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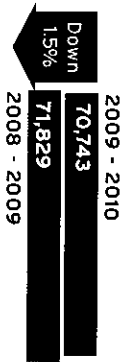




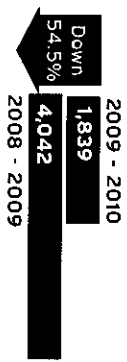
# Financial Highlights & Operational Statistics

## Group Results

Turnover (KShs millions)



Operating Profit (KShs millions)



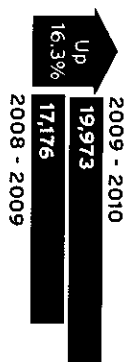
Profit Before Tax (KShs millions)



Net Profit (KShs millions)



Capital & Reserves (KShs millions)

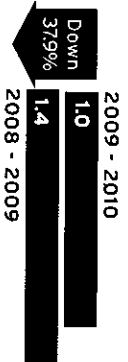


Earnings Per Share (KShs)

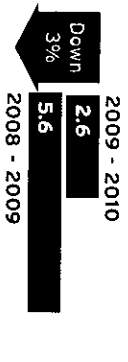


## Key Financial Statistics

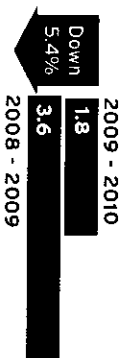
Debt to Equity Ratio



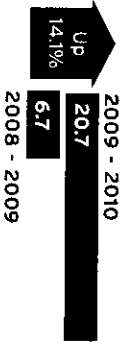
Operating Margin (%)



Interest Cover Ratio



EBITDAR Margin (%)

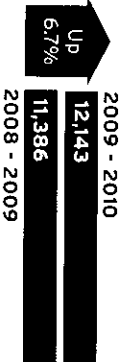


## Operating Statistics

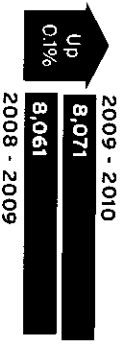
Passengers Carried



Available Seats (millions)



Revenue Passengers Km (millions)



Cabin Factors (%)

2009 - 2010

Cargo Uplifted (Tonnes)

2009 - 2010



# AGRICULTURE *Kenya*



# Notice of Annual General Meeting 2010

NOTICE IS HEREBY GIVEN that the 34th Annual General Meeting of the Company will be held at the Bomas of Kenya, off Langata Road, Nairobi on Friday 24 September 2010 at 11.00 am to conduct the following business:

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To consider and, if approved, adopt the Statement of Financial Position and Accounts for the year ended 31 March 2010 together with the Directors' and Auditors' Reports thereon.
4. To declare a final dividend of Kenya Shillings One (Ksh. 1/=) per share for the financial year ended 31 March 2010 payable to shareholders on the Register of Members at close of business on Friday 24 September 2010 and approve the closure of the Register of Members on Monday 27 September 2010 for one day only to determine the entitlement to the dividend.
5. To elect Directors:
  - a) Mr Dinesh Kapila retires by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, offers himself for re-election.
  - b) Mr Joseph Kinyua retires by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, offers himself for re-election.
  - c) Mrs Salma Mazrui-Watt who was appointed an additional Director of the Company on 28 January 2010, retires in accordance with Article 90 of the Company's Articles of Association and, being eligible, offers herself for re-election.
  - d) Dr Cyrus Njiru who was appointed an additional Director of the Company on 28 January 2010, retires in accordance with Article 90 of the Company's Articles of Association and, being eligible, offers himself for re-election.
6. To approve the Directors remuneration.
7. To appoint PricewaterhouseCoopers, Certified Public Accountants, as auditors of the Company in place of Deloitte & Touche, who retire from office at the conclusion of the Annual General Meeting and to authorise the Directors to fix their remuneration.

## SPECIAL BUSINESS

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

"That the Articles of Association of the Company be amended by deleting the existing Article 131 in its entirety and substituting the following new Article 131 to read as follows:

transfer system, transmitted to such bank or electronic or mobile telephone address in the share register of the Company or by cheque or warrant payable at such place as the Company shall specify in writing, sent through the post to the address of the person entitled to it as shown in the share register of the Company or if two or more registered as joint holders of the shares, to the registered address of the joint holder first named in the share register of the Company or in the case of two or more persons entitled thereto in consequence of the death or bankruptcy of the holder, to any persons at such address as the persons being entitled to receive payment may in writing

b) Every such cheque or warrant or funds transfer shall be made payable to or to the person to whom it is sent or to such person who may be entitled to the same (as in Article 131 a) aforesaid). Payment of the cheque or warrant, if purporting to be or endorsed, by the addressee or as the case may be, confirmation of payment made by the transmitting entity to the addressee of a direct debit, bank transfer automated system of bank transfer or via a mobile money transfer system, shall constitute a good discharge to the Company. Every such payment whether by cheque or electronic funds transfer or mobile money payments system shall be sent at the person entitled to the money represented by it."

## BY ORDER OF THE BOARD

**Fiona C Fox**  
**Secretary**  
**Date: 3 June 2010**

## NOTES:

1. Any member may by notice duly signed by him or her and delivered to the Secretary of the Senior Legal Counsel, Kenya Airways Limited, Headquarters, Airport Road, Embakasi, PO Box 19002 - 00501, Nairobi, not less than 7 and not more than 21 days before the date appointed for the Annual General Meeting, give notice of his or her intention to propose any other person for election to the Board, such notice is to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The person need not be a member of the Company.

2. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A form of proxy may be obtained from the Company's web site or from the Company's share registrars, Custody & Registrar Limited, 6<sup>th</sup> Floor, Bruce House, Standard Street, PO Box 8484 - 00100, Nairobi and need not be a member of the Company. To be valid, a form of proxy must be duly signed by the member and must either be lodged at the offices of the Company's registrars, or be posted, so as to reach Custody & Registrar Services Limited not later than Thursday 23 September 2010 at 11.00 am.



DLEWA HAPA KWAMBA Mkutano Mkuu wa Kila mwaka wa 34 wa Kampuni utaandaliwa as of Kenya, kwenye barabara ya Langata, Nairobi mnamo Ijumaa, Septemba 24 2010 hii kuendesha shughuli zifuatazo:

1. majina ya wawakilishi na kutambua kuwepo kwa idadi ya kutosha ya wanachama. a iliani ya kuandaa mkutano

2. nguza na iwapo itaidhinishwa, kupitisha hesabu na akaunti kwa mwaka unaomalizika 2010 pamoja na ripoti za Wakurugenzi na Wahasibu

3. njaza faida ya mwisho ya Ksh1 kwa kila hisa kwa kipindi cha matumizi ya fedha kililizika Machi 31, 2010 ambazo zitatolewa kwa wenyehisa walioko kwenye Sajili ya Wana-kufikia mwisho wa shughuli za siku mnamo Ijumaa Septemba 24, 2010 na kuidhinisha wa kwa Sajili ya Wanachama mnamo Jumatatu Septemba 27, 2010 kwa siku moja hii kuamua wanaostahili kupokea mgao wa faida.

4. Jua Wakurugenzi:

5. Mesh Kapila anastaafu kwa zamu kwa mujibu wa Kipengele B4 cha Sheria za Kampuni a kuwa anahitimu, ajitokeza kwa uchaguzi tena.

6. mes Kinyua anastaafu kwa zamu kwa mujibu wa Kipengele B4 cha Sheria za Kampuni a kuwa anahitimu, ajitokeza kuchaguliwa tena.

7. Salma Mazrui - Watt ambaye aliteuliwa Mkurugenzi wa ziada wa Kampuni mnamo Janu-2010, anastaafu kwa mujibu wa Kipengele 90 cha Sheria za Kampuni na, kwa kuwa mu, ajitokeza kwa uchaguzi tena.

8. rus Njiru ambaye aliteuliwa Mkurugenzi wa ziada wa Kampuni mnamo Januari 2B, nastaafu kwa zamu kwa mujibu wa Kipengele 90 cha Sheria za Kampuni na, kwa kuwa mu, ajitokeza kuchaguliwa tena

9. nisha ujira wa Wakurugenzi

10. a PriceWaterhouse Coopers, kama wahasibu wa Kampuni mahali pa Deloitte&Touche, wanaastaafu kutoka afisini baada ya kumalizika kwa Mkutano Mkuu wa Kila Mwaka, na nisha Wakurugenzi kuamua ujira wao.

LI MAALUMU

nguza na, iwapo itakubaliwa, kupitisha Azimio Maalumu lifuatazo:-

11. ba Sheria za Kampuni zirekebishwe kwa kuondoa Kipengele chote cha sasa cha 131 ili aji:

rununu iliyomo kwenye sajili ya hisa ya Kampuni au kupitia kwa hundi au afisi zetu kama vile Kampuni itafanua kwa maandishi, na kutumwa kupitia anwani ya mwanachama au yeyote anayestahili kupokea kama ilivyo kwenye sajili ya hisa ya Kampuni au iwapo watu wawili au zaidi wanajandikisha kama wamiliki wa pamoja wa hisa, kwa anwani iliyoandikishwa ya mmiiki wa pamoja ambaye ametajwa mara ya kwanza kwenye rejista ya hisa ya Kampuni au katika hali ambapo watu wawili au zaidi wanaostahili kulipwa kufuatia kifo au kufiisika kwa mmiiki, au kwa mmoja wa watu kama hao wanaostahili kupokea malipo wanaweza kuelezea kwa maandishi.

b) Kila hundi au kuhamishwa kwa fedha utafanywa kwa amri ya mtu anayeipokea au kwa yeyote anayestahili (kama inavyoeleza kwenye Kipengele kilichotajwa cha 131a). Malipo ya hundi, kama yataidaiwa kuidhinishwa na anayetumiwa kama hali itakavyokuwa, thibitisho kwamba malipo yalifanywa kwa anayetumiwa iwe ni moja kwa moja, au kupitia kwa akaunti ya benki au kupitia mfumo wa kutuma pesa za simu, itaondolea lawama Kampuni . Kiia malipo kama hayo iwe ni kupitia hundi au kutumwa kwa fedha kwa njia ya elektroniki au simu zitatumwa na hatari zozote zitagharamiwa na mwenye kutumiwa fedha hizo."

**KWA AMRI YA BODI**

**Fiona C Fox**

**Katibu**

**Tarehe: Juni 3, 2010**

**MAELEZO:**

1. Mwanachama yeyote anaweza kutoa iliani iliyotiwa sahihi na yeye binafisi na kuwasilishwa kwa Katibu, Afisi ya Wakili Mkuu, makao mkuu ya Kenya Airways Limited, Airport North Road, Embakasi, P.O Box 19002, 00500, Nairobi, katika kipindi kisichokuwa chini ya siku 7 na kisi-chozidi siku 21 kabla ya tarehe iliyotajwa ya kuandaliwa kwa Mkutano Mkuu wa Kila Mwaka, atoe iliani ya nia yake ya kupendekeza mtu mwingine kuchaguliwa kwa Bodi, iliani hiyo ni lazima iandamane na iliani iliyotiwa sahihi na mtu anayependekezwa kuelezea kukubali kwake kuchaguliwa. Anayependekezwa si lazima awe mwanachama wa kampuni.

2. Mwanachama ambaye anastahili kuhudhuria na kupiga kura kwenye mkutano na ambaye hawezi kuhudhuria ana haki ya kuteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Fomu ya mwakilishi inaweza kupatikana kwenye mtandao wa Kampuni au kwenye afisi za wasajili wa hisa, Custody & Registrar Services Limited, Chorofa ya 6, Bruce House, Standard Street, P.O Box 84B4, GPO 00100, Nairobi. Mwakilishi si lazima awe mwanachama wa Kam-puni. Ili kuwa halali, fomu ya mwakilishi ni lazima ijazwe na kutiwa sahihi na mwanachama na ni lazima ama ipeleke katika afisi za msajili wa hisa wa kampuni au itumwe kwa posta ili ifikie Custody & Registrar Services Limited kabla ya Alhamisi Septemba, 2010 saa tano asubuhi.

3. Nakala ya iliani hii, fomu ya wakala na Ripoti nzima ya Kila mwaka na Hesabu inaweza kupatikana kwenye mtandao wa Kampuni [www.kenya-airways.com](http://www.kenya-airways.com) au nakala iliyochapishwa inaweza kupatikana kutoka kwa wasajili wa hisa wa Kampuni, Custody & Registrar Services



## The Board of Directors

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*From Left to Right*

Mr. Evanson Mwaniki | Dr. Titus Nalikuhi | Dr. Cyrus Njiru | Mr. Peter F. Hartman | Mr. Ron Schinner | Mrs. Salma Mazrui - Watt | Mrs. C.



## **enson Mwaniki : Non Executive Chairman (71)**

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

## **s Naikuni ; Group Managing Director & Chief Executive (56)**

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

## **x W. Mbugua ; Group Finance Director (46)**

ua is a Member of both the Institute of Certified Public Accountants and Institute ed Public Secretaries of Kenya. He is also a holder of an MBA degree specializing in Finance. He has over 25 years experience in Finance 9 of which were gained from the

South Africa in 1999 to work as a Business Processing Consultant with PricewaterhouseCoopers. Before joining Kenya Airways in July 2008, he was the Chief Financial Officer-Africa for AngloGold Ashanti's African operations for a period of 5 years, also based in Johannesburg. He has over 10 years boardroom experience gained from sitting in several boards in Kenya, across Africa and Europe. He joined the board of Kenya Airways as Group Finance Director in August 2008.

## **Mr. Dinesh Kapila ; Non-Executive Director (64)**

Mr. Kapila is an advocate of the High Court of Kenya. Barrister-at-law, Lincolns' Inn, England, a partner in D.V. Kapila & Company Advocates and a practitioner in corporate, commercial and conveyancing matters. He has been actively involved in the overall privatisation strategy in Kenya as a member of the Parastatal Reform Programme Committee of the Government of Kenya. He has been a member of the Attorney General's Task Force formed for revising and updating laws relating to companies, partnerships, investments and insolvency. He has been a member of New Issues and Economic Rejuvenation Committees of the Nairobi Stock Exchange. He has been involved in the restructuring of Kenya Airways, Kenya Ports Authority as well as The National Cereals and Produce Board. He has advised the private sector in matters pertaining to telecommunications, railways, banking, hotels, properties, industries, farming etc. and is a director of several private companies. He joined the Board of Kenya Airways in April 1991, and is currently the Chairman of the Board's Audit and Risk Management Committee and also Chairman of the Airline's subsidiary companies, Kenya Airfreight Handling Limited, African Cargo Handling Limited and Kencargo Airlines International Limited.

## **Dr Cyrus Njiru ; Non-Executive Director**

Dr. Cyrus Njiru is the Permanent Secretary, Ministry of Transport in the Republic of Kenya. Originally trained as a Civil Engineer in Kenya, Japan, the Netherlands and the United Kingdom, Dr. Njiru later specialized in infrastructure finance, development and management. He received training in business and corporate management in the UK and Denmark. He also received further training and work experience in the USA and the UK. Before his current appointment, Dr. Njiru was Permanent Secretary in the Office of the Deputy Prime Minister and Ministry of Trade. Before joining the services of the Government of Kenya, Dr. Njiru was a Principal Adviser on Infrastructure Development and Management at the African Development Bank's headquarters in Tunis, Tunisia. Before joining the African Development Bank, Dr. Njiru was Research and Consultancy Manager at the Institute of Development Engineering in the UK, with responsibility for infrastructure projects in Asia and Africa. A highly trained and experienced professional, Dr. Njiru has considerable skills and international experience in project finance, infrastructure development and management. He has considerable work experience in Europe, Asia and Africa, and has consulted widely for international organizations such as the World Bank and the UK Department for International Development and SIDA.



## Biographies of the Board of Directors (cont'd)

**Mr. Peter F. Hartman (cont'd)**

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

**Mr. Ron Schipper ; Non-Executive Director (65)**

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

**Mr. Denis D. Afande ; Non-Executive Director (73)**

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

**Mr. Joseph Kinjua ; Non-Executive Director (58)**

several projects with the International Monetary Fund both within Kenya and abroad MA and BA degrees in Economics (University of Nairobi). He is currently a member of the Audit and Risk Management Committee and the Nominations Committee.

**Mr. Ayisi Makatiani ; Non-Executive Director (43)**

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

**Mrs. Salma Mazrui-Watt ; Non-Executive Director (44)**

Mrs. Mazrui-Watt has significant expertise in business leadership, sales and corporate communications and strategic planning in both the private and public sectors. She is currently the Regional Director, Public Development and External Relations, WWF East & Southern Africa Regional Program (ESARPO). Salma was Group Head of Marketing, Africa Online Holdings Ltd., Managing Director Trans Union Kenya Ltd. and was the Vice Chair for the East African Credit Bureau Association (EACBA). Between September 2004 and December 2005, she was CEO for the Kenya Sector Alliance (KEPSA) and was the Chief Executive Office for AAR Health Services. She worked for 9 years across Eastern Africa. Prior to that she ran her own business, a freelance corporate communications firm from 1991 to 1996. She has work experience in east, west and southern Africa. Salma holds a Bachelor of degree in Economics from George Mason University, Virginia, USA and a Masters in Administration from the University of Nairobi. She has a Certificate in Corporate Governance from the Commonwealth Association on Corporate Governance. She is a member of the National Economic and Social Council and is on the Governing Council for KCA University Nairobi. She is also a director of the African Fund for Endangered Wildlife and a non-director of Kenya Airways.

Mr. Veenstra is a Chartered Accountant. After completing his studies at the University of Groningen in 1991 he worked with KPMG as an auditor. He joined KLM in 1996. He was Vice President Finance & Control of KLM Engineering & Maintenance from 2001 till 2005 he has been Vice President Mergers, Acquisitions and Holdings, and in that position responsible for the acquisition of KLM's 51% shareholding in the airline KLM Cityliner.





# **GOLD MINING** *South Africa*

***The world economic situation has shown some improvement since the second quarter of 2009.***



nal trade and global industrial production overed noticeably, with an increasing f countries registering positive quarterly t their gross domestic products (GDP). ess, because of the steep economic at the beginning of the year, the World duct (WGP) is estimated to have fallen and growth contracted by 0.9%. In the tion for Economic Co-operation and ent (OECD), the US growth rate has been wn slightly to 2.4% and Japan's adjusted .3%. In the developing countries, China's growth rate was revised up to 9.3%. The nomy continues to be mostly supported by nt-led stimuli. Concerns remain regarding of public debt in almost all OECD regions record-high unemployment levels across

orld trade decreased by a record 13.2%. use in global demand brought on by the onomic downturn in decades drove own by roughly 9% in volume terms. world trade volume expanded by an ented 4.8% in December 2009 forcing Bank to revise its projected world trade te for 2010 to 4.3%.

According to the US Energy Information Administration, the drop is mainly attributable to easing world tensions, improved foreign relations between the US and the oil producing Arab nations, the Obama regime's pursuit of alternative energy sources and the stabilizing of Iraq which has increased its oil output to 1.9 mb/d. Conversely, the drop in average oil prices has led to an increase in the consumption of transportation fuels notably in emerging and developing economies due to the continued rise in motor vehicle ownership. In 2010 OPEC seeks to prioritize quota compliance and to gauge global oil demand to maintain prices between \$70 - \$80 bbl.

Globally, international airline passenger numbers have been on a marginal recovery pattern following the low growth levels of 1.6% experienced in 2008. For the first six months of 2009, the impact of the Influenza A (H1N1) virus compounded airlines' woes, contributing to a 7.6% contraction in global international passenger traffic. The last quarter of 2009 brought hopes of recovery for the industry, largely driven by a strong recovery in demand. Asia and Latin America are currently leading this growth, but North Atlantic and intra-Europe markets remain weak according to IATA (International Air Transport Association). Capacity management by airlines during the year resulted in healthier load factors. International passenger capacity was reduced by 7% and freight by 10%. These developments led IATA to scale down its 2009 industry loss forecast from US\$11 billion to US\$9.4 billion. According to Airports Council International (ACI), global traffic results in 2009 were much better than had been expected earlier in the year and finished at just 2.6% below 2008.

Cargo demand fell by 11.1% in 2009. Although airfreight volumes were 3-4% below the 2008 levels, the figures at the end of 2009 and January 2010 were 28% higher than in January 2009. This, according to IATA, signals a strong rebound in world trade. The upturn in airfreight volumes was higher than passenger traffic at the close of 2009. All in all, 2009 has gone down in history as the deepest demand recession ever seen by the industry.

international passenger traffic was seen in Dubai (+9.6%), Kuala Lumpur (8.8%) and Istanbul (+7.3%), the only airports with more than 10 million passengers per annum to register growth in 2009. Airports in Africa suffered a moderate 3.5 percent setback for the year, mainly caused by declines in domestic traffic while international traffic shrank only marginally. The airline industry has been described as very resilient having weathered one crisis after another from the 9-11 terror attacks, the Gulf war, SARS, high unparalleled oil prices, influenza A H1N1 virus and now the financial recession.

The main threats to profitability in the year were fuel prices, delays in aircraft deliveries and revenue yields. The global economic recovery has raised demand for fuel resulting in higher fuel prices. Jet kerosene prices closed the year at US\$88 per barrel according to IATA. This was lower than the 2008 average but 44% higher than the price at the beginning of 2009. Higher load factors were achieved due to seat capacity reduction but going forward new aircraft deliveries will threaten the positive load factors. These deliveries will also lower aircraft utilisation. This has also led to a drop in aircraft utilization. The battle for the remaining traffic demand as well as the entry of additional aircraft capacity has led to an erosion of revenue yields. Fares however, improved by 4% in the second half of 2009.

IATA's forecast for 2010 is encouraging. The year began with the airline body revising its 2010 industry loss forecast downwards from US\$5.6 billion to US\$2.8 billion. Both passenger and cargo demand are expected to improve in 2010. The optimism over stronger load factors is cautious given that capacity constraints seem to be on the return, threatening the good run at the beginning of 2010. IATA places the improvement in yields at 2% for passenger and 3.1% for cargo business. Concerns have emerged that premium travel may have experienced a structural shift and may not recover to the pre-crisis levels. Although it is improving, premium travel remains at 17% below 2008 peak levels. The price of oil is expected to continue rising with the improving global economy. From an average oil price of US\$62 per barrel in 2009, IATA has placed its



## Word from the Chair (cont'd)

Although it can be said that the worst is over, optimism over the recovery of the industry remains cautious. One key success factor will be the thrifty management of costs and capacity. Partnerships and mergers within the industry are also expected to grow. At the Copenhagen Climate Change Conference in December 2009, the IATA Director General unveiled IATA's strategy for climate change. The strategy's pillars are the green initiative, fuel efficiency improvement, logistics (shortening routes) and offset programs (offsets for flights by airlines). The targets are a 25% improvement in fuel efficiency (2020 versus 2005), use of 10% alternative fuels by 2017 and 50% absolute reduction in emissions by 2050.

### Africa

The real GDP of sub-Saharan Africa has had a slow recovery in 2009 owing to the late onset of the financial markets recession in Africa, slightly growing by 2.0 % compared to a 5.9% dip in 2008. According to the International Monetary Fund's (IMF) Regional Economic Outlook, the growth achieved in 2009 is a slight improvement on the 2008 levels instigated by improvement in oil exporting country economies and increased capital flows into Africa. Africa's debt position has been aggravated by the financial recession with the financial sector experiencing some disturbance in asset prices. Between May 2008 and March 2009, South Africa's Johannesburg All-Share Index (JALSH) which comprises the top tradable shares at the Johannesburg Stock Exchange, dropped by about 46%. African banks primarily felt the impact of the global financial crisis indirectly through higher funding costs and a reduction of 2.6% in fixed investment in 2009.

economies may face growing upward pressure due to more limited economic slack and increased capital flows. Emerging and developing economies are further ahead on the road to recovery led by a resurgence in Asia. In general, emerging economies have withstood the financial turmoil much better than expected based on past experience, which reflects improved policy frameworks. According to the latest economic update, the IMF raised its forecast for growth in 2010 to a 2.5% rate, which is higher than the 1.9% growth rate forecast in April. There is much less concern about systemic failure in the financial system.

More than halfway towards the achievement of the 2015 Millennium Development Goals (MDGs), major advances in the fight against poverty and hunger have begun to slow or even reverse as a result of the global economic and food crises. Global unemployment could reach 6.1% to 7.0% for men and 6.5% to 7.4 % for women, many of whom remain trapped in insecure and often unpaid jobs.

2009 has been a devastating year for the world's hungry, marking a significant worsening of an already disappointing trend in global food security since 1996. The global economic slowdown, following on the heels of the food crisis in 2006-08, has deprived an additional 100 million people access to adequate food. There have been marked increases in hunger in all of the world's major regions, and more than one billion people are now estimated to be undernourished according to the Food and Agricultural Organization (FAO). Of the ten countries with the highest levels of hunger, nine are in sub-Saharan Africa. Several countries experienced double digit increases in their main staple food price in 2008-09. For example, cassava prices rose by 60% in the Democratic Republic of Congo (where its consumption constitutes 55% of their calorie intake). Sorghum prices in Nigeria rose by 50% from January 2009 to October 2009.

increase in deaths. However, the number of people who grew mainly due to a mixture of new infections and usage of life prolonging medicines. Somali Pirates a record number of attacks and hijackings in 2009, deployment of international warships to thwart them a Nations Security Council resolution to bring the fig them to shore. The Piracy Reporting Center of the In Maritime Bureau said that pirates operating across Aden and along the coast of Somalia had attacked 2 in 2009, resulting in 47 hijackings. Twelve of these a total of 263 crew members, are currently being held by the pirates. This has resulted in increased costs and insurance surcharges.

Notwithstanding the above challenges the prospects for S Africa's economic growth look promising with improved and macro-economic stability, huge investment opportunities in resources such as oil, gas and other minerals, agriculture, transport and communications infrastructure the renewed interest in Africa by the East, especially historic hosting of the first World Cup in continental South Africa is expected to have a positive effect on some African countries, help accelerate the achievement MDGs and contribute towards reversal of stagnated growth.

### Kenya

Kenya's Real GDP per capita in 2009 grew by 2.3% to US\$ up from US\$ 1,711.63 in 2008 according to the IMF. This is attributed to growth in the manufacturing, construction, agriculture, tourism, transport and communication sectors was notable increase of capital inflows leading to profitability in the banking sector. The country also from the Economic Stimulus Programmes and the ambulance infrastructure projects across the country. According to Bank of Kenya (CBK), the overall 12-month inflation rate downward trend throughout the year 2009. It declined from in January 2009 to 5.3% in December 2009. The downward persisted in January 2010 with the 12-month inflation



3.5-4.0% barring any economic shocks such as an unexpected escalation in oil prices.

## Company Performance

At Kenya Airways, despite the difficult economic climate, the capacity measured in terms of Available Seat Kilometre (ASK) increased by 6.7% largely as a result of new destinations. Passenger traffic measured in terms of Revenue Passenger Kilometre (RPK) remained at prior year's level. The passenger yields in US cents dropped by 5.3% but, strengthened marginally by 1.9% when translated into Kenya Shillings, primarily due to the weaker Kenya Shilling in the period.

