing 777 wide body jets, nine Boeing 787, twelve Boeing 737 narrow body jets, seventeen Embraer regional jets, two Boeing 737 freighters; formerly passenger aircraft and two Bombardier Dash 8 - 400.

2. Results

The net loss for the year of KShs 26,225 million (2015: net loss of KShs 25,743 million) has been deducted from the retained earnings. The results for the year are set out fully on pages 72 to 146 in the attached financial statements.

3. Dividends

The directors do not recommend payment of dividends (2015: Nil).

4. Directors

The directors who held office during the year and to the date of this report are set out on page 66.

5. Directors' remuneration

The director's remuneration for the year ended 31 March 2016 has been disclosed at Note 41(c).

6. Business overview

Summary

The Board of Kenya Airways is announcing the beginnings of the impact of the Turnaround actions taken in the 2015/16 Financial Year, whose key outcomes are in summary as follows:

- A strong improvement in operating results; and
- Net results are however impacted negatively by significant exchange rate losses, higher interest costs and the unwinding fuel hedges.

Turnaround program

During the year under review, the Board of Kenya Airways launched a business turnaround program code named **'Operation Pride'**. The program is based on the results of an internal business review which identified the fact that the Group was carrying excess capacity relative to its commercial ability to fully utilise this capacity, resulting in flat revenues. The Group was also carrying high costs, and was operating in a challenging environment with significant external impacts, all leading to consistent underperformance of the business. The Turnaround plan has three objectives:

- Revenue growth and cost containment
- Refocusing the business model and enhancing partnerships; and
- Restructuring the capital of the company

6. Business overview (Continued)

Turnaround program - continued

The Board engaged a turnaround expert to support the execution of the plan. On financial / balance sheet restructuring, the Board has retained an investment banker / debt advisor with a mandate to lead the capital restructuring.

The Group's operating loss improved significantly to KShs 4,093 million from KShs 16,333 million for the year ended 31 March 2016, a gain of KShs 12,240 million (75 percent). The operating loss improvement was underpinned by the early results of the Turnaround plan which include a growth of 5 percent in cabin factor to 68.3 percent, an increase in passenger numbers from 4.18 million to 4.23 million, a reduction in direct operating costs, overheads and fuel, but with an increase in fleet costs arising from full year impact of the aircrafts purchased or leased over the last 2 years, as well as recognition of onerous lease provision for aircraft sub leased.

The results were achieved in a tough aviation context, in which airlines continue to be weighed down by major currency fluctuations, volatility in fuel prices and a changing commodity price environment. An industry forecast by International Air Transport Association (IATA) indicates that African airlines will continue to be in negative profit territory in 2016, despite overall improvement in performance.

The Kenya Airways Re-organisation

During the year under review the organisation was strengthened via changes to the Board and senior management. In addition, the Board commissioned a forensic investigation to identify and help close any governance and control weaknesses in the Group. The Group also initiated a restructuring plan in order to optimise employee levels and productivity.

Capacity and traffic

As part of Operation Pride, a decision on fleet right sizing and capacity rationalisation was made aimed at improving utilisation and cabin factors. This reduced Available Seat Kilometres (ASKs) by 4 percent to 14,744 million compared to 15,406 million in 2014/15, but improved total traffic measured in Revenue Passenger Kilometres (RPKs) by 3 percent to close at 10,066 million. In Europe, cabin factors improved 8 percent, with drop of 3 percent in RPKs against a capacity reduction of 13 percent. For the Middle East and Asian markets, RPKs grew by 6 percent as a result of improved connectivity from the various feeder markets with no change in capacity. RPKs for the African region excluding Kenya grew 8 percent with no change in capacity. Kenya market grew by 6 percent in RPKs and 3 percent in capacity.

Yield per RPK

The yield per Revenue Passenger Kilometre averaged USc 8.81 compared to USc 9.55 achieved last year. The causal factor for this decrease is largely the reduction in fuel prices and the competitive environment subsisting. According to IATA projections in 2015, yields were expected to drop 7.5 percent.

Cargo

The reduction of Boeing 777 capacity offered into the market resulted in constraining the space available to uplift cargo within the network. This resulted in a 10 percent dip in loads uplifted to 66,000 tonnes. The average rate per kilogramme uplifted also reduced by a further 11 percent (in USD terms) as shippers demanded better rates in line with reduction in fuel prices.

Turnover

Group turnover grew by 5 percent to close at a record KShs 116,158 million in the year resulting from the improvements in passengers carried as explained above. Included in turnover is a onetime benefit arising from sale of the London Heathrow slot that generated KShs 5,470 million.

Direct operating and fleet costs

The rationalisation of operations coupled with the respite in fuel prices influenced the reduction in total direct operating costs by KShs 8,198 million to KShs 67,861 million. Fleet ownership costs at KShs 29,578 million increased by KShs 3,646 million compared to prior year. This increase reflects both the full year impact of the aircrafts purchased or leased over the last 2 years, as well as recognition of onerous lease provision for aircraft sub leased.

6. Business overview (Continued)

Overheads

Overheads at KShs 22,812 million decreased by KShs 1,691 million compared to prior year, driven by the concerted efforts by management to reduce and contain costs.

Net results

Despite the improvement in the Group's operating performance, the Group incurred a loss before tax of KShs 26,099 million compared to KShs 29,712 million in the prior year, an improvement by KShs 3,613 million or 12 per cent, and a loss after tax of KShs 26,225 million (2014/15 – Loss of KShs 25,743 million). Three significant items negatively impacted the financials:

- The US dollar strengthened significantly against the Kenya shilling (12.9% from KShs 89 per US Dollar in the prior year to an average of KShs 100.5 per US Dollar this year) and other currencies resulting in an increase in foreign exchange loss of KShs 9,703 million.
- The Group borrowed more in the financial year incurring an additional KShs 2,313 million in interest expense.
- The movement in international oil prices during the year unfavourably impacted the Group's remaining fuel hedges resulting in an additional KShs 5,093 million in realised fuel hedge losses. However, the company registered an improvement in the mark to market valuation of fuel hedges of KShs 2,614 million in the year (2015 – Loss of KShs 5,776 million). No deferred tax asset was recognised in the year.

Important to note is the fact that excluding one-off impacts related to asset sales, compensation for late delivery of new aircraft, write-offs, impairments and provisions, the Group broke-even at operating loss level, an improvement of KShs 11,139 million while loss before tax improved by KShs 2,513 million.

Outlook

Going forward, the main focus of the company will be to build on the gains made in the airline's turnaround strategy, **Operation Pride.** Operation Pride's main plans are revenue growth and cost containment, refocusing the business model and enhancing partnerships and restructuring the capital of the company. After extensive internal review of alternatives, KQ has reviewed the options in relation to its capital structure in order to ensure the financial flexibility, stability, and sustainability that is commensurate with the turnaround strategy. The aim is to place Kenya Airways on a stronger footing and provide a stable base for long-term growth. The company will also continue its focus on improving service quality.

The Government of Kenya and Koninklijke Luchtvaart Maatschappij (KLM), in their capacity as major investors in Kenya Airways have indicated their continued strong support of the Company's operational and capital structure optimisation process, and are closely involved throughout the transaction process and intend to remain major stakeholders in the Company over the long term.

The Board considers that the achievement of the above measures will safeguard and turn around the prospects of the airline.

7. Relevant audit information

The Directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the Group and Company's auditor is unaware; and

(ii) Each of the Directors have taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group and company s auditor is aware of that information.

8. Auditor

The company's auditors, KPMG Kenya, continue in the office in accordance with Section 723 of the Kenyan Companies Act, 2015.

9. Approval of financial statements

The financial statements were approved at a meeting of the Board of Directors held on 20 July 2016.

BY ORDER OF THE BOARD

SECRETARY **Date: 20 July 2016**

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of Kenya Airways Limited set out on pages 72 to 146 which comprise the consolidated and company statements of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015 the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. 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 the Company and of its operating results.

The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Group and the Company's ability to continue as a going concern and, having taken into account all information at hand, have no reason to believe the Group and Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 20 July 2016 and were signed on its behalf by:

Ambassador Dennis Awori
Director
Date: 20 July 2016

Mbuvi Ngunze
Director

Report of the independent auditors to the members of Kenya Airways Ltd

Report on the financial statements

We have audited the consolidated financial statements of Kenya Airways Limited set out on pages 72 to 146 which comprise the consolidated and company statements of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As stated on page 70, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 unqualified opinion.

Unqualified opinion

In our opinion, the financial statements give a true and fair view of the Consolidated and Company financial position of Kenya Airways Limited at 31 March 2016, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(e) in the consolidated financial statements which indicate that the Group incurred a net loss of KShs 26,225 million during the year ended 31 March 2016 (2015 – Net loss of KShs 25,743 million) and, as of that date, the Group's current liabilities exceeded its current assets by KShs 43,766 million (2015 – KShs 39,588 million) and the Group's total liabilities exceed its total assets by KShs 35,667 million (2015 - KShs 5,963 million). These conditions along with other matters as set forth in Note 2(e), indicate the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern.

Report on other legal requirements

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

(i) The information given in the directors' report for the year ended 31 March 2016 is consistent with the financial statements;

(ii) Adequate accounting records have been kept by the company so far as appears from our examination of those records; and

(iii) The statements of financial position of the company is in agreement with the Company's accounting records.

The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA Jacob Gathecha - P/1610.

KPMG

Date: 20 July 2016

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016

	Note	2016 KShs million	2015 KShs million
Revenue	7	**116,158**	**110,161**
Direct costs	8(a)	(67,861)	(76,059)
Fleet ownership costs	8(b)	(29,578)	(25,932)
Overheads	8(c)	(22,812)	(24,503)
Operating loss		**(4,093)**	**(16,333)**
Finance costs	9	(7,047)	(4,734)
Finance income	9	8	153
Realised losses on fuel derivatives	10	(6,769)	(1,676)
Unrealised gains/(losses) on fuel derivatives	10	2,614	(5,776)
Other losses	11	(10,812)	(1,346)
Loss before income tax	12	**(26,099)**	**(29,712)**
Income tax (charge)/credit	13	(126)	3,969
Loss for the year		**(26,225)**	**(25,743)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property and equipment	28(b)	1,992	-
Revaluation of leasehold land	28(b)	780	-
Deferred tax on revaluation	28(b)	(832)	-
		1,940	**-**
Items that may or will be reclassified subsequently to profit or loss			
Loss on hedged exchange differences	30(c)	(7,180)	(5,192)
Gain/ (loss) on fuel contracts		1,761	(2,830)
Deferred taxation on hedges		-	(427)
		(5,419)	**(8,449)**
Other comprehensive income, net of tax		**(3,479)**	**(8,449)**
Total comprehensive income for the year		**(29,704)**	**(34,192)**
Loss attributable to:			
Equity holders of the company		(26,230)	(25,746)
Non-controlling interest	29	5	3
Loss for the year		**(26,225)**	**(25,743)**
Total comprehensive income attributable to:			
Equity holders of the company		(29,709)	(34,195)
Non-controlling interest	29	5	3
Total comprehensive income for the year		**(29,704)**	**(34,192)**
Basic and diluted earnings per share (KShs)	14	**(17.53)**	**(17.21)**

The notes on pages 82 to 146 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 March 2016

ASSETS	Note	2016 KShs million	2015 KShs million
Non-current assets			
Property and equipment	16	120,871	125,422
Intangible assets	17	802	1,163
Prepaid operating lease rentals	18	2,015	1,237
Deferred expenditure	20	2,730	2,684
Aircraft deposits	21	2,177	10,391
Deferred tax assets	31(a)	110	114
		128,705	**141,011**
Current assets			
Inventories	23	1,922	1,897
Trade and other receivables	24	15,084	14,819
Income tax recoverable	13(c)	1,218	1,222
Assets held for sale	25(b)	6,659	19,847
Cash and cash equivalents	26	4,827	3,267
		29,710	**41,052**
TOTAL ASSETS		**158,415**	**182,063**
EQUITY AND LIABILITIES			
Equity (Pages 77 and 78)			
Share capital	27(a)	7,482	7,482
Share premium	27(b)	8,670	8,670
Cash flow hedging reserve	28(a)	(14,864)	(10,042)
Revaluation surplus	28(b)	5,497	3,557
Retained earnings		(42,503)	(15,676)
Equity attributable to owners of the company		**(35,718)**	**(6,009)**
Non-controlling interests	29	51	46
Total equity		**(35,667)**	**(5,963)**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	31(a)	2,264	1,487
Loans and borrowings	30(a)	113,216	104,175
Onerous lease provision	33	2,579	-
Maintenance reserve	34	2,547	1,113
Fuel derivatives	22	-	611
		120,606	**107,386**

Consolidated statement of financial position as at 31 March 2016 (Continued)

	Note	2016 KShs million	2015 KShs million
Current liabilities			
Onerous lease provision	33	1,466	-
Sales in advance of carriage	35	13,004	11,270
Fuel derivatives	22	3,163	6,928
Trade and other payables	37	24,040	17,131
Loans and borrowings	30(a)	29,316	43,609
Provisions for liabilities and charges	38	2,441	1,672
Income tax payable	13(c)	46	30
		73,476	**80,640**
Total liabilities		**194,082**	**188,026**
TOTAL EQUITY AND LIABILITIES		**158,415**	**182,063**

The financial statements on pages 72 to 146 were approved for issue by the board of directors on 20 July 2016 and signed on its behalf by:

Ambassador Dennis Awori
Director

Mbuvi Ngunze
Director

The notes on pages 82 to 146 are an integral part of these financial statements.