Passenger traffic growth of 7% was achieved in Southern Africa, primarily due to the successful launch of new operations to Maputo, Ndola and Gaborone. Additional frequencies were introduced to Johannesburg, Lusaka and Harare. Eastern Africa passenger traffic grew by 5.9%. This was largely attributable to increased frequencies to Bujumbura and Kigali as well as improved uplifts on the Dar-es-Salaam route jointly operated with Precision Air. Areas of modest passenger growth included Northern Africa (+4.4%), through increased operations on the Addis/Djibouti route. Europe improved by 4.3%, mainly from Amsterdam and Paris operations, an indication of dim recovery after the global traffic slump in prior year. West and Central Africa grew by 3.6% largely driven by the new destinations of Malabo, Bangui and Kinshasa Brazzaville route.

The Far East passenger traffic decreased by 12.1% due to the suspension of direct operations to Guangzhou, and the Dubai/Guangzhou route. Instead operations to Guangzhou were increased through Bangkok to improve profitability. Mid-East and Asia dropped 4.3% due to tactical cutbacks on capacity to Mumbai. In Domestic Kenya, total traffic remained unchanged despite suspension of operations to Malindi and Lamu and the airline's temporary withdrawal from Kisumu due to runway construction. This was offset by growth of 8.1% in passenger numbers on Mombasa operations.

The agricultural sector had a mixed performance in the year to November 2009. The short rains expected between October and December were erratic with some areas receiving above normal rains while others got lower than average rains, causing food insecurity to remain high. Of the main cash crops, tea and horticultural produce fell due to the prolonged dry weather conditions. Remittances through formal channels increased by 2.9% in February 2010 compared to a 6.6% decline in February 2009. The source regions for remittances have remained the same with North America taking the lead with a share of 54% and the rest of the world trailing with a 19% share. The growth in February 2010 can indirectly be attributed to improving economic conditions in the regions of origin and prospects for economic recovery at home. Year on year, 2009 had lower remittance levels at USD609 million mostly owing to the economic recession as compared to 2007 which was \$611 million.

The Government's proposal to issue infrastructure bonds in the budget speech of fiscal year 2009/10, points to its special focus on three sectors namely roads, energy and water, sewerage and irrigation. These bonds have performed remarkably well and generated interest locally. Kenya's tourism earnings rose by 18% to KShs 62.4 billion in 2009 from a year earlier. This was partly due to a 30% rise in arrivals according to the Kenya Tourist Board (KTB). Tourism, the third largest foreign exchange earner after horticulture and tea exports, was one of the sectors hardest hit by the bloody post-election crisis in early 2008. Summing up the industry outlook, the KTB Chairman states that the industry will in 2010 recover its record growth achieved in 2007.

The outlook for 2010 although slightly optimistic, may be adversely affected by the political climate being set by the search for a new constitution culminating in a referendum in August this year and the impending trial at the Hague of the perpetrators of the post election violence. The prospects for the economy are expected to improve supported by better macro-economic conditions, adequate rainfall, increased food production, the on-going investment in infrastructure, the positive impact of the fiscal stimulus, the

range inflation also declined from 16.5% in 2009 to 8.5% in January 2010. Kenya's publicly guaranteed debt increased by the first half of fiscal year 2009/10 to stand at 1.9 billion in December 2009, from Ksh 1.5 billion in June 2009. The external debt to GDP ratio decreased from 22.4% in June 2009 to 20.1% in December 2009, while the domestic debt to GDP ratio increased from 21.7% to 24.0% during the period. Kenya's balance of payments position improved from a deficit of US\$ 30 million in the year ended December 2008 to a surplus of US\$ 552 million in December 2009. The improvement was due to a larger increase of surplus in the capital account in relation to the widening of the current account deficit.

The Kenya Shilling appreciated marginally to KShs 78.70 to KShs 75.50 by December 2009, however, it lost ground against the Sterling and the Euro. Regionally, the Kenyan Shilling has been the trend of marginal gains narrowly against the Ugandan and Tanzanian Shilling. Kenya's balance of payments surplus was KSh3.4 billion (\$45 million) in 2009 from a deficit of KSh287 million a year ago. The value of exports fell eight percent to \$10.14 billion by December 2009, as the oil import bill declined on the back of lower international oil prices.

There were also on a downward trend, declining from KSh4.474 billion according to the CBK latest review. Global food prices rose again in December 2009. The World Bank food benchmark index rose by 23% between January and December 2009. The food price index for 2009 was on average 7% lower than the 2008 average, prices were higher than 2007. Maize prices in Kenya,



## Word from the Chair (cont'd)

### Cargo

Cargo tonnage volumes were at par with prior year, but yields declined by 17.1%. As a consequence cargo revenue declined by 10.6% on prior year. Regions with high growth in cargo tonnage volumes included West and Central Africa (+41.6%) as a result of increased frequencies, Northern Africa (+14.2%), Middle-East and Asia (+9.3%). Cargo traffic on European routes improved marginally by 1.9% following the slow economic recovery. Regions that recorded a drop in cargo uplifts were East Africa (-22.4%), Southern Africa (-15.8%), Far East (-7.9%) and Domestic Kenya (-16.9%).

The Board announces that Kenya Airways has regained profitability. The airline achieved KShs 2.035 billion profit after tax compared to the prior year loss of KShs 4.08 billion. The result produced a net profit margin of 2.9% and an increase in earnings per share of 149.8% over prior year. Management continued to invest time and resources towards maintaining high levels of safety in all its operations during the year.

### Exchange rate

The US Dollar strengthened against the Kenya Shilling with the average exchange rate for the period being KShs 76.67 per US dollar against a prior year average of KShs 71.23 per US dollar. The strong US Dollar and the relative weakening of the Kenya Shilling over this period had a positive effect on foreign currency denominated revenues when reported in Kenya Shillings. These gains were however partly offset by the adverse effect on foreign currency denominated expenses.

### Fuel Costs

Fuel costs excluding hedge costs decreased by KShs

This significant drop was primarily driven by lower jet fuel prices which declined from 308/cag in 2009 to 217/cag in 2010, a decrease of 29.6%. The decrease of 6.2% in price impact resulted from a combination of volume consumption and exchange rate.

### Overheads

Overheads increased by KShs 3.4bn or 28.5%. KShs 2.1bn of this was attributable to the increased salaries and allowances following the return to work agreement with the Aviation Allied Workers Union. The other increases included depreciation of completed projects and amortisation of intangible assets totalling KShs 535m, advertising and publicity up to KShs193m due to launches of new destinations. The balance of KShs 567m is due to growth and increased activities.

### PROSPECTS

There are signs that the global aviation industry is starting to recover slowly after the global financial crisis of 2008. The traffic demand revival globally is however inequitable across regions, with growth concentrated in the emerging markets of Asia, Latin America and the Middle East.

Africa, the main area of focus for Kenya Airways offers unique opportunities to tap the potential in the un- and under-served cities. Kenya Airways will therefore continue to selectively open up new routes to these destinations and to increase frequencies on the deserving existing routes. The global economic recovery that is emerging in the West, Middle East and the Asian economies is expected to flow into Africa and the Kenyan economy. This should, in turn, improve the prospects for Kenya Airways in 2010 and beyond.

The Board however recognizes the growing threat of competition. This implies that Kenya Airways has to take cognizance of this and implement appropriate strategies to enhance growth and profitability. The main drivers of improved performance are passenger numbers, better yields and more stringent cost management.

The airline must therefore continue investing in development, staff training, improvement of its system enhancing SAFETY standards. Management is committed to offering a more competitive product through, inter alia, on-time performance in order to meet and exceed expectations.

Kenya Airways profit after tax in 2009/10 compares favourably with the prior year's loss. The Board is optimistic that the performance will continue improving in the years ahead. The Board takes this opportunity to thank all its customers, management and suppliers for their dedicated contribution to the growth of the airline.

### Dividend

The Board recommends a first and final dividend of KShs 462m per share, for approval by shareholders at the Annual General Meeting on Friday 24th September 2010. This represents a total payment of KShs 462m. The dividend will be paid on 22 October 2010 to shareholders on the Register of Members as at the close of business on 24 September 2010.

### Shareholding

The number of shareholders on the Register of Members as at 31st March 2010 was 75,006. Out of these, 34,978 have their shareholding in favour of CSC Nominees Limited and 40,028 accounts on the Central Depository System. The shareholding profiles as at 31st March 2010 is on page 47.

### Directors

The Board is pleased to announce the appointments of Mr. Njiru and Mrs. Salma Mazrui-Watt to the Board of Directors of Kenya Airways. Mr. Njiru was appointed on 4th June, 2009 and 28th January, 2010 respectively. Mrs. Mazrui-Watt wishes to take this opportunity to thank both Eng. A. Cheserem for their much valued contribution.



# SPICE ISLANDS

## ZAMBIA



## MAELEZO KWA JUMLA

Hali ya kiuchumi duniani imeimarika kiasi kuanzia katikati ya mwaka uliopita 2009. Biashara ya kimataifa na uzalishaji wa kiviwanda duniani umeimarika kwa kiasi kikubwa, huku idadi kubwa ya nchi zikipata ufanisi maruduru katika jumlaya mapato yao ya nchi (GDP). Hata hivyo, kutokana na kuzorota kwa kiwango cha uchumi mwanzoni mwa mwaka, Jumla ya Mapato ya Dunia (WGP) yanakadiriwa kudidimia kwa asilimia 2.2 na ukuaji kupungua kwa asilimia 0.9. Katika Shirika la Ushirikiano wa Kiuchumi na Maendeleo (OECD), ukwaji wa uchumi wa Amerika umekadiriwa upya na kupunguzwa hadi asilimia 2.4 na ule wa Japan kuongezwa hadi asilimia 1.3. Katika mataifa yanayostawi, kiwango cha uchumi wa China kimepandishwa hadi 9.3. Uchumi wa dunia unaendelea kuchochewa na visisimua uchumi vinaavyotolewa na Serikali. Hata hivyo, kuna hali ya wasiwasi kuhusu kiwango cha deni la umma katika takribani maeneo yote ya OECD na kiwango vya juu vya ukosefu wa ajira kote duniani.

Mnamo 2009, biashara ya dunia ilipungua kwa kiwango cha kihistoria cha asilimia 13.2. Kupungua kwa ununuzi wa bidhaa ambao ulisababishwa na uzorotaji mkubwa wa uchumi kuwahi kushuhudiwa kwa miongo kadha ulipunguza mauzo ya bidhaa katika nchi za nje kwa asilimia 9. Hata hivyo, kiwango cha biashara ya dunia kiliongozeka kwa kiasi ambacho hakilawahi kuonekana cha asilimia 4.8 mnamo Desemba 2009, na hivyo kuliazimisha Benki ya Dunia kukadiriwa upya kiwango cha ukuaji wa biashara ya dunia kwa mwaka 2010 hadi asilimia 4.3.

Mahitaji ya mafuta yanatarajiwa kupanda kwa mb/d 0.9 (mapipa 0.9 milioni ya mafuta kwa siku) mnamo 2010 ikilinganishwa na mb/d 1.4 (mapipa 1.4 milioni ya mafuta kwa siku) mnamo 2009. Mahitaji ya mafuta kwa kiasi kikubwa yamekuwa yakitegemea

wa mb/d 0.15, ilhali mahitaji ya mataifa yasiyo wanachama wa OECD yanakadiriwa kuongezeka kwa mb/d 1.0, yakichochea na China na eneo la Mashariki ya Kati. Uzalishaji wa mafuta wa nchi sisizo wanachama wa OPEC unakadiriwa kuongezeka kwa mapipa 0.4 kwa siku mnamo 2010, kufuatia ukuaji wa mapipa 0.6 kwa siku mnamo 2009.

Bei za kimataifa za petroli zilivyumbayumba kati ya Dola 41.4 na 74.01 kwa pipa, na hivyo kwa kiwango cha wastani cha dola 61.1 kwa pipa kwa mwaka 2009, ikilinganishwa na Dola 94.45 mnamo 2008. Kwa mujibu wa Shirika la Amerika la Taarifa kuhusu Kawi, kupungua huko kunatokana na utulivu duniani, kuimarika kwa unushiano wa Amerika na mataifa ya Uarabuni yanayozalisha mafuta, jitihada za utawala wa Obama kutafuta uzalishaji wa kawi mbadala na hali ya utulivu kurajia nchini Iraq, na hivyo kuongeza uzalishaji wa mafuta yake hadi mapipa 1.9 kwa siku. Kwa upande mwingine, kupungua kwa bei ya mafuta kumeongeza matumizi ya petroli ya uchukuzi hasa katika chumi zinazobuka na zile zinazoendelea kutokana na kuongezeka kwa idadi ya wanaomiliki magari. Mnamo 2010, OPEC inalenga kulipa kipaumbele suala la uzingataji mgao wa uzalishaji na kutathmini mahitaji ya mafuta ili kudumisha bei hiyo kwa kati ya Dola 70- Dola 80 kwa pipa.

Idadi ya wasafiri wa kimataifa imekuwa ikiongezeka kwa kiwango kidogo kufuatia viwango vya chini vya ukuaji vya asilimia 1.6 vilivyoshuhudiwa mnamo 2008. Katika miezi sita ya kwanza 2009, athari ya homa ya nguruwe (H1N1) zilichangia zaidi masababu ya mashirika ya ndege, na kuchangia kupungua kwa idadi ya wasafiri kwa asilimia 7.6. Mezi mitatu ya mwisho wa mwaka ilileta matumaini ya ufufuzi wa sekta hiyo, hasa kutokana na kuongezeka kwa mahitaji. Asia na nchi za kusini mwa Amerika kwa sasa zinaongoza katika ukuaji huu, lakini masoko ya Kaskazini mwa Atlantic na yale baina ya nchi za Ulaya bado ni hafifu, kwa mujibu wa Chama cha Kimataifa cha Usafiri wa Ndege (IATA).

Uwezo wa kubeba idadi ndogo ya abiria katika mwaka uliopita ulirahisisha hali ya upakiaji. Uwezo wa kubeba abiria kimataifa ulipungua kwa asilimia 7 na usafiri kwa asilimia 10. Hali hi ilifanya IATA kupunguza tathmini yake ya hasara katika sekta hii kutoka

nafuu mnamo 2009 kuliko ilivyotarajiwa mapema mwaka kuwa asilimia 2.6 chini ya 2008. Mahitaji ya mizigo yaliji asilimia 11.1 mnamo 2009. Ingawa kiwango cha jumla usafiri wa ndege kilikuwa asilimia 3-4 chini ya kiwango idadi hiyo kufikia mwisho wa 2009 na Januari 2010 ilikuwa 28 zaidi kuliko Januari 2009. Hii, kulingana na IATA kuimarika kwa biashara ya dunia. Kuongezeka kwa idadi kulikuwa juu kuliko idadi ya wasafiri kufikia mwisho kwa jumla, 2009 utakumbukwa kama mwaka ambao mdororo wa uchumi uliowahi kushuhudiwa na sekta hii.

Kwa jumla, idadi ya kimataifa ya wasafiri iliimarishwa katika nchi za China, India na Brazil ambapo wingi wao uli katika nusu ya pili ya mwaka. Kwa mwaka mzima, idadi wasafiri kimataifa ilishuhudiwa Dubai (nyongeza ya asilimia 8.8) na Istanbul (asilimia 7.3) v ndege pekee ambavyo hupokea zaidi ya wasafiri 10 milioni mwaka kushuhudiwa ukuaji mnamo 2009. Viwanja vya ndege vilipata pigo kiasi kwa asilimia 3.5 katika mwaka huo, hasa na kupungua kwa idadi ya wasafiri wa ndani ilhali idadi wa kimataifa ilipungua kwa kiasi kidogo.

Sekta ya usafiri wa ndege imetajwa kama thabiti, hasa kuhimili mshindo mmoja baada ya mwingine kuanzia mwaka ya kigaidi ya 9-11, vita vya Ghuba, Homa ya Ndege, be kihistoria ya petroli, homa ya nguruwe ya A/H1N1 na sasa wa kiuchumi.

Vikwazo vikuu kwa faida mwaka huo vilikuwa bei ya kucheleweshwa kuwasilishwa kwa ndege na mapato Ufuaji wa uchumi wa kimataifa umeongeza mahitaji na hivyo kuchangia kupanda kwa bei ya petroli. Bei ya ndege yaliuzwa kwa bei ya Dola 88 kwa pipa kwa mujibu Hii ilikuwa chini kuliko kiwango cha wastani cha 2008 lakini 44 zaidi ya bei ya mwanzoni mwa 2009.

Ubejaji zaidi wa mizigo uliafiwa kutokana na kupungua idadi ya viti lakini kuendelea mbele, ununuzi wa ndege





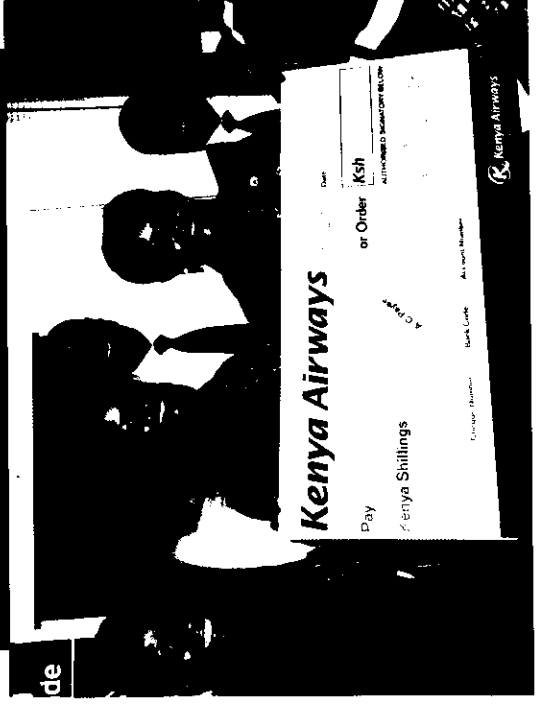
# Word from the Chief Executive - Corporate Social Responsibility (cont'd)

Meeting with students of Laverna  
Primary School, Donyo Sabuk.



Students from Riara Springs High School experience  
a day in the life of Titus Naikuni, CEO Kenya Airways.

Support for the Haiti earthquake disaster victims.



Finance Department donates beds at  
Sageri School for the Deaf.



Plant a Future Campaign.

Captain Paul Mwangi, Director of Flight Operations,  
at the launch of a computer class at Mangu High  
School, Thika.





## Tarifa ya Afisa Mkuu

Uchumi wa dunia umeanza kuimarika ingawa kwa taratibu. Ukuaji mkuuwa umepatikana hasa katika Amerika Kusini, Mashariki ya Kati na Asia. Ingawa sekta ya usafiri wa ndege inatarajiwa kuimarika 2010, sekta hiyo inatarajiwa kupata hasara ya hadi Dola 2.8bilioni mwaka huu.

Kenya Airways ingali inalenga kwenye mkakati yake ya kupanua njia za usafiri za kuunganisha jiji moja na lingine ili kuunda mtandao wa faida huku msisitizo hasa ukiwa katika Afrika. Mnamo 2009/10 pekee, tulifanikiwa kuzindua maeneo mapya saba ya usafiri Afrika ikiwemo Brazzaville - Jamhuri ya Congo; Kisangani - DRC; Libreville - Gabon; Bangui - Central Africa Republic; Ndola - Zambia; Gaborone - Botswana na Malabo katika Equatorial Guinea.

Ili kuhakikisha mkakati wetu wa upanuzi unaendelea bila vikwazo, kundi la kufanya majadiliano kuhusu Huduma za Pamoja za Usafiri wa Ndege Ikiiongozwa na Wizara ya Uchukuzi lilifanikiwa kutathmini na kukamilisha mikataba ya Huduma za Pamoja za Usafiri wa Ndege (BASAs) na nchi kadha. Mikataba hii itatoa nafasi zaidi kwa upanuzi wa njia mpya na kuongeza idadi ya safari zetu pamoja na kupanua ushirikiano wetu na mashirika mengine ya ndege hasa Afrika. Mada kuu kwenye ripoti yetu mwaka huu ni "Kufungua Afrika kwa Dunia". Kwa kufungua njia mpya, tunaamini kwamba tumetekeleza wajibu wetu katika kuandaa Afrika kwa biashara na kuunda nafasi zaidi za uwekezaji.

Miongoni mwa changamoto tulizokumbana nazo mwaka uliopita ni pamoja na kubadilika badirika kwa bei ya mafuta, kucheleweshwa kwa ndege ya Dreamliner B787-800, uzingatiji wa utaratibu wa kukata tikiti kupitia kwa mtambo na athari za mgomo wa siku mbili. Hata hivyo, changamoto nzito zaidi tulivokumbana nayo ni ukosefu wa

Ingawa tumetambua juhudi za Serikali na Mamlaka ya Kusimamia Viwanja vya Ndege (KAA) kupanua JKIA, ni vyema kutambua kwamba kufikia 1978, uwanja huo uliundwa kuhudumia wasafiri 2.5milioni kila mwaka. Kutokana na upanuzi wetu na kuwasilii kwa ndege nyingi za kigeni Kenya, uwezo wa JKIA kuhudumia wateja kila wakati umefika mwisho. Mnamo 2009, JKIA ilihudumia wasafiri 5 milioni. Kufuatia hali hiyo, wasafiri hawajafurahishwa, na hivyo kuamua kutumia viwanja vizazi vinavyovutia zaidi. Kutokana na ukosefu wa kuimarishwa kwa miundomsingi hii muhimu ambayo ni nguzo kuu kwa ufanisi wetu, na kama tutaweza kutwaa nafasi yetu kama kitovu cha huduma za safari za ndege Afrika, tutalazimika kutafuta msaada wa Serikali ili kuruhusu wasafiri wa muda, hasa kutoka nchi za Afrika Mashariki zinazotumia Kifaransa kutumia hoteli zilizo nje ya uwanja wa ndege.

Huku asilimia 70 ya mtandao wetu ukiwa Afrika, Kenya Airways leo inakabiliwa na ushuru mwingi na ada kwa operesheni na huduma zake, ikiwemo ushuru wa mapato, mali, mafuta, vifaa na kwa sababu za kijamii kama vile msaada wa maendeleo, mazingira na upanuzi wa utalii. Hakika, ushuru mpya katika sekta ndege, hasa Afrika, umeongeza gharama ya kufanya biashara. Kwa mfano, Serikali ya Kenya imejadiliana na kupatana kuhusu Mikataba 8 ya Utozaji Ushuru Maradufu (DTA) dhidi ya maeneo 44 ya kimataifa ambapo KQ inahudumu. Tutaendelea kuhimiza Serikali ya Kenya kupitia Wizara ya Fedha kuharakisha majadiliano hayo ili kutuondolea mzigo huo wa Utozaji Ushuru Maradufu (DTA). Kwa kuondoa vizingiti vya biashara, uwekezaji na uzaji katika soko wazi zinapasa kuwa mbinu bora zaidi za kuafikia malengo ya muda mrefu ya maendeleo.

Kenya Airways itaendelea kushirikiana na Serikali kuhakikisha kwamba tunanyakua tena na kudumisha nafasi ya kwanza kama kitovu cha huduma za ndege kinachovutia zaidi.

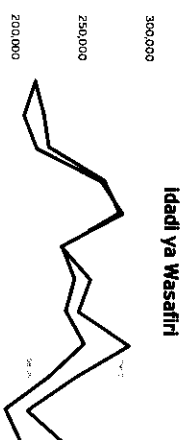
Mapato ya abiria yalipungua kwa kiasi kidogo hadi Sh62.8bilioni mnamo 2009/10 ikilinganishwa na mwaka uliopita ambapo yalikuwa Sh62.9bilioni. Mapato ya mizigo yalipungua kwa asilimia 11 hadi Sh5.4bilioni ikilinganishwa na mwaka uliopita ambapo yalikuwa Sh6.3bilioni. Hata hivyo, uwanja wa abiria wa ndege wa Kenya Airways uliendelea kukua kwa kasi kidogo hadi Sh62.8bilioni mnamo 2009/10 ikilinganishwa na mwaka uliopita ambapo yalikuwa Sh62.9bilioni. Mapato ya mizigo yalipungua kwa asilimia 11 hadi Sh5.4bilioni ikilinganishwa na mwaka uliopita ambapo yalikuwa Sh6.3bilioni. Hata hivyo, uwanja wa abiria wa ndege wa Kenya Airways uliendelea kukua kwa kasi kidogo hadi Sh62.8bilioni mnamo 2009/10 ikilinganishwa na mwaka uliopita ambapo yalikuwa Sh62.9bilioni. Mapato ya mizigo yalipungua kwa asilimia 11 hadi Sh5.4bilioni ikilinganishwa na mwaka uliopita ambapo yalikuwa Sh6.3bilioni.

Kutokana na hali hiyo, jumla ya mapato yalipungua kwa 1.5 hadi Sh70.7bilioni.

### MATOKEO YA KIBIASHARA

Wakati wa kipindi cha matumizi ya fedha cha 2009 Airways ilibeba jumla ya abiria 2.92milioni ikilinga abiria 2.82 milioni mwaka uliopita. Istitoshe, shirika hili safirisha kilo 55.2milioni za shehena kote kwenye mtandao uliunganishwa na kilo 55.6milioni mwaka uliopita.

Nyongeza ya idadi ya wasafiri ikilinganishwa na mwaka uliopita ilishuhudiwa katika nusu ya pili ya mwaka wa kiredha na njia mpya zilizozanzishwa na kuimarika kwa idadi kufuatia kufufuka kwa sekta ya usafiri wa ndege uliokidondororwa wa kiuchumi duniani. Istitoshe, utabiri wa kufanikiwa kwa kuhusu kuimarika kwa safari za ndege unaendelea ku



Mlezi

### UUZAJI

1. Mpango wa kuwatuza wateja wa KQ wanaotumia mkopo ya Gold

Mnamo Desemba 2009, Kenya Airways ilizindua kadi ya KQ-Msafari Gold Credit card, ambayo ni kadi ya mkopo ya aina ya MasterCard iliyotolewa na benki ya CFCStanNia ya kutolewa kwa kadi hiyo ni kuimarisha uaminifu kusafiri na Kenya Airways kwa kuwezesha wateja wenyi kuzoa alama za kuwathawabu wanaponunua bidhaa r kupitia mamilioni ya maduka ya MasterCard kote ulir Alama hizi zaweza kubadilishwa na kuwa tikiti ya "



Kituo hiki kitashughulikia masuala ambayo ni pamoja na:

- Ununuzi wa tiketi
- Uthibitishaji na uthibitishaji tena wa safari za ndege
- Ubatilishaji wa safari za ndege

Hatimaye, kituo hiki kinatarajiwa kutoa huduma zote pahali pamoja kwa wateja wote kuhusu mambo mbalimbali ikiwemo malalamiko kuhusu mizigo.

### **Mafunzo ya Usimamizi wa Safari za Ndege**

Kitengo kinachosimamia safari za ndege pia kimepiga hatua kubwa muhimu ili kuimarisha ubora wa huduma zake katika mwaka huu na kinaendelea kufanya hivyo. Kituo cha Pride Centre sasa kina mpango wa mafunzo kuhusu maelezo ya safari za ndege kwa marubani wa Kenya Airways kupitia kompyuta japo si bayana (Virtual Procedures Trainer-VPT). Kuzinduliwa kwa VPT kumwezesha kundi la wakufunzi kupunguza gharama ya mafunzo na zinginezo kwa takriban Dola 743,332 za Amerika mnamo 2009, ikiwa ni pamoja na kupunguza muda ambao marubani wanatumia katika kituo cha mafunzo kutoka siku 34 hadi 24 wakati wa siku za masomo.

Julai 2008, bodi ya KQ iliidhinisha ujenzi wa awamu ya pili wa kituo cha Pride Centre ambao unatarajiwa kukamilika kufikia Septemba 2010. Awamu hii itajumuisha kuwekwa kwa mpango wa kutoa mafunzo kuhusu kifaa cha kuonyesha jinsi ndege na safari yenyewe ilivyo katika hali halisi, Boeing 737NG Full Flight Simulator" pamoja na vyumba vya mafunzo yake kwa minajili ya kufunza marubani. Mpango huu utaimarisha hata zaidi ufanisi wa mafunzo ya rubani wa B737.

Manufaa muhimu ya mpango huu ni pamoja na kupungua kwa siku zinazotumiwa na rubani kusafiri nchi za ng'ambo kupata mafunzo kuhusu kifaa hicho na kupungua kwa gharama za kukodisha chumba cha malazi katika hoteli na huduma zake. Mpango huu wa mafunzo yasiyo bayana kupitia kompyuta pia utatoa nafasi kwa marubani wengi kuendelea na kazi zao kwani wataweza kupeperusha ndege

Novemba 2009, mbinu mpya ya malipo kwa wateja wa Kenya ya M-PESA kutoka Safaricom, ya kufanya malipo kupitia simu ya rununu, ilizinduliwa. Mbinu hii iliwapa wateja fursa ya kushika nafasi ya kiti wakiwa Kenya kupitia mtandao ama kituo cha Mawasiliano cha KQ Contact Centre ambacho kinahudumu kwa masaa 24 na kullipa Sh 70,000 kununua tiketi bila ya kwenda dukani.

Katika jitihada za kuboresha huduma ya mawasiliano na wateja, mazungumzo ya moja kwa moja kwa mtandao (Live Chat) yalizinduliwa. Mbinu hii inawezesha wateja kuwasiliana kwa mtandao na maajenti wa KQ wanaohusika na shughuli ya kuwasaidia wateja wanapokumbana na tatizo lolote ama kuhitaji habari zaidi wanapokuwa wakikaguliwa kabla ya kuanza safari.

### **4. Kiwango cha Kuridhika kwa Wateja**

Tangu Juni 2009, juhudi zetu za pamoja za kuimarisha viwango vya kuridhika kwa wateja kumedhihirika kupitia uchunguzi wa kila mara wa viwango hivi unaojumuisha wahusika wote. Kiwango hiki kwa jumla kimeongezeka kwa alama 11 kutoka asilimia 61 mnamo Juni 2009 hadi 72, Februari 2010.

### **Jedwali 1. Hali ya Jumla ya Kuridhika kwa Wateja**

Wateja wameripoti ongezeko la imani yao katika huduma kadha zikiwemo uhifadhi wa vifaa na nafasi, matukio wakati wa kuabiri ndege na kusafiri, kuwasili na starehe. Ni muhimu kutaja kwamba, idadi ya wateja walioridhika na mpango wa kuzoa alama za thawabu wa Flying Blue imeongezeka kutoka asilimia 35 mnamo Juni 2009 hadi 63 mnamo Februari 2010, baada ya mabadiliko kadha kufanyiwa viwango vya kuzoa alama na kupewa thawabu.

### **5. Kituo cha Mawasiliano cha Masaa 24**

Katika jitihada za kuongeza mbinu za kupata mapato, kituo cha mawasiliano kimeboreshwa ili kuhakikisha kinatoka huduma bora inayowalenga wateja zaidi. Kituo hiki sasa kinahudumu kwa masaa 24 na kina wafanyikazi 50. Vile vile, kituo hiki, ambacho awali kilifungwa saa mbili usiku, kimekuwa kikipata mapato yake kupitia huduma ya M-PESA ya kuuza tiketi katika kanda hii. Kiwango cha mapato ya wastani ya kita mwezi ni Sh6m kutoka kwa safari za kanda na humu nchini.

paumbele ya kuandikishwa wanapofika a eneo la mapumziko la KQ. Kuzinduliwa iji kumeimarisha utangazaji wa KQ katika ndege. Kuna mipango ya kupanua ufoaji hadi kwa wateja wa Afrika Mashariki na na siku zijazo.

### **a Usafiri**

ways na Chartis Kenya zimeungana ili a ya usafiri, ambayo inakulinda dhidi ya hayoweza kutokea wakati wa kusafiri. o huo unatoa fursa kwa wateja wa Kenya ununua bima hiyo wanaponunua tiketi ya fasi ya kiti. Huu ni mpango unaotoa nafasi uli za usafiri kufanywa kwa wakati mmoja ndolea wasafiri wasiwasi na kuwatuliza duma hii sasa inatolewa kwa tiketi zote ya Kenya bila kuzingatia shirika la ndege. i pili ya huduma hiyo ni kuenezwa hadi frika Kusini na Afrika nzima. Utekelazaji u hii unaendelea na utakamiika kufikia a mwaka wa fedha wa 2010/2011.

### **ya y Kielektroni na Mauzo kupitia Tovuti**

mpya na iliyoimarishwa ya kompyuta na tiketi ya kushika nafasi ya kiti kupitia lianza kutumika moja kwa moja mnamo si. 2010. Shirika iliandikisha Dola 1.5m za atika mwezi wa kwanza ikilinganishwa na 000 za Amerika Januari mwaka huu na naendelea kuongezeka kufuatia mbinu ya kununua tiketi kupitia mtandao. Idadi ytembelea tovuti ya KQ imeongezeka mia 50 katika mwaka wa 2009/2010 hwa na 2008/2009. Idadi ya wastani ya belea tovuti kwa mwezi pia imeongezeka na sasa imefikia 350,000.



## Tarifa ya Afisa Mkuu (unaendelea)

Muda wa kurejesha gharama ya uwekezaji katika mpango huu ni chini ya miaka mitatu.

### Matunzo ya Kiufundi

Shule ya kutoa mafunzo ya kiufundi ina jukumu la kukuzana na kuboresha ujuzi wa kiufundi na kiuhandisi unaohitajika katika usimamizi wa ndege za Kenya Airways. Shule hiyo sasa ina uwezo wa kufunza nyingi ya kozi za uhandisi mumu humu bila usaidizi kutoka nje. Kozi hizi zimeundwa kwa ushirikiano wa kampuni zinazounda ndege zitakazotumika katika mafunzo. Hii imechangia pakubwa kupungua kwa gharama ya mafunzo kwani sasa kozi zinafunzwa na wakufunzi wa KQ. Tunatazama kuwekeza zaidi katika ujuzi wa uhandisi hasa katika kiwango cha usani.

### Matunzo ya Huduma za Viwanja

Matunzo ya Huduma za Viwanja zililinga uundaji wa mipango ya kutoa mafunzo ya ndani ili kutimiza mahitaji ya utenda kazi. Katika mwaka huu, mipango hii yote ilipigwa msasa na kozi mpya kuongezwa, sio tu kudhirisha mabadiliko katika taratibu za kufanya operesheni yaliyofanywa katika mwaka huu, lakini pia kulainisha mafunzo hayo na viwanjo vya kimataifa vya usalama wa huduma za viwanja vya ndege. IATA Safety Audit of Ground Operations (ISAGO). ISAGO ni mfumo unaokubalika kimataifa kutumiwa kukagua mbinu za operesheni za usimamizi na mifumo ya udhibiti ya shirika linalotoa huduma za viwanja vya ndege kwa mashirika ya ndege.

Muhimu miongoni mwa kozi mpya zilizoongezwa inahusu usalama wa viwanja, Airside Safety Training Course, ambayo ilijumuishwa na kampeni kabambe kuhusu usalama wa viwanja chini ya mada "KQ Salama". Juhudi hizi zilipelekea kupungua mno kwa visa vya ajali kutokana na huduma za viwanja na kuimarika kwa viwanjo vya uhamasishwaji kuhusu

kuunda kozi kuhusu operesheni zote za idara hiyo kulingana na viwanjo vya kimataifa vya hali ya juu. Hii ilifimiza kufikia mwishoni mwa 2009, kwa kujumuishwa kwa zaidi ya kozi 30 zinazohusu maeneo yote ya operesheni za Huduma za Viwanja. Kufikia mwisho wa mwaka, asilimia 98 ya wafanyakazi walikuwa wamepata mafunzo ya mwanzo na yale ya kunoa ubongo (refresher).

### Matunzo ya Kibiashara

Mwaka 2009/2010 ulikuwa kipindi kizuri na cha kuvutia kwa idara inayosimamia Ujuzi wa Kibiashara. Huku ikiwa na jukumu la kufunza makundi ya wahudumu katika ndege, wanaouza tiketi na wa mauzo, idara hiyo ilijitahidi kuhakikisha kila mfanjikazi anayehusika amepata mafunzo na yuko tayari kuendeleza mipango ya kampuni.

Matarajio makubwa ya huduma bora yamepelekea kuundwa kwa mipango na mikakati mipya na mahiri. Hizi zitahakikisha wahudumu katika ndege na maajenti wa mauzo wa Kenya Airways wana ujuzi wa kutosha wa kufanikiwa katika sekta hii yenye ushindani mkubwa. Mafunzo hayo yanayohusu ujuzi yamekamiliwa na mafunzo ya ustawi kwa wafanyakazi wote yanayolenga kuleta mwelewano mmoja na kujenga uongozi bora katika viwanjo vyote vya shirika. Mnamo Januari 2010, idara hii ilizindua kozi yake ya kwanza ya kibiashara; Cheti cha Ufundi wa Ndege (The Certificate of Airline Cabin Crew). Hii ni kozi ya cheti ya miezi mitatu kwa yeyote aliyene na maono ya kuelekea kuwa mfundi wa ndege siku za usoni. Kikundi cha kwanza cha wanafunzi, waliotahamika kama "The Pride Stars", walifuzu Machi 2010. Mpango sawia wa mafunzo ulitolewa kwa watu wa nje wanaotafuta kufanya kazi katika eneo la huduma za viwanja na washiriki 24 pia walifuzu Machi wakipewa Cheti katika Huduma za Viwanja.

Kampuni inapanga kuwaandikisha wanafunzi wengine kwa awamu nne kila mwaka. Hii itapelekea kituo cha Pride Centre kuipa sekta hii wahudumu waliohitimu katika ufundi wa ndege na maajenti wa huduma kwa wateja kila baada ya miezi mitatu.

### Kuweka Vigezo vya Ufanisi

viwanjo vinne vya majukumu. Hivi ni uandikishaji, uc usimamizi na mpango wa urithi, ili kujaliza mafunzo ya wafanyakazi yanayoendelea sasa, na pia kuwapa ujuzi u katika kila kiwanjo kipya, msururu wa mafunzo ya kuku yanatolewa kwa lengo kuu la kuhakikisha mafanikio ya moja unapofanya kazi.

Kama mkusanyiko wa mafunzo ya kuimarisha ujuzi wa w zinaipa kampuni mwongozo wa kukua uongozi n wafanyakazi mwelekeo mwafaka wa kuimarisha uju uongozi. Mpango wa kutoa mafunzo kwa marubani um vyema na watumizi na kampuni. Mipango hii ni pamoja wa Kibinafsi, Kujifunza Kuongoza, Uongozi katika Biashar wa Kiwanjo cha Juu katika Biashara na Kuboresha U

### Ustawi Endelevu

Ustawi Endelevu ni mfumo wa kuhifadhi mipango bor shirika kutoa huduma bora bila kukoma, kuondoa uharibifu viwanjo vya malengo. Kwa kujumuishwa mipango hii n katika taratibu za shirika, makampuni yanaweza ku viwanjo vya juu vya bora katika utendakazi wake na h hadhi ya "Huduma Bora za Viwanjo vya Kimataifa".

Kwa kuimarisha utekezaji wa shughuli zake, Kenya yaweza kufikia hadhi hii. Hii itatimizwa kwa kulenga des kufanya kazi kama Timu (Team Work), "5S" (Sort, Sh Standardize and Sustain), Vipimo vya Utendakazi Una (Visual Performance Measurement), Ustawi ulio na (Focused Improvement) na Kuongoza na Kukabiliana na (Leading and Managing Change). Desturi hizi zinaenda na mishi ya kampuni ya mwaka 2010/2011 ambayo matanikio na ufanisi ili kuwa shirika salama, lenye f kiwanjo cha kimataifa.

Mara tu Kenya Airways itakapokubali na kufanya ma kuwa desturi yake, shirika hili litakuwa na uwezo wa k na masuala kama kuendeleza mazingira yenye uta salama ya kufanya kazi, kuimarisha uzalishaji na ut



# Taarifa ya Afisa Mkuu (unaendelea)

## ATA

ays imeshirikiana na IATA kutenga kituo Airways cha Pride Centre kama kituo cha a IATA katika kanda hii. Mafunzo hayo a kulingana na mahitaji ya kibiashara na wote Afrika nzima na ulimwengu wote. vyanzo 2009, kozi mbili za kwanza funzi wanaolipa karo kutoka nchi za shwa. Kozi hizi zilikuwa usimamizi wa viwanja katika kituo na mafunzo ya jinsi ha ndege ambazo zilishuhudia wanafunzi a pembe ya dunia. Kufuatia mafanikio azamiwa kwamba kituo cha Pride Centre a kama kituo cha kwanza kwa mafunzo na ufundi wa vyombo vya anga katika a wafanya kazi

awaka 2009/2010, kampuni ilifanya o na vyama viwili vikuu vya usafiri wa ama cha Marubani wa Kenya Airways na azi wa Safari za Ndege na Washirika wake a kuimarisha upatanifu wa kibiashara na a uhusiano na wafanya kazi.

gosti 2009, kulikuwa na mgomo wa azi kwa siku chache kufuatia kukwama ifitiano kuhusu nyongeza ya mishahara Mazungumzo zaidi kati ya pande zote usaidizi wa Muungano wa Vyama vya azi (COTU) na Shirikisho la Waajiri nchini anikisha mwafaka wa kurejea kazini na alumu kuhusu hatua mahususi ambazo a kuwa muhimu katika kurejesha utuivu ya kazi katika kampuni.

na AAUW pia ziilitia sahihi Mwafaka wa Nyongeza ya Mishahara (CBA) ambao

kwa lengo la kukuza uhusiano bora na kushughulikia masuala ya kila siku yanayoathiri wafanya kazi kote katika kampuni.

Mabadiliko katika usimamizi wa vyama hivyo viwili yalileta changamoto mpya kuhusiana na kukuza ushirika, kuunda hali thabiti ya uhusiano wa kikazi na kuimarisha usuluhishaji wa haraka wa mizozo. Kufuatia hali hiyo, ratiba ya Vikao vya Pamoja vya Kila mwezi na vingine vya Idara vya Kila Wiki imezingatiwa.

Kampuni pia ilianzisha uchunguzi wa Maoni ya Wafanya kazi kwa lengo la kutathmini kwa jumla hisia za wafanya kazi katika kampuni ili kuimarisha hali ya utendaji kazi na kufanikisha matokeo kupitia mbinu bora za kikazi. Matokeo ya uchunguzi huo yametolewa kwa wafanya kazi ambao kwa sasa wanateua washirikishi wa makundi ambao wataongoza juhudi za kurekebisha hali hiyo.

Mradi wa Nyumba wa Embakasi ulinuiwa kutoa makazi yafaayo na kuwezesha wafanya kazi wa Kenya Airways kuishi karibu na JKIA. Lengo kuu la mradi huu wa nyumba ni kupatia nyumba wafanya kazi wanaohudumu kwa zamu na nyakati sisizo za kawaida na pia kuwezesha wafanya kazi kujipatia makazi katika kipindi wanachofanya kazi. Ili kuafikia malengo ya mradi, ardhi iliuzwa kwa bei ya kawaida ili kutoa ruzuku ya thamani ya nyumba zenye. Jumla ya wafanya kazi 624 walieleza nia yao ya kumiliki nyumba hizo, na baada ya kutumia vigezo vilivyokubalika vya uteuzi, wafanya kazi 332 walipewa fursa ya kwanza kumiliki nyumba 156 (za vyumba viwili vya malazi) na 176 (za vyumba 3 vya malazi). Idhini za NEMA tayari zimetolewa na mradi kwa sasa unasubiri kumalizika kwa hati za umiliki ardhi ili ujenzi wa nyumba zenye uanze.

Kama sehemu ya kujitolea kwetu kuifanya KQ mahali pazuri pa kufanya kazi pamoja na "Kuimarisha Hadhi yetu," siku ya familia ya KQ iliandaliwa mnamo Novemba 28, 2009. Hii ni siku imetengwa ili wafanya kazi na familia zao watangamane, watulie na kufurahia. Siku ya mwaka huu, wafanya kazi 427 ambao wamehudumu kwa muda mrefu walituzwa.

ili kuimarisha utoaji huduma na kupunguza gharama, huduma za maabara na utoaji dawa zilikabidhiwa makundi kutoka nje. Shirika hili pia iliiteua mshauri nasaha ambaye atahudumu katika kliniki ya kampuni katika siku maalumu kutoa ushauri.

Huduma zingine zilizoanzishwa mwaka huu ni pamoja na kutafuta huduma za kuhamisha wafanya kazi walioko katika maeneo yasiyofikika kwa urahisi na vituo vyetu vilivyoko nje.

Ufaratibu wa kutoa maelezo ya kibinafsi umekamilika na utasaidia kutambua wagonjiwa na kufuatilia matumizi ya mgao wa kila mmoja kwa njia inayofaa. Kampuni pia ilinunua magari mapya ya kisasa ya ambulansi ambayo yatatumika katika hali za dharura na wafanya kazi na wasafiri wa Kenya Airways.

Mitihani ya wanaoshughulikia chakula kwa wafanya kazi wanaohitaji pia ilianzishwa. Kama sehemu ya mafunzo ya afya yanayoendelea kwa wafanya kazi na familia zao, semina kwa kina mama na wajakazi wa nyumbani iliandaliwa, na miongoni mwa masuala yaliyozungumziwa ni kuanza kulisha mtoto chakula, huduma ya kwanza nyumbani na usafi.

## Mpango wa HIV kazini

Mipango kadhaa ilitekelezwa mwaka uliopita. Kampuni ilipeana kandarasi kwa mtaalamu kuwezesha wagonjiwa kupata huduma za kisasa kuhusiana na kudhibiti kwa HIV, uchunguzi na ushauri wa kitaalamu kwa gharama nafuu. Ushauri nasaha kuhusiana na HIV unatolewa bila malipo pamoja na mafunzo ya kawaida kwa wauguzi kuhusu utaabibu maalumu.

Kampuni pia imekuwa ikishirikiana na Shirika la Kitaifa la wenzi wa kutoa mafunzo (NOPE) kuanzisha mikatikati kadha ya kukabiliana na HIV mahali pa kazi.

## Afya na mazingira ya kikazi

Mnamo 2009/10, idadi ya wafanya kazi katika Idara ya Afya iliongezeka. Wafanya kazi wawili wa afya waliohitimu walijiriwa. Ili kuimarisha utoaji huduma na kupunguza gharama, huduma za



## Tarifa ya Afisa Mkuu (unaendelea)

Huduma zingine zilizoanzishwa mwaka huu ni pamoja na kutafuta huduma za kuhamisha wafanya kazi waliko katika maeneo yasiyofikika kwa urahisi na vituo vyetu vilivyoko nje.

### Taratibu za masuala ya wafanya kazi

Tangu kuanzishwa kwa mfumo wa kutumia mitambo kushughulikia masuala ya wafanya kazi mnamo Aprili 2008, tumeanzisha mikakati ya kuimarisha utaratibu huo kwa namna ambayo itashughulikia mahitaji yanayobadilika ya kibashara. Mfumo huu hasa unashughulikia nyanja ya ujiri, mapunziko, kuhudumu muda wa ziada na shughuli muhimu za masuala ya wafanyi kazi. Hii itahakikisha idara ya Masuala ya Wafanyi kazi inashughulikia kikamilifu kwa mahitaji ya kibashara ya kila siku na pia kutosheleza matarajio ya wateja na utoaji huduma bora zaidi.

### MIFUMO YA HABARI NA MAWASILIANO

#### Utekelezaji wa mtandao wa VSAT katika Afrika

Mitambo mingi ya biashara ya KQ imo pahali pamoja na inaendelea kutegemeana. Kuunganishwa kwa mitambo kamahiyu Afrika kumekuwana changamoto mbeleni, huku kukiwa na kukatika kwa mawasiliano mara kwa mara. Mnamo 2009/10 Kenya Airways ilianzisha harakati za kuimarisha mtandao wake wa Afrika kwa kuunganishwa kwa ule mfumo wa Very Small Aperture Terminal (VSAT). Hii imewezesha afisi katika Viwanja vya Ndege Afrika na zile katikati mwa miji kuwa na mawasiliano bora na mitambo ya kibashara iliyopo Nairobi (kwa mfanano, mtandao wa KQ kuhusu taarifa za wafanyi kazi, mawasiliano ya kampuni kupitia barua pepe, programu ya kusimamia fedha ya Oracle E-Business Suite, taratibu za masuala ya wafanya kazi na uagizaji na kadhalika) na kupitia Amsterdam (mfumo wa kuweka nafasi

KLM na kadhalika). Muungano huu umo kwenye mapatano ya asilimia 99 na hivyo kumaanisha, muda mchache wa kuunganishwa kwenye mtandao. Mwaka unaomalizika, maeneo 26 katika nchi 17 yameunganishwa kwenye VSAT. Mengine 16 yatakamilika katika kipindi cha matumizi ya fedha cha 2010/11.

#### Mfumo wa kuunganisha operesheni kwenye kitovu cha huduma zetu

Kuongezeka kwa haraka kwa ndege za Kenya Airways na kufunguliwa kwa njia mpya zimetulazimu kuwa na Kituo cha Kusimamia Operesheni (OOC) ambacho kina mtandao wa kusimamia huduma zote kutoka mahali pamoja. Mfumo huu pia unahitaji kuunganishwa kwa karibu na ule wa kusimamia huduma kwenye kitovu chetu na OCC ili kushughulikia operesheni za kila siku na kukatizika kwa huduma kwa njia bora zaidi huku shirika hili linapoendelea kupanuka. Mitambo iliyoteuliwa na inaendelea kutekelezwa inatoka kwa shirika la kutoa huduma kwa kampuni za ndege. Sabre. Mitambo hiyo ni ya kusimamia wahudumu wa ndege, kudhibiti usafiri, mipango ya safari za ndege na uzito na mizani na kuunganishwa kwa operesheni katika maeneo haya yote. Mfumo wa kusimamia kitovu cha huduma zetu unatarajiwa kuimarisha kwa kiasi kikubwa, operesheni za kila siku kote katika uwanja wa JKIA kwa kutambua idadi kamili ya wafanyi kazi wanaohitajika, kuwezesha mpangilio utao wa wafanyi kazi wanaohudumu kwa zamu, kusimamia masuala ya wafanya kazi kupitia mitambo na kusaidia kufanya maamuzi kuhusu operesheni za kila siku. Hii itawezesha KQ kushughulikia idadi kubwa ya wateja wanaopita JKIA.

Utekelezaji wa mifumo yote ya OCC na HCC unatarajiwa kumalizika wakati wa kipindi cha matumizi ya fedha cha 2010/11.

#### Usimamizi wa nauji na mfumo wa kuamua bei

KQ ilitekeleza mfumo wa kusimamia nauji na kuamua bei, pia kutoka Sabre. Manufaa yake makuu ni kuharakisha utaratibu wa shirika hili kutathmini na kupiga hesabu kuhusu nauji zake. Hii itasaidia KQ kutitika kwa haraka mabadiliko ya nauji ya washindani wetu huku ikimarisha utaratibu wa kuamua nauji na kupunguza gharama za utendaji kazi. Pia, itawezesha wachanganuzi wa nauji

#### Mfumo wa pamoja wa kutunza mizigo

Mfumo wa kushughulikia kutunzwa na Kuuzwa kwa hutiwao Cargospot ulitekelezwa katika kipindi kilichon matumizi ya fedha. Mfumo huu umechukua mahali pa m inayotumika katika kushughulikia mizigo (Mercury kwa mizigo, COHARS kwa usafirishaji mizigo, E-Champ kwa Mizigo na RAPID kwa hesabu ya mapato ya mizigo). mfumo huu wa pamoja yataanza kuonekana katika kipindi cha matumizi ya fedha cha 2010/11. Mfumo huo utatumika na vituo vingine vidoogo vya kuuzwa na kutunza mizigo.

#### Mfumo wa kusimamia bajeti

Katika kipindi hiki cha matumizi ya fedha, idara ya Fedha na kutekeleza mfumo mpya wa kupanga bajeti na fedha. Huu ulitumika kuandaa bajeti zote za shirika kwa wa matumizi ya fedha wa 2010/11. Mfumo huo mpya un manufaa yanayoweza kupatikana kupitia utaratibu inatarajiwa kwamba itaimarishwa hata zaidi siku sijazo. I ya kwanza ya kutumia mitambo katika utendaji kazi katika hili, na inatarajiwa kupanuliwa wakati wa kipindi cha matumizi ya fedha cha 2010/11.

#### Matumizi ya mtandao na simu kwa biashara katika

Shughuli za kibashara kupitia kwa mtandao katika hatua zaidi kufuatia ustawishaji wa mtandao kwa simu (WAP). Matumizi haya ya WAP yatawezesha wateja kazi kupata taarifa kama vile ratiba ya safari za ndege, tikiti za ndege kwenye mtandao, taarifa kuhusu ka habari kupitia simu zao. Matumizi mengine ya biashara simu ambayo yalizinduliwa mwaka huu ni malipo kupitia ambao utahudumia wateja wetu wa Uingereza na Nigeria

#### Orodha ya Amadeus Altea

KQ ilienelelea kushirikiana na kundi la Air France-KLM matumizi ya mfumo wa kuweka orodha wa Amadeus A sehemu ya mpango mkubwa wa kuhama kutoka mfumo France-KLM wa mitambo ya kushughulikia wasafiri (kuhifia na kuuzwa tikiti, na usimamizi wa kuondoka katika uwanja



## Usalama wa IS

Mbali na kutekeleza na kutumia mifumo kadha ya mawasiliano na habari kwenye ndege, ni muhimu pia kuendelea kutambua hatari zozote za kiusalama na kuimarisha jitihada za kukabiliana na vitisho vyovyote vya usalama kutoka nje na ndani. Mwaka uliopita, tulifanya tathmini za kiusalama kwenye mifumo 6. Dosari zilizogunduliwa tayari zimekebishwa.