Company statement of financial position as at 31 March 2016

ASSETS	Note	2016 KShs million	2015 KShs million
Non-current assets			
Property and equipment	16	120,144	124,831
Intangible assets	17	722	1,080
Prepaid operating lease rentals	18	2,015	1,237
Investment in subsidiaries	19(a)	435	435
Deferred expenditure	20	2,730	2,684
Aircraft deposits	21	2,177	10,391
		128,223	**140,658**
Current assets			
Inventories	23	1,922	1,897
Trade and other receivables	24	22,409	21,078
Income tax recoverable	13(c)	1,215	1,219
Assets held for sale	25	6,659	19,847
Cash and cash equivalents	26	4,684	2,955
		36,889	**46,996**
TOTAL ASSETS		**165,112**	**187,654**
EQUITY AND LIABILITIES			
Equity attributable to owners (Pages 79 and 80)			
Share capital	27	7,482	7,482
Share premium	27	8,670	8,670
Cash flow hedging reserve	28(a)	(14,864)	(9,445)
Revaluation surplus	28(b)	5,283	3,470
Revenue reserves		(45,220)	(18,655)
Total equity		**(38,649)**	**(8,478)**
Liabilities			
Non-current liabilities			
Deferred income tax	31(a)	2,264	1,487
Borrowings	30(a)	113,216	104,175
Onerous lease provision	33	2,579	-
Maintenance reserves	34	2,547	1,113
Fuel derivatives	22	-	611
		120,606	**107,386**

Company Statement of Financial position as at 31 March 2016 (Continued)

	Note	2016 KShs million	2015 KShs million
Current liabilities			
Onerous lease provision	33	1,466	-
Sales in advance of carriage	35	12,899	11,158
Trade and other payables	37	34,418	25,747
Borrowings	30(a)	29,316	43,609
Fuel derivatives	22	3,163	6,928
Provision for liabilities and charges	38	1,893	1,304
		83,155	**88,746**
Total liabilities		**203,761**	**196,132**
TOTAL EQUITY AND LIABILITIES		**165,112**	**187,654**

The financial statements on pages 72 to 146 were approved for issue by the board of directors on 20 July 2016 and signed on its behalf by:

Ambassador Dennis Awori
Director

Mbuvi Ngunze
Director

The notes on pages 82 to 146 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2016

2016:	Share capital KShs million	Share premium KShs million	Cash flow hedging reserve KShs million	Revaluation reserve KShs million	Retained earnings KShs million	Total KShs million	Non-controlling interest KShs million	Total equity KShs million
At 1 April 2015	7,482	8,670	(10,042)	3,557	(15,676)	(6,009)	46	(5,963)
Total comprehensive income								
(Loss)/profit for the year	-	-	-	-	(26,230)	(26,230)	5	(26,225)
Other comprehensive income								
Loss on hedged exchange differences on borrowings (Note 30(c))	-	-	(7,180)	-	-	(7,180)	-	(7,180)
Gain on hedged fuel contracts	-	-	1,761	-	-	1,761	-	1,761
Revaluation surplus	-	-	-	2,772	-	2,772	-	2,772
Deferred tax on revaluation surplus (Note 31(a))	-	-	-	(832)	-	(832)	-	(832)
Transfer from cash flow hedge reserve	-	-	597	-	(597)	-	-	-
Total other comprehensive income	**-**	**-**	**(4,822)**	**1,940**	**(597)**	**(3,479)**	**-**	**(3,479)**
Total comprehensive income	**-**	**-**	**(4,822)**	**1,940**	**(26,827)**	**(29,709)**	**5**	**(29,704)**
At 31 March 2016	**7,482**	**8,670**	**(14,864)**	**5,497**	**(42,503)**	**(35,718)**	**51**	**(35,667)**

The notes on pages 82 to 146 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2016 (Continued)

	Share capital KShs million	Share premium KShs million	Cash flow hedging reserve KShs million	Revaluation reserve KShs million	Retained earnings KShs million	Total KShs million	Non-controlling interest KShs million	Total equity KShs million
2015:								
At 1 April 2014	7,482	8,670	(1,593)	3,557	10,070	28,186	43	28,229
Total comprehensive income								
(Loss)/profit for the year	-	-	-	-	(25,746)	(25,746)	3	(25,743)
Other comprehensive income								
Loss on hedged exchange differences on borrowings (Note 30(c))	-	-	(5,192)	-	-	(5,192)	-	(5,192)
Gain on hedged fuel contracts	-	-	(2,830)	-	-	(2,830)	-	(2,830)
Deferred tax on cash flow hedges (Note 31(a))	-	-	(427)	-	-	(427)	-	(427)
Total other comprehensive income	**-**	**-**	**(8,449)**	**-**	**-**	**(8,449)**	**-**	**(8,449)**
Total comprehensive income	**-**	**-**	**(8,449)**	**-**	**(25,746)**	**(34,195)**	**3**	**(34,192)**
At 31 March 2015	**7,482**	**8,670**	**(10,042)**	**3,557**	**(15,676)**	**(6,009)**	**46**	**(5,963)**

The notes on pages 82 to 146 are an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 March 2016

2016:	Share capital KShs million	Share premium KShs million	Cash flow hedging reserve KShs million	Revaluation surplus KShs million	Revenue reserves KShs million	Total equity KShs million
At 1 April 2015	7,482	8,670	(9,445)	3,470	(18,655)	(8,478)
Total comprehensive income						
Loss for the year	-	-	-	-	(26,565)	(26,565)
Other comprehensive income						
Loss on hedged exchange differences on borrowings (Note 30(c))	-	-	(7,180)	-	-	(7,180)
Gain on hedged fuel contracts	-	-	1,761	-	-	1,761
Revaluation surplus	-	-	-	2,590	-	2,590
Deferred tax on revaluation surplus (Note 31(a))	-	-	-	(777)	-	(777)
Total other comprehensive income	**-**	**-**	**(5,419)**	**1,813**	**-**	**(3,606)**
Total comprehensive income	**-**	**-**	**(5,419)**	**1,813**	**(26,565)**	**(30,171)**
At 31 March 2016	**7,482**	**8,670**	**(14,864)**	**5,283**	**(45,220)**	**(38,649)**

The notes on pages 82 to 146 are an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 March 2016 (Continued)

2015:	Share capital KShs million	Share premium KShs million	Cash flow hedging reserve KShs million	Revaluation surplus KShs million	Revenue reserves KShs million	Total equity KShs million
At 1 April 2014	7,482	8,670	(996)	3,470	6,864	25,490
Total comprehensive income						
Loss for the year	-	-	-	-	(25,519)	(25,519)
Other comprehensive income						
Loss on hedged exchange differences on borrowings (Note 30(c))	-	-	(5,192)	-	-	(5,192)
Gain on hedged fuel contracts	-	-	(2,830)	-	-	(2,830)
Deferred tax on cash flow hedges (Note 31(a))	-	-	(427)	-	-	(427)
Total other comprehensive income	**-**	**-**	**(8,449)**	**-**	**-**	**(8,449)**
Total comprehensive income	**-**	**-**	**(8,449)**	**-**	**(25,519)**	**(33,968)**
At 31 March 2015	**7,482**	**8,670**	**(9,445)**	**3,470**	**(18,655)**	**(8,478)**

The notes on pages 82 to 146 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2016

	Note	2016 KShs million	2015 KShs million
Cash flows from operating activities			
Cash generated from operations	40(a)	13,404	5,904
Interest received	9	8	153
Interest paid	40(c)	(6,893)	(4,734)
Income tax paid	13(c)	(157)	(109)
Net cash generated from operating activities		**6,362**	**1,214**
Cash flows from investing activities			
Purchase of property and equipment	16	(561)	(75,551)
Proceeds from disposal of assets held for sale, property and equipment		7,215	4
Purchase of intangible assets	17	(39)	(69)
Aircraft deposits refunds received	21	420	191
Aircraft deposits paid for aircraft purchases	21	(945)	(103)
Deferred expenditure	20	(375)	(1,238)
Net cash generated from/(used in) investing activities		**5,715**	**(76,766)**
Cash flows from financing activities			
Loans raised to pay Pre-Delivery Payments (PDPs)	21	9,789	17,455
Borrowings received	30(c)	14,424	84,078
Repayments of borrowings	30(c)	(34,730)	(33,071)
Repayment of finance lease obligations	36	-	(861)
Net cash (used in)/generated from financing activities		**(10,517)**	**67,601**
Increase/(decrease) in cash and cash equivalents		1,560	(7,951)
Cash and cash equivalents at 1 April		3,267	11,218
Cash and cash equivalents at 31 March	40(b)	**4,827**	**3,267**

The notes on pages 82 to 146 are an integral part of these financial statements.

Notes to the financial statements

1. REPORTING ENTITY

Kenya Airways Limited ("the Company") is a limited liability company incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. These consolidated financial statements comprise the Company and its subsidiaries namely Kenya Airfreight Handling Limited, Kencargo Airlines International Limited, JamboJet Limited and African Cargo Handling Limited (together referred to as the "Group" and individually as "Group Companies").

The Group is primarily involved in 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 address of its registered office is as shown on page 66.

The Company's shares are listed on the Nairobi Securities Exchange, Dar es Salaam Stock Exchange and the Uganda Securities Exchange.

2. BASIS OF PREPARATION

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenya Companies Act, 2015.

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

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis of accounting except for the following:

- Land and buildings are measured at revalued amounts
- Derivative financial instruments are measured at fair value

(c) Functional and presentation currency

These consolidated financial statements are presented in Kenya shillings (KShs), which is the Company's functional currency. Except as otherwise indicated, financial information presented in KShs has been rounded to the nearest million (KShs million).

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

2. BASIS OF PREPARATION (Continued)

(e) Going concern

The Group incurred a net loss after tax of KShs 26,225 million during the year ended 31 March 2016 (2015 – Net loss of KShs 25,743 million) and, as of that date, the Group's current liabilities exceeded its current assets by KShs 43,766 million (2015 – KShs 39,588 million). In addition, the Group's total liabilities exceed its total assets by KShs 35,667 million (2015-Ksh 5,963 million). The directors are aware of the material uncertainties impacting the liquidity and solvency risks that face the Group. Last year, the directors put in place initiatives to improve the Group and Company's liquidity position and have reported significant improvement in operating results during the year ended 31 March 2016.

The Group's operating loss improved significantly to KShs 4,093 million from KShs 16,333 million for the year ended 31 March 2016, a gain of KShs 12,240 million (75 percent). Despite this improvement, three significant items negatively impacted the financials results of the Group. The US dollar strengthened significantly against the Kenya shilling and other world currencies resulting in an increase in the foreign exchange loss of KShs 9,703 million from the KShs.748 million in 2015 to KShs 10,451 million for year ended 31 March 2016. The Group secured additional loans amounting to KShs 24,213 million during the financial year to improve its liquidity position, this resulted in an increase in interest expense by KShs 2,313 million. In addition, the movement in international oil prices during the year unfavourably impacted the Group's fuel hedges resulting into an additional KShs 5,093 million in realised fuel hedges losses. However, the company registered an improvement in the mark to market valuation of fuel hedges leading to a gain of KShs 2,614 million in the year (2015 – Loss of KShs 5,776 million).

The loss after tax of KShs 26,225 million (2015 – KShs 25,743 million) excludes of deferred tax credit of KShs 8,046 million (2015-KShs 3,273 million).

The Group has put in place the following initiatives to ensure it meets its obligations as and when they fall due:

- The Company is renegotiating with the lenders to obtain waivers for non-compliance with certain covenants as at 31 March 2016. This will prevent a situation in which the borrowings would become due on demand further straining the Group's liquidity position.
- The Board of directors being cognisant of the financial position of the company, developed a turnaround plan with a focus on three areas:

  (i) Revenue growth and cost containment

  (ii) Refocusing the business model and enhancing partnerships

  (iii) Restructuring the capital of the company

- As reported last year, the Board retained a turnaround consultant to challenge and build the company's business plan as well as assisting in the execution of the plan which is in early stages of implementation. Some of the decisions taken by the Board to secure the Group and Company's liquidity position include the sale and sub-lease of aircraft, the monetisation of assets to generate additional cash flows, and the right sizing of the company through a restructuring arrangement that is aimed at rationalising the staff levels through redundancies and redeployment.
- Further, as announced in the last financial year, the company secured bridge financing to the tune of KShs 20 billion (USD 200 million). The first tranche of KShs 10 billion (USD 100 million) was received in September 2015 and the second tranche was received in July 2016. This borrowing is supported through an on-lending agreement from the Government of Kenya as a key shareholder.
- As part of the turnaround, and to secure the long term capital, the Board appointed a transaction advisor in February 2016 to assist with optimisation of the capital structure of the company. The plan for this has been approved by the Board, and is currently being executed.