## OPERESHENI ZA USAFIRI

Uteuzi na mafunzo kwa wafanyi kazi ni shabaha muhimu ya Idara ya huduma za Usafiri

Marubani 24 mwanzoni walijiriwa katika mwaka uliomalizika na kwa sasa wanaendelea kupokea mafunzo Afrika Kusini ilhali wengine 23 walioingia moja kwa moja walijiriwa na sasa tayari wamepokea mafunzo yanayohitajika. Kuliikuwa na marubani 337 mwaka uliopita ikilinganishwa na idadi inayolengwa ya 370. Kampuni inakusudia kupunguza mwanya huo baada ya marubani hao kurejea Septemba/Oktoba 2010 baada ya kumaliza mafunzo yao, na kuajiri marubani wengine 24 kunakotarajiwa kufanyika mwaka ujao. Wahudumu wetu ndani ya ndege kwa sasa ni 821 huku wengine 50 wakitarajiwa kuajiriwa katika kipindi kijacho cha matumizi ya fedha ili kukidhi mahitaji ya mtandao wetu unaopanuka.

Ili kuimarisha mawasiliano na ustawi kitaaluma miongoni mwa wahudumu wetu wa ndege, Idara ya Usafiri wa Ndege ilifanya mabadiliko kwa shughuli za usimamizi wa huduma ndani ya ndege kwa kuongeza mameneja watafu wanaosimamia safari ili kila mmoja asimamie idadi maalumu ya wahudumu. Nafasi sita za mamejeja wanaosimamia wahudumu ndani ya ndege pia zilibuniwa. Mamejeja hao watasimamia ukaguzi na pia kuhakikisha uzingatiji wa viwango miongoni mwa wahudumu. Mabadiliko mengine ni pamoja na kupandishwa daraja kwa wahudumu wa usafiri 144 hadi kiwango cha kimataifa ambao watatoa huduma kwa wasafiri wanaolipa nauli ya juu.

Katika mwaka unaomalizika, tulianzisha mpango wa kutoa mafunzo ya kibishara kwa marubani wetu unaofahamika kama 'Flight Operations Induction Program'. Takribani marubani 50 tayari

Tunaendelea kuandaa vikao vya wafanya kazi kila baada ya wiki mbili ili kukua mawasiliano katika idara. Katika vikao hivi, matokeo ya kampuni, nafasi za kujiimarisha na masuala ya ustawi wa kibinafsi kama vile afya na usimamizi wa kifedha yanajadifiwa.

Kitengo cha wahandisi wanaosimamia safari za ndege walifanikiwa kuweka mfumo mpya wa mawasiliano (ACARS) katika ndege 4 za B767-300, 2 za B737-300 na 1 ya B737-700. ACARS itaimarisha usalama na mawasiliano yaafayo kwa wale waliomo ndani ya ndege na viwanjani. Miongoni mwa manufaa ya ACARS ni pamoja na uchunguzi wa utendaji kazi wa injini ya ndege, udhibiti wa mizigo na kufuatilia safari yenyewe. Kuwekwa kwa ACARS kwenye ndege aina ya B737-300 unapangiwa kumalizika kufikia mwishoni mwa Desemba 2010.

Katika kitengo cha chakula, tumefanikiwa kupunguza gharama zetu kwa kupunguza utoaji wa chakula nje ya Nairobi kwa takribani asilimia 3.6 mwaka uliopita hadi asilimia 5.7 mwaka uliotangulia.

## HUDUMA ZA VIWANJANI

### Usalama

Usalama ni sehemu muhimu ya azimio la Kenya Airways na wajibu muhimu kwa Idara ya Huduma za Viwanjani. Shughuli yetu kuu ilikuwa ni maandalizi na kuidhinishwa kwa huduma zetu za viwanjani Nairobi na Mombasa kwa mujibu wa mahitaji ya IATA kuhusu tathmini ya Viwango vya Usalama katika Operesheni za Viwanjani (ISAGO).

Huu ni mpango unaotambuliwa kimataifa ambao viwango vyake vinazingatia utenda kazi bora. Licha ya matokeo haya mazuri, nusura tuwe na ajali mbaya katika kituo chetu cha mizigo, Nairobi Cargo Centre wakati wafanya kazi wetu walikuwa wanasughulikia kupotea kwa umeme na hitilafu ya stima.

### Operesheni za Nairobi

Sambamba na maandalizi na uzingatiji wa ISAGO, tulianzisha pia mikakati maalumu katika mafunzo na ujiri.

Tuliwapa mafunzo zaidi wafanya kazi wa ngazi ya kuingilia ndege na kuongeza wasimamizi kwa asilimia 100. Huu ni uwekezaji mkubwa

u wa kukaa. Matumizi kamili ya Orodha ilianzisha Juni 2010. Orodha ya Altea ina wa karibu na Altea Reservation, ambayo maslahi ya wateja na hivyo kuimarisha wa wateja.

## Kukata tikiti kupitia mtandao wa Galileo ETAT

E-Ticket Direct na Galileo ETAT ha maajenti walioidhinishwa katika masiyoni wanachama wa IATA/BSP kutoa elektroniki kwenye akiba ya KQ. Mbinu arisha usambazaji wa tikiti kupitia kwa wenye masoko yasiyo wanachama wa kukabiliana na ulaghai (ambao ni kawaida titi za kawaida) na kupunguza gharama ya tikiti za karatasi na usambazaji wake.

utasambaza manufaa yaliyopo katika BSP kwa wateja wa KQ katika masoko achama wa BSP. Mwaka uliopita, yote kwelezwa katika masoko yafuatayo yasiyo a wa IATA/BSP: Sudan, DRC, Rwanda, ierra-Leone, Seychelles, Djibouti na ir.

## Miundomsingi ya viwanja vya ndege

IS kilianzisha kaunta za muda katika adha vya ndege Afrika kama vile i, Kinsasha, Gaberone, Douala, Zanzibar bashi. Hii imewezesha wafanya kazi laohudumia wasafiri katika viwanja ndege kuhamisha kaunta hizo hadi apokagua abiria wanaosafiri. Baadaye wa baada ya ndege kuondoka. Hii a hali bora ya usalama kwa mitambo ya a kukagua wanaosafiri na hivyo basi



Katika upande wa mizigo, Kenya Airways imebadilisha taratibu zake na kuunganisha Mauzo ya Mizigo na ile ya kutunza mizigo ikiongozwa na meneja mkuu. Katika utaratibu huu mpya, ngazi ya kuingilia ndege katika eneo la mizigo itasalia katika Huduma za Viwanjani.

## Utoaji Huduma

Tunaendelea kukadiriya utendaji kazi wetu dhidi ya malengo tuliyokubaliana. Tuliangazia vigezo maalumu vya utoaji huduma mwaka uliopita. Baada ya kupokea matokeo mazuri kwenye utaratibu wa wasafiri kupanga foleni mwaka uliopita, sasa tunaangazia usafirishaji wa mizigo. Matumizi na utenda kazi wa mfumo wetu wa ukaguzi wa mizigo zimeimarika pakubwa kwa takribani asilimia 100. Kwa sasa, tunaelekeza jitihada zetu kwa utoaji huduma kwa wateja wetu na kutoa mafunzo maalumu kwa watumishi wetu wanaotangamana na wateja moja kwa moja.

## Miradi

Kama sehemu ya mfumo wa pamoja wa usimamizi wa huduma, tumekuwa tukitekeleza mpango unaohusiana wa kudhibiti kitovu chetu (HCS). Uzinduzi wa HCS ulifanywa kwa awamu tatu na utekelezaji kamili unatarajiwa kukamilika kufikia mwisho wa Aprili 2010, mapema kuliko ilivyopangwa. Tunatarajia mabadiliko bora kwa namna rasimaili zinavyotumika.

## Mashirika Ya ndege ambao ni wateja

Hati ya ISAGO ni nembu ya ubora katika shughuli za viwanjani. Jitihada zaidi zilifanywa kuainisha utoaji huduma wetu na matarajio ya wateja. Wakati huo, tulianzisha huduma za viwanjani kwa mashirika ya ndege ya Ethad na Singapore, Nairobi na Air Italy na Ethiopian Airlines, Mombasa. Mpango maalumu umeanzishwa kuhakikisha tunazingatia Mikataba

Katika mwaka uliopita wa kifedha shule ya mafunzo ilihitajika kuwasajili wanafunzi wa kiufundi kujaza pengo la wafanyakazi waliokuwa wakistaatu na pia kutimiza mahitaji ya upanuzi ya shirika. Lengo lilikuwa kuachana na mwelekeo wa awali wa kuwafunza wanagenzi kisha baadaye kuwapa kibali cha uhandisi, na sasa kulenga mafunzo ya kimsingi ya uhandisi ili kuwa na wafanyakazi chini ya kiwango cha wahandisi walio na kibali. Mpango huo ulikumbwa na hitaifu kadha kutokana na jinsi mahitaji ya usajili yaliwekwa na Idara Inayosimamia Maslahi ya Wafanyakazi (Human Resource), na kumaanisha hakuna wanagenzi wapya walioandikishwa katika mwaka uliopita wa kifedha.

Katika mwaka huu wa kifedha mpango huu umeratibiwa kuendelea, huku ukilenga mahitaji ya ujuzi wa kazi. Hii itahitaji ushirikiano na mashirika yaliyostawi ambayo yatatupa vifaa vya mafunzo hapo mwanzo kabla ya Kenya Airways kuwa na uwezo wa kujinunulia vyake na kutoa mafunzo. Kundi la kwanza limepangwa kusajiliwa kabla ya mwisho wa Septemba 2010.

Kufikia sasa agenda ya Ustawi Endelevu (Continuous Improvement-CI) kwa Idara ya Ufundi imeundwa na iko tayari kutumika na kila kitengo cha idara hiyo. Mikutano ya vitengo inaendelea, miradi ya kuimarishwa imetambuliwa na kuorodheshwa na mipango yenye maelezo ya kina imewekwa. Uchanganuzi wa wadau pia unaendelea vyema.

Mradi wa kuweka mfumo wa mitambo inara ya uhandisi, The Open Aviation Strategic Engineering Systems (OASES), ulianzishwa katika Kenya Airways ili kulainisha utaratibu wa shughuli zote za idara. Unahifadhi na kutoa ripoti ya taratibu zote za kudumisha mitambo, jinsi muda wa wafanyakazi unavyotumika na vipi vipuri vinapatikana. Mradi huu ulianzishwa Agosti 2008 na Afisa Mkuu Mtendaji wa Wakurugenzi wa Idara ya Ufundi na Mifumo ya Mawasiliano. Manufaa muhimu yanayotarajiwa na yaliyoshuhudiwa kufikia sasa ni pamoja na kuimarika kwa uzalishaji na kupungua kwa gharama ya kudumisha utendakazi wa vifaa. Mradi pia umechangia kuboresha upatikanaji wa habari, utoaji wa ripoti za utendakazi na uwekaji mipango hususan ya kudumisha utendakazi wa ndege.

Mipango (Planning) na Uzalishaji (Production) zikianzia mwishoni mwa Mei 2009. Hatua hii kubwa ilidokezwa rikamiliifu kwa mara ya kwanza kwa mfumo wa OASES, na kubainiwa matokeo yake kwenye ndege (OASES on the Boeing 737-800 fleet). Uandalizi na uwekaji umeshatekelezwa katika aina zote za ndege zetu hii na mwisho iliyowekwa ikiwa ni aina ya Boeing 737-300 ilianza kutumia mfumo huu Februari 2010. Maendeleo mwaka wa kifedha wa 2010/2011 utahusu umarishaji kwa kuujumuisha na mfumo wa OCC uliotajwa awali k hii, ili safari za ndege ziwe zinaonekana moja kwa n Idara ya Uhitadhi nazo shughuli za kudumisha uter ndege hizo zikifahamika na OCC.

Moja ya mikakati ya mradi wa OASES ni kuujumuisha wa Mpango wa Matumizi ya Rasimaili za Kibiasara (Resource Planning-ERP). Awamu ya kwanza ya mfumo kutekelezwa Aprili 6, 2010. Mikakati ya kuujumuisha pia wa Usimamizi wa Vituo vya Ndege (Sabre Aircentre S inaendelea na inajumuisha utekelezaji wa taratibu za udhibiti na utegemezi (OASES Line Maintenance Control) Dispatch Reliability), zinazolenga kuboresha shughuli na utegemezi. Taratibu kadha mpya pia zinatarijiwa kat pili na tatu za mwaka huu, zikiwemo Mbinu ya Kuleta K Kifaa cha Kujumuisa Mipango na Vipimo Muhimu vya U ambazo zinatarijiwa kujeta manufaa muhimu kwa idara z mipango na usimamizi.

Marekebisho ya kiufundi kwa Wakati unaofaa (OTP) ur viwango vya wastani vya asilimia 95.25. Hata hivyo, jit za kuimarisha hari hiyo zinahitataka kufanywa. Mipangi muda mfuji inafuata utaratibu maalumu na ingawa Ku Uharibifu kwenye ndege bado ni changamoto, tutaendel mipango ya kurekebisha hali hiyo. Sasa, tunadhibiti shu za ukarabati mdogo huku tukiunganisha Kituo cha Uk vipuri vya ndege iliyokwama na huduma ili kufungua k cha kudhibiti operesheni.

Ripoti kuhusu ndege sasa zinatolewa kwa haraka.





si sambamba na viwango vya sekta hii. ngia pakubwa kwa OTP na kuongeza o wa ukarabati ndege. Na sasa nyingi zetu zinafanyiwa ukarabati Nairobi. Sera ifanya ukaguzi wa ndege nchini kadiri ekana na tunapeleka nje shughuli ambazo itaalumu zaidi ambao KQ haina uwezo wa ikia. Wasimamizi na wafanyi kazi wa idara isi na Ukarabati wanajivunia kukamiika go wa kufanyia ukarabati huo ndani ya zi wanajitolea kufanikisha mfumo wa OTP. indi cha miezi sita iliyopita, huduma za wa mashirika mengine yalingizia mapato Mapato yanaendelea kuwa mengi kufuatia ka kwa mahitaji ya huduma za kiufundi a mashirika mengine ya ndege na kampuni chini. Idara hiyo kwa sasa inajiandaa kwa u zaidi kutoka nje katika kipindi kijacho mizi ya fedha.

wa kampuni kwa jamii (CSR) iliendelea kushughulikia nyanja za Elimu, i na Mazingira kama sehemu ya wajibu jamii wakati wa kipindi tunachoangazia. atayo ilikamiika vyema.

na na ari za "Kupanga Shule," KQ iliisaidia ha.

u High School, Thika, Kenya iliipokea la kupitia ujenzi wa darasa la kompyuta harama ya Sh750,000. iris Secondary and Special School, Chuka, iliipokea msaada kupitia ujenzi wa bweni harama ya Sh1,300,000.

d) Kasagam Secondary School, Kisumu, Kenya kwa mara nyingine imenufaika, na wakati huu kupitia ujenzi wa Maabara ya Kompyuta kwa gharama ya Sh2,000,000.

e) Kasarani Tree Special School Nairobi, Kenya ilinufaika na ujenzi wa karakana ya useremala kwa gharama ya Sh2,000,000

#### Maji:

Kwa lengo la kutoa suluhisho la kudumu la usambazaji maji safi na ya kutosha katika sehemu zinazoathirika katika maeneo ya mashambani kote Afrika, miradi ifuatayo ilinufaika katika kipindi hicho. Jamii ya Gaigedi, Vihiga, Kenya kwa kuchimba kisima katika Gaigedi Secondary School na kuweka tangi kubwa ya maji kwa gharama ya Sh2,000,000.

a) Jamii ya Epworth, Harare, Zimbabwe kwa kuchimba kisima karibu na kituo cha kijamii na kuweka tangi kubwa kwa gharama ya Sh1,800,000.

#### Mazingira:

Kampeni ya 'Panda Siku Sijazo' iliitwezesha kudhibiti zaidi eneo ambapo tumekuwa tukipanda miti tangu 2007. Mwaka huu, tulibadilisha miche 90,000 ambayo iliathiriwa na ukame wa muda mrefu na kupanda mingine ya miti ya kiasili 30,000. Mradi huu tayari umefikisha jumla ya miti ya kiasili 500,000 imepandwa.

#### Afya:

Mradi wa "Bombay Ambulance" unatoa msaada kwa wagonjwa wanaosafiri nje ya nchi kwa matibabu. Idadi ya tikiti ambazo gharama yake ilipunguzwa kwa wagonjwa maskini waliosafiri ng'ambo kwa matibabu ilikuwa 44 hadi Mumbai, 2 Amsterdam, na 1 kila moja kwa Cairo na London.

#### Kampuni pia ilisaidia miradi ifuatayo:

Mradi wa kuwasaidia waathiriwa wa mkasa wa tetemeko la ardhi Haiti kwa ushirikiano na Red Cross Februari 4 - 28, 2010 ambao ulihusisha ukusanyaji wa masalio ya pesa kutoka kwa wasafiri. Mradi huo ulikusanya Sh500,000. Waathiriwa wa maporomoko ya ardhi Uganda walipokea msaada wa chakula cha thamani ya Sh600,000 ambao ulisafirishwa hadi mashariki mwa Uganda.

a) Mradi wa AMREF/Rotary wa "Badilisha Maisha "kufikia sasa umekusanya Sh1,643,928. Mradi huu kwa sasa unaendelea kuchunguzwa kwa lengo la kuhakikisha ufanisi wake.

#### ZIDISHA JUHUDI ZAKO

Huu ni mpango ambapo wafanya kazi wa KQ staff wanapendekeza na kuchangisha pesa kwa miradi ya kunufaisha jamii kupitia idara zao na kupokea kiasi kama hicho kutoka kwa bajeti ya CSR ya KQ.

Miradi iliyonufaika na mpango huu ni pamoja na:

| IDARA                                      | MAELEZO YA MRADI  | MSAADA                                      | MCHANGO WA IDARA KSHS. | KAMPUNI KSHS.     | JUMLA KSHS.        |
|--|---|---|------------------------|-------------------|--------------------|
| Commercial - Flying Blue Ukaguzi wa hesabu | AIC Girls School - Kajiado<br>Laverna Day & Boarding Primary School - Donyo Sabuk | Ununuzi wa vitanda<br>Ujenzi wa viyoo       | 61,300<br>90,000       | 61,300<br>90,000  | 122,600<br>180,000 |
| Teknolojia ya Mawasiliano Fedha            | Nyauu Primary School - Homa Bay<br>Esageri School for the Deaf - Eldama Ravine    | Ukarabati wa madarasa<br>Ununuzi wa vitanda | 54,000<br>200,000      | 54,000<br>200,000 | 108,000<br>400,000 |
| Masuala ya wafanyi kazi                    | Mutulani School - Machakos  | Ujenzi wa viyoo                             | 103,900                | 103,900           | 207,800            |
|  |   |   | 508,200                | 508,200           | 1,016,400          |



## Corporate Governance

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

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

### Board of Directors

The full Board meets at least five times a year. The Directors receive all information relevant to the discharge of their obligations in accurate, timely and clear form so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Group Managing Director and Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the airline's overall internal control of financial, operational and compliance issues as well as implementing strategies for the long term success of the airline.

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

### Committees of the Board

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

The Board has constituted an Audit and Risk Management committee which meets four times a year or as necessary. Mr. Dinesh Kapila, an independent non executive Director chairs this sub committee whose other members include Mr. Joseph K. Kinyua, Mr. Jos Veenstra and Mr A Makatiani. Its responsibilities include review of the integrity of the financial statements and formal announcements relating to the group's financial performance, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The external and internal

### Staff and Remuneration Committee

There is a Staff and Remuneration committee of the Board. Its membership Mr. Denis Afande, also an independent non executive Director and Chairman, Mr. Iper and Mrs Salma Mazrui - Watt. The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management including the Group Managing Director, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non executive Directors. The Group Managing Director and the Human Resources attend all meetings of the committee.

### Nominations Committee

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

### Internal Controls

The group has defined procedures and financial controls to ensure the reporting complete and accurate accounting information. These cover systems for obtaining for major transactions and for ensuring compliance with laws and regulations significant financial implications. Procedures are also in place to ensure that a subject to proper physical controls and that the organization remains structured appropriate segregation of duties. In reviewing the effectiveness of the systems of control, the Board takes into account the results of all the work carried out to review the activities of the Group. A comprehensive management accounting in place providing financial and operational performance measurement indicators meetings are held by executive management to monitor performance and to agree measures for improvement.

The airline is committed to the highest standards of integrity, behaviour and ethical conduct. A formal code of ethics has been approved by the Board and is fully implemented to guide management, employees and stakeholders on acceptable



ication with Shareholders

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

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

n management commitment at the 2009 Annual General Meeting, the Annual be published on the Company's web site together with the notice and minutes of t General Meeting.

s Emoluments and loans

gate amount emoluments paid to Directors for services rendered during the fi ar 2009/10 are disclosed in the notes to the financial statements. Neither at the financial year, nor at any time during the year was there any arrangement to company is a party, whereby Directors might acquire benefits by means of trans- the company's shares.

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

There were no Directors loans at any time during the year. Directors interests in the shares of the company, the distribution of the company's shareholding and analysis of the ten largest shareholders as at 31 March 2010 were as follows:-

### Directors' Interests

| Name of Director                    | Number of Shares           |
|-------------------------------------|----------------------------|
| Permanent Secretary to the Treasury | 106,171,561                |
| Evanson Mwaniki                     | 10,090                     |
| Ayisi Makatiani                     | 5,700                      |
| Dinesh Kapila                       | 4,036                      |
| Cyrus Njiru                         | 1,000                      |
| Salma Mazrui                        | 1,000 (joint shareholding) |



# Tourism Seychelles





OLDER ANALYSIS BY DOMICILE

|            | SHARES             | %              | HOLDERS       |
|------------|--------------------|----------------|---------------|
| stitutions | 174,467,435        | 37.79%         | 44            |
| ividuals   | 3,157,660          | 0.68%          | 473           |
| stitutions | 182,636,381        | 39.56%         | 3,522         |
| iduals     | 101,354,007        | 21.96%         | 70,967        |
|            | <b>461,615,483</b> | <b>100.00%</b> | <b>75,006</b> |

SHAREHOLDERS

| Name  | Total Shares       | %              |
|---|--------------------|----------------|
| Konink Lijke Luchtvaart Maatschappij NV (KLM)   | 120,020,026        | 26.00%         |
| Permanent Secretary To The Treasury             | 106,171,561        | 23.00%         |
| Stanbic Nominees Kenya Ltd A\C NR70001          | 9,525,200          | 2.06%          |
| Barclays (k) Nominees Ltd Non Resident a/c 9301 | 9,497,300          | 2.06%          |
| Stanbic Nominees Kenya Ltd A\C NR13301          | 7,887,400          | 1.71%          |
| Barclays (Kenya) Nominees Limited a/c 9318      | 4,715,917          | 1.02%          |
| Kenya Commercial Bank Nominees Ltd A\C 769G     | 3,554,300          | 0.77%          |
| Stanbic Nominees Kenya Ltd A\C NR13001          | 3,000,000          | 0.65%          |
| Barclays (k) Nominees Ltd Non Resident a/c 9280 | 2,850,100          | 0.62%          |
| The Jubilee Insurance Company Limited           | 2,849,324          | 0.62%          |
|   | <b>270,071,128</b> | <b>58.51%</b>  |
|   | <b>191,544,355</b> | <b>41.49%</b>  |
|   | <b>461,615,483</b> | <b>100.00%</b> |
|   | <b>75,006</b>      |                |

LECTED

DT SELECTED - 74,996

SUED

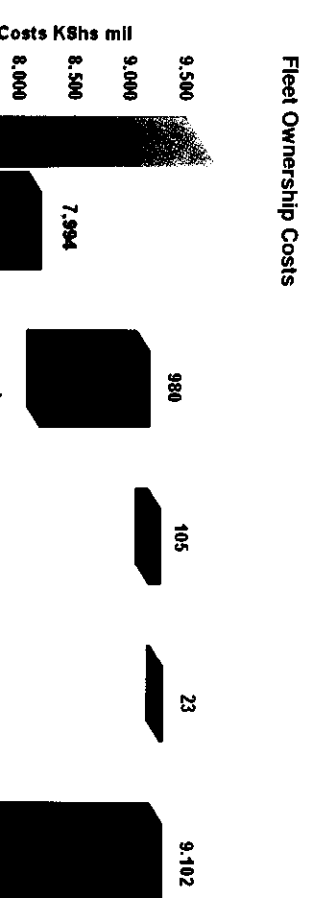
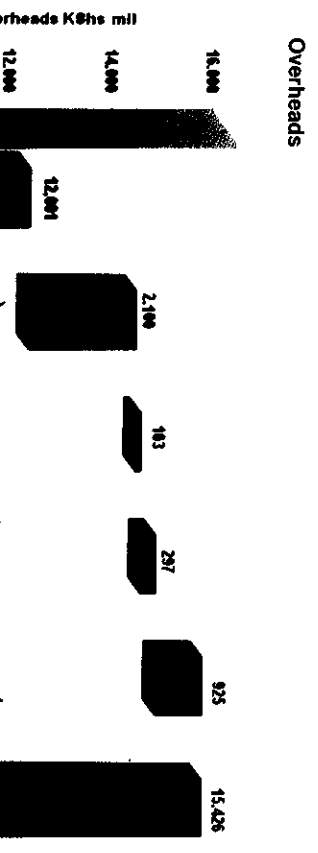
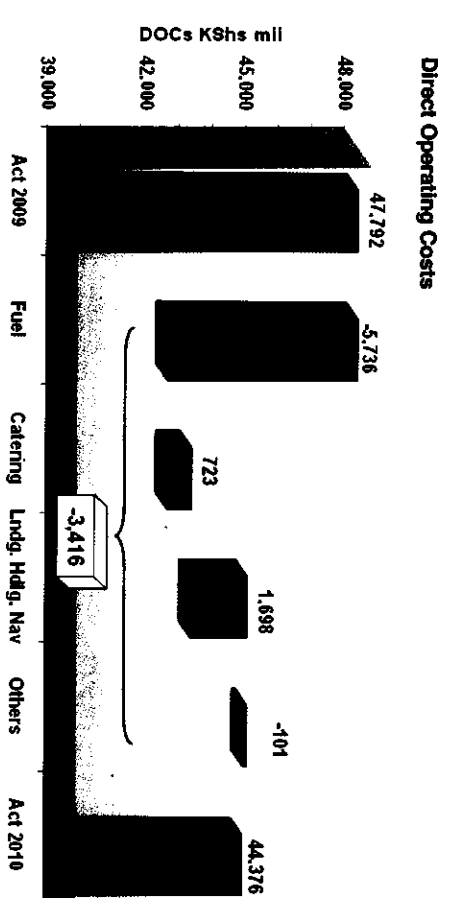
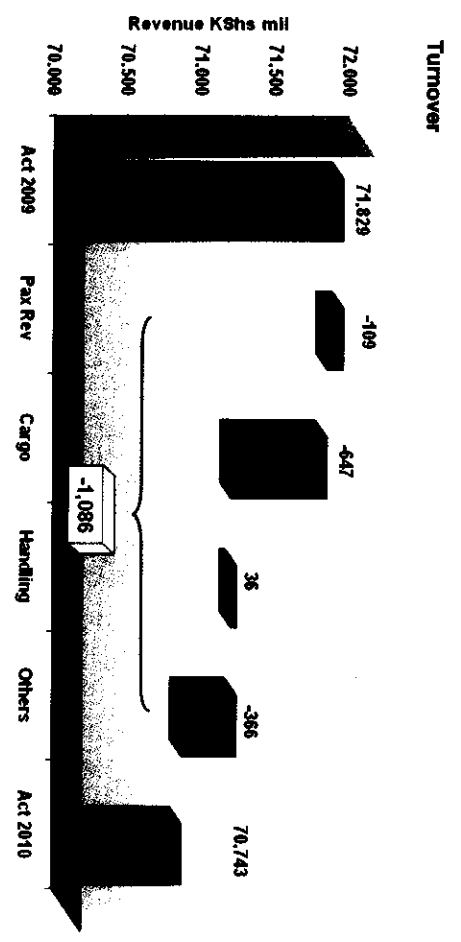
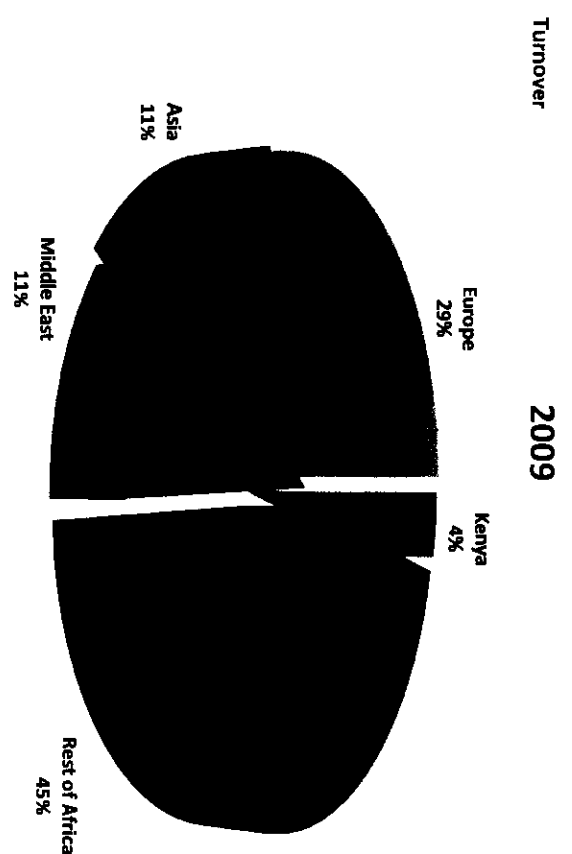
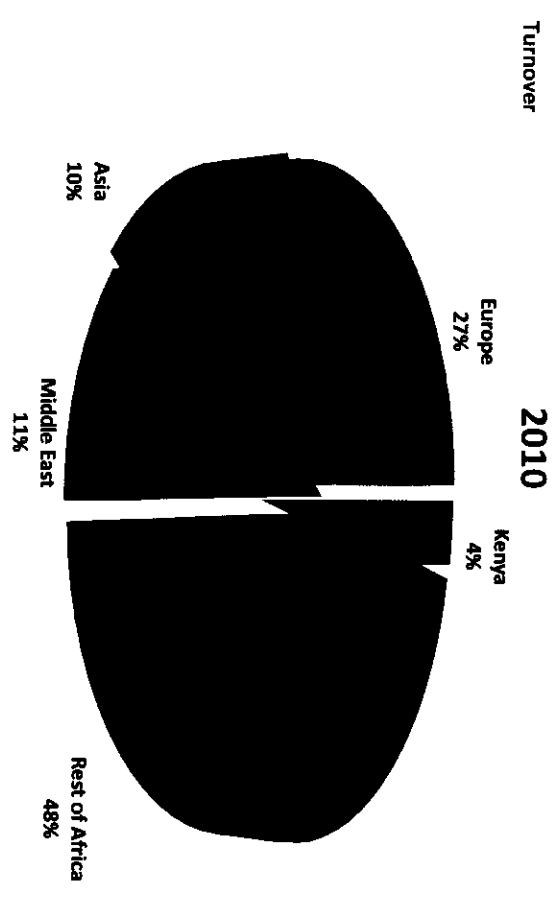
OF SHAREHOLDERS

NYA AIRWAYS SHAREHOLDERS AT THE CDSC  
 NYA AIRWAYS IMMOBILISED SHARES (HELD AT THE CDSC)

| RANGES  | SHARES HELD | %      | SHAREHOLDERS |
|---------|-------------|--------|--------------|
| 000     | 14,249,549  | 3.09%  | 35,240       |
| 00      | 50,484,891  | 10.94% | 37,001       |
| 00      | 9,875,927   | 2.14%  | 1,334        |
| 0,000   | 32,839,453  | 7.11%  | 1,223        |
| 000,000 | 51,004,553  | 11.05% | 179          |



# Financial Highlights & Operational Statistics





# Three year summary of Financial Highlights

## FINANCIAL HIGHLIGHTS

|                                      | 2010                      | 2009                      | 2008 (restated)           |
|--------------------------------------|---------------------------|---------------------------|---------------------------|
|                                      | KShs. MillionUS\$ Million | KShs. MillionUS\$ Million | KShs. MillionUS\$ Million |
| Revenue                              | 62,838                    | 62,947                    | 52,882                    |
| Cost of sales                        | 5,434                     | 6,081                     | 5,395                     |
| Gross Profit                         | 1,312                     | 1,276                     | 1,052                     |
| Operating Expenses                   | 1,159                     | 21.4                      | 1,142                     |
| Operating Profit                     | <b>70,743</b>             | <b>1,008.4</b>            | <b>895.4</b>              |
| Finance Income                       | (53,478)                  | (783.2)                   | (684.1)                   |
| Finance Expense                      | (15,426)                  | (168.5)                   | (147.6)                   |
| Profit before tax                    | <b>1,839</b>              | <b>56.7</b>               | <b>63.7</b>               |
| Income tax expense                   | <b>2.6%</b>               | <b>5.6%</b>               | <b>7.1%</b>               |
| Profit after tax                     | (1,614)                   | (864)                     | (1,131)                   |
| Derivative Income                    | 2,369                     | (8,904)                   | 3,291                     |
| Minority Interest                    | 77                        | 62                        | 65                        |
| Profit after tax & minority interest | <b>2,671</b>              | <b>(5,664)</b>            | <b>6,526</b>              |
| Income tax expense                   | (636)                     | 1,581                     | (1,948)                   |
| Profit after tax & minority interest | <b>2,035</b>              | <b>(4,083)</b>            | <b>4,578</b>              |
| Income tax expense                   | <b>2.9%</b>               | <b>-5.7%</b>              | <b>7.6%</b>               |
| Profit after tax & minority interest | 462                       | 462                       | 808                       |
| Dividend                             | 6.0                       | 6.5                       | 12.0                      |

## OPERATING STATISTICS

|                                | 2010      | 2009      | 2008      |
|--------------------------------|-----------|-----------|-----------|
| Revenue                        | 2,890,207 | 2,824,709 | 2,762,049 |
| Operating Expenses             | 8,071     | 8,061     | 7,724     |
| Operating Profit               | 12,143    | 11,386    | 10,973    |
| Load Factor (%)                | 66.5      | 70.8      | 70.4      |
| Operating Profit               | 55,201    | 55,606    | 62,596    |
| Operating Profit per RPK (Usc) | 7.94      | 8.20      | 8.23      |
| Operating Profit               | 2,817     | 2,863     | 2,975     |
| Operating Profit               | 4,133     | 4,179     | 4,267     |
| Service at Year End            | 4         | 4         | 4         |
| Operating Profit               | 200       | 6         | 6         |
| Operating Profit               | 300       | 5         | 2         |
| Operating Profit               | 800       | 4         | 4         |
| Operating Profit               | 700       | 4         | 4         |
| Operating Profit               | 300       | 4         | 4         |



## Corporate Information

### EXECUTIVE DIRECTORS

Dr. T. T. Naikuni  
A. W. Mbugua

- Managing Director  
- Group Finance Director

### NON EXECUTIVE DIRECTORS

E. Mwaniki  
D. Kapila  
M. Cheserem

- Chairman

J. Kinyua

- Resigned 4 June 2009

D. D. Afande

R. Schipper

P. F. Hartman

A. Makatiani

A. Ali

C. Njiru

S. Mazrui

J. Veenstra

- Appointed 29 May 2009 and resigned 28 January 2010  
- Appointed 28 January 2010  
- Appointed 28 January 2010  
- Alternate to R Schipper and P F Hartman

### SECRETARY

Fiona Fox  
Certified Public Secretary (Kenya)

Integer Business Services

P O Box 1122, 00606

Nairobi

### REGISTERED OFFICE

Kenya Airways Headquarters and Base  
Airport North Road, Embakasi, Nairobi

P. O. Box 19002, 00501

Nairobi

### REGISTRARS

Custody & Registrars Services Limited  
6th Floor Bruce House, Standard Street

P O Box 8484, 00100

Nairobi

### AUDITORS

Deloitte & Touche  
Certified Public Accountants (Kenya)

Deloitte Place, Waiyaki Way, Muthangari

P.O. Box 40092, 00100

Nairobi

### PRINCIPAL BANKERS

Barclays Bank of Kenya Limited  
Barclays Plaza

P. O. Box 30120, 00100

Nairobi





Directors present their report together with the audited group financial statements for the year ended 31 March 2010.

**OPERATIONAL ACTIVITIES**

The principal activities of the group are international, regional and domestic carriage of passengers and cargo, 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 47 destinations in Africa, Middle East, Asia and Europe.

In 2010, the group had 27 aircraft, either owned or on operating leases. These comprised four Boeing 737 wide body jets, seven Boeing 767 wide body jets, thirteen Boeing 737 narrow body jets and ten ATR 72 regional jets.

|                             | KShs'million |
|-----------------------------|--------------|
| Profit before taxation      | 2,671        |
| Charge for taxation         | (636)        |
| <b>Profit for the year</b>  | <b>2,035</b> |
| Profit available to:        |              |
| Shareholders of the company | 2,034        |
| Reserve for taxation        | 1            |
| <b>Total</b>                | <b>2,035</b> |

The directors recommend the payment of a dividend of KShs 1 per share (2009 - KShs 1 per share) in respect of the financial year.

The names of the members of the board of directors are shown on page 6.

The directors who retire from office at the conclusion of the next Annual General Meeting. The directors who retire are Mr. Joseph M. Mwangi and Mr. Joseph M. Mwangi. The directors who retire are Mr. Joseph M. Mwangi and Mr. Joseph M. Mwangi. The directors who retire are Mr. Joseph M. Mwangi and Mr. Joseph M. Mwangi.

of the board



## ***Statement of Directors' Responsibilities***

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

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

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

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

**Evanson Mwaniki**  
Director

**Titus Naikuni**  
Director

3rd June 2010  
Nairobi



## the Financial Statements

The accompanying financial statements of Kenya Airways Limited and its subsidiaries set out on pages 54 to 100 which comprise the consolidated and parent company financial statements as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated and parent company statements of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Responsibility for the Financial Statements

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

## Responsibility

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

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

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

## Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 31 March 2010 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Kenyan Companies Act.

## Report on Other Legal Requirements

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

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

## Certified Public Accountants (Kenya)

### DELOITTE & TOUCHE

30th June 2010

Nairobi



# Consolidated Income Statement for the year ended 31 March 2010

|   | Notes     | 2010<br>KShs'million | KS |
|---|-----------|----------------------|----|
| Turnover  | 4         | 70,743               |    |
| Direct costs  | 5(a)      | (44,376)             |    |
| Fleet ownership costs   | 5(b)      | (9,102)              |    |
| <b>GROSS PROFIT</b>   |           | <b>17,265</b>        |    |
| Overheads   | 5(c)      | (15,426)             |    |
| Finance costs   | 6(a)      | (1,485)              |    |
| Finance Income  | 6(b)      | 372                  |    |
| Realised losses on fuel derivatives                           | 7(a)      | (3,771)              |    |
| Fair value gains/(losses) on fuel derivatives                 | 7(b)      | 6,140                |    |
| Other (losses)/gains  | B         | (501)                |    |
| Share of results of associated company                        | 17(c)     | 77                   |    |
| <b>PROFIT/(LOSS) BEFORE TAXATION</b>                          | <b>9</b>  | <b>2,671</b>         |    |
| TAXATION (CHARGE)/CREDIT                                      | 10(a)     | (636)                |    |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>                             | <b>11</b> | <b>2,035</b>         |    |
| <b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>                         |           |                      |    |
| Equity holders of the company                                 |           | 2,034                |    |
| Non-controlling interest                                      |           | 1                    |    |
| <b>EARNINGS/(LOSS) PER SHARE (KShs) - Basic &amp; diluted</b> |           | <b>2,035</b>         |    |
|   |           | <b>4.40</b>          |    |

# Solidated Statement of Comprehensive Income for the year ended 31 March 2010



|   | Notes | 2010<br>KShs'million | 2009<br>KShs'million |
|---|-------|----------------------|----------------------|
| <b>LOSS) FOR THE YEAR</b>                           | 11    | 2,035                | (4,083)              |
| <b>COMPREHENSIVE INCOME:</b>                        |       |                      |                      |
| on hedged exchange differences on borrowings        | 28(c) | 1,280                | (6,451)              |
| hedged fuel contracts                               |       | 398                  | -                    |
| taxation on cash flow hedges                        | 29    | (503)                | 1,936                |
| <b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>            |       | 1,175                | (4,515)              |
| <b>COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>     |       | <b>3,210</b>         | <b>(8,598)</b>       |
| <b>COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:</b> |       |                      |                      |
| Members of the company                              |       | 3,209                | (8,598)              |
| Residual interest                                   |       | 1                    | -                    |
|   |       | <b>3,210</b>         | <b>(8,598)</b>       |



# Consolidated Statement of Financial Position 31 March 2010

| ASSETS                           |       | Notes | 2010          |
|----------------------------------|-------|-------|---------------|
|                                  |       |       | KSh's million |
| <b>Non current assets</b>        |       |       |               |
| Property, plant and equipment    | 14(a) |       | 49,856        |
| Intangible assets                | 15    |       | 899           |
| Prepaid operating lease rentals  | 16    |       | 1,641         |
| Investment in associated company | 17(c) |       | 526           |
| Aircraft deposits                | 19    |       | 2,351         |
| Deferred tax asset               | 29    |       | 32            |
| Fuel derivatives                 | 20(b) |       | 100           |
|                                  |       |       | <b>55,405</b> |

|                                      |       |  |               |
|--------------------------------------|-------|--|---------------|
| <b>Current assets</b>                |       |  |               |
| Inventories                          | 21    |  | 1,543         |
| Trade and other receivables          | 22    |  | 9,045         |
| Due from related companies           | 35(b) |  | 6             |
| Corporate tax recoverable            | 10(c) |  | 832           |
| Fuel derivatives                     | 20(b) |  | 309           |
| Deposits with financial institutions | 23    |  | 3,011         |
| Bank and cash balances               | 24    |  | 17,858        |
|                                      |       |  | <b>17,858</b> |
|                                      |       |  | <b>73,263</b> |

## TOTAL ASSETS

**73,263**

## EQUITY AND LIABILITIES

### Capital and reserves

|  |       |  |               |
|--|-------|--|---------------|
| Share capital  | 25    |  | 2,308         |
| Revenue reserve  | 26(a) |  | 17,641        |
| Cash flow hedging reserve                                      | 26(b) |  | (26)          |
| <b>Equity attributable to equity holders of parent company</b> |       |  | <b>19,923</b> |
| Non controlling interest                                       |       |  | 50            |
| <b>Total equity</b>  | 27    |  | <b>19,973</b> |

### Non-current liabilities

|                        |       |  |               |
|------------------------|-------|--|---------------|
| Borrowings             | 28(b) |  | 23,386        |
| Deferred tax liability | 29    |  | 6,918         |
| Fuel derivatives       | 20(c) |  |               |
| Deferred income        | 33    |  | 2,065         |
|                        |       |  | <b>32,369</b> |

### Current liabilities

|                                       |       |  |               |
|---------------------------------------|-------|--|---------------|
| Fuel derivatives                      | 20(c) |  |               |
| Sales in advance of carriage          | 30    |  | 8,700         |
| Trade and other payables              | 31    |  | 7,151         |
| Accruals for staff leave entitlements | 32    |  | 1,253         |
| Deferred income                       | 33    |  | 174           |
| Unclaimed dividends                   | 13    |  | 109           |
| Corporate tax payable                 | 10(c) |  |               |
| Borrowings                            | 28(b) |  | 3,534         |
|                                       |       |  | <b>20,921</b> |
|                                       |       |  | <b>73,263</b> |



|                             | Notes | 2010<br>KShs'million | 2009<br>KShs'million |
|-----------------------------|-------|----------------------|----------------------|
| <b>Assets</b>               |       |                      |                      |
| Plant and equipment         | 14(b) | 49,397               | 50,501               |
| Assets                      | 15    | 899                  | 550                  |
| Leasing lease rentals       | 16    | 1,640                | 1,661                |
| in subsidiaries             | 17(a) | 454                  | 454                  |
| in associated company       | 17(c) | 155                  | 155                  |
| Deposits                    | 19    | 2,351                | 2,527                |
| Reserves                    | 20(b) | 100                  | -                    |
|                             |       | <b>54,996</b>        | <b>55,848</b>        |
| <b>Liabilities</b>          |       |                      |                      |
| Other receivables           | 21    | 1,543                | 1,430                |
| Related companies           | 22    | 8,964                | 9,978                |
| Tax recoverable             | 35(b) | 2,705                | 2,973                |
| Reserves                    | 10(c) | 782                  | 714                  |
| With financial institutions | 20(b) | 309                  | -                    |
| Cash balances               | 23    | 3,011                | 5,077                |
|                             | 24    | 3,055                | 2,273                |
|                             |       | 20,369               | 22,445               |
|                             |       | <b>75,365</b>        | <b>78,293</b>        |
| <b>Reserves</b>             |       |                      |                      |
| Statutory                   | 25    | 2,308                | 2,308                |
| General                     | 26(a) | 15,295               | 14,635               |
| Reserve                     | 26(b) | (26)                 | (1,201)              |
| Reserves' funds             |       | <b>17,577</b>        | <b>15,742</b>        |
| <b>Liabilities</b>          |       |                      |                      |
| Provision                   | 28(b) | 23,386               | 28,257               |
| Liability                   | 29    | 6,918                | 5,871                |
| Reserves                    | 20(c) | -                    | 714                  |
| Income                      | 33    | 2,065                | 2,239                |
|                             |       | <b>32,369</b>        | <b>37,081</b>        |
| <b>Equity</b>               |       |                      |                      |
| Reserves                    |       |                      |                      |
| Statutory                   | 20(c) | 8,700                | 5,415                |
| General                     | 30    | 6,957                | 6,886                |
| Other payables              | 31    | 1,242                | 4,451                |
| Staff leave entitlements    | 32    | 174                  | 733                  |
| Income                      | 33    | 109                  | 174                  |
| Dividends                   | 13    | 4,703                | 40                   |
| Related companies           | 35(b) | 3,534                | 3,920                |
|                             | 28(b) | 25,419               | 3,851                |
|                             |       | <b>75,365</b>        | <b>25,470</b>        |
|                             |       | <b>75,365</b>        | <b>78,293</b>        |

Financial statements on pages 54 to 100 were approved by the board of directors on 3rd June 2010 and were signed on its behalf by:

**Titus Nalkuni (Director)**

**Titus Nalkuni (Director)**



# Consolidated Statement of Changes in Equity for the year ended 31 March 2010

|   | Share capital<br>KShs'million | Revenue reserve<br>KShs'million | Cash flow hedging reserve<br>KShs'million | Attributable to equity holders<br>KShs'million | Non controlling interest<br>KShs'million | Total<br>KShs'million |
|---|-------------------------------|---------------------------------|---|--|--|-----------------------|
| <b>At 1 April 2008</b>                    | 2,308                         | 20,960                          | 3,314                                     | 26,582   | -  | 26,582                |
| Dividends paid for financial year 2008    | -                             | (808)                           | -   | (808)  | -  | (808)                 |
| Loss for the year                         | -                             | (4,083)                         | -   | (4,083)  | -  | (4,083)               |
| Other comprehensive loss for the year     | -                             | -                               | (4,515)                                   | (4,515)  | -  | (4,515)               |
| <b>At 31 March 2009</b>                   | <b>2,308</b>                  | <b>16,069</b>                   | <b>(1,201)</b>                            | <b>17,176</b>                                  | <b>-</b>                                 | <b>17,176</b>         |
| At 1 April 2009                           | 2,308                         | 16,069                          | (1,201)                                   | 17,176   | -  | 17,176                |
| Dividends paid for financial year 2009    | -                             | (462)                           | -   | (462)  | -  | (462)                 |
| Shares issued to non controlling interest | -                             | -                               | -   | -  | 49                                       | 49                    |
| Profit for the year                       | -                             | 2,034                           | -   | 2,034  | 1  | 2,035                 |
| Other comprehensive income for the year   | -                             | -                               | 1,175                                     | 1,175  | -  | 1,175                 |
| <b>At 31 March 2010</b>                   | <b>2,308</b>                  | <b>17,641</b>                   | <b>(26)</b>                               | <b>19,923</b>                                  | <b>50</b>                                | <b>19,973</b>         |



# Company Statement of Changes in Equity for the year ended 31 March 2010



|                                   | Share<br>capital<br>KShs'million | Revenue<br>reserve<br>KShs'million | Cash flow<br>hedging<br>reserve<br>KShs'million | Total<br>KShs'million |
|-----------------------------------|----------------------------------|------------------------------------|---|-----------------------|
| <b>2008</b>                       |                                  |                                    |   |                       |
| paid for financial year 2008      | 2,308                            | 19,542                             | 3,314   | 25,164                |
| comprehensive loss for the year   | -                                | (808)                              | -   | (808)                 |
| comprehensive loss for the year   | -                                | (4,099)                            | -   | (4,099)               |
| comprehensive loss for the year   | -                                | -                                  | (4,515)   | (4,515)               |
| <b>March 2009</b>                 | <b>2,308</b>                     | <b>14,635</b>                      | <b>(1,201)</b>                                  | <b>15,742</b>         |
| <b>2009</b>                       |                                  |                                    |   |                       |
| paid for financial year 2009      | 2,308                            | 14,635                             | (1,201)   | 15,742                |
| comprehensive loss for the year   | -                                | (462)                              | -   | (462)                 |
| comprehensive income for the year | -                                | 1,122                              | -   | 1,122                 |
| comprehensive income for the year | -                                | -                                  | 1,175   | 1,175                 |
| <b>March 2010</b>                 | <b>2,308</b>                     | <b>15,295</b>                      | <b>(26)</b>                                     | <b>17,577</b>         |



# Consolidated Statement of cash flows for the year ended 31 March 2010

|   | 2010         |               |
|---|--------------|---------------|
|   | Notes        | KSh's million |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |              |               |
| Cash generated from operations  | 34(a)        | 7,801         |
| Interest paid   | 6(a)         | (1,485)       |
| Interest received   | 6(b)         | 372           |
| Taxation paid   | 10(c)        | (209)         |
| Net cash generated from operating activities                                      |              | 6,479         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |              |               |
| Purchase of property, plant and equipment   | 14(a)        | (3,819)       |
| Purchase of intangible assets   | 15           | (110)         |
| Prepaid lease rentals   | 16           | -             |
| Deferred expenditure  | 18           | -             |
| Deposits refunds received   | 19           | 55            |
| Deposits paid for aircraft purchases  | 19           | (72)          |
| Proceeds of disposal of property and equipment                                    | 19           | 209           |
| Net cash used in investing activities   |              | (3,737)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |              |               |
| Dividends paid  | 13           | (393)         |
| Repayment of long term borrowings   | 28(c)        | (3,676)       |
| Redemption of/(investment in) held to maturity investments                        |              | -             |
| Proceeds of maturity of/(investment in) short term deposits maturing over 90 days |              | 2,066         |
| Net cash (used in)/generated from financing activities                            |              | (2,003)       |
| <b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                           |              |               |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                                    |              | 739           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                   | <b>34(b)</b> | <b>3,112</b>  |





## Tarifa ya Mwenyekiti (unaendelea)

Ya mabaharia 263, zingali zinashikiliwa mateka na maharamia hao wanaodai fidia. Hii imechangia kuongezeka kwa gharama za uchukuzi wa meli na pia malipo ya bima.

Licha ya changamoto hizo zote, hali ya biadaye ya kiuchumi katika mataifa ya kusini mwa jangwa la Sahara ni ya kutia moyo kutokana na uhabiti wa kisiasa na kiuchumi, nafasi nyingi za uwekezaji katika rasilimali kama mafuta, gesi na madini mengine, kilimo cha kiwango kikubwa, miundo msingi ya uchukuzi na mawasiliano na Afrika kuwa kivutio kwa nchi za mashariki, hasa China. Hatua ya kihistoria ya Kombe la Dunia kuandaliwa bara la Afrika kwa mara ya kwanza, Afrika Kusini inatarajiwa kuwa na matokeo mazuri kwa jumla ya mapato ya baadhi ya nchi za Afrika na hivyo kuchangia kuharakisha kuafikia kwa Malengo ya Maendeleo ya Milenia (MDG) na kuchangia kufufua ukuaji wa uchumi.

### Kenya

Jumla ya mapato kwa kila Mkenya yaliiongezeka mnamo 2009 kwa asilimia 2.3 hadi Dola 1,750 kutoka Dola 1,711.63 mnamo 2008 kwa mujibu wa Shirika la Fedha Duniani (IMF). Nyongeza hii inatokana na sekta za ulengenezaji bidhaa, ujenzi, kilimo, utalii, uchukuzi na mawasiliano. Kulikuwa pia na nyongeza maradufu ya mtaji na hivyo kuchangia kwa faida katika sekta ya benki. Nchi pia ilinufaika na mipango ya Kusisimua Uchumi na miradi ya ujenzi wa barabara kote nchini.

Kwa mujibu wa Benki Kuu ya Kenya (CBK), gharama ya maisha kwa kipindi cha miezi 12 iliondelea kushuka mwaka mzima. Ilipungua kutoka asilimia 13.3 mnamo Januari 2009 hadi 5.3 mnamo Desemba 2009. Kupungua huko kuliondelea hadi Januari 2010 huku gharama ya maisha ya miezi 12 ikididimiza zaidi na kufikia asilimia 4.7. Kupungua huko kwa 2009

ya chakula, bidhaa na huduma za matibabu, burudani na elimu na bidhaa na huduma za kibinafsi. Kiwango cha wastani cha gharama ya maisha cha kila mwaka kilipungua kutoka asilimia 16.5 mnamo Januari 2009 hadi 8.5 mnamo Januari 2010. Malimbikizo ya madeni yaliiongezeka kwa asilimia 3.5 katika nusu ya kwanza ya kipindi cha matumizi ya fedha za Serikali mnamo 2009/10 na kufikia Ksh 1,114.9 bilioni mnamo 2009, kutoka Ksh 1,053.7 bilioni mnamo Juni 2009. Uwiano wa deni lakigeni na jumla ya mapato ya nchi (GDP ulipungua kutoka asilimia 22.4 mnamo Juni 2009 hadi asilimia 21.8 mnamo Desemba 2009, ilhali uwiano wa deni la humu nchini na jumla ya mapato ya nchi uliongezeka kutoka asilimia 21.7 hadi asilimia 24.0 katika kipindi hicho.