The key shareholders (The Government of Kenya and Koninklijke Luchtvaart Maatschappij (KLM)) have been apprised on the need for long term support including a capital restructuring and are supportive of the turnaround plan.

During the year, the Board of Directors commissioned a forensic investigation to identify and help close any governance and control weaknesses in the company.

The Directors have reviewed the current trading and cash flow projections as part of their assessment, and after making enquiries and carefully considered the initiatives above, have a reasonable expectation that the Group and Company will be able to meet their liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors, are confident that the above referenced initiatives are reasonably sufficient to make the going concern assumption appropriate in the preparation of these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisitions generally measured at fair value as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in the profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(iii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition. Changes in the Group's interest in the subsidiary that does not result in loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprises interests in associates. Associates are those entities in which the Group has significant influence but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Management has fully impaired the investment in Precision Air Services Limited and African Tours and Hotels Limited as they do not expect the value of the investment to be recovered.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Transactions in foreign currencies

Transactions in foreign currencies during the year are converted into the respective functional currencies of Group entities at rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rates ruling at the reporting date. The resulting differences from conversion are recognised in profit or loss in the year in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Transactions in foreign currencies (Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated at the exchange rate ruling at the transaction date.

However, foreign currency differences arising from the translation of qualifying cash flow hedges (USD Borrowings) are recognised in other comprehensive income to the extent that the hedges are effective.

(c) Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of goods and services and is stated net of value added tax (VAT), rebates and discounts.

Sale of services

Revenue from sale of services is recognised in the period in which the services are rendered by reference to the completion of specific transactions assessed on the basis of actual service period. Revenue can only be recognised when the associated costs can be estimated reasonably and the amount of revenue can be estimated reliably.

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.

(d) 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.

(e) Property and equipment

(i) Recognition, measurement and subsequent expenditure

Land and buildings are initially measured at cost and then are subsequently measured at the fair value on the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Other categories of property and equipment are included in the financial statements at their historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property and equipment (Continued)

(i) Recognition, measurement and subsequent expenditure

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of the property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognised in profit or loss.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised in profit or loss in the year in which they arise.

(ii) Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amount to their residual values over the estimated useful lives. The depreciation rates for the current and comparative year are as follows:

Aircraft:	%
Boeing 787, 777, 737-300 & 737-700	5.56
Boeing 767	33.00
Simulator	5.00
Other properties and equipment:	%
Ground service equipment	25.00
Motor vehicles	25.00
Communication assets	12.50
Other assets	20-30
Buildings	2.5

The depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

(iii) Revaluation

Land and buildings are revalued every three years. The carrying amounts are adjusted to the revaluations and the resulting increase, net of deferred tax is recognised in other comprehensive income and presented in the revaluation reserve within equity.

Revaluation decreases that offset previous increases of the same asset are charged or recognised in other comprehensive income with all other decreases being charged to profit or loss.

Revaluation surpluses are not distributable.

Excess depreciation is the difference between the depreciation charge for the year based on the revalued amount and the original cost of the related property. On an annual basis, the amount relating to the excess depreciation net of deferred tax is transferred from revaluation reserves to retained earnings to recognise the use of the property and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Non-depreciable items

These are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management. In the event of partially completed construction work that has necessitated advance or progress payments, or work-in-progress, depreciation will only commence when the work is complete. Fixed assets are classified as work-in-progress if it is probable that future economic benefits will flow to the Group and the cost can be measured reliably.

Amounts held within work in progress that are substantially complete, in common with other fixed assets, are assessed for impairment.

(f) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on re-measurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property and equipment is no longer depreciated and any equity accounted investee is no longer equity accounted.

(g) Intangible assets - Capitalised software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the cost to complete the development. Internally developed software is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only if the definition of an intangible asset and the recognition criteria are met. All other expenditure is expensed as incurred.

The costs are amortised on a straight line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Amortisation methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

(h) Leased assets

(i) Finance lease

Leases of property and equipment, where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to the profit or loss over the lease period and is included under finance costs. Such property and equipment is depreciated over its useful life.

(ii) Operating lease

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Onerous lease

Onerous contracts are those in which the unavoidable costs exceed the economic benefits. The Group recognises a provision in relation to present obligations under onerous contracts.

Provision for onerous contracts is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(iv) Maintenance reserves

The Group makes a provision (reserve) for future contractual maintenance events for major aircraft components as provided for in the aircraft lease agreements. The provision is recognised in profit or loss and revised when payments are made for maintenance done.

(i) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and fuel price risk exposures. Derivatives are initially recognised at fair value, any directly attributable transaction costs are recognised in profit or loss.

The Group designates:

- Specific derivatives to hedge fuel price risks; and
- Non-derivative financial liabilities to hedge foreign currency risk in a cash flow hedge relationship.

On initial designation, 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 other comprehensive income.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of the changes in fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period as periods during which the hedged item affects the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(j) Aircraft purchase

(i) Aircraft subsidy

The Group receives credits from manufacturers in connection with the acquisition of certain aircraft engines. These credits are offset against the cost of new aircraft where the credit is in effect a discount on the price.

(ii) Deferred income

Credits relating to delays in delivery are deferred and recognised in profit or loss on delivery of the aircraft.

(iii) Deferred Expenditure

The Group amortises cost of obtaining aircraft financing over the loan repayment period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Aircraft deposits

The Group makes deposits to manufacturers/lessors in relation to acquisition of aircraft. Some of these deposits earn a nominal interest annually.

The Group amortises discounts arising from the difference between the maturity value of the deposits and their fair value based on amortised cost.

(k) Employee benefits

(i) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is carried in the accruals as a payable and a movement in the year is recognised in profit or loss.

(iv) Employee Share Option Scheme (ESOP)

The Group has an ESOP set up during the initial Public Offering in 1996. The scheme is inactive and currently holds 1,970,500 shares.

(iv) Defined contribution plan

The employees of the Group participate in a defined contribution retirement benefit scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to defined contribution schemes are charged to the profit or loss in the year to which they relate. The Group has no further obligation once the contributions have been paid.

(v) Staff gratuity

The Group has a gratuity arrangement for certain staff who are not covered by the defined contribution plan. Entitled staff are eligible for gratuity upon retirement/ leaving the Group based on their contracts.

(l) Taxation

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or other comprehensive income, in which case it is recognised in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit. Deferred tax is not recognised on the initial recognition of goodwill as well as differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Taxation (Continued)

Deferred tax is measured at the tax rates that are expected to be applied on the temporary differences when they reverse, based on tax laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional tax and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of the business including direct material costs and other overheads incurred to bring the asset to the existing location and condition. Cost of issues is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of disposal. An allowance is made for obsolete, slow moving and defective inventories.

(n) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises cash in hand, bank balances and short term deposits net of bank overdrafts.

(o) Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognised as a deduction to equity. Any premium received over and above the par value of the shares is classified as "share premium" in equity.

(p) Financial instruments

(i) *Recognition*

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The Group recognises loans and receivables on the date when they are originated. These assets are initially recognised at fair value plus any directly attributable transaction cost. All other financial assets and liabilities are recognised on the trade date which is the date on which the company becomes party to the contractual provisions of the financial instrument.

(ii) Classification

The Group classifies its financial assets into three categories as described below. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

Loans and receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables comprise trade and other receivables and cash and bank balances.

These are measured at amortised cost using the effective interest method, less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

(ii) Classification (continued)

Other financial liabilities

Other financial liabilities are measured at amortised cost. These include trade and other payables, finance lease obligations, loans and borrowings and provisions for liabilities and charges.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and fuel price risk exposures. Derivatives are accounted for as disclosed under Note 3(i).

(iii) Measurement

Financial instruments are measured initially at fair value, including transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(iv) De-recognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished, cancelled or expires.

(v) Offsetting of financial assets and liabilities

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

(vi) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

(q) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment (Continued)

(i) Financial assets (Continued)

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

(ii) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in an associate.

Associates are those entities in which the Group has significant influence, but not control, or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transactions cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees until the date on which significant influence ceases.

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, those that take 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. Other borrowing costs are recognised as an expense as per Note 9.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Provisions for liabilities

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer (CEO). The CEO makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(w Comparatives

Where necessary, comparative information have been adjusted to conform to changes in presentation in the current year.

(x) New standards, amendments and interpretations effective and adopted during the year

Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments introduced reliefs that reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedience if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for practical expedience, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014.

The adoption of these changes did not affect the amounts and disclosures in the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 March 2016

New standards and amendments to standards issued but not yet effective are listed below. The Group has not applied the new or amended standards in preparing these consolidated financial statements:

New standard or amendments	Effective for annual periods beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments (2014)	1 January 2018
IFRS 16 Leases	1 January 2019

The Group will adopt all applicable Standards and Interpretations at their effective date.

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

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations.* Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The adoption of these changes is expected to have an impact on the Group's financial statements whenever there is an asset transfer between related entities.

- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*

  The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

  Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

  The adoption of these changes is not expected to have a significant impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 March 2016 (Continued)

- *Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)*

  The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.

  The new requirements are effective from 1 January 2016, with earlier adoption permitted.

  The amendment will not have an impact on the Group/'s financial statements as the Group does not have bearer plants.

- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*

  The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

  The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

  The adoption of these changes is not expected to affect the amounts and disclosures of the Group's property, plant and equipment and intangible assets.

- *Equity Method in Separate Financial Statements (Amendments to IAS 27)*

  The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries

  The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

  The adoption of these changes is not expected to affect the amounts and disclosures of the Group's interests in other entities.

- *IFRS 14 Regulatory Deferral Accounts*

  IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

  The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

  The adoption of this standard is not expected to have an impact the financial statements of the Group given that it is not a first time adopter of IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*

  The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

  The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

  The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

  The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

  The adoption of these changes is not expected to affect the amounts and disclosures of the Group's interests in other entities.

- *Disclosure Initiative (Amendments to IAS 1)*

  The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

  The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

  The adoption of these changes will not affect the Group's financial statements.

- *IFRS 15 Revenue from Contracts with Customers*

  This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

  The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

  IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption is permitted.

  The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

- *IFRS 9: Financial Instruments (2014)*

  On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 March 2016 (Continued)

- *IFRS 9: Financial Instruments (2014) (Continued)*

  This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

  The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

  The Group is assessing the potential impact on its financial statements resulting from these changes.

- *IFRS 16: Leases*

  On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

  The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

  (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

  (b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

  (c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

  IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

  The standard does not require a company to recognise assets and liabilities for:

  (a) short-term leases (i.e. leases of 12 months or less) and;

  (b) leases of low-value assets

  The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied).

  The Group is assessing the potential impact on its financial statements resulting from adoption of these changes.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out in the notes below:

(a) Critical accounting estimates

(i) 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:

- Management's decision to discontinue use of a certain fleet
- Significant decline in the market value beyond that which would be expected from the passage of time and normal use.
- Significant changes in technology and regulatory environments.
- Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.

In the directors' judgment, the carrying values of some aircraft have been impaired as per Note 25(a) and the rest are not impaired as of the date of these financial statements.

(ii) Property and equipment and intangible assets

Useful life of assets

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

Intangible assets - Capitalised software

Critical estimates are made by management to determine the period over which to amortise both purchased and internally developed software.

(iii) Revaluation of land and buildings

Certain items of property and equipment are measured at revalued amounts. The fair value is determined based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(iv) 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.

(v) Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates (Continued)

(vi) Trade receivables

The Group assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

(vii) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs.

Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value, with changes in fair value either reported within profit or loss or within other comprehensive income until the instrument is sold or becomes impaired.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the Fair Value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters.

(b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, the directors have made judgments in determining:

- the classification of finance and operating leases
- whether financial and non-financial assets are impaired
- the functional currency of the Company.

5. FINANCIAL RISK MANAGEMENT

Operating in the aviation industry, Kenya Airways Limited carries out its activities in an extremely dynamic, and often highly volatile, commercial environment. Therefore, both opportunities and risks are encountered as part of everyday business for the 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.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

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. The policy of the Group is to minimise the negative effect of such risks on cash flow, financial performance and equity.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's Risk Management Framework

The Company's board of directors has overall responsibility for the establishment of an oversight of the Group's risk management framework. The board of directors has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the Group. The Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

(a) Market risk

Market risk is the risk that changes in market prices, such as changes in interest rates, jet fuel prices or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising returns.

The Group uses derivatives to manage market risks. As such, transactions are carried out within the guidelines set by the Board of Directors. Generally, the group seeks to apply hedge accounting to manage volatility in profit or loss.

(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 backed, reflecting the capital intensive nature of the airline industry. The Group has a mix of fixed rate interest loans and variable rate interest loans.