Hali ya urari wa biashara wa Kenya ilimarika kutoka upungufu wa Dola 30milion mnamo Novemba 2008 hadi nyongeza ya Dola 552 mnamo Novemba 2009. Kuimarika huko kuliashiria nyongeza ya ziada ya mtaji na fedha ikilinganishwa na upungufu wa akauti ya hundi. Shilingi ya Kenya ilimarika kwa kiasi kidogo dhidi ya Dola kutoka Sh78.70 hadi Sh75.50 kufikia Desemba 2009. Hata hivyo, ilipoteza thamani dhidi ya Pauni ya Uingereza na Uro. Kieneo, Shilingi ya Kenya iliondelea kuimarika kwa kiwango kidogo dhidi ya Shilingi za Uganda na Tanzania. Nyongeza ya Urari wa malipo ya Kenya ilididimiza hadi Sh3.4bilioni (Sh45milioni) mnamo 2009 kutoka Sh21.5bilioni (Dola 287milioni) mwaka uliopita. Thamani ya bidhaa zilizoagizwa kutoka nje ilipungua kwa asilimia 8 hadi Dola 10.14bilioni kufikia Septemba 2009 huku gharama ya kuagiza mafuta ikipungua kutokana na kupungua kwa bei ya petroli kimataifa. Mauzo katika nchi za nje pia yalipungua, kwa asilimia 9 hadi Dola 4.474bilioni kwa mujibu wa tathmini ya kiuchumi ya hivi karibuni zaidi ya Benki Kuu ya Kenya.

Bei ya vyakula duniani ilipanda tena mnamo 2009. Kielezo cha Benki ya Dunia kuhusu chakula kiliongezeka kwa asilimia 23 kati ya Januari na Desemba 2009. Huku kielezo cha bei ya chakula kwa 2009 kilikuwa kwa wastani, asilimia 17 chini ya kile cha 2008, bei kwa jumla zilikuwa za juu 2007. Bei ya mahindi Kenya hutegemea na vurugu zlotokanazo na uchaguzi na kiangazi na iliongezeka wakati wa nusu ya pili ya 2008 hadi 2009 wakati bei za kimataifa ziliipungua. Sekta ya kilimo ilishuhudia matokeo tofauti mwaka huo hadi

haikuwa ya kutegemewa huku baadhi ya maeneo yaki kikubwa cha mvua huku zingine zikipokea kiasi cha kawaida, na hivyo kusababisha uhaba mkubwa wa chak mimea ya kuuzwa, majani chai na mboga na matunda kutokana na kiangazi cha muda mrefu.

Kiasi kilichotumwa kutoka nje kupitia taratibu rasmi kilic asilimia 2.9 mnamo Februari 2010, ikilinganishwa na kup asilimia 6.6 mnamo Februari 2009. Vyanzo vya pesa h vile vile huku Amerika kaskazini ikiongoza kwa asilimi sehemu zingine za dunia zikifuata na asilimia 19. Nyor iliyoshuhudiwa mnamo Februari 2010 ni kutokana na kui hali ya uchumi katika sehemu hizo na pia matumaini ya kwa uchumi nyumbani. Ikilinganishwa na miaka ming ilikuwa na kiasi cha chini zaidi cha Dola 609milioni has na kuzorota kwa uchumi ikilinganishwa na 2007 ambapp na Dola 611 milioni.

Pendekazo la Serikali kutangaza dhamaana za ustawish msingi kwenye bajeti ya 2009/10 inaashiria umakinifu tatu hasa barabara, kawi, maji, uzoaji maji taka na unyun mashamba. Dhamaana hizi zimefanya vyema na kuzua nchini. Mapato ya Kenya kutokana na utalii yaliyong asilimia 18 hadi Sh62.4bilioni mnamo 2009 ikilinganishwa uliopita. Hii kwa kiasi fulani ni kutokana na nyongeza 30 ya wataalii waliowasilili, kwa mujibu wa Halmashauri nchini (KTB). Sekta ya utalii ambayo ndio ya tatu kwa uku kullelea nchi hii mapato baada ya mboga na matunda na n ilathiriwa pakubwa na ghasia za baada ya uchaguzi map "Kwa 2010, tunaazimia kurejelea ufanisi wa kihistoria asema mwenyekiti wa KTB, Jake Griesves-Cook akizung jumla matarajio ya sekta hiyo kwa muhtasari.

Matarajio ya 2010 ingawa ni mazuri, yanaweza kuathiri ya kisiasa inayokujia kutokana na mchakato wa mare katiba na hatimaye kura ya maoni inayotarajiwa Agosti r na kushtakiwa kwa waliotekeleza mauaji baada ya uch Matumaini ya ukuaji wa uchumi yanatarajiwa kuong zaidi ukichochewa na mazingira bora ya kibiashara. Ki



## *The Management Team*

### *From Left to Right*

Mr. Mohan Chandra | Mr. Bram Steller | Mr. Kevin Kinyanjui

Mr. Yves Guibert | Mr. Alex Mbugua | Dr. Titus Naikuni

Mr. Paul Kasimu | Mr. Allan Fullilove | Captain Paul Mwangi





# TOUR EGYPT



## The Management Team (Biographies)

### Dr. Titus Naikuni ; Group Managing Director & Chief Executive (56)

Dr. Naikuni holds a Bachelor of Science Honours Degree in Mechanical Engineering from the University of Nairobi. He is also a graduate of the Harvard Business School's Management Development Programme (PMD7) and was awarded a Doctor of Science Engineering by the Jomo Kenyatta University of Agriculture and Technology in 2008, an honorary award in recognition of his contribution to development. He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of that company in 1995 and Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996. Between August 1999 and March 2001 Dr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by President Moi to turn around the Kenyan economy. In this capacity Dr. Naikuni served as permanent secretary to the Ministry of Information, Transport and Communications and was a member of the Board of Kenya Airways during that period. He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director of Magadi Soda and Magadi Railway Companies, a position he held up to his present Appointment with Kenya Airways in February 2003. Dr. Naikuni has had extensive boardroom experience having served on various company boards including as a member of the board of Brunner Mond (South Africa), as Chairman of the Kenya Power & Lighting Company and as Chairman of Housing Finance Company of Kenya Limited. He received the Manager of the Year Award in Kenya in 2002. He is currently a board member of Maersk Kenya Ltd, Access Kenya Ltd, CFC Bank Kenya Limited, East African.

### Mr. Bram Steller ; Chief Operating Officer (63)

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

### Mr. Alex W. Mbugua ; Group Finance Director (46)

Mr. Mbugua is a Member of both the Institute of Certified Public Accountants and Institute

1985 with KPMG Nairobi. In 1990, he joined the commercial world where he held senior positions with Lomrho East Africa and Bain Hogg Insurance. He then moved to Johannesburg South Africa in 1999 to work as a Business Processing Consultant with Pricewaterhouse Before joining Kenya Airways in July 2008, he was the Chief Financial Officer-Africa for Ashanti's African operations for a period of 5 years, also based in Johannesburg. He has years boardroom experience gained from sitting in several boards in Kenya, across Europe. He joined the board of Kenya Airways as Group Finance Director in August 2008.

### Captain Paul K. Mwangi ; Director Flight Operations (51)

Captain Paul Mwangi is an alumnus of Alliance High School and a firm believer in the motto "strong to serve". He has served Kenya Airways in various capacities since 1984 as Director of Flight Operations, he is responsible for the training and operations of cabin crew and for In-flight Management. He joined the airline in 1984 at the initially as a cadet officer and then as a co-pilot. He underwent progressive training in various fleets and recently checked out as Captain of Boeing 777. During his career, he has flown a number of aircraft including Fokker 27s and 50s, Boeing 737s, Boeing 767 and now Boeing 777. He not only serves Kenya Airways as a Captain but also as the role of instructor and examiner for the Kenya Civil Aviation Authority and is a lecturer in Airline Operations for the Moi University MBA Program. Capt. Mwangi joined Airways management in 1998 as the Manager of Quality Systems and Standards. Since then he has served in various diverse roles including Fleet Manager for the Airbus A310-300, Boeing 737, and Boeing 767. He is currently the Head of Fleets Management, Head of Operations Control Centre and is currently the Director of Flight Operations. In addition to obtaining his Airport Transport License (ATPL) in 2008, he also holds an MSC degree in Air Transport Management from the City University of London. He has complemented his training with IATA Diplomas in Airline Operations and Airline Management in Geneva and recently successfully completed the Programme for Management Development (PMD) at The University of Cape Town, South Africa.

### Allan Fullilove ; Technical Director (49)

Mr. Fullilove started an Engineering Apprenticeship with British Airways in 1978. Over the years with them, he acquired a considerable amount of experience covering all aspects of aircraft maintenance in the areas of planning, technical support and heavy and line maintenance. Thereafter, he worked for British Midland as Hangar Foreman. After developing various skills within the company, he moved to KLM UK working first as the Line Maintenance Manager and then as the Head of Base Maintenance introducing change management processes and development ideas. He then joined Monarch Aircraft Maintenance in the role of Head of

# Kenya Airways.

Beijing

Dubai

Guangzhou

Nairobi

Harare







## The Management Team (Biographies)

### Guibert ; Director, Ground Services (47)

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

### Wanyanjui ; Information Systems Director (43)

Wanyanjui has over 18 years experience in the Information Technology field. This includes 6 years in management consulting firm Price Waterhouse, 6 years at Bamburi Cement Ltd and 5 years in the banking sector, most recently at Housing Finance Company of Kenya. He has attended many technical IT and management courses both locally and abroad. As a management consultant he carried out numerous management consultancy assignments in the fields of finance, hospitality, manufacturing and service industries in both private and public sectors. These organisations were spread out beyond Kenya and in other African countries including Uganda, Tanzania, Malawi and Ethiopia. At Bamburi Cement where he was the head of IT for the cement company alone, and thereafter for all group companies in Kenya and Tanzania, he was instrumental in strategy formulation, shifting the group to an end user computing environment, integrating ERP systems and putting in place a complete IT organisation. Mr. Wanyanjui was the first IT Director at Housing Finance Company of Kenya Limited where he led the team in similar planning and implementation activities for banking business systems. This was followed by the evaluation and selection of a completely new banking system platform. In 2001 the Housing Finance Company of Kenya awarded him the Chairman's Achievement Award in recognition of his contributions in the IT field.

### Wata Kasimu ; Human Resources Director (46)

Wata Kasimu holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi, a Masters degree in Business Administration and a Post graduate Diploma in General Management from Cambridge University. He has over 17 years Human Resource experience

in Kenya as Manpower Planning and Development Officer and thereafter served under various capacities. These included HR Change Programme Manager between August 1999 and September 2000 and Head of Human Resources Barclays Southern Africa between May 2002 and December 2002 where he was responsible for the effective running of the HR function in Barclays Bank of Botswana, Mauritius, Zambia and Zimbabwe. Between January 2003 and December 2003, he worked as the HR Business Partner, Barclays Bank Africa in the London office, where he provided HR Consultancy services to Barclays Africa Finance and Service Delivery Directors respectively and their senior management teams in support of business strategy cutting across the 11 African businesses. From January 2004 to January 2006, Mr. Kasimu served as Regional HR Business Partner, Barclays Bank, East Africa. He received the COYA Manager of the Year award in 2008. He joined Kenya Airways on January 10th, 2006.

### Mohan Chandra; Commercial Director (59)

Mohan Chandra joined Kenya Airways on 1st August 2009. Prior to joining Kenya Airways, Mohan was Aviation Advisor and Chief Operating Officer for Emirates Post Group. He commenced his airline career with DNATA, then a brief stint with Air India and onward to KLM for 27 years as Regional Manager - United Arab Emirates, Bangladesh, Sri Lanka, Maldives, Yemen and Oman. He has also worked in Senior Commercial Management positions with Qantas and Emirates. Besides various IATA and Management courses attended, Mohan holds a Diploma from the American Management Association (AMA), of which he is a member. He also holds an Aviation Airline Transport Diploma from the New Zealand Civil Aviation Authority and a New Zealand Commercial Pilot License for single and twin engine aircraft. Mohan has received accolades and recognition for outstanding performance throughout his airline career. Most notable were the Worldwide Emirates Aviation Sales Award (2005/2006), Certificate of Appreciation from The President of Civil Aviation and Chairman of Emirates Airline, H. H. Sheikh Ahmed Bin Saeed Al Maktoum, for dedicated service to Dubai International Airport (1999) and TOP KLM Award for turning extra seats into extraordinary Sales (1991/1992).

*Word from the Chief Executive*

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***“By opening new routes,  
we believe that we will  
have played our part in  
opening up Africa for the  
expansion of trade and  
creation of investment  
opportunities”***

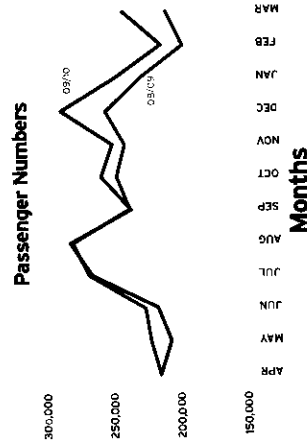
**Dr. Titus Naikuni**



downturn. Handling revenue increased by 3% to Kshs.1.3 billion compared to prior year at Kshs.1.28 billion. As a result of the above, the total turnover dropped by 1.5% from Kshs. 71.8 billion in the prior year to 70.7 billion in 2009/10.

## COMMERCIAL HIGHLIGHTS BUSINESS PERFORMANCE

During the 2009/10 financial year, Kenya Airways carried a total of 2.92 million passengers compared to 2.82 million passengers in the previous year. In addition, the airline transported 55.2 million kilograms of cargo across the network compared to 55.6 million kilograms in the previous year. The growth in passenger numbers over prior year was witnessed only in the second half of the financial year due to new routes started up and the resumption of traffic following the aviation industry's recovery from the global recession. In addition, the continued positive forecasts of global airline traffic improvements are slowly being realised.



## MARKETING

### 1. KQ-Msafiri Gold Credit card loyalty program.

In December 2009, Kenya Airways launched the KQ-Msafiri Gold Credit card, an International MasterCard Credit Card issued by the CFCStanbic Bank of Kenya. The card is aimed at promoting loyalty to Kenya Airways by making it possible for cardholders to accrue reward points exchangeable for "FREE" tickets with Kenya Airways as they go about their regular lifestyle shopping through the millions of MasterCard outlets worldwide. The card can also be used to purchase KQ tickets both online and at retail

to expand the capacity at JKIA, it is worthwhile to note that as at 1978, the airport was designed to handle 2.5 million passengers yearly. With our continued expansion and the entry of many more foreign carriers into the Kenyan market, the capacity of JKIA to handle passenger throughput has been stretched to the limit. In 2009, JKIA handled about 5 million passengers. Subsequently, the passengers' experiences while transiting at JKIA have not been pleasant and they have opted for friendlier and competing airports. In the absence of the upgrade of these critical infrastructural facilities that are a prerequisite for our continued success, we will be forced to continue seeking the government's support and facilitation in allowing the transit passengers especially from Francophone West Africa to access hotel facilities outside the airport if we are to reclaim our rightful place as the leading aviation hub in Africa.

With 70% of our network being in Africa, Kenya Airways today faces a lot of taxes and fees on its operations and services, including taxes on income, property, fuel, equipment and for social and economic purposes such as development aid, the environment and tourism expansion. Admittedly, the imposition of new taxes on the airline industry especially in Africa has led to an unprecedented rise in the cost of doing business. For instance, the Government of Kenya has only negotiated and concluded 8 Double Taxation Agreements (DTAs), against over 44 international destinations that KQ currently operates to. We will continue to urge the Government of Kenya through the Ministry of Finance to move expeditiously and conclude the avoidance of DTAs. With the removal of barriers to trade, investment and entrepreneurship in an open market should remain the preferred means of achieving long-term development.

Kenya Airways will continue engaging the Government in constructive dialogue to ensure that we regain and maintain the number 1 position as the aviation hub of choice.

Passenger revenue dropped marginally to Kshs.62.8 billion in 2009/10 compared to prior year at Kshs 62.9 billion. Cargo revenue dropped by 11% to Kshs 5.4 billion compared to prior

economy has started to recover albeit at a slow pace. The highest growth has been seen in Latin America, Middle East and Europe. Although the aviation industry is expected to remain strong in 2010, the industry is still expected to lose about \$2.8bn during the year.

Kenya Airways remains focused on its strategic objective of creating a profitable network, with a focus on Africa. In 2009/10 alone, we have launched 7 new destinations in Africa: Brazzaville - Republic of Congo; Kisangani - Democratic Republic of Congo; Bangui - Central Africa; Ndola - Zambia; Gaborone - Botswana; and Libreville - Equatorial Guinea.

Our expansion strategy continues to be supported by the Ministry of Transport and Infrastructure. We have recently reviewed and concluded Bilateral Air Services Agreements (BASAs) with several countries. These agreements will offer more opportunities for expansion by opening new routes, increasing frequencies of flights as well as expanding partnerships with other carriers especially in Africa. As part of our report this year is "Opening Africa to the World". By opening new routes, we believe we will have played our part in opening up the expansion of trade and creation of new opportunities. Amongst the challenges faced in the previous year are volatile oil prices, the delay of the Dreamliner B787-800, and the impact of the global economic downturn. The most daunting challenge we have faced however has been the infrastructural constraints at JKIA.



ing a robust network-wide sponsorship program in the coming year which will be supported by the appointment of a dedicated manager to manage the program.

## **FINANCIAL**

Kenya Airways had a headcount total of 4,167 people at the end of the financial year in April 2009 of 4,122 people as at 31st March 2010. The focus of the Human Resource Department is to ensure a high performance culture to ensure the Company Strategy. Key to this was the development of capabilities at all levels and working in all departments within the organization to ensure a high performance culture. A new initiative to strengthen our "Pride" was offered to all employees to provide them with practical skills for dealing with day to day business.

## **Human Resource Development**

Kenya Airways' human resource capability has seen the development of a number of initiatives and programs aimed at development of its staff. These initiatives are further complemented by the various training programs offered. These are the Human Resource Training Team, Technical Training Team, Ground Services Training team and the Skills Training Team.

## **Operations Training**

The Operations Department has also made significant progress towards increasing the efficiency of operations in the year and continues to do so. The Centre now has a recently installed Procedures Trainer (VPT) facility for Kenya Airways. The introduction of VPT has enabled

the time pilots spend away from the operational base from 34 days to 24 days during conversion training. In July 2008, the KQ Board approved the construction of Phase 2 of the Pride Centre which we expect to be completed by September 2010. This second phase will host a "Boeing 737NG Full Flight Simulator" together with related briefing rooms for pilot training. The facility will further enhance efficiencies within the B737 pilot training.

The key benefits of the simulator include reduction in the number of days that pilots spent traveling overseas for training and reduction of hotel and accommodation costs. The facility will also allow more pilots to operate flights as pilots will be able to fly during their days of training without violating the stipulated duty periods. The company also expects to undertake third party business from the excess hours created. The payback period for the simulator investment is less than 3 years.

## **Technical Training**

The Technical Training School is responsible for developing and refreshing the Technical and Engineering skills required in maintaining Kenya Airways aircraft. The school now has the capability of conducting most of the engineering courses in-house. These courses have been developed in conjunction with the respective aircraft manufacturers. This has significantly contributed to cost cutting as courses are currently being held locally by KQ instructors. We are looking at investing further in the development of engineering skills especially at the artisan level.

## **Ground Services Training**

The Ground Services training focused on the development of internal training programs to meet functional demand. During the year, all Ground Services training programs were reviewed and new courses introduced, not only to reflect the review of standard operating procedures that came into place during the year, but also to align the training programs with the standards set by the IATA Safety Audit of Ground Operations (ISAGO).

ISAGO is an internationally recognized and accepted system used

Course that was combined with a massive airside safety campaign, under the banner: "one safe KQ." These initiatives realized an initial commendable reduction in ground services safety related incidents and improvement in safety awareness depicted by the increase in the level of safety reporting.

The strategy of the Ground Services Department was to develop courses for all functions within the Department modeled on world class operations. This was achieved by the end of 2009, with the introduction of over thirty functional courses covering all areas within Ground Services operations. By the end of the year, 98% of the staff had undergone both initial and refresher training.

## **Commercial Training**

The year 2009/2010 marked a very exciting and engaging period for the Commercial Skills Team. Tasked with the training of the in-flight service and sales and ticketing teams, the team endeavored to ensure that the required staff were trained and ready to support the company's strategic plan.

Heightened expectations for exemplary service have necessitated the development of new and innovative programs and approaches. These will ensure that Kenya Airways in-flight attendants and sales agents are equipped with the skills necessary to succeed in this highly competitive industry. The skill-related programs have been complemented by company-wide developmental programs that aim to create a commonness of thought and to build leadership at all levels of the organization.

In January 2010, the team rolled out its first commercial product; The Certificate of Airline Cabin Crew. This is a three-month certificate course for anyone who harbors the ambition of pursuing a career as a cabin crew. The first lot of 41 participants, aptly referred to as "The Pride Stars," graduated in March 2010. A similar program was offered to people outside the company seeking careers in ground services and a total of 24 participants also graduated in March with a certificate in Ground Services.

The Company's commitment to excellence is evident in the way we should see the



## Word from the Chief Executive (cont'd)

### Developing our Success Factors

The adopted Company's Success Factors have been developed into a behavioral competence framework with competences defined at four levels of responsibility. These are recruitment, selection, performance management and succession planning. In order to complement the respective skills trainings that staff are currently undergoing, and also to equip staff with the skills required at each new level, a series of leadership development programs are being introduced with a much higher emphasis on ensuring improvements in 'on-the-job' performance. As an integrated series of development programs, they provide the company with a leadership development pipeline and employees with a structured approach for fulfilling their leadership potential. The pilots programs have been well received by both the users and the business. These programs include Personal Effectiveness, Learning to Lead, Business Leadership, Advanced Business Leadership and Executive Development.

### Continuous Improvement (CI)

Continuous Improvement (CI) refers to the process of adopting a set of best practices to help organizations consistently deliver excellent service, eliminate waste and exceed benchmarked targets. By adopting these practices and making them a way of life within the organization, companies are able to sustain excellence in their performance thereby achieving the status of "World Class Operations." By improving its process flow, Kenya Airways hopes to achieve this status. This will be accomplished by focusing on practices such as: Team Work, "the 5s" (Sort, Shine, Store, Standardize and Sustain), Visual Performance Measurement, Focused Improvement and Leading and Managing Change. These practices are aligned to the 2010/11 company mission which

best practices a way of life, the airline will be better equipped to address issues such as maintaining an organised and safe working environment, improvement of productivity and efficiency, elimination of waste and mapping company processes. These best practices not only benefit the business but also assist the individual to tap into and utilize their full potential.

### IATA Programs

Kenya Airways partnered with IATA in designating the Kenya Airways Pride Centre as a regional training centre for IATA training programs. The programs are run on a commercial basis and are open to all, across the African region and the rest of the world. In November 2009 the first two courses with external fee paying participants were held. These courses were "Station Ground Handling Management" and "Flight Operations Management Training", which hosted participants from all corners of the globe. With such developments, it is envisaged that the Kenya Airways Pride Centre will emerge as the premier aviation training facility in the region.

### Employee Relations

The year 2009/2010 has seen the company actively engaging the two main aviation unions, the Kenya Airline Pilots Association and the Aviation and Allied Workers Union in a bid to enhance industrial harmony and strengthen employee relations. In August 2009, there was an industrial action that lasted for 2 days following deadlock in the collective bargaining agreement negotiations with AAUW. Further engagement with both parties and the support from both COTU and FKE resulted in a return to work formula and an agreed agenda on specific actions that were seen as key to restoring industrial harmony in the company. The company and AAUW also signed an interim CBA which came into force effective 1st July, 2008. Line managers and union representatives attended a training programme styled "Strengthening Our Pride" in a bid to foster better relationships and in dealing with day to day people issues across the company. Changes in leadership in both unions brought new challenges with regard to fostering partnerships, building a sound industrial relations atmosphere and

Survey with a view to assessing the general staff climate company in order to improve the general work culture performance through better workplace practices. The survey have been rolled out to the staff who are current Team Coordinators who will spearhead the improvement. The Embakasi Housing Project initiative was geared provision of decent affordable accommodation and its proximity to JKIA for Kenya Airways employees. The project is to house staff members who work on odd hours and also to assist the staff to acquire proper working life. In order to achieve the project objective was sold at book value to subsidise the cost of the unit.

A total of 624 staff expressed interest in owning the using an agreed criteria for selection, 332 members of accorded first priority in the allocation of 156 two (2) and 176 three (3) bedroom houses. NEMA approvals have been granted and the project is currently awaiting construction the land transfers to allow a groundbreaking ceremony our commitment to transforming KQ to be a better place to work as well as 'strengthening our pride', the KQ day was held on 28th November, 2009. This is a day for employees and families to have an opportunity to both relax and have fun. At this year's event, 427 of our staff were recognized.

### Medical and Occupational Health

F/Y 2009/10 saw an increase in the number of staff in Department. An additional two qualified permanent professional staff were recruited. In order to increase and cost effectiveness and in order to streamline service laboratory and pharmacy services were outsourced. also sourced the services of an in-house counselor who at the clinic on designated days to offer counseling. Other services initiated in the year included sourcing air services for staff in remote areas and outstations. A solution has also been finalized and will help facilitate identification and track allocations efficiently. The cor

As part of our ongoing medical education and dependants, a seminar for mothers and fathers was organized and among the topics were the weaning of infants, first aid in and home hygiene.

### place Program

of initiatives were carried out during The company contracted a network to clients have access to the most current tive management of HIV in terms of n, investigations and medical expertise nable cost. Free HIV related counseling is n addition to regular training of clinicians ized HIV management. The company has working with the National Organization ducators (NOPE) to establish a number rplace interventions in the work place

### sses

automation of the HR processes in April e have embarked on the enhancement ses through customization to address business requirements. This customization n the area of recruitment, leave, overtime ore HR module. This will ensure that the resources Department responds efficiently business needs of the day and achieves satisfaction and excellent service delivery.

### ATION & COMMUNICATION SYSTEMS twork implementation in Africa

ness systems in KQ are hosted centrally increasingly moving to graphical user s. Network connectivity in Africa to such systems, has been a challenge in the past, uent link breakdowns. During the year

African Airport and Town offices to have improved connectivity to business systems hosted in Nairobi (e.g. KQWorld staff information portal, corporate standard email, Oracle E-Business Suite for Finance, HR and Supply Chain processes, etc) and via Amsterdam (Amadeus Altea Reservation system, Altea Inventory system, KLM Codeco airport departure control system, etc). This connectivity is on a 99% service level agreement which means less down time for this access. During the year, 26 sites in 17 countries have been implemented on VSAT and cutover. Another 16 sites will be completed in FY10/11.

### An Integrated Operations & Hub Control System

The rapid growth and expansion of Kenya Airways in fleet and new routes has made it imperative to equip the Operation Control Centre (OCC) with an integrated Operations Control System. This system also needs tight integration with a Hub Control System to enable both the Hub Control Centre (HCC) and OCC to handle daily operations and disruptions more smoothly as the airline expands. The systems selected and undergoing implementation are from airline solutions provider, Sabre. These systems include Crew Management, Movement Control, Flight Planning and Weight and Balance and integration of operations across these areas.