5. FINANCIAL RISK MANAGEMENTS (Continued)

(a) Market risks (Continued)

(i) Interest rate risks (Continued)

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows:

Group and Company

Fixed rate instruments	**2016**		**2015**	
	Effective interest rate	**Nominal amount KShs million**	**Effective interest rate**	**Nominal amount KShs million**
Short term borrowings	8.24%	18,379	7.21%	29,760
Long term borrowings	9.06%	11,695	5.18%	6,432
		30,074		**36,192**
Variable rate instruments				
Short term borrowings	2.18%	10,937	3.54%	13,849
Long term borrowings	2.58%	101,521	1.75%	97,743
		112,458		**111,592**
Total exposure		**142,532**		**147,784**

Sensitivity Analysis

A 1% increase/decrease in the interest rates at the reporting date would have increased/decreased profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency rates remain constant and is applied on variable interest bearing instruments.

Fixed rate instruments	**Profit or loss/equity**	
	31 March 2016 KShs million	**31 March 2015 KShs million**
1% increase	(301)	(362)
1% decrease	301	362
Variable rate instruments		
1% increase	(1,125)	(1,116)
1% decrease	1,125	1,116

(ii) Jet fuel price risk

The Group is exposed to jet fuel risk to the extent that there are significant changes in the prices of jet fuel. To minimise exposure to fluctuations in prices, the Group enters into derivative financial instruments to manage exposure to fuel risk. The Group's risk management objective is to hedge a substantial part of the jet fuel price risk by effectively fixing the price of the expected future purchases. Kenya Airways limited uses Brent Crude Oil call and put options (4 way zero cost collar) instrument while the entire risk of jet fuel purchase is designated as the hedged item.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(ii) Jet fuel price risk (continued)

At the inception of the hedge and in subsequent periods, the collars are expected to be highly effective in achieving off-setting changes in the fair value attributable to the fuel purchases during the period for which the hedge is designated.

The Group prospectively and retrospectively measures and assesses the hedge effectiveness twice a year. The Group's policy is to hedge a maximum of 80% of the current year's fuel requirements and a maximum of 50% of the subsequent year's projected fuel requirements.

Exposure to jet fuel price risk

As at 31 March 2016, the Group had in place fuel hedging contracts for 40% of anticipated fuel requirements for the period to 30 October 2016.

Sensitivity analysis

An increase/decrease of one percentage point in the fuel price at the reporting date would have increased/decreased profit or loss and equity by the amounts shown below:

	Profit or loss/equity	
	2016	2015
	KShs'million	KShs'million
1% increase	242	370
1% decrease	(242)	(370)

(iii) Currency risk

The Group is exposed to currency risk to the extent that there is mismatch between the currencies in which sales, purchases and borrowings are denominated. The currencies in which these transactions are primarily denominated are US Dollars, Euros and Sterling Pounds.

To mitigate the foreign currency risk exposure, management hedges USD loans against forecast USD sales to ensure that the foreign currency obtained from their sales is used to settle any foreign denominated liability. The main liability is the repayment of borrowings for the short term and long term debt. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group – primarily US Dollars. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic natural hedge.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Groups policy is to ensure the net exposure is kept at an acceptable level.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(iii) Currency risk - continued

Group:

2016:

KShs million	GBP	USD	Euro	Total
Financial assets				
Deferred expenditure	-	2,730	-	2,730
Aircraft deposits	-	2,177	-	2,177
Trade and other receivables	774	8,993	365	10,132
Cash and cash equivalents	-	1,206	6	1,212
Total financial assets	**774**	**15,106**	**371**	**16,251**
Financial liabilities				
Trade and other payables	(307)	(18,792)	(919)	(20,018)
Fuel derivatives	-	(3,163)	-	(3,163)
Total financial liabilities	**(307)**	**(21,955)**	**(919)**	**(23,181)**
Net exposure in profit or loss	**467**	**(6,849)**	**(548)**	**(6,930)**
Financial liabilities				
Loans and borrowings	-	(142,532)	-	(142,532)
Net exposure in other comprehensive income	-	(142,532)	-	(142,532)

2015:

KShs million	GBP	USD	Euro	Total
Financial assets				
Deferred expenditure	-	2,685	-	2,685
Aircraft deposits	-	10,391	-	10,391
Trade and other receivables	774	7,885	520	9,179
Cash and cash equivalents	-	1,212	16	1,228
Total financial assets	**774**	**22,173**	**536**	**23,483**
Financial liabilities				
Trade and other payables	(249)	(9,779)	(609)	(10,637)
Fuel derivatives	-	(7,539)	-	(7,539)
Total financial liabilities	**(249)**	**(17,318)**	**(609)**	**(18,176)**
Net exposure in profit or loss	**525**	**4,855**	**(73)**	**5,307**
Financial liabilities				
Loans and borrowings	-	(147,784)	-	(147,784)
Net exposure in other comprehensive income	**-**	**(147,784)**	**-**	**(147,784)**

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(iii) Currency risk - continued

Company:

2016:

KShs million	GBP	USD	Euro	Total
Financial assets				
Deferred expenditure	-	2,730	-	2,730
Aircraft deposits	-	2,177	-	2,177
Trade and other receivables	774	8,910	365	10,049
Cash and cash equivalents	-	1,158	6	1,164
Total financial assets	**774**	**14,975**	**371**	**16,120**
Financial liabilities				
Trade and other payables	(306)	(18,314)	(907)	(19,527)
Fuel derivatives	-	(3,163)	-	(3,163)
Total financial liabilities	**(306)**	**(21,477)**	**(907)**	**(22,690)**
Net exposure in profit or loss	**468**	**(6,502)**	**(536)**	**(6,570)**
Financial liabilities				
Loans and borrowings	-	(142,532)	-	(142,532)
Net exposure in other comprehensive income	**-**	**(142,532)**	**-**	**(142,532)**

Company:

2015:

KShs million	GBP	USD	Euro	Total
Financial assets				
Deferred expenditure	-	2,685	-	2,685
Aircraft deposits	-	10,391	-	10,391
Trade and other receivables	774	7,830	520	9,124
Cash and cash equivalents	-	1,098	16	1,114
Total financial assets	**774**	**22,004**	**536**	**23,314**
Financial liabilities				
Trade and other payables	(249)	(9,670)	(609)	(10,528)
Fuel derivatives	-	(7,539)	-	(7,539)
Total financial liabilities	**(249)**	**(17,209)**	**(609)**	**(18,067)**
Net exposure in profit or loss	**525**	**4,795**	**(73)**	**5,247**
Financial liabilities				
Loans and borrowings	-	(147,784)	-	(147,784)
Net exposure in other comprehensive income	**-**	**(147,784)**	**-**	**(147,784)**

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(iii) Currency risk - continued

Sensitivity analysis

A 1% percent appreciation of the Kenya shilling against the following currencies would increase/ (decrease) the reported profit or loss and equity by amounts shown below. This analysis is based on foreign currency exchange rates variances that the Group considered to be reasonably possible at end of the reporting period. This analysis assumes that all other variables in particular interest rates remain constant. The analysis is performed on the same basis for 2015:

Profit or los

	Group		Company	
	2016 KShs million	**2015 KShs million**	**2016 KShs million**	**2015 KShs million**
GBP	(5)	(5)	(5)	(5)
USD	68	(49)	65	(48)
EURO	5	1	5	1
Total	**68**	**(53)**	**65**	**(52)**
Other Comprehensive income				
GBP	-	-		-
USD	1,425	1,478	1,425	1,478
Total	**1,425**	**1,478**	**1,425**	**1,478**

The exchange rates applied during the year are as follows:

	Average rates		Closing rates	
GBP	**2016**	**2015**	**2016**	**2015**
USD	151.51	144.23	145.5	137
EURO	100.50	89.06	101.5	92
	110.63	113.91	115.6	100

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, cash and bank balances, aircraft deposits and derivative counter-parties.

The carrying amount of the financial assets represents the maximum credit exposure.

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 on-going 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.

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

The Group does not have significant concentrations of credit risk on derivative counterparties where transactions are limited to financial institutions possessing high credit quality since the risk of default is low. Cash surpluses are maintained with credible financial institutions.

The board of directors sets the Group's treasury policies and objectives and lays down parameters within which the various aspects of treasury risk management are operated.

The board has set limits for investing in specified banks and financial institutions.

The carrying amount of financial assets represents the maximum exposure to credit risk:

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
Trade receivables (Note 24)	8,727	9,693	8,452	9,527
Other receivables (Note 24)	4,056	2,288	4,054	2,288
Amounts due from related companies (Note 24)	324	259	8,015	6,758
Aircraft deposits (Note 21)	2,177	10,391	2,177	10,391
Bank balances (Note 26)	4,827	3,267	4,684	2,955
Total	**20,111**	**25,898**	**27,382**	**31,919**

The aging of the trade and other receivables at the reporting date was as follows:

Group:

2016:	Gross KShs million	Provision for impairment KShs million	Net KShs million
Current	11,632	-	11,632
Past due 0- 30 days	124	-	124
Past due 31 – 90 days	819	-	819
Past due 91 – 180 days	495	-	495
Past due 181 – 360 days	295	(258)	37
Over 361 days	2,132	(2,132)	-
	15,497	**(2,390)**	**13,107**

2015:	Gross KShs million	Provision for impairment KShs million	Net KShs million
Current	9,289	-	9,289
Past due 0- 30 days	563	-	563
Past due 31 – 90 days	378	-	378
Past due 91 – 180 days	1,369	-	1,369
Past due 181 – 360 days	1,336	(695)	641
Over 361 days	1,462	(1,462)	-
	14,397	**(2,157)**	**12,240**

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

Company:

2016:	Gross KShs million	Provision for impairment KShs million	Net KShs million
Current	11,348	-	11,348
Past due 0- 30 days	188	-	188
Past due 31 – 90 days	839	-	839
Past due 91 – 180 days	1,065	-	1,065
Past due 181 – 360 days	1,502	(260)	1,242
Over 361 days	7,959	(2,120)	5,839
	22,901	**(2,380)**	**20,521**

2015:	Gross KShs million	Provision for impairment KShs million	Net KShs million
Current	9,355	-	9,355
Past due 0- 30 days	571	-	571
Past due 31 – 90 days	394	-	394
Past due 91 – 180 days	1,560	-	1,560
Past due 181 – 360 days	2,695	(693)	2,002
Over 361 days	6,762	(2,071)	4,691
	21,337	**(2,764)**	**18,573**

The movement in the provision for impairment during the year was as follows:

Group:	2016 KShs million	2015 KShs million
Balance at April	2,157	1,218
Impairment loss recognised	233	939
	2,390	**2,157**
Company:		
Balance at April	2,764	1,825
Impairment loss recognised	-	939
Reversals	(384)	-
	2,380	**2,764**

The directors believe that the unimpaired amounts that are past due are still collectible in full based on historic payment behaviour and extensive analysis of customer credit risk.

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 at all times so that the Group and Company do not breach borrowing limits or covenants on any of its borrowing facilities. Management have sought waivers from lenders when they have not been compliant with the covenants and this is included in note 30(a)

The table below analyses financial liabilities into relevant maturities based on the remaining period at year-end to the contractual maturity date. The amounts are gross and undiscounted and include estimated interest payments.

Group:

	Less than 1 year	2 - 5 years	Over 5 years	Total
2016:	**KShs million**	**KShs million**	**KShs million**	**KShs million**
Borrowings	29,316	61,590	51,626	142,532
Fuel derivatives	3,163	-	-	3,163
Trade and other payables	24,040	-	-	24,040
Provisions for liabilities and charges	2,441	-	-	2,441
	58,960	**61,590**	**51,626**	**172,176**
2015:				
Borrowings	43,609	51,097	53,078	147,784
Fuel derivatives	6,928	611	-	7,539
Trade and other payables	17,131	-	-	17,131
Provisions for liabilities and charges	1,672	-	-	1,672
	69,340	**51,708**	**53,078**	**174,126**

Company

2016:				
Borrowings	29,316	61,590	51,626	142,532
Fuel derivatives	3,163	-	-	3,163
Trade and other payables	34,418	-	-	34,418
Provisions for liabilities and charges	1,893	-	-	1,893
	68,790	**61,590**	**51,626**	**182,006**

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (continued)

Company (continued)

2015:	Less than 1 year KShs million	2 - 5 Years KShs million	Over 5 years KShs million	Total KShs million
Borrowings	43,609	51,097	53,078	147,784
Fuel derivatives	6,928	611	-	7,539
Trade and other payables	25,747	-	-	25,747
Provisions for liabilities and charges	1,304	-	-	1,304
	77,588	**51,708**	**53,078**	**182,374**

(d) Capital management

The Company's board of director's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Company's board of directors monitors the return on capital, which is defined as net operating income divided by total shareholders' equity.

The Company's board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group 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.

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:

	2016 KShs million	2015 KShs million
Equity*	**(35,667)**	**(5,963)**
Total borrowings	142,532	147,784
Less: Cash and bank balances	(4,827)	(3,267)
Net borrowings	**137,705**	**144,517**
Net debt to equity ratio	**(386%)**	**(2,424%)**

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (continued)

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

	2016 KShs million	2015 KShs million
Equity*	**(38,649)**	**(8,478)**
Total borrowings	142,532	147,784
Less: Cash and bank balances	(4,684)	(2,955)
Net borrowings	**137,848**	**144,829**
Net debt to equity ratio	**(357%)**	**(1,708%)**

* Equity includes all capital and reserves of the Group and Company.

(e) Accounting classifications and fair values for financial assets and financial liabilities

The table below sets out the carrying amount of each class of financial assets and financial liabilities and their fair values.

Group:

2016:	Loans and receivables KShs million	Fair value- Hedging instruments KShs million	Other liabilities KShs million	Total KShs million
Financial assets				
Trade receivables	8,727	-	-	8,727
Other receivables	4,056	-	-	4,056
Due from related companies	324	-	-	324
Aircraft deposits	2,177	-	-	2,177
Cash and bank balances	4,827	-	-	4,827
Total financial assets	**20,111**	**-**	**-**	**20,111**
Financial liabilities				
Borrowings	-	-	142,532	142,532
Fuel derivatives	-	3,163	-	3,163
Trade and other payables	-	-	24,040	24,040
Provisions for liabilities and charges	-	-	2,441	2,441
Total financial liabilities	**-**	**3,163**	**169,013**	**172,176**

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Accounting classifications and fair values for financial assets and financial liabilities (continued)

Group:

2015:	Loans and receivables	Fair value - Hedging instruments	Other liabilities	Total
	KShs million	KShs million	KShs million	KShs million
Financial assets				
Trade receivables	9,693	-	-	9,693
Other receivables	2,288	-	-	2,288
Due from related companies	259	-	-	259
Aircraft deposits	10,391	-	-	10,391
Cash and bank balances	3,267	-	-	3,267
Total financial assets	**25,898**	**-**	**-**	**25,898**
Financial liabilities				
Borrowings	-	-	147,784	147,784
Fuel derivatives	-	7,539	-	7,539
Trade and other payables	-	-	17,131	17,131
Provisions for liabilities and charges	-	-	1,672	1,672
Total financial liabilities	**-**	**7,539**	**166,587**	**174,126**

Company:

2016:	Loans and receivables	Fair value - Hedging instruments	Available for sale	Other liabilities	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Financial assets					
Trade receivables	8,452	-	-	-	8,452
Other receivables	4,054	-	-	-	4,054
Due from related companies	8,015	-	-	-	8,015
Aircraft deposits	2,177	-	-	-	2,177
Cash and bank balances	4,684	-	-	-	4,684
Total financial assets	**27,382**	**-**	**-**	**-**	**27,382**
Financial liabilities					
Borrowings	-	-	-	142,532	142,532
Fuel derivatives	-	3,163	-	-	3,163
Trade and other payables	-	-	-	34,418	34,418
Provisions for liabilities and charges	-	-	-	1,893	1,893
Total financial liabilities	**-**	**3,163**	**-**	**178,843**	**182,006**

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Accounting classifications and fair values for financial assets and financial liabilities (continued)

Company:

2015:	Loans and receivables	Fair value – Hedging instruments	Available for sale	Other liabilities	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Financial assets					
Trade receivables	9,527	-	-	-	9,527
Other receivables	2,288	-	-	-	2,288
Due from related companies	6,758	-	-	-	6,758
Aircraft deposits	10,391	-	-	-	10,391
Cash and bank balances	2,955	-	-	-	2,955
Total financial assets	**31,919**	**-**	**-**	**-**	**31,919**
Financial liabilities					
Borrowings	-	-	-	147,784	147,784
Fuel derivatives	-	7,539	-	-	7,539
Trade and other payables	-	-	-	26,860	26,860
Provisions for liabilities and charges	-	-	-	1,304	1,304
Total financial liabilities	**-**	**7,539**	**-**	**175,948**	**183,487**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2016:	Level 1 KShs million	Level 2 KShs million	Level 3 KShs million	Total KShs million
Financial assets				
Derivative financial Instruments - (liabilities)	-	(3,163)	-	(3,163)
2015:				
Financial assets				
Derivative financial instruments - liabilities	-	(7,539)	-	(7,539)

The fair value of the derivative financial instruments rate is calculated as the present value of the estimated future cash flows based on observable yield curves.

See Note 16 for IFRS 13 disclosures for the land and buildings that are measured at fair value.

6. 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 2015.

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 / (loss) represents the profit / (loss) earned by each segment without allocation of share of profits/ (loss) 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 8.7% of total income.

Analysis of turnover according to business segments:

2016:	**Passenger**	**Freight and mail**	**Handling**	**Others**	**Total**
	KShs million	**KShs million**	**KShs million**	**KShs million**	**KShs million**
Domestic	9,170	1,108	63	954	11,295
Foreign	85,631	7,789	2,275	9,168	104,863
	94,801	**8,897**	**2,338**	**10,122**	**116,158**
2015:					
Domestic	8,266	1,416	55	945	10,682
Foreign	82,142	8,367	2,025	6,945	99,479
	90,408	**9,783**	**2,080**	**7,890**	**110,161**

Apart from Nairobi – Amsterdam and Nairobi - London routes which contribute 16.5% of turnover in aggregate, no single route contributes more than 10% of the total Group revenues.

Analysis of operating loss per business segments:	**2016 KShs million**	**2015 KShs million**
Passengers	(3,340)	(13,404)
Freight, mail and others	(753)	(2,929)
	(4,093)	**(16,333)**

Loss by business segment is only analysed between "Passengers" and "Freight, mail and others".

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 is 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.

7. REVENUE

	2016 KShs million	2015 KShs million
Passengers	94,801	90,408
Freight and mail	8,897	9,783
Handling	2,338	2,080
Others	10,122	7,890
	116,158	**110,161**

8. EXPENSES BY NATURE

(a) Direct costs

	2016 KShs million	2015 KShs million
Aircraft fuel and oil	24,234	36,967
Aircraft landing, handling and navigation	14,159	12,275
Aircraft maintenance	10,951	9,035
Passenger services	5,599	5,213
Commissions on sales	2,947	3,623
Aircraft, passenger and cargo insurance	547	452
Crew route expenses	2,629	2,666
Others	5,185	4,293
Central reservation system and frequent flyer programme	1,610	1,535
	67,861	**76,059**

(b) Fleet ownership costs

	2016 KShs million	2015 KShs million
Hire of aircraft and engines	17,592	9,919
Depreciation on aircraft and engines	6,225	8,570
Depreciation on rotables	386	2,134
Impairment of assets held for sale (Note 25)	5,375	5,583
Aircraft purchase subsidy (Note 32)	-	(274)
	29,578	**25,932**

(c) Overheads

(i) Administration

	2016 KShs million	2015 KShs million
Employee costs (Note 8 (d))	15,669	16,960
Legal and professional fees	1,237	667
Directors' remuneration (Note 41 (c))	93	114
Audit fees	14	13
General expenses	2,560	2,383
	19,573	**20,137**

8. EXPENSES BY NATURE (Continued)

(ii) Establishment

	2016 KShs million	2015 KShs million
General maintenance and supplies	1,095	1,086
Depreciation on buildings, vehicles and other equipment	863	835
Amortisation of intangible assets and leasehold	514	541
	2,472	**2,462**

(iii) Selling

	2016 KShs million	2015 KShs million
Advertising and publicity	436	964
Bad debts expense	331	940
	767	**1,904**
Total overheads	**22,812**	**24,503**

(d) Employee costs and number

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

(i) Employee costs

	2016 KShs million	2015 KShs million
Wages and salaries	12,004	12,047
Contributions to retirement benefits	942	897
National Social Security Fund	9	9
Movement in leave pay provision	317	316
Others	2,397	3,691
	15,669	**16,960**

(ii) Employee numbers

Employee numbers	2016	2015
Kenya	3,369	3,487
Overseas	501	515
	3,870	**4,002**

9. NET FINANCE COSTS

	2016 KShs million	2015 KShs million
Finance costs:		
Interest expense:		
On long term borrowings	3,805	3,277
On short term facilities	3,242	1,443
On finance leases	-	14
	7,047	**4,734**
Finance income:		
Interest income on short term bank deposits	(8)	(153)
Net finance costs	**7,039**	**4,581**

10. FUEL DERIVATIVES (LOSS)/GAINS

	2016 KShs million	2015 KShs million
Realised loss - Net payments	**(6,769)**	**(1,676)**
Unrealised gains/(losses)	**2,614**	**(5,776)**

The realised losses on the fuel derivatives represent payments to counter parties for fuel derivatives that matured during the financial year. The unrealised gains/(losses) on fuel derivatives represents the ineffective portion of the fuel hedge recognised in profit or loss.

11. OTHER LOSSES

	2016 KShs million	2015 KShs million
Foreign currency exchange losses	10,451	748
Other costs	361	598
	10,812	**1,346**

12. LOSS BEFORE INCOME TAX

The loss before taxation is arrived at after charging/(crediting):

	2016 KShs million	2015 KShs million
Employee costs (Note 8(d))	15,669	16,960
Operating lease rentals	17,592	9,919
Net foreign exchange losses	10,451	748
Depreciation of property and equipment (Note 16)	7,474	11,539
Amortisation of intangible assets (Note 17)	512	540
Amortisation of leasehold land (Note 18)	2	1
Auditor's remuneration	14	13
Directors' remuneration (Note 41(c))	93	114
Manufacturer's compensation on aircraft (Note 32)	-	(274)
Loss on disposal of property and equipment	119	31

13. INCOME TAX CREDIT

(a) Income tax charge/(credit)

Income tax credit recognised in profit or loss

	2016 KShs million	2015 KShs million
Current income tax	179	63
Current income tax- prior year (under)/over provision	(2)	50
	177	**113**
Deferred income tax credit (Note 31(a))	(51)	(4,082)
	126	**(3,969)**
Movement in income tax recognised in other comprehensive income		
Deferred tax expense on fuel hedges	-	427
Deferred tax on revaluation surplus	832	-
	832	**427**

13. INCOME TAX CREDIT (Continued)

(b) Reconciliation

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:

Group:	2016 KShs million	2015 KShs million
Loss before income tax	**(26,099)**	**(29,712)**
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2015: 30%)	(7,830)	(8,914)
Tax effect of:		
Expenses not deductible for tax purposes	(88)	1,622
Unrecognised deferred tax asset	8,046	3,273
Prior year tax (under)/ over provision- current tax	(2)	50
Income tax charge/ (credit)	**126**	**(3,969)**

(c) Current tax movement

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
Taxation recoverable				
At beginning of year	1,192	1,216	1,219	1,131
Charge for the year	(177)	(113)	(26)	(21)
Provision for tax asset	-	(20)	-	-
Paid during the year	157	109	22	109
At end of year	**1,172**	**1,192**	**1,215**	**1,219**
Presented in the statement of financial position as follows:				
Tax recoverable	1,218	1,222	1215	1,219
Tax payable	(46)	(30)	-	-
Net current tax asset	**1,172**	**1,192**	**1,215**	**1,219**

14. 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.

	2016 KShs million	2015 KShs million
Loss attributable to equity holders of the Company	(26,230)	(25,746)
Weighted average number of ordinary shares (million)	1,496	1,496
Basic earnings per share (KShs)	**(17.53)**	**(17.21)**

There were no potentially dilutive shares outstanding as at 31 March 2016 or 2015. Diluted earnings per share are therefore the same as basic earnings per share.

15. DIVIDENDS

The directors do not recommend payment of a dividend (2015: Nil). This proposal will be presented for formal approval by shareholders' at the forthcoming Annual General Meeting.

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. Payment of dividends is subject to withholding tax at the rate of 0% to local companies with shareholding of 12 1/2% or above, 5% for all other residents and 10% for non-resident shareholders.