The Hub Control System is set to dramatically improve day-to-day operations across the JKIA airport by providing optimal staffing levels, generation of rostering solutions for complex work shift scenarios, automating employee administration and offering decision support on the day of operation. This will position KQ to handle the rapidly increasing traffic going through JKIA.

The entire implementation of the OCC and HCC systems is targeted to be completed during FY 2010/11.

### Fares Management & Pricing System

KQ implemented a fares management and pricing system, also from Sabre. Its main benefit is to increase the speed of the airline fare pricing analysis and calculations process. This will help KQ to respond more quickly to fare changes by its competitors while

fares and, based on that analysis, make strategic changes to Kenya Airways fares within seconds

### Integrated Cargo System

An integrated Cargo Sales and Handling System called Cargospot was implemented during the FY. This system has replaced a number of independent systems involved in the cargo processes (Mercury for handling, COHARS for Courier, E-Champ for Cargo Sales and RAPID for Cargo Revenue accounting). The benefits of this integrated system will start to be realised in FY10/11. The system will be utilised in the Mombasa and outstations cargo sales and handling offices.

### Budgeting System

During the FY, the Finance Department led the development and implementation of a new budgeting and financial planning system. This was used to prepare the enterprise-wide budgets for FY10/11. The new budgeting system illustrated the new efficiencies that can be realised in this process and it is hoped that this will be improved upon in future years. This is the first step in automating enterprise performance management, and it will be expanded upon during FY10/11.

### KQ e-commerce and m-commerce solutions

E-commerce at KQ went a notch higher with the development of a portable web site for mobile phones (WAP). This new WAP solution allows customers and staff to access web site information, such as flight schedules, online booking, online check-in, corporate information and news via their mobile phones. An additional mobile commerce solution rolled out during the year was an on-line payment solution specific to the UK and Nigeria markets.

### Amadeus Altea Inventory

KQ continued to work with the Air France-KLM group on the migration to the Amadeus Altea inventory system. This is part of a wider migration from the Air France-KLM group of passenger handling systems (reservations and ticketing, inventory and airport departure control) to one common platform, the Amadeus Altea



## Word from the Chief Executive (cont'd)

Schedules, Inventory, Seating and Re-accommodation modules of the system. The final migration to Altea Inventory took place in June 2010. Altea Inventory has a tight integration with Altea Reservation, is more customer centric and will therefore greatly enhance the service offered to customers.

### Amadeus E-Ticket Direct and Galileo ETAT

Amadeus E-Ticket Direct and Galileo ETAT products enable authorized travel agents in Non IATA/BSP markets to also issue electronic tickets on KQ e-ticket stock. These products enhance e-ticket distribution in Non IATA/BSP markets, check on un-reported sales (which are common with paper tickets) and deliver savings on paper ticket printing and distribution costs. The products will also extend e-ticket benefits enjoyed in BSP markets to KQ customers in Non BSP markets. During the year this was implemented in the following Non IATA/BSP markets: Sudan, DRC, Rwanda, Burundi, Sierra-Leone, Seychelles, Djibouti and Madagascar.

### Airports Systems Infrastructure in Africa

The IS team rolled out mobile check-in counters in a number of airports in Africa such as Bujumbura, Kinshasa, Gaborone, Douala, Zanzibar and Lubumbashi. This has enabled our passenger service staff in those airports to wheel out these mobile counters from the back office to the front office when checking in passengers for a flight. They can then wheel them to the back office after the flight has departed. This has led to better security for the check in computer equipment, which means customers are better served and checked in for their flights and onward connections.

### IS Security

In addition to implementing and testing the new

for hardening the systems for better security against external and internal threats. During the year, we conducted such security reviews on 6 systems. The vulnerabilities identified have been remedied.

### FLIGHT OPERATIONS

Recruitment and training of crew remains a key objective of the Flight Operations Department. 24 ab initio pilots were recruited within the year and are currently on training in South Africa while 23 Direct Entry Pilots joined the company and have now been fully trained. The pilots' strength at the close of the financial year was 337 compared to a target of 370. The company plans to narrow the gap with the return of 22 ab initio pilots in Sep/Oct 2010 upon completion of their training and the recruiting of 24 Direct Entry Pilots planned for the coming year. Our Cabin Crew staff complement is at 821 with recruitment planned for an additional 50 in the next financial year to cater for network growth.

In order to enhance communication and career progression for our cabin attendants, the Flight Operations Department made structural changes to the function of the Head of In-flight by re-vamping the managerial team with the addition of 3 In-flight Performance Managers for the clustering of crew with pre-defined accountability for each crew. 6 new roles of Cabin Managers were also created. The managers will take charge of line checks and ensure conformance to standards amongst the cabin crew. Other changes include the re-grading of 144 flight attendants to Premier World Class attendants who will provide dedicated service to the business class cabin.

During the year, we started a business orientation program for pilots, an operation we have dubbed the 'Flight Operations Induction Program'. At least 50 pilots have completed the program and have been sensitized on their key deliverables and impact on the organization across all departments.

We continue to hold fortnightly staff forums in order to foster

The Flight Operations Engineering section successfully the retrofitting of an Aircraft Communication Address Reporting System (ACARS) project in 4 B767-300s, 2 B737-700 aircraft.

ACARS will enhance safety and effective communication real time and accurate information now being accessed on board and on ground. Some of the benefits of ACARS engine and aircraft performance monitoring, load control flight following. Retrofitting of ACARS on the B737-300 is targeted for end of December 2010.

Within the catering section, we have managed to control costs by reducing the over-catering out of Nairobi to a level of 3.6% in the year from a level of 5.7% for the previous year.

### GROUND SERVICES

#### Safety

Safety is a fundamental part of the Kenya Airways mission and a key deliverable for the Ground Services Department. A main initiative was the preparation and certification of operations in Nairobi and Mombasa as per the requirements of the IATA Safety Audit of Ground Operations (ISAGO). Internationally recognized program whose standards are on industry best practices. Despite this excellent result, a fatal accident at our Nairobi Cargo Centre while our maintenance team was responding to a power loss and electrical fault.

#### Nairobi operations

In line with ISAGO preparation and compliance, we also implemented key initiatives in training and recruitment. We up-skilled staff and increased our loading supervisors and controllers to 100%. This constitutes a major investment and is of equivalent value of 2,640 days of class and "On the Job" training. We have also crystallised the Hub Control structure and the team members.

On the cargo side, Kenya Airways has restructured its

### **Delivery**

measuring some of the elements of our service against agreed targets. We focused a key element of service delivery during the year on achieving good results in passenger service at the check-in desk, we have now turned our attention to baggage delivery. The usage and performance of our baggage reconciliation system has improved significantly with a performance ratio of 100%. We are now concentrating our efforts onwards customer service delivery and softening up our front line employees.

For the Integrated Operational Control (IOC) we have been implementing the related tools of the Open Aviation System (OAS) product. The HCS roll out is now over three phases with a targeted completion by end of April 2010. The implementation of the IOC will be a significant milestone. We are expecting significant improvements in resource efficiencies as a result of the IOC implementation.

### **Airlines**

The IOC certification is a quality label in ground handling services to Etihad and Singapore Airlines. Further effort has been made to align our services to our customer expectations. During the year, we commenced the provision of ground handling services to Etihad and Singapore Airlines. A special initiative has been launched in Kenya. A special initiative has been launched in Kenya that we conform to our agreed Service Level Agreements.

### **AL**

During the last financial year our training school graduated 100 apprentices to fill the gaps left by retiring staff and also to meet company

requirements. The program experienced a few technical hitches based on entry requirements as set by our HR department which meant that no new apprentices were recruited during the last financial year.

In this financial year, the program is scheduled to continue, with emphasis being laid on training for skills. This will involve partnering with established institutions that will initially provide workshop facilities before Kenya Airways acquires its own capability. The first group is scheduled for recruitment before the end of September 2010. So far the Continuous Improvement (CI) Agenda for the Technical Department has been drawn and is in place for every team in the Department. Team meetings are ongoing, improvement projects have been identified and registered and detailed plans are in place. Stakeholder analysis is working well.

The Open Aviation Strategic Engineering Systems (OAS) project was introduced in Kenya Airways to integrate all the business processes in the technical department. It captures and reports on all maintenance schedules, staff time utilization and spares availability. The project was kicked off in August 2008 by the Chief Executive Officer and the Technical and Information Systems Directors. The main benefits expected and realized so far include improvements in productivity and reduction in maintenance costs.

The project has also led to improved information visibility, performance reporting and proactive planning of aircraft maintenance. The reliability module was the first of the main modules to go live in December 2009 while the planning and production modules went live at the end of May 2009. This milestone was marked by the first fully planned and production-monitored OAS C-check on the Boeing 737-800 fleet. OAS planning and production have subsequently been implemented on all our aircraft fleets with the last fleet to go live being the Boeing 737-300 fleet which went live in February 2010. Production monitoring in all the aircraft component workshops is expected to be completed in June, 2010. A further development in FY10/11 will be the integration of the OAS system with the integrated

One of the initiatives under the OAS project is its integration with the Enterprise Resource Planning (ERP) system. The first part of this interface went live on 6th April, 2010. Integration with the Sabre Aircentre system is also underway and includes implementation of the new OAS Line Maintenance Control (LMC) and Dispatch Reliability (DR) modules which are targeted to improve our technical operations and dispatch reliability. A number of new modules are also expected in the second and third quarters of this year including Request For Change (RFC), Integrated Planning Tool (IPT) and Key Performance Indicators (KPIs) which are expected to bring significant benefits to our engineering, planning and management teams.

The Technical On Time Performance ("OTP") remains at an average of 95.25%. However further improvements still need to be made. Our short term planning is more structured and although Aircraft Deferred Defect Control is still a challenge, we continue to make plans for improvements. We are now controlling all short term Line Maintenance activities in this manner whilst integrating the Maintenance Control Centre Unit with Planning and Aircraft on Ground spares and services to create an even more focused unit with the opening of the new Operations Control Centre. Aircraft reports are now generated faster, enabling us to keep up with worldwide trends and soon we will be able to manage aircraft defects more effectively and along industry standards. This will form a major contributory factor to the OTP and increased aircraft serviceability and availability.

We are well into the C-Check lines with the majority of aircraft now serviced in Nairobi. Our policy has been to conduct C Checks in-house as much as possible and only outsource those that require specialist work outside the capability of KQ. Management and staff of the Engineering and Maintenance teams take equal pride in the completion of this "in sourcing" project. Our base maintenance performance is also noteworthy and demonstrates the management's commitment to OTP. Over the past six months, third party technical services have generated good revenue for the airline. The revenue continues to grow with more demand for





## Word from the Chief Executive - Corporate Social Responsibility

Education, Water, Health and Environment remained KQ's core focus areas in its CSR activities during the period in review. The following projects were completed successfully:

### Education:

In line with the "Adopt a School" initiatives, KQ supported a number of schools.

- Mangu High School in Thika, Kenya was supported through the construction of a computer class at a cost of Kshs.750,000.
- Ikuu Girls Secondary and Special School in Chuka, Kenya was supported through the construction of a dining hall costing Kshs.1,300,000.
- Esupetai Primary School in Narok, Kenya was supported through the construction of two classrooms, a perimeter fence and installation of a water tank at a cost of Kshs.1,700,000.
- Kasagam Secondary School in Kisumu, Kenya is once again a beneficiary and this time was supported through the construction of a Computer Lab costing Kshs.2,000,000.
- Kasarani Tree Special School Nairobi, Kenya was supported by the construction of a carpentry workshop costing Kshs.2,000,000.

### Water:

With a view to developing sustainable, safe and adequate water supply in vulnerable rural communities across Africa, the following projects were supported during the period:

- Gaigedi Community in Vihiga, Kenya by sinking a borehole in Gaigedi Secondary School and installing of a holding tank at a cost of Kshs. 2,000,000.

### Environment:

The Plant a Future campaign saw a re-consolidation of the area where we have been planting indigenous trees since 2007 we replaced 90,000 seedlings that were affected by the long drought and planted an additional 30,000 indigenous seed project has so far achieved a planting of a total number of 500,000 indigenous trees which are surviving.

### Health:

The "Bombay Ambulance" initiative provides support for needy patients travelling overseas for medical treatment. The discounted tickets provided to needy patients who travelled for medical treatment stood at 44 to Mumbai, 2 to Amsterdam each to Cairo and London.

The company also supported the following initiatives:

- The Haiti earthquake disaster victims' relief support project in partnership with the Red Cross between 4 - 28 February 2010 involved collecting cash in the form of loose-change from passengers in-flight. The project netted a total of Kshs.500,000.
- Uganda landslide victims received a donation for food worth Kshs.600,000 trucked to Eastern Uganda.
- The AMREF/Rotary "Changing Lives" project has so far collected Kshs.1,643,928. This project is currently in review with a full re-launch to ensure effectiveness.

### Double Your Effort

This is an initiative in which KQ staff propose and fund raise for CSR projects by department and obtain a top up of a similar amount from the KQ CSR budget.

Projects supported on this initiative include the following:

| DEPARTMENT               | PROJECT DETAIL                                      | SUPPORTED CAUSE          | DEPARTMENT CONTRIBUTION KSHS. | COMPANY CONTRIBUTION KSHS. |
|--------------------------|---|--------------------------|-------------------------------|----------------------------|
| Commercial - Flying Blue | AIC Girls School - Kajiado                          | Purchase of beds         | 61,300                        | 61,300                     |
| Internal Audit           | Laverna Day & Boarding Primary School - Donyo Sabuk | Construction of toilets  | 90,000                        | 90,000                     |
| Information Systems      | Nyauu Primary School - Homa Bay                     | Renovation of classrooms | 54,000                        | 54,000                     |
| Finance                  | Esageri School for the Deaf - Eldama Ravine         | Purchase of beds         | 200,000                       | 200,000                    |
| Human Resources          | Mutuani School - Machakos                           | Construction of toilets  | 103,900                       | 103,900                    |
|                          | <b>Total</b>  |                          | <b>509,200</b>                | <b>509,200</b>             |



# Notes to the Financial Statements

## ACCOUNTING POLICIES

of compliance  
All statements have been prepared in accordance with International Financial Standards (IFRS).

an Companies Act reporting purposes, in these financial statements, the balance presented by/is equivalent to the statement of financial position and the profit amount is presented in the income statement.

f new and revised International Financial Reporting Standards (IFRS)

and Interpretations affecting amounts reported in the current period (and/or

g new and revised standards and interpretations have been adopted in the current have affected the amounts and disclosures reported in these financial statements. Other standards and interpretations adopted in these financial statements that effect on the amounts reported are set out in (ii) below;

ed), presentation of financial statements  
ersion of IAS 1 was issued in September 2007. It prohibits the presentation of some and expenses (that is, 'non-owner changes in equity') in the statement of equity, requiring 'non-owner changes in equity' to be presented separately from changes in equity in a statement of comprehensive income.

o the amendment to IAS 1 in January 2008, each component of equity, including other comprehensive income, should be reconciled between carrying amount at the beginning and at end of the period. Since the change only impacts presentation aspects, there is no impact on retained earnings.

so elected to use the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flows' to describe the 'balance sheet and 'cash flow statement' respectively.

y has not presented three statements of financial position in these financial statements as it is not applied an accounting policy retrospectively, made a retrospective restatement of financial statements, or reclassified items in its financial statements that affected the amount of financial position at the beginning of the earliest comparative period.

require disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendments results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group and the company.

### IFRS 8, 'Operating segments'

The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The new standard enables investors to assess the business performance from the same perspective as that used by management in making decisions about operating matters.

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

ii) Standards and interpretations effective in the current period, with no effect on these financial statements:

The following new and revised standards and interpretations are effective in the current financial year and have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- IFRS 1: First-Time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 2 Share-based payments - Amendments relating to vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009);
- IFRS 3: Business combinations - Comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009);
- IAS 27: Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 39: Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17: Distribution of non-cash assets to owners (effective for accounting periods



## Notes to the Financial Statements (cont'd)

iii) New and revised standards and interpretations in issue not yet effective

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

- IFRS 9, Financial Instruments part 1: Classification and measurement (effective for accounting periods beginning 1 January 2013)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments relating to treatment of loan prepayment penalties as closely related derivatives (effective for accounting periods beginning on or after 1 January 2010)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009); amendments for embedded derivatives when reclassifying financial instruments (effective for accounting periods ending on or after 30 June 2009)
- IFRS 8, Operating Segments: Amendments on disclosure of information about segment assets (effective for accounting periods beginning on or after 1 January 2010)
- IAS 1, Presentation of Financial Statements: amendment for the classification of convertible instruments (effective for accounting periods beginning on or after 1 January 2010)
- IAS 7, Statement of Cash Flows: Amendment relating to current and non-current classification of convertible instruments (effective for accounting periods beginning on or after 1 January 2010)
- IAS 17, Leases: Amendment for classification of leases of land and buildings (effective for accounting periods beginning on or after 1 January 2010)
- IFRIC 19: Extinguishing financial liabilities with equity instruments (effective for accounting periods beginning on or after 1 July 2010)

- IAS 38, Intangible Assets: Amendment for measuring the fair value of an intangible asset acquired in a business combination (effective for accounting periods beginning on or after 1 January 2010)

The directors anticipate that the adoption of the above standards and interpretations will have no material impact on the financial statements of the group in the period of initial application.

### Improvements to IFRS

'Improvements to IFRS' were issued in May 2008, April 2009 and May 2010. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary.

'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted.

The directors anticipate that the adoption of amendments to various IFRS resulting from the International Accounting Standards Board (IASB)'s annual improvements projects, when effective, will have no material impact on the financial statements of the group.

### iv) Early adoption of standards

The group did not early-adopt any new or amended standards in the period.

### a) Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

sold and still valid but not used by the end of t

period is reported as unearned transportation re  
sales in advance of carriage account. This item  
either when Kenya Airways or another airlin  
the transportation or when the passenger re  
refund. Unused tickets are recognised as re  
estimates regarding the timing of recognitio  
terms and conditions of the ticket and histo  
Past experience shows that there is insignifi  
attributable to unused tickets older than two

Other operating revenue is recognised at the tim  
is provided.

Commission costs are recognised at the same  
revenue to which they relate and are charged to  
Interest income is accrued on a time proporti  
reference to the principal outstanding and at t  
interest rate applicable.

Dividend income from investments is recognis  
group's rights to receive payment as a share  
been established.

### c) Basis of consolidation

The consolidated financial statements incorporate  
statements of the company and enterprises cont  
company (or its subsidiaries) made up to 31 Marc  
Control is achieved where the company has th  
govern the financial and operating policies of  
enterprise so as to obtain benefits from its activ

On acquisition, the assets and liabilities of a su  
measured at their fair value at the date of acqu  
excess/(deficiency) of the cost of acquisition over  
fair value of the identifiable net assets acquired is  
as goodwill or negative goodwill respectively. Non

### b) Revenue recognition



## Notes to the Financial Statements (cont'd)

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

Where necessary, adjustments are effected in the financial statements of the subsidiaries to ensure consistency of accounting policies applied in the preparation of financial statements in line with the policies adopted by other members of the group.

Significant intercompany transactions and balances between group enterprises are eliminated on consolidation. A listing of the subsidiaries in the group is provided in note 17(a).

### Associates

Investments in associated companies are accounted for using the equity method of accounting. Investments in associated undertakings in which the group has between 20% and 50% of the voting rights and which the group exercises significant influence but which it does not control.

Investments in associates are carried in the consolidated statement of financial position at cost plus share of subsequent profits less any impairment in the value of the investments. Losses of an associate in excess of the group's interest in that associate are recognised only to the extent that the group has incurred legal or constructive losses or made payments on behalf of the associate. A listing of the group's associated companies is shown in note 17(c).

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

Goodwill in associates is accounted for at cost in the company's separate financial statements.

On consolidation, the excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets and liabilities of a subsidiary or other entity under common control is recognised as an asset and is tested annually for impairment and is included in the consolidated statement of financial position. Goodwill is tested annually for impairment and is included in the consolidated statement of financial position.

Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the statement of financial position.

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

### Leases

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

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

Rentals payable under operating leases are charged to profit or loss on the straight line basis over the term of the lease.

### Foreign currencies

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

### Borrowing costs

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

**Notes to the Financial Statements (cont'd)**

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

**i) Employee entitlements**

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

**j) Retirement benefits costs**

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

The group's obligations to the staff retirement benefit plans are charged to profit or loss as they fall due.

**k) Taxation**

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

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

**l) Inventories**

Inventories are stated at the lower of cost and net realisable value.

and condition. Costs of issues are calculated using the weighted average method. Net realisable value is the estimated selling price less all estimated costs.

**m) Property, plant and equipment**

Properties held for use in the production or supply of services, or for administrative purposes and property under construction are carried at cost, less any impairment loss. Cost includes professional fees and qualifying assets borrowing costs capitalised in accordance with the group's accounting policy. Freehold land and buildings are depreciated as follows: Freehold depreciated as it is deemed to have an infinite life. Land on other property is charged so as to write off the assets, other than properties under construction, over their estimated useful lives, using the straight line method. Depreciation on assets under construction commences when the assets are ready for their intended use. Freehold equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

**n) Depreciation**

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

| Aircraft                      | %    |
|-------------------------------|------|
| Boeing 777, 737-300 & 737-700 | 5.5  |
| SAAB-340B                     | 10.1 |
| Vehicles and equipment        | %    |
| Ground service equipment      | 25   |
| Motor vehicles                | 25   |
| Communication assets          | 12   |
| Other assets                  | 20   |

Leasehold improvements and buildings are depreciated over their useful lives, using the straight line method. The terms of the related leases are as follows:

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

#### **Intangible assets-computer software costs**

Costs incurred on computer software are initially accounted for at cost as intangible assets. Computer software is amortised on a straight line basis over the estimated useful life of the asset, which is generally 5 years.

#### **Impairment**

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Impairment loss occurs where the asset is carried in the books at an amount greater than its recoverable amount.

For intangible assets, the recoverable amount is the greater of the carrying amount and the fair value less costs to be recovered through use or sale of the asset. If any such indication exists, the carrying amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generated unit to which the asset belongs.

For tangible assets, the recoverable amount represents the greater of the net selling price and the value in use. Value in use is the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. An impairment loss is recognised as an expense immediately, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as a revaluation decrease.

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

amortised over the term of the lease.

#### **r) Hedge accounting**

The group designates certain hedging instruments in respect of foreign currency risk and fuel price risk as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Movements in the hedging reserve in equity are detailed in the other comprehensive income.

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

#### **s) Derivative financial instruments**

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

Derivatives are initially recognised at fair value at the date the derivative contract is entered



## Notes to the Financial Statements (cont'd)

profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

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

### t) **Manufacturers' credits (subsidies)**

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

### u) **Financial assets**

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

#### Loans and receivables

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

is the rate that exactly discounts estimated cash receipts (including all fees, transaction costs and premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

### Impairment of financial assets

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

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

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

### Derecognition of financial assets

The group derecognises a financial asset only when the

risks and rewards of ownership and continues the transferred asset, the company recognises its interest in the asset and an associated liability for it may have to pay. If the group retains substantial risks and rewards of ownership of a transferred asset, the group continues to recognise the financial asset, also recognises a collateralised borrowing for the received.

### v) **Financial liabilities and equity instruments the group**

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

#### *Classification as debt or equity*

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

#### *Financial liabilities*

Financial liabilities are classified in the category of financial liabilities.

#### *Other financial liabilities*

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

#### *Effective interest method*

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



group's obligations are discharged, cancelled or they expire.

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

#### **Flyer programmes**

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

#### **Internal reporting**

regments are reported in a manner consistent with the internal reporting provided of Operating Decision Maker. The Chief Operating Decision Maker makes strategic and is responsible for allocating resources and assessing performance of the egments.

#### **Property and equipment**

essary, comparative figures have been adjusted to conform with changes in on in the current year.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

ation of financial statements in conformity with International Financial Reporting requires the use of certain accounting estimates. It also requires management to dgement in the process of applying the group accounting policies.

ess of applying the group's accounting policies, management has made estimates ptions that affect the reported amounts of assets and liabilities within current financial periods. Estimates and judgements are continually evaluated and are historical experience and other factors, including expectations of future events lieved to be reasonable under the circumstances. The critical areas of accounting and judgements in relation to the preparation of these financial statements are

as set out below:

#### **Impairment of aircraft**

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

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

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

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

#### **Unused ticket revenue**

Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends.

#### **Property and equipment**

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

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





## Notes to the Financial Statements (cont'd)

### 3. SEGMENTAL INFORMATION

The group has adopted IFRS 8 Operating Segments with effect from 1 April 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system financial reporting to key management personnel' serving only as the starting point for the identification of such segments. The adoption of IFRS 8 has not resulted in any change in the identification of the Group's reportable segments.

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

Management monitors the operating results of its business units for the purpose of making decisions about resource allocations and performance assessment. Revenue from outbound airline operations from Kenya and the overseas point are attributed to the geographical area in which the respective points are located.

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

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

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

#### Segment revenue and results

The major part of the business of the group falls under the category of aviation transport with income from other categories comprising less than 1% of total income.

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

|                 | 2010          | GROUP |
|-----------------|---------------|-------|
| Segment revenue | KShs' million | KS    |
| Kenya           | 3,131         |       |
| Rest of Africa  | 33,949        |       |
| Middle East     | 7,387         |       |
| Asia            | 7,339         |       |
| Europe          | 18,937        |       |
|                 | <b>70,743</b> |       |



# Notes to the Financial Statements (cont'd)

## GENERAL INFORMATION (continued)

|                           | GROUP                |                      |
|---------------------------|----------------------|----------------------|
|                           | 2010<br>KShs'million | 2009<br>KShs'million |
| result - operating profit | 230                  | 506                  |
| Africa                    | 976                  | 2,145                |
| East Asia                 | 198                  | 435                  |
|                           | 197                  | 434                  |
|                           | 238                  | 522                  |
|                           | <b>1,839</b>         | <b>4,042</b>         |

Revenue earning assets of the group comprise the aircraft fleet, all of which are registered in Kenya. Since the aircraft fleet is deployed flexibly across Kenya Airways' route providing information on non current assets by geographical areas is not considered meaningful.