The movement in the unclaimed dividends account is as follows:

	2016 KShs million	2015 KShs million
At 1 April and 31 March	**109**	**109**

16. PROPERTY AND EQUIPMENT

Group

2016:	**Freehold land and buildings** **KShs million**	**Aircraft, engines and rotables** **KShs million**	**Other property and equipment** **KShs million**	**In-complete projects** **KShs million**	**Total** **KShs million**
Cost or valuation:					
At 1 April 2015	5,046	138,726	11,111	340	155,223
Additions		240	289	32	561
Transfer from incomplete projects		7	20	(27)	-
Transfer to intangible assets (Note 17)		-	-	(109)	(109)
Reclassified to assets held for sale (Note 25)	(1,415)		-	-	(1,415)
Reclassified from assets held for sale (Note 25)	1,908	-	-	-	1,908
Disposals/write offs	-	(84)	(21)	-	(105)
Revaluation surplus (Note 28(b))	1,644	-	-	-	1,644
At 31 March 2016	**7,183**	**138,889**	**11,399**	**236**	**157,707**
Depreciation:					
At 1 April 2015	320	20,834	8,593	54	29,801
Charge for the year	212	6,611	651	-	7,474
Reclassified from assets held for sale (Note 25)	14	-	-	-	14
Reclassified to assets held for sale (Note 25)	(22)	-	-		(22)
Disposals	-	(62)	(21)	-	(83)
Revaluation surplus(Note 28(b))	(348)	-	-	-	(348)
At 31 March 2016	**176**	**27,383**	**9,223**	**54**	**36,836**
Carrying amount					
At 31 March 2016	**7,007**	**111,506**	**2,176**	**182**	**120,871**

16. PROPERTY AND EQUIPMENT (Continued)

Group

2015:	Freehold land and buildings KShs million	Aircraft, engines and rotables KShs million	Other property and equipment KShs million	In-complete projects KShs million	Total KShs million
Cost or valuation:					
At 1 April 2014	7,264	110,171	10,169	1,432	129,036
Additions	-	74,274	962	315	75,551
Aircraft deposits capitalised (Note 21)	-	1,341	-	-	1,341
Transfer from incomplete projects	-	72	8	(80)	-
Transfer to intangible assets (Note 17)	-	-	-	(15)	(15
Net transfer to deferred expenditure (Note 20)	-	(160)	-	(1,312)	(1,472)
Reclassified to assets held for sale (Note 25)	(2,218)	(46,896)	-	-	(49,114)
Disposals/write offs	-	(76)	(28)	-	(104)
At 31 March 2015	**5,046**	**138,726**	**11,111**	**340**	**155,223**
Depreciation:					
At 1 April 2014	205	32,481	7,907	54	40,647
Charge for the year	129	10,704	706	-	11,539
Reclassified to assets held for sale (Note 25)	(14)	(22,302)	-	-	(22,316)
Disposals	-	(49)	(20)	-	(69)
At 31 March 2015	**320**	**20,834**	**8,593**	**54**	**29,801**
Carrying amount					
At 31 March 2015	**4,726**	**117,892**	**2,518**	**286**	**125,422**

16. PROPERTY AND EQUIPMENT (Continued)

Company

2016:	Freehold land and buildings	Aircraft, engines and rotables	Other property and equipment	In-complete projects	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Cost or valuation:					
At 1 April 2015	4,565	138,722	10,600	330	154,217
Additions		240	273	29	542
Transfer from incomplete projects		7	20	(27)	-
Transfer to intangible assets (Note 17)	-	-	-	(98)	(98)
Reclassified to assets held for sale (Note 25)	(1,415)	-	-	-	(1,415)
Reclassified from assets held for sale (Note 25)	1,908	-	-		1,908
Disposals	-	(84)	(21)		(105)
Revaluation surplus (Note 28(b))	1,513	-	-	-	1,513
At 31 March 2016	**6,571**	**138,885**	**10,872**	**234**	**156,562**
Depreciation:					
At 1 April 2015	283	20,833	8,216	54	29,386
Charge for the year	194	6,610	616	-	7,420
Reclassified to assets held for sale (Note 25)	(22)	-	-	-	(22)
Reclassified from assets held for sale (Note 25)	14	-	-	-	14
Disposals	-	(62)	(21)		(83)
Revaluation surplus (Note 28(b))	(297)	-	-	-	(297)
At 31 March 2016	**172**	**27,381**	**8,811**	**54**	**36,418**
Carrying amount					
At 31 March 2016	**6,399**	**111,504**	**2,061**	**180**	**120,144**

16. PROPERTY AND EQUIPMENT (Continued)

Company

2015	Freehold land and buildings KShs million	Aircraft, engines and rotables KShs million	Other property and equipment KShs million	In-complete projects KShs million	Total KShs million
Cost or valuation:					
At 1 April 2014	6,783	110,143	9,680	1,433	128,039
Additions	-	74,274	939	304	75,517
Aircraft deposits capitalised (Note 21)	-	1,341	-	-	1,341
Transfer from incomplete projects	-	72	8	(80)	-
Transfer to intangible assets (Note 17)	-	-	-	(15)	(15)
Transfer to deferred expenditure (Note 20)	-	(160)	-	(1,312)	(1,472)
Reclassified to assets held for sale (Note 25)	(2,218)	(46,896)	-	-	(49,114)
Disposals	-	(52)	(27)	-	(79)
At 31 March 2015	**4,565**	**138,722**	**10,600**	**330**	**154,217**
Depreciation:					
At 1 April 2014	189	32,480	7,559	54	40,282
Charge for the year	108	10,704	677	-	11,489
Reclassified to assets held for sale (Note 25)	(14)	(22,302)	-	-	(22,316)
Disposals	-	(49)	(20)	-	(69)
At 31 March 2015	**283**	**20,833**	**8,216**	**54**	**29,386**
Carrying amount					
At 31 March 2015	**4,282**	**117,889**	**2,384**	**276**	**124,831**

The Group's freehold land and buildings were valued as at 31 March 2016 by an independent valuer, on the basis of open market value. If the freehold land and buildings were stated on the historical cost basis, the carrying values at 31 March 2016 would be as follows:

Historical cost	2016 KShs million	2015 KShs million
Cost	4,134	4,134
Accumulated depreciation	(1,036)	(942)
Carrying amount	**3,098**	**3,192**

The land and buildings are in level 3 hierarchy of measurement where the inputs are based on observable market data, other than quoted prices. The valuers used the depreciated replacement cost to estimate the fair value of buildings and market comparison approach to determine the fair value of land.

Included in property and equipment are assets with a cost of KShs 11,880 million (2015 – KShs 9,173 million) that are fully depreciated. The notional annual depreciation of these assets would have been KShs 2,679 million (2015 – KShs 2,034 million).

Capital work in progress relates to ongoing constructions and systems yet to be available for use.

17. INTANGIBLE ASSETS

	Group		Company	
	2016	2015	2016	2015
	KShs million	KShs million	KShs million	KShs million
Cost				
At 1 April	4,294	4,210	4,168	4,123
Additions	39	69	26	29
Transfer from property and equipment (Note 16)	109	15	98	15
At 31 March	**4,442**	**4,294**	**4,292**	**4,167**
Amortisation				
At 1 April	3,131	2,591	3,087	2,567
Charge for the year	512	540	486	520
Reversal	(3)	-	(3)	-
At 31 March	**3,640**	**3,131**	**3,570**	**3,087**
Carrying amount at 31 March	**802**	**1,163**	**722**	**1,080**

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.

18. PREPAID OPERATING LEASE RENTALS

	Group and Company	
	2016	2015
	KShs million	KShs million
Cost/valuation		
At 1 April	1,239	1,239
Revaluation surplus	778	-
At 31 March	**2,017**	**1,239**
Amortisation		
At 1 April	2	1
Charge for the year	2	1
Revaluation surplus	(2)	-
At 31 March	2	2
Carrying amount at 31 March	**2,015**	**1,237**

Leasehold land was valued on 31 March 2016 by an independent valuer, on the basis of open market value. If the Leasehold land were stated at the historical cost basis, the carrying values at 31 March 2016 would be as follows:

	2016	2015
Historical cost	KShs million	KShs million
Cost	8	8
Accumulated depreciation	(5)	(4)
Carrying amount	**3**	**4**

The leasehold land is in level 2 hierarchy of measurement where the inputs are based on observable market data, other than quoted prices. The valuers used the market values of recent transactions involving similar assets in comparable locations.

Costs incurred to acquire interests in leasehold land 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.

19. INVESTMENTS

(a) Investment in subsidiaries

Details of investment	Country of incorporation	Activity	2016 % of equity interest	2015 % of equity interest	2016 KShs million	2015 KShs million
Kenya Airfreight Handling Limited (2,550,000 shares of KShs 20 each)	Kenya	Cargo handling for perishable products	51%	51%	51	51
JamboJet Limited (5,000 shares of KShs 20 each)	Kenya	Local passenger air transport	100%	100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Dormant	100%	100%	**	**
African Cargo Handling Limited (5,753,822 shares of KShs 100 each)	Kenya	Cargo handling	100%	100%	***384	***384
At 31 March					**435**	**435**

* The value of the investment in JamboJet is KShs 100,000 which when rounded to the nearest million gives a value of zero.

** The investment in Kencargo Airlines International Limited is fully provided for since the Company has been inactive, casting doubt on the recoverability and valuation of the investment.

*** The purchase of African Cargo Handling Limited was below the net identifiable assets resulting in a bargain purchase. As a result, the value of the investment is below the par value of the shares.

19. INVESTMENTS (Continued)

(a) Investment in subsidiaries (continued)

The summarised financial information of the subsidiaries is as shown below:

	Current assets		Non-current assets		Current liabilities		Non-current liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
	KShs million	KShs million	KShs million	KShs million	KShs million	KShs million	KShs million	KShs million
Kenya Airfreight Handling Limited	203	131	123	149	171	146	50	40
JamboJet Limited	158	189	111	121	1,105	1,272	-	-
Kencargo Airlines	-	-	-	-	61	-	-	61
African Cargo Handling Limited	3,927	3,427	684	519	1,508	1173	-	488

	Revenues		Profit / (loss) before tax		Total comprehensive income	
	2016	2015	2016	2015	2016	2015
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
Kenya Airfreight Handling Limited	199	201	15	9	6	6
JamboJet Limited	3,443	2,605	126	(287)	126	(287)
Kencargo Airlines	-	-	-	17	-	17
African Cargo Handling Limited	2,468	2,243	298	104	330	72

19. INVESTMENTS (Continued)

(a) Other investments

	2016 KShs million	2015 KShs million
African Tours and Hotels Limited:	2	2
(100,398 ordinary shares of KShs 20 each)		
Less: Provision for impairment	(2)	(2)
Carrying amount	**-**	**-**

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.

(b) Investment in associate

Group and Company

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
Precision Air Services Limited:				
66,157,350 ordinary shares of TShs 20 each	230	230	230	230
(less) **Impairment of investment in associate**	(230)	(230)	(230)	(230)
At 31 March	-	-	-	-

Summarised financial information in respect of the Associate is set out below:

	2016 KShs million	2015 KShs million
Total assets	8,869	10,353
Total liabilities	(18,147)	(17,106)
Net liabilities	**(9,278)**	**(6,753)**
Total revenue	4,211	5,462
Loss for the year	(3,975)	(5,154)
Group's share of loss of associate	**-**	**-**

Kenya Airways Limited owns 41.23% equity interest in Precision Air Limited. The Investment was fully impaired in 2013 as the Directors do not expect the value of the investment to be recovered.

20. DEFERRED EXPENDITURE

	2016 KShs million	2015 KShs million
Group and Company		
Cost:		
At start of the year	2,892	182
Additions	375	1,238
Transfer from property and equipment (Note 16)	-	1,472
At end of year	**3,267**	**2,892**
Amortisation:		
At start of the year	(208)	-
Charge for the year	(329)	(208)
At end of year	**(537)**	**(208)**
Net book value	**2,730**	**2,684**

Deferred expenditure relates to cost incurred to obtain financing for the purchase of the Boeing 787-8 and B777-300ER aircrafts. The costs include commitment, arrangement, consultants, underwriters and guarantee fees. These costs are amortised over the loan repayment period (12 years).

21. AIRCRAFT DEPOSITS

	2016 KShs million	2015 KShs million
Group and Company		
Deposits for aircraft leases under long-term operating leases	1,578	897
Deposits paid towards acquisition of aircraft	599	9,494
	2,177	**10,391**

The deposits under long-term operating leases relate to lease of aircraft and engines of Boeing 737's and 787's, Embraer E170's and Embraer E190's.

The deposits paid towards acquisition of aircraft represent amounts paid to Wells Fargo on acquisition of B777-200ER aircrafts. These deposits earn a nominal interest annually. The deposits also include amounts paid to Boeing Corporation towards acquisition of optional aircrafts in future. The latter deposits do not earn any interest and are carried at amortised cost.

	2016 KShs million	2015 KShs million
At 1 April 2015 and 2014	10,391	27,505
Additions	945	103
Refunds received	(420)	(191)
Loans raised to pay Pre-Delivery Payments (PDPs)	(9,789)	(17,455)
Amortisation*	78	182
Aircraft deposits capitalised (Note 16)	-	(1,341)
Foreign exchange differences	972	1,588
At 31 March	**2,177**	**10,391**

* 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.

22. FUEL DERIVATIVES – GROUP AND COMPANY

In the normal course of its business, the Group uses fuel derivatives with approved counterparties 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.

Maturity analysis of derivatives at fair value through profit or loss:

	1-6 months	7-9 months	10-12 months	1-2 years	Total
31 March 2016	**KShs million**	**KShs million**	**KShs million**	**KShs million**	**KShs million**
Options	(2,948)	(215)	-	-	(3,163)
31 March 2015					
Options	(5,401)	(983)	(544)	(611)	(7,539)

Group and Company:	**2016**	**2015**
	KShs million	**KShs million**
Derivative liability		
Within one year	(3,163)	(6,928)
Between one and two years	-	(611)
	(3,163)	**(7,539)**

23. INVENTORIES – GROUP AND COMPANY

Aircraft consumables inventories	1,540	1,472
Other inventories	382	425
	1,922	**1,897**

The cost of inventories recognised as an expense and included in the consolidated 'Direct costs' amounted to KShs 1,852 million (2015: KShs 2,137 million).

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
Trade and other receivables	17,474	16,976	24,789	23,842
Less: Provision for impairment	(2,390)	(2,157)	(2,380)	(2,764)
	15,084	**14,819**	**22,409**	**21,078**
Analysed as:				
Trade - airlines	300	1,662	271	1,546
Trade - agents	7,292	6,575	7,075	6,536
Trade - others	1,133	1,370	1,104	1,359
Trade – Government ministries and parastatals	2	86	2	86
Prepayments	1,977	2,579	1,888	2,505
Other receivables	4,056	2,288	4,054	2,288
Due from related parties (Note 41 (b))	324	259	8,015	6,758
	15,084	**14,819**	**22,409**	**21,078**

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
At beginning of year	2,157	1,218	2,764	1,825
Provision in the year	233	939	-	939
Reversals	-	-	(384)	-
At end of year	**2,390**	**2,157**	**2,380**	**2,764**

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.

25. ASSETS HELD FOR SALE

Group and Company

In August 2014, the directors approved a plan to sell 7 aircraft. The company has since sold 5 aircraft while the remaining 2 are in the process of sale completion. The directors also approved the sale of land and building. The land and building was valued as at 31 March 2016 by an independent valuer at KShs 2,409 million. Efforts to sell the remaining assets are ongoing and is expected to be completed within the next 12 months:

(a) Impairment loss relating to disposal group

(i) Aircraft

	2016 KShs million	2015 KShs million
At 1 April	17,643	-
Net transfer from property and equipment	-	24,594
Deferred revenue on aircraft	-	(1,368)
Disposals	(7,312)	-
	10,331	23,226
Impairment loss during the year (Note 8(b))	(5,375)	(5,583)
	4,956	**17,643**

(ii) Land

	2016 KShs million	2015 KShs million
As at 1 April	2,204	-
Net transfer from property and equipment	1,393	2,204
Net transfer to property and equipment	(1,894)	-
	1,703	**2,204**

(b) Assets held for sale

As at 31 March 2016, the assets held for sale were stated at the lower of fair value less costs to sell and the carrying amount.

	2016 KShs million	2015 KShs million
Aircraft net of impairment (Note 25(a))	4,956	17,643
Land and buildings – Net (Note 25(a))	1,703	2,204
Adjusted carrying amount of disposal group	**6,659**	**19,847**

26. CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	KShs million	KShs million	KShs million	KShs million
Cash in hand and at bank	**4,827**	**3,267**	**4,684**	**2,955**

27. SHARE CAPITAL

Group and Company

	2016 KShs million	2015 KShs million
(a) Ordinary share capital		
Authorised:		
2,000,000,000 ordinary shares of KShs 5 each	**10,000**	**10,000**
Issued and fully paid:		
At 1 April 2013 and 31 March 2014, 31 March 2015: 1,496,469,035 ordinary shares of KShs 5 each	**7,482**	**7,482**
(b) Share premium		
1,034,853,551 ordinary shares issued at a premium of KShs 8.38 per share	**8,670**	**8,670**

All ordinary shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

28. RESERVES

(a) Cash flow hedging reserve, net of tax

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedging pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

	Group		Company	
	2016	2015	2016	2015
	KShs million	KShs million	KShs million	KShs million
Hedged exchange differences on borrowings	(14,864)	(7,683)	(14,864)	(7,683)
Fuel hedge contracts	-	(1,762)	-	(1,762)
Share of associate reserves	-	(597)	-	-
	(14,864)	**(10,042)**	**(14,864)**	**(9,445)**

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.

Realised losses of KShs 5,218 million (2015: 1,474 million) have been transferred from equity into profit or loss during the year.

28. RESERVES (Continued)

(b) Revaluation reserve

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
Surplus on revaluation of property, plant and equipment	5,842	3,851	5,537	3,727
Surplus on revaluation of leasehold land	2,010	1,230	2,010	1,230
	7, 852	5,081	7,547	4,957
Deferred tax on revaluation reserve at 30%	(2,355)	(1,524)	(2,264)	(1,487)
	5,497	**3,557**	**5,283**	**3,470**

Movement during the year:

Net balance at 1 April	3,557	3,557	3,470	3,470
Revaluation gain on property and equipment	1,992	-	1,810	-
Revaluation gain on leasehold land	780	-	780	-
Deferred tax (Note 31(a))	(832)	-	(777)	-
	5,497	**3,557**	**5,283**	**3,470**

The revaluation surplus arose on the revaluation of freehold land and buildings and leasehold land done in 2016 and 2013 and is stated net of deferred tax. The surplus is not distributable.

29. NON-CONTROLLING INTERESTS

The non-controlling interests relate to the portion of equity ownership in Kenya Airfreight Handling Limited attributable to Stamina Group B.V.

	2016 KShs million	2015 KShs million
Stamina Group B.V		
At beginning of year	46	43
Share of profit for the year	5	3
At end of year	**51**	**46**
Represented by:		
Holding in Kenya Airfreight Handling Limited	**49%**	**49%**

30. BORROWINGS

(a) Analysis of interest bearing loans and borrowings:

Group and Company		2016		2015
	Maturities	Average interest rates	KShs million	Average interest rates	KShs million
Barclays Bank PLC - Aircraft loans	2005-2017	5.01%	3,143	4.84%	6,555
Citibank NA – Aircraft loans	2007-2019	5.36%	-	5.36%	4,180
Citi/JP Morgan – Aircraft loans	2014-2026	1.45%	78,939	0.94%	79,089
African Export – Import Bank (Afrexim) – Aircraft Loans	2012-2025	4.41%	23,369	4.47%	32,503
Co-operative Bank of Kenya – Engine loan	2012-2016	4.55%	-	4.55%	239
Short term facilities	2015-2023	9.37%	22,707	7.30%	25,218
Afrexim – Bridge Loan	2015-2018	6.80%	10,150	-	-
Government of Kenya Loan	2015-2016	10.20%	4,224	-	-
			142,532		**147,784**

Loans and borrowings are presented in the statement of financial position as follows:

Group and Company:

	2016 KShs million	2015 KShs million
Current:		
Payable within one year	**29,316**	**43,609**
Non-current:		
After one year	**113,216**	**104,175**

The loans were obtained for the purpose of funding aircraft acquisition, aircraft spare engines and pre-delivery payments for ordered aircraft. The Company also received bridging finances from Afrexim bank and the Government of Kenya during the year. For the purpose of holding collateral for the financiers, the aircrafts are registered in the name of special entities whose equity are held by the security trustees on behalf of the respective financers. The legal title is to be transferred to Kenya Airways Limited once the loans are fully repaid. The special entities are as listed below:

Entity	Bank	Guarantee	Original tenor of the loan
Swara Aircraft Financing Limited	Barclays Bank PLC	Export-Import Bank of the United States of America (Eximbank)	12 years
Ndovu Aircraft Financing Limited			
Nyati Aircraft Financing Limited			
Kifaru Aircraft Financing Limited			
Chui Aircraft Financing Limited	Citibank NA (London)		12 years
Tsavo financing LLC	Citibank N.A (London) and JP Morgan N.A	Export-Import Bank of the United States of America (Eximbank)	12 years
Samburu Limited	African Export and Import Bank in syndication with Standard Chartered Bank.	None	12 years
Aberdare Limited			12 years
Amboseli Limited			12 years

30. BORROWINGS (Continued)

Co-operative Bank financed the acquisition of an Embraer spare engine. The loan was to be repaid over a period of five years starting June 2012 however this was consolidated with existing Co-operative bank short term loan during the year and repayment period extended to 7 years. The short term facilities were draw down from Equity Bank, Jamii Bora Bank, Kenya Commercial Bank, Commercial Bank of Africa, I & M Bank, Chase bank, National Bank of Kenya, Diamond Trust Bank, Co-operative Bank, NIC bank and Eco bank for the financing of pre-delivery payments for ordered aircraft. During the year, the airline negotiated for extended repayment periods for all short term loans ranging from 4 – 7 years except for Kenya Commercial bank loan which had not been concluded as at 31st March, 2016.

Covenants

The Group has signed a number of facilities with African Export-Import Bank (Afrexim) for the purchase of aircraft and funding of pre-delivery deposits for aircraft. One of the facilities, for the purchase of 10 Embraer E190 aircraft, contains some financial covenants, which are monitored against the annual audited financial statements. The Group is in not in compliance with all the financial covenants and is in the process of obtaining waivers from the financiers.

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

	2016	2015
Group and Company:	**KShs million**	**KShs million**
The borrowings are made up as follows:		
Within one year	29,316	43,609
Between two and five years	61,590	51,097
Later than 5 years	51,626	53,078
At end of year	**142,532**	**147,784**

(c) The movement in the borrowings is as follows:

	2016	2015
Group and Company:	**KShs million**	**KShs million**
At start of year	147,784	89,012
Additions	14,424	84,078
Repaid in the year	(34,730)	(33,071)
Exchange difference on hedged borrowings	12,399	6,666
Exchange difference on non-hedged borrowings	2,501	1,099
Interest capitalised	154	-
At end of year	**142,532**	**147,784**

The exchange differences have been dealt with as follows:

	2016	2015
Group and Company:	**KShs million**	**KShs million**
Total exchange differences on borrowings	(12,399)	(6,666)
Realised on settlement of loans	5,219	1,474
Net hedge effect	**(7,180)**	**(5,192)**

The Group has multi-currency credit line facilities with a total value of KShs 74,686 million (2015 - KShs 39,768 million) with various local and international banks for tenures of one year and renewable. At 31 March 2016, the Group had utilised guarantees amounting to KShs 8,390 million (2015 - KShs 14,549 million) and draw down facilities of KShs 28,623 million (2015 - KShs 25,219 million). Unutilised facilities total KShs Nil (2015 - KShs Nil). A corporate guarantee of KShs 1,000 million is in place for the Kenya Airways & Co-operative Bank Ab Initio Programme.

31. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2015 - 30%). The deferred income tax liability/(asset) are made up as follows:

(a) Recognised deferred tax (asset)/liability

Group 2016:	At 1 April 2015 KShs million	Derecognised in profit or loss KShs million	Charged/ (credited) to profit or loss KShs million	Movement in other comprehensive income KShs million	At 31 March 2016 KShs million
Leave pay provision	(2)	-	2	-	-
Other provisions	(112)	-	(59)	-	(171)
Tax losses	(11)	-	10	-	(1)
Unrealised exchange (losses)/gains	3	-	(1)	-	2
Accelerated capital allowances	(29)	-	(3)	-	(32)
Revaluation reserve	1,524	-	-	832	2,356
Net deferred tax liability/(asset)	**1,373**	**-**	**(51)**	**832**	**2,154**

Group 2015:	At 1 April 2014 KShs million	Derecognised in profit or loss KShs million	Charged/ (credited) to profit or loss KShs million	Movement in other comprehensive income KShs million	At 31 March 2015 KShs million
Leave pay provision	(413)	412	(1)	-	(2)
Other provisions	(273)	218	(57)	-	(112)
Tax losses	(4,261)	4,248	2	-	(11)
Unrealised exchange (losses)/gains	(111)	110	4	-	3
Hedge losses	(747)	-	-	747	-
Hedge gains	320	-	-	(320)	-
Accelerated capital allowances	8,989	(9,012)	(6)	-	(29)
Revaluation reserve	1,524	-	-	-	1,524
Net deferred tax liability/(asset)	**5,028**	**(4,024)**	**(58)**	**427**	**1,373**

31. DEFERRED INCOME TAX (Continued)

(a) Recognised deferred tax (assets)/liability (continued)

Comprising:	2016 KShs million	2015 KShs million
Deferred tax asset	(110)	(114)
Deferred tax liability	2,264	1,487
Net deferred tax asset	**2,154**	**1,373**

Company 2016:	At 1 April 2015 KShs million	Derecognised in profit or loss KShs million	Recognised in other comprehensive income KShs million	At 31 March 2016 KShs million
Revaluation reserve	**1,487**	**-**	**777**	**2,264**

Company 2015:	At 1 April 2014 KShs million	Derecognised in profit or loss KShs million	Recognised in other comprehensive income KShs million	At 31 March 2015 KShs million
Leave pay provision	(412)	412	-	-
Other provisions	(218)	218	-	-
Tax losses	(4,248)	4,248	-	-
Unrealised exchange (losses)/gains	(110)	110	-	-
Hedge losses	(747)	-	747	-
Hedge gains	320	-	(320)	-
Accelerated capital allowances	9,012	(9,012)	-	-
Revaluation reserve	1,487	-	-	1,487
	5,084	**(4,024)**	**427**	**1,487**

(b) Unrecognised deferred tax asset

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At 31 March 2016, Kenya Airways Limited and JamboJet tax losses stood at KShs 59,612 million and KShs 856 million. Kenyan Income Tax laws allow for carry forward of tax losses for a maximum period of 10 years. The accumulated tax losses will be utilised to offset future taxable profits.

The group did not recognise deferred tax asset in the financial statements since future taxable income are not sufficient to enable the benefits from the deductions.

31. DEFERRED INCOME TAX (Continued)

(b) Unrecognised deferred tax asset (continued)

The unrecognised deferred tax asset computed at the enacted rate of 30% is made up as follows:

Group 2016:	At 1 April 2015 KShs million	Movement in other comprehensive income KShs million	Movement in profit or loss KShs million	At 31 March 2016 KShs million
Leave pay provision	504	-	11	515
Other provisions	615	-	(438)	177
Tax losses	9,948	-	8,192	18,140
Unrealised exchange losses/(gains)	(230)	-	1,117	887
Hedge losses	4,566	1,626	-	6,192
Accelerated capital allowances	(7,343)	-	(836)	(8,179)
Net deferred tax asset	**8,060**	**1,626**	**8,046**	**17,732**

Group 2015:	At 1 April 2014 KShs million	Derecognised deferred tax KShs million	Movement in the year KShs million	At 31 March 2015 KShs million
Leave pay provision	-	412	92	504
Other provisions	-	218	397	615
Tax losses	226	4,248	5,474	9,948
Unrealised exchange losses/(gains)	-	110	(340)	(230)
Hedge losses	-	747	3,819	4,566
Hedge gains	-	(320)	320	-
Accelerated capital allowances	(5)	(9,012)	1,674	(7,343)
Net deferred tax asset	**221**	**(3,597)**	**11,436**	**8,060**

Company

2016:	At 1 April 2015 KShs million	Movement in other comprehensive income KShs million	Movement in profit or loss KShs million	At 31 March 2016 KShs million
Leave pay provision	504	-	11	515
Other provisions	591	-	(425)	166
Tax losses	9,662	-	8,221	17,883
Unrealised exchange losses/(gains)	(230)	-	1,117	887
Hedge losses	4,566	1,626	-	6,192
Accelerated capital allowances	(7,336)	-	(842)	(8,178)
Net deferred tax asset	**7,757**	**1,626**	**8,082**	**17,465**

31. DEFERRED INCOME TAX (Continued)

(b) Unrecognised deferred tax assets (continued)

Company 2015:	At 1 April 2014	Derecognised deferred tax	Movement in the year	At 31 March 2015
	KShs million	KShs million	KShs million	KShs million
Leave pay provision	-	412	92	504
Other provisions	-	218	373	591
Tax losses	-	4,248	5,414	9,662
Unrealised exchange losses/(gains)	-	110	(340)	(230)
Hedge losses	-	747	3,819	4,566
Hedge gains	-	(320)	320	-
Accelerated capital allowances	-	(9,012)	1,676	(7,336)
Net deferred tax (liability)/asset	**-**	**(3,597)**	**11,354**	**7,757**

The tax losses expire within ten (10) years under the current tax legislation. The ageing of tax losses is as follows:

Year of origin	Group KShs million	Company KShs million
2010	618	-
2013	10,106	10,087
2014	4,200	4,073
2015	18,272	18,047
2016	27,276	27,405
	60,472	**59,612**

Management has applied for the extension of use of the JamboJet Limited tax losses incurred in the period 2009 - 2010. Subsequent to the application, the Finance Act, 2015 amended S.15 (4 & 5) of the Income tax Act to extend the valid period of offsetting tax losses against future taxable profit to nine years up from four years.

32. DEFERRED INCOME – COMPENSATION FROM MANUFACTURER

	Group and Company	
	2016	2015
	KShs million	KShs million
At start of year	-	1,642
Released to income	-	(274)
Transferred to assets held for sale (note 25)	-	(1,368)
At end of year	-	-

The deferred income refers to compensation from the manufacturer for the delivery of a different aircraft from what was originally ordered. The amount being amortised over the life of the aircraft. The un-armotised deferred income was transferred to profit or loss to offset the impairment on the related aircraft that are available for sale.

33. ONEROUS LEASE PROVISION

The airline has sub-leased certain aircraft that are held on operating and finance lease at lease rentals that are lower than that charged by the primary lessors resulting into onerous lease provision as shown below:

Group and Company

Aircraft type	No. of aircraft	Lessee	Lease period	2016 KShs million	2015 KShs million
B787	2	Oman Air	3 years	918	-
B773	3	Turkish Airlines	4 years	3,127	-
				4,045	**-**

Onerous lease provision is presented in the statements of financial position as follows:

	2016 KShs million	2015 KShs million
Current:		
To be realised within one year	**1,466**	**-**
Non-current:		
To be realised after one year	**2,579**	**-**

34. MAINTENANCE RESERVES

Maintenance reserves relate to provision for future contractual and regulatory maintenance liability on major aircraft components. None of these maintenance events are scheduled to be carried out within the next 12 months.

Group and Company

	2016 KShs million	2015 KShs million
Maintenance reserves	**2,547**	**1,113**

35. SALES IN ADVANCE OF CARRIAGE

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
Passengers	12,978	11,140	12,873	11,028
Cargo	26	130	26	130
	13,004	**11,270**	**12,899**	**11,158**

36. FINANCE LEASE OBLIGATION

Group and Company:	2016 KShs million	2015 KShs million
At start of year	-	852
Repaid in the year	-	(861)
Foreign exchange difference	-	9
At end of year	**-**	**-**

During the year 2011, the Group acquired two Boeing 737 through finance lease. These leases were repayable over a period of four years ended in 31 March 2015

37. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
Trade payables	18,188	12,894	17,360	12,391
Other payables and accruals	3,959	2,390	3,853	2,120
Leave accruals (Note 39)	1,729	1,691	1,718	1,682
Due to related parties (Note 41 (b))	55	47	11,378	9,445
Unclaimed dividends (Note 15)	109	109	109	109
	24,040	**17,131**	**34,418**	**25,747**

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

38. PROVISIONS FOR LIABILITIES AND CHARGES

Group:

	2016			2015		
	Redundancy provision KShs million	Other provisions KShs million	Total KShs million	Redundancy provision KShs Million	Other provisions KShs million	Total KShs million
At start of year	1,648	24	1,672	832	70	902
Net movement charged to profit or loss	608	161	769	816	(46)	770
At end of year	**2,256**	**185**	**2,441**	**1,648**	**24**	**1,672**

38. PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

Company:

	2016			2015		
	Redundancy provision	Other provisions	Total	Redundancy provision	Other provisions	Total
	KShs million	KShs million	KShs million	KShs million	KShs million	KShs million
At start of year	1,280	24	1,304	658	70	728
Net movement charged to profit or loss	428	161	589	622	(46)	576
At end of year	**1,708**	**185**	**1,893**	**1,280**	**24**	**1,304**

Redundancy provision

The company implemented a staff restructuring program in year 2012 aimed at improving operational efficiency. The program affected 599 employees and as at 31 March 2016, a provision of KShs 2,256 million was held to cover the redundancy payments. The unionisable staff moved to the Industrial Court to block the restructuring and the Court ruled in their favour, ordering the reinstatement of affected employees. The Company appealed against the ruling and on 11 July 2014, the court of appeal ruled that the company was justified in declaring the redundancy but failed to meet the statutory threshold procedural fairness. The former employees have lodged an appeal to the supreme court and the matter awaits determination.

Other provisions

Other provisions relate to various legal cases brought against the Company which are pending determination by the courts. On grounds of prudence, management has made appropriate provisions in respect of certain cases.

39. LEAVE ACCRUAL

	Group		Company	
	2016 KShs million	2015 KShs million	2016 KShs million	2015 KShs million
At start of year	1,691	1,375	1,682	1,372
Leave entitlement for the year	1,376	1,335	1,307	1,240
Amounts utilised during the year	(1,338)	(1,019)	(1,271)	(930)
At end of year	**1,729**	**1,691**	**1,718**	**1,682**

40. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Group	
	2016	2015
	KShs million	KShs million
Loss before income tax	(26,099)	(29,712)
Adjustments for:		
Depreciation (Note 16)	7,474	11,539
Impairment of non-current assets held for sale (Note 25)	5,375	5,583
Amortisation of intangible assets (Note 17)	512	540
Amortisation of prepaid operating lease rentals (Note 18)	2	1
Aircraft purchase subsidy released to income (Note 32)	-	(274)
Loss on disposal/write off of property, plant and equipment (Note 12)	119	31
Provision for onerous lease (Note 33)	4,045	-
Movement in provision for maintenance reserves (Note 34)	1,434	843
Amortisation of deferred expenditure (Note 20)	329	208
Provision of taxes (Note 13(c))	-	20
Amortisation of aircraft deposits (Note 21)	(78)	(182)
Unrealised exchange differences	6,744	994
Interest expense(Note 9)	7,047	4,734
Unrealised fuel hedge	(2,614)	5,776
Interest income (Note 9)	(8)	(153)
Working capital changes		
(Increase)/decrease in inventories	(25)	564
Increase in trade and other receivables	(265)	(1,113)
Increase in sales in advance of carriage	1,734	484
Increase in trade and other payables	6,909	5,251
Increase in provision for liabilities and charges	769	770
Cash generated from operations	**13,404**	**5,904**

(b) Cash and cash equivalents

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

	Group	
	2016	2015
	KShs million	KShs million
Cash in hand and at bank	**4,827**	**3,267**

(c) Interest paid during the year

Interest expense(Note 9)	7,047	4,734
Interest capitalised	(154)	-
	6,893	**4,734**

41. 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 26.73% equity interest in Kenya Airways Limited, and has a joint operations 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% (2015: 41.23%) 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.

The following transactions were carried out with related parties during the year:

	Company	
	2016	2015
	KShs million	KShs million
(i) Transactions involving outflows or depletion of assets of assets or incurrence of liabilities African Cargo Handling Limited	**126**	**133**
(ii) Transactions involving inflows or enhancement of assets or decreases of liabilities African Cargo Handling Limited	**710**	**816**

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

(b) Related companies balances

	Group		Company	
	2016	2015	2016	2015
(i) Due from related companies	**KShs million**	**KShs million**	**KShs million**	**KShs million**
Precision Air Services Limited	294	252	294	252
Stamina Group B.V	30	7	-	-
Kenya Airfreight Handling Limited	-	-	126	122
African Cargo Handling Limited	-	-	7,053	6,217
JamboJet Limited	-	-	542	167
	324	**259**	**8,015**	**6,758**

41. RELATED PARTY TRANSACTIONS (continued)

(b) Related companies balances (continued)

(ii) Due to related companies

	Group		Company	
	2016	2015	2016	2015
	KShs million	KShs million	KShs million	KShs million
KLM	10	5	-	-
Stamina Group B.V	45	42	-	-
Kenya Airfreight Handling Limited	-	-	48	48
African Cargo Handling Limited	-	-	11,330	9,397
	55	**47**	**11,378**	**9,445**

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.

The amounts due from African Cargo Handling Limited (ACHL) relate to cargo freight collected by ACHL on behalf of Kenya Airways (KQ) and the expenses paid by KQ on behalf of ACHL.

The amounts due to ACHL relate to cash transfers from ACHL to KQ and the ACHL IATA billings.

(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	
	2016	2015	2016	2015
	KShs million	KShs million	KShs million	KShs million
Salaries and other benefits	322	313	309	300
Non-monetary benefits	8	7	8	7
	330	**320**	**317**	**307**

Directors' remuneration included in key management compensation above comprise:

	Group		Company	
	2016	2015	2016	2015
	KShs million	KShs million	KShs million	KShs million
As executives	73	95	73	95
As non-executives	17	14	17	14
	90	109	90	109
Non - monetary benefits	3	5	3	5
	93	**114**	**93**	**114**

42. COMMITMENTS

As at 31 March, the Group had purchase commitments for aircraft parts and other equipment incidental to the ordinary course of business as follows:

	Group	
	2016	2015
	KShs million	KShs million
Authorised but not contracted for	1,711	2,564

43. OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	KShs million	KShs million
Not later than 1 year	12,681	8,762
Later than 1 year but not later than 5 years	42,946	25,500
Later than 5 years	54,429	28,169
	110,056	62,431

During the year, KShs 17,592 million (2015 - KShs 9,919 million) was recognised as an expense in profit or loss in respect of operating leases.

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 pay outs, borrowings or further leasing.

44. CONTINGENT LIABILITIES

(a) Contingent liabilities

	Group	
	2016	2015
	KShs million	KShs million
Guarantees	7,688	6,623
Litigation	428	428
	8,116	7,051

(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.

(c) Litigation

(i) 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 5 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 was completed. Kenya Airways Limited is fully insured for any legal obligations arising out of the accident.

44. CONTINGENT LIABILITIES (Continued)

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. There remains litigation concerning one passenger.

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.

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.

(ii) 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. Only one claim lies dormant and we have taken the pre caution to keep the file open.

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). The Court of Appeal in Versailles has said there is no competence for the criminal process in France and that releases/waivers of interest signed to settle claims of those in the process were " final ".The process requires formal closure by the magistrate which we believe is a formality.

(iii) Other Material Litigation

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.

45. SUBSEQUENT EVENTS

The following events occurred subsequent to 31 March 2016 and before the date of approval and signing of these financial statements:

(a) The Company received KShs 10 billion from the Government of Kenya, being the second and final tranche of the KShs 20 billion (US$ 200 million) bridge financing that has been on-lend from African Export-Import Bank (Afreximbank).

(b) The Company sub-leased two Boeing 787 and three Boeing 773 aircraft as part of the turnaround initiatives in order to improve its liquidity position.

(c) The Company initiated a restructuring plan to rationalise staff in order to optimise employee levels in the Company. The first phase of the rationalisation exercise commenced on 8 July 2016 and consultations with the relevant stakeholders are expected to continue in order to identify further employee cost savings.

(d) The Company is renegotiating with the lenders to obtain waivers for non-compliance with certain financial covenants as at 31 March 2016.

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