External customer contributes 10% or more of the group's revenues.

|  | GROUP                |                      |
|--|----------------------|----------------------|
|  | 2010<br>KShs'million | 2009<br>KShs'million |
| of turnover according to business segments |                      |                      |
| Domestic                                   | 62,838               | 62,947               |
| International                              | 5,434                | 6,081                |
| Freight                                    | 1,312                | 1,276                |
| Mail                                       | 1,159                | 1,525                |
|  | <b>70,743</b>        | <b>71,829</b>        |

|   |              |              |
|---|--------------|--------------|
| of operating profit per business segments |              |              |
| Domestic                                  | 975          | 2,143        |
| International                             | 864          | 1,899        |
| Freight and others                        | <b>1,839</b> | <b>4,042</b> |

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| of net assets per business segments |               |               |
| Domestic                            | 17,231        | 14,818        |
| International                       | 2,742         | 2,358         |
| Freight and others                  | <b>19,973</b> | <b>17,176</b> |



## Notes to the Financial Statements (cont'd)

|   | 2010          | GROUP | KSh |
|---|---------------|-------|-----|
| <b>4. TURNOVER</b>  |               |       |     |
| Passengers  | 62,838        |       |     |
| Freight and mail  | 5,434         |       |     |
| Handling  | 1,312         |       |     |
| Others  | 1,159         |       |     |
|   | <b>70,743</b> |       |     |
| <b>5. ANALYSIS OF OPERATING EXPENDITURE</b>                   |               |       |     |
| a) Direct costs   |               |       |     |
| Aircraft fuel and oil   | 18,819        |       |     |
| Aircraft landing, handling and navigation                     | 8,530         |       |     |
| Aircraft maintenance  | 5,028         |       |     |
| Passenger services  | 4,445         |       |     |
| Commissions on sales  | 3,246         |       |     |
| Aircraft, passenger and cargo insurance                       | 366           |       |     |
| Crew route expenses   | 1,742         |       |     |
| Central reservation system (net) and frequent flyer programme | 1,805         |       |     |
| Others  | 395           |       |     |
|   | <b>44,376</b> |       |     |
| b) Fleet ownership costs                                      |               |       |     |
| Hire of aircraft and engines                                  | 5,920         |       |     |
| Depreciation on aircraft and engines                          | 3,094         |       |     |
| Depreciation on rotables and other equipment                  | 262           |       |     |
| Amortisation of refurbishment costs                           | -             |       |     |
| Aircraft purchase subsidy                                     | (174)         |       |     |
|   | <b>9,102</b>  |       |     |



## ANALYSIS OF OPERATING EXPENDITURE (continued)

|   | GROUP                |                      |
|---|----------------------|----------------------|
|   | 2010<br>KShs'million | 2009<br>KShs'million |
| Salaries and wages  | 10,175               | 8,075                |
| Depreciation  | 348                  | 225                  |
| Professional fees   | 73                   | 85                   |
| Remuneration  | 11                   | 10                   |
| Other expenses  | 1,492                | 1,378                |
| <b>Total</b>  | <b>12,099</b>        | <b>9,773</b>         |
| Depreciation  | 1,163                | 1,060                |
| Maintenance and supplies                                      | 860                  | 563                  |
| Leasehold improvements, vehicles and other equipment          | 364                  | 126                  |
| Amortisation of intangible assets and prepaid operating lease | 2,387                | 1,749                |
| Advertising and publicity                                     | 665                  | 472                  |
| Other expense   | 275                  | 7                    |
| <b>Total</b>  | <b>15,426</b>        | <b>479</b>           |
| <b>Total</b>  | <b>15,426</b>        | <b>12,001</b>        |



## Notes to the Financial Statements (cont'd)

### d) Employee costs and numbers

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

|   | 2010          | GROUP |              |
|---|---------------|-------|--------------|
|   |               |       | KShs'million |
| Costs                                       |               |       |              |
| Wages and salaries                          | 7,587         |       |              |
| Contributions to retirement benefits scheme | 462           |       |              |
| Leave pay provision                         | 561           |       |              |
| Others                                      | 1,565         |       |              |
|   | <b>10,175</b> |       |              |
|   |               | GROUP |              |
| Numbers                                     | 2010          |       |              |
| Kenya                                       | 3,693         |       |              |
| Overseas                                    | 440           |       |              |
|   | <b>4,133</b>  |       |              |

### 6 (a) FINANCE COSTS

#### Interest payable on long term borrowings

1,485

2010  
KShs'million

GROUP

KSh

### 6 (b) FINANCE INCOME

#### Interest receivable

372

Interest receivable analysed by category of financial assets is as follows:  
Held to maturity investments  
Loans and receivables

-  
372

#### Total investment income

372



## 7. FUEL DERIVATIVES GAINS/(LOSSES)

|                    | 2010         | GROUP | 2009         |
|--------------------|--------------|-------|--------------|
|                    | KShs'million |       | KShs'million |
| a) Realised losses |              |       |              |
| Net payment        | 3,771        |       | 1,372        |

The realised losses on the fuel derivatives represent the payments to counter parties for fuel derivatives that matured during the financial year.

|  | 2010         | GROUP | 2009         |
|--|--------------|-------|--------------|
|  | KShs'million |       | KShs'million |
| b) Fair value movements                    |              |       |              |
| Fair value movements due to mark to market | 6,140        |       | (7,532)      |

The fair value movements on fuel derivatives represent the changes in the fair value (mark to market) of the fuel derivatives that do not qualify for hedge accounting.

## 8. OTHER (LOSSES)/GAINS

|                                 | 2010         | GROUP | 2009         |
|---------------------------------|--------------|-------|--------------|
|                                 | KShs'million |       | KShs'million |
| Foreign currency (losses)/gains | (389)        |       | 62           |
| Other income                    | -            |       | 103          |
| Other costs                     | (112)        |       | (93)         |
|                                 | (501)        |       | 72           |

## 9. PROFIT/(LOSS) BEFORE TAXATION

The profit/(loss) before taxation is arrived at after charging:

|                                  |        |       |
|----------------------------------|--------|-------|
| Employee costs (note 5(d))       | 10,175 | 8,075 |
| Depreciation (Note 14)           | 4,216  | 3,561 |
| Amortisation (Notes 15, 16 & 18) | 364    | 279   |
| Auditors' remuneration           | 11     | 10    |
| Directors' remuneration:         |        |       |
| Fees                             | 10     | 12    |
| Other emoluments                 | 63     | 73    |



# Notes to the Financial Statements (cont'd)

| 10. TAXATION | GROUP                |                      | COMPANY              |    |
|--------------|----------------------|----------------------|----------------------|----|
|              | 2010<br>KShs'million | 2009<br>KShs'million | 2010<br>KShs'million | KS |

|   |            |                |            |   |
|---|------------|----------------|------------|---|
| a) Tax charge                                       |            |                |            |   |
| Taxation charge - current                           | 98         | 114            | -          | - |
| - prior year under provision                        | -          | 19             | -          | - |
| <u>Total current taxation charge</u>                | <u>98</u>  | <u>133</u>     | -          | - |
| Deferred tax charge/(credit) - current              | 585        | (1,714)        | 591        | - |
| - prior year overprovision                          | (47)       | -              | (47)       | - |
| <u>Total deferred tax charge/(credit) (note 29)</u> | <u>538</u> | <u>(1,714)</u> | <u>544</u> | - |
| <u>Total taxation charge/(credit)</u>               | <u>636</u> | <u>(1,581)</u> | <u>544</u> | - |

|  |            |                |            |   |
|--|------------|----------------|------------|---|
| b) Reconciliation of tax charge/(credit) to expected tax based on accounting profit/(loss) |            |                |            |   |
| Accounting profit/(loss) before taxation   | 2,671      | (5,664)        | 1,666      | - |
| Tax at applicable rate of 30%  | 801        | (1,699)        | 500        | - |
| Tax effect of expenses not deductible for tax  | 96         | 118            | 91         | - |
| Tax effect of non taxable income   | (209)      | (19)           | -          | - |
| Prior year current tax under provision   | -          | 19             | -          | - |
| Prior year deferred tax overprovision  | (47)       | -              | (47)       | - |
| Prior year deferred tax asset now recognised   | (5)        | -              | -          | - |
| <u>Taxation charge/(credit)</u>  | <u>636</u> | <u>(1,581)</u> | <u>544</u> | - |

|                            |      |       |     |   |
|----------------------------|------|-------|-----|---|
| c) Taxation recoverable    |      |       |     |   |
| At beginning of year       | 721  | 712   | 714 | - |
| Charge for the year        | (98) | (114) | -   | - |
| Prior year under provision | -    | (19)  | -   | - |
| Paid during the year       | 209  | 142   | 68  | - |
| At end of year             | 832  | 721   | 782 | - |

|                            |            |            |            |   |
|----------------------------|------------|------------|------------|---|
| <b>Analysed:</b>           |            |            |            |   |
| Taxation recoverable       | 832        | 737        | 782        | - |
| Taxation payable           | -          | (16)       | -          | - |
| <u>Net tax recoverable</u> | <u>832</u> | <u>721</u> | <u>782</u> | - |



**NET PROFIT/(LOSS) FOR THE YEAR**

attributable to shareholders dealt with in the financial statements of the company amounts to KShs 1,122 million (2009 - Loss of KShs 4,099 million).

**Earnings/(Loss) per Share**

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

|  | GROUP |         |
|--|-------|---------|
|  | 2010  | 2009    |
| Earnings/(loss) attributable to equity holders of the company (KShs'million) | 2,034 | (4,093) |
| Weighted average number of ordinary Shares (million)                         | 462   | 462     |
| Earnings/(loss) per share (KShs)   | 4.40  | (8.84)  |

Basic and diluted earnings/(loss) per share are the same as there were no potentially dilutive shares outstanding at 31 March 2010 or at 31 March 2009.

**Dividends**

|                                     | 2010 | 2009 |
|-------------------------------------|------|------|
| Dividends proposed (KShs' million)  | 462  | 462  |
| Number of ordinary shares (million) | 462  | 462  |
| Dividends per share (KShs)          | 1    | 1    |

In the current financial year, a dividend of KShs 1 per share amounting to KShs 462 million relating to the year ended 31 March 2009 was approved and paid.

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

Earnings/(loss) per share is arrived at by dividing the dividends payable by the number of shares in issue at the end of the reporting period.

Information in the unclaimed dividends account is as follows:

|  | 2010 | 2009 |
|--|------|------|
| Amount in the unclaimed dividends account (KShs'million) | 40   | 40   |





# Notes to the Financial Statements (cont'd)

## 14. PROPERTY, PLANT AND EQUIPMENT

a) GROUP

|   | Freehold<br>land and<br>Buildings<br>KShs'million | Aircraft,<br>engines and<br>rotables<br>KShs'million | Vehicles and<br>ground service<br>equipment<br>KShs'million | Incomplete<br>projects<br>KShs'million | KSh |
|---|---|--|---|--|-----|
| <b>COST</b>                             |   |  |   |  |     |
| At 1 April 2008                         | 1,914   | 60,535   | 5,450   | 546                                    |     |
| Additions                               | 6   | 1,395  | 244   | 874                                    |     |
| Transfer from incomplete projects       | -   | -  | 228   | (521)                                  |     |
| Disposals                               | (18)  | (378)  | (22)  | -                                      |     |
| At 31 March 2009                        | 1,902   | 61,552   | 5,900   | 899                                    |     |
| At 1 April 2009                         | 1,902   | 61,552   | 5,900   | 899                                    |     |
| Additions                               | 154   | 1,574  | 681   | 1,410                                  |     |
| Aircraft deposit capitalized (note 19)  | -   | 30   | -   | -                                      |     |
| Transfer from incomplete projects       | -   | -  | 501   | (1,052)                                |     |
| Disposals                               | -   | (872)  | (52)  | -                                      |     |
| Transfer to intangible assets (note 15) | -   | -  | (39)  | -                                      |     |
| At 31 March 2010                        | 2,056   | 62,284   | 6,991   | 1,257                                  |     |
| <b>DEPRECIATION</b>                     |   |  |   |  |     |
| At 1 April 2008                         | 321   | 12,058   | 3,634   | -                                      |     |
| Charge for the year                     | 42  | 3,014  | 505   | -                                      |     |
| Eliminated on disposal                  | (3)   | (337)  | (32)  | -                                      |     |
| At 31 March 2009                        | 360   | 14,735   | 4,107   | -                                      |     |
| At 1 April 2009                         | 360   | 14,735   | 4,107   | -                                      |     |
| Charge for the year                     | 65  | 3,356  | 795   | -                                      |     |
| Eliminated on disposal                  | -   | (673)  | (57)  | -                                      |     |
| Transfer to intangible assets (note 15) | -   | -  | (8)   | -                                      |     |
| Impairment                              | -   | -  | -   | -                                      |     |
| At 31 March 2010                        | 425   | 17,418   | 4,837   | 52                                     |     |
| <b>NET BOOK VALUE</b>                   |   |  |   |  |     |
| At 31 March 2010                        | 1,631   | 44,866   | 2,154   | 1,205                                  |     |
| At 31 March 2009                        | 1,542   | 46,817   | 1,793   | 899                                    |     |

The net book value of aircraft charged as security for loans obtained to finance the purchase of the aircraft is KShs 42,494 million (2009 - KShs 44,577 million) at end of Details of the outstanding loans are shown in note 28.



PROPERTY, PLANT AND EQUIPMENT (continued)

|                                  | Freehold<br>land and<br>buildings<br>KShs'million | Aircraft,<br>engines and<br>rotables<br>KShs'million | Vehicles and<br>ground service<br>equipment<br>KShs'million | Incomplete<br>projects<br>KShs'million | Total<br>KShs'million |
|----------------------------------|---|--|---|--|-----------------------|
| 2008                             | 1,400   | 59,735   | 4,503   | 546                                    | 66,184                |
| from incomplete projects         | 6   | 1,395  | 244   | 874                                    | 2,519                 |
|                                  | (18)  | (378)  | 228   | (521)                                  | (293)                 |
| from subsidiary companies        | 13  | -  | (22)  | -                                      | (418)                 |
| 2009                             | 1,401   | 60,752   | 5,631   | 899                                    | 68,683                |
| 2009                             | 1,401   | 60,752   | 5,631   | 899                                    | 68,683                |
| deposits capitalized (note 19)   | 154   | 1,574  | 680   | 1,317                                  | 3,725                 |
| from incomplete projects         | -   | 30   | -   | -                                      | 30                    |
|                                  | -   | (72)   | 501   | (1,052)                                | (551)                 |
| from intangible assets (note 15) | -   | (39)   | (39)  | -                                      | (124)                 |
| 2010                             | 1,555   | 62,284   | 6,721   | 1,164                                  | 71,724                |
| 2009                             | 193   | 11,432   | 2,691   | -                                      | 14,316                |
| the year                         | 42  | 3,014  | 505   | -                                      | 3,561                 |
| on disposal                      | (3)   | (337)  | (32)  | -                                      | (372)                 |
| from subsidiary companies        | 3   | 674  | 674   | -                                      | 677                   |
| 2009                             | 235   | 14,109   | 3,838   | -                                      | 18,182                |
| 2009                             | 235   | 14,109   | 3,838   | -                                      | 18,182                |
| the year                         | 52  | 3,356  | 795   | -                                      | 4,203                 |
| on disposal                      | -   | (45)   | (57)  | -                                      | (102)                 |
| of intangible assets (note 15)   | -   | -  | (8)   | -                                      | (8)                   |
| 2010                             | 287   | 17,420   | 4,568   | 52                                     | 22,327                |
| 2010                             | 287   | 17,420   | 4,568   | 52                                     | 22,327                |
| NET BOOK VALUE                   | 1,268   | 44,864   | 2,153   | 1,112                                  | 49,397                |
| 2009                             | 1,166   | 46,643   | 1,793   | 899                                    | 50,501                |

The book value of aircraft charged as security for loans obtained to finance the purchase of the aircraft is KShs 42,494 million (2009 - KShs 44,577 million) at end of the year. Details of standing loans are shown in note 28.



# Notes to the Financial Statements (cont'd)

## 15. INTANGIBLE ASSETS

|  | GROUP        |              | COMPANY      |   |
|--|--------------|--------------|--------------|---|
|  | 2010         | 2009         | 2010         |   |
|  | KShs'million | KShs'million | KShs'million | K |
| <b>COST</b>  |              |              |              |   |
| At beginning of the year                             | 1,020        | 666          | 1,008        |   |
| Additions for the year                               | 110          | 61           | 110          |   |
| Transfer from incomplete projects (note 14)          | 551          | 293          | 551          |   |
| Transfer from property plant and equipment (note 14) | 39           |              | 39           |   |
| At end of the year                                   | <u>1,720</u> | <u>1,020</u> | <u>1,708</u> |   |

## AMORTISATION

|  |            |            |            |  |
|--|------------|------------|------------|--|
| At beginning of the year                             | 470        | 365        | 458        |  |
| Amortisation for the year                            | 343        | 105        | 343        |  |
| Transfer from property plant and equipment (note 14) | 8          |            | 8          |  |
| At end of the year                                   | <u>821</u> | <u>470</u> | <u>809</u> |  |
| <b>NET BOOK VALUE</b>                                | <b>899</b> | <b>550</b> | <b>899</b> |  |

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

## 16. PREPAID OPERATING LEASE RENTALS

|                        | GROUP        |              | COMPANY      |    |
|------------------------|--------------|--------------|--------------|----|
|                        | 2010         | 2009         | 2010         |    |
|                        | KShs'million | KShs'million | KShs'million | KS |
| <b>COST</b>            |              |              |              |    |
| At beginning           | 1,692        | 125          | 1,690        |    |
| Additions for the year | -            | 1,567        | -            |    |
| At end of the year     | <u>1,692</u> | <u>1,692</u> | <u>1,690</u> |    |

|                              | GROUP        |              | COMPANY      |    |
|------------------------------|--------------|--------------|--------------|----|
|                              | 2010         | 2009         | 2010         |    |
|                              | KShs'million | KShs'million | KShs'million | KS |
| <b>AMORTISATION</b>          |              |              |              |    |
| At beginning of the year     | 30           | 9            | 29           |    |
| Amortisation during the year | 21           | 21           | 21           |    |
| At end of the year           | <u>51</u>    | <u>30</u>    | <u>50</u>    |    |
| <b>NET BOOK VALUE</b>        | <b>1,641</b> | <b>1,662</b> | <b>1,640</b> |    |

Prepaid operating lease rentals relate to the cost incurred to acquire interests in leasehold land. The costs are carried in the financial statements as long term prepayments and



## INVESTMENTS

Investment in subsidiaries - at cost

| Investment  | Country of incorporation | Activity                                     | 2010<br>% of Equity interest | 2009<br>% of Equity interest | 2010<br>KShs'million | 2009<br>KShs'million |
|---|--------------------------|--|------------------------------|------------------------------|----------------------|----------------------|
| Freight Handling Limited<br>(100 shares of KShs 20 each<br>1000 shares of KShs 20 each)** | Kenya                    | Cargo handling<br>for perishable<br>products | 51%                          | 100%                         | 51                   | 51                   |
| Airlines Limited<br>(100 shares of KShs 20 each)  | Kenya                    | Dormant                                      | 100%                         | 100%                         | *                    | *                    |
| Airlines International Limited<br>(100 shares of KShs 20 each)                            | Kenya                    | Dormant                                      | 100%                         | 100%                         | 19                   | 19                   |
| Cargo Handling Limited<br>(100 shares of KShs 100 each)                                   | Kenya                    | Cargo handling                               | 100%                         | 100%                         | 384                  | 384                  |
|   |                          |  |                              |                              | 454                  | 454                  |

Investments involved are less than KShs one million and convert to zero on rounding. In the year 2009, the company paid an additional KShs 51 million towards the purchase of additional shares in the subsidiary whose share capital was increased from KShs 100 million to KShs 151 million. The allotment of the shares was finalised during the current year ended 31 March 2010 with 49% of the allotted shares issued to a non controlling interest as follows:

## Investments

| Investment   | COMPANY              |                      |
|--|----------------------|----------------------|
|  | 2010<br>KShs'million | 2009<br>KShs'million |
| Tours and Hotels Limited:<br>(100 ordinary shares of KShs 20 each)<br>(100 shares of KShs 20 each)<br>1000 shares of KShs 20 each) | 2<br>(2)             | 2<br>(2)             |
| Value  |                      |                      |

Investment 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 ago and, therefore, the directors do not expect the value of the investment to be recovered. Consequently, the investment has been fully impaired.

## Company holds 9 (2009 - 9) shares in SITA SC loyalty programme.

These shares were acquired at nil consideration and therefore the investment has no corresponding value in the financial statements. In the assessment of the directors, the fair value of the investment is negligible.



## Notes to the Financial Statements (cont'd)

### 17. INVESTMENTS (continued) (c) Investment in associated company

|                                   | GROUP        |              | COMPANY      |              |
|-----------------------------------|--------------|--------------|--------------|--------------|
|                                   | 2010         | 2009         | 2010         | 2010         |
|                                   | KShs'million | KShs'million | KShs'million | KShs'million |
| Precision Air Services Limited:   |              |              |              |              |
| At beginning of the year          | 449          | 387          | 155          | -            |
| Share of net results for the year | 77           | 62           | -            | -            |
| <b>At end of the year</b>         | <b>526</b>   | <b>449</b>   | <b>155</b>   | <b>155</b>   |

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

Summarised financial information in respect of the Associate is set out below:

|   | 2010         | 2010         |
|---|--------------|--------------|
|   | KShs'million | KShs'million |
| Total assets  | 8,108        |              |
| Total liabilities                                   | (7,034)      |              |
| Nets assets   | 1,074        |              |
| Group's share of net assets of Associate            | 526          |              |
| Total revenue                                       | 5,269        |              |
| Total profit for the year                           | 158          |              |
| Group's share of profits of Associate               | 77           |              |
| Group's share of associate's contingent liabilities | 6            |              |

The extent to which an outflow of funds will be required on the group's share of associate's contingent liabilities is dependent on the future operations of the associates being more favourable than currently expected.

|                                | GROUP & COMPANY      |                      |
|--------------------------------|----------------------|----------------------|
|                                | 2010<br>KShs'million | 2009<br>KShs'million |
| RED EXPENDITURE                |                      |                      |
| Costs incurred during the year | 299                  | 292                  |
| Costs incurred in prior years  | 299                  | 7                    |
| Total                          | 299                  | 299                  |
| Costs incurred during the year | 299                  | 146                  |
| Costs incurred in prior years  | -                    | 153                  |
| Total                          | 299                  | 299                  |

NET BOOK VALUE

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

|   | GROUP                |                      | COMPANY              |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2010<br>KShs'million | 2009<br>KShs'million | 2010<br>KShs'million | 2009<br>KShs'million |
| AIRCRAFT DEPOSITS   |                      |                      |                      |                      |
| Deposits for aircraft leases under long-term operating leases | 757                  | 868                  | 757                  | 868                  |
| Deposits paid towards acquisition of aircraft                 | 1,594                | 1,659                | 1,594                | 1,659                |
| Advance deposits  | -                    | 5                    | -                    | -                    |
| Total   | 2,351                | 2,532                | 2,351                | 2,527                |

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

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

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



DERIVATIVES (continued)

|   | GROUP & COMPANY |       |
|---|-----------------|-------|
|   | 2010            | 2009  |
|   | KShs'million    |       |
| Analysis of derivatives at fair value through profit or loss: |                 |       |
| Net asset:  |                 |       |
| For the year  | 309             | -     |
| For the period  | 100             | -     |
| For the year and two years                                    | 409             | -     |
| Net liability:  |                 |       |
| For the year  | -               | 5,415 |
| For the period  | -               | 714   |
| For the year and two years                                    | -               | 6,129 |

|                                       | GROUP        |        | COMPANY |       |
|---------------------------------------|--------------|--------|---------|-------|
|                                       | 2010         | 2009   | 2010    | 2009  |
|                                       | KShs'million |        |         |       |
| INVENTORIES                           |              |        |         |       |
| Consumables inventories               | 1,263        | 1,202  | 1,263   | 1,158 |
| Stores                                | 280          | 272    | 280     | 272   |
|                                       | 1,543        | 1,474  | 1,543   | 1,430 |
| DEBT AND OTHER RECEIVABLES            |              |        |         |       |
| Loans                                 | 1,670        | 2,114  | 1,650   | 2,110 |
| Accounts receivable                   | 3,191        | 3,525  | 3,142   | 3,475 |
| Other receivables                     | 2,279        | 2,030  | 2,270   | 2,030 |
| Government ministries and parastatals | 37           | 24     | 37      | 24    |
| Others                                | 1,705        | 1,008  | 1,702   | 992   |
| Loans                                 | 111          | 125    | 111     | 124   |
| Accounts receivable                   | 52           | 1,219  | 52      | 1,223 |
| Other receivables                     | 9,045        | 10,045 | 8,964   | 9,978 |



23. DEPOSITS WITH FINANCIAL INSTITUTIONS

Maturity analysis of short term deposits:  
 Maturing between 90 and 182 days

|  | GROUP        |              | COMPANY      |
|--|--------------|--------------|--------------|
|  | 2010         | 2009         | 2010         |
|  | KShs'million | KShs'million | KShs'million |
|  | 3,011        | 5,077        | 3,011        |

The effective interest rates on short term deposits ranged from 6% - 8.7% (2009 - 7.8% to 8.75%) depending on the country where the deposit has been placed.

24. BANK AND CASH BALANCES

Cash in hand and at bank  
 Short term deposits maturing within 90 days

|  | GROUP        |              | COMPANY      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2010         | 2009         | 2010         | 2010         |
|  | KShs'million | KShs'million | KShs'million | KShs'million |
|  | 2,910        | 1,936        | 2,853        |              |
|  | 202          | 437          | 202          |              |
|  | 3,112        | 2,373        | 3,055        |              |

25. SHARE CAPITAL

Authorised:  
 1,000,000 ordinary shares of Shs 5 each

|  | GROUP & COMP | COMP         |
|--|--------------|--------------|
|  | 2010         | 2010         |
|  | KShs'million | KShs'million |
|  | 5,000        | 2,308        |

Issued and fully paid:  
 461,615,484 ordinary shares of Shs 5 each



**RESERVES**

Reserve

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

|  | GROUP & COMPANY |              |
|--|-----------------|--------------|
|  | 2010            | 2009         |
|  | KShs'million    | KShs'million |
| Law hedging reserve                        | (305)           | (1,201)      |
| Change differences on borrowings contracts | 279             | -            |
|  | (26)            | (1,201)      |

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 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 accounting policy.

Losses transferred from equity into profit or loss during the period are included in the following line items in the statement of comprehensive income:

|  | GROUP & COMPANY |              |
|--|-----------------|--------------|
|  | 2010            | 2009         |
|  | KShs'million    | KShs'million |
|  | (19)            | 244          |

**CONTROLLING INTEREST**

|                              | GROUP & COMPANY |              |
|------------------------------|-----------------|--------------|
|                              | 2010            | 2009         |
|                              | KShs'million    | KShs'million |
| Group B.V                    | 50              | -            |
| Share of profit for the year | -               | -            |
| Share of profit for the year | 49              | -            |
| Share of profit for the year | 1               | -            |
| Share of profit for the year | 50              | -            |

Accounted by:

49%



## Notes to the Financial Statements (cont'd)

### 28. BORROWINGS

a) Analysis of interest bearing loans and borrowings:

|                                  | Average<br>interest rate | Maturities  | GROUP & COMPANY  |                          |
|----------------------------------|--------------------------|-------------|------------------|--------------------------|
|                                  |                          |             | US\$'<br>Million | 2010<br>KShs'<br>Million |
| PEFCO Aircraft Loans             | 6.6%                     | 2010 - 2015 | 4                | 283                      |
| Barclays Bank PLC Aircraft Loans | 4.5%                     | 2005 - 2014 | 258              | 19,748                   |
| ABN AMRO Bank Aircraft Loan      | 5.37%                    | 2007 - 2019 | 90               | 6,889                    |
|                                  |                          |             | 352              | 26,920                   |

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

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

|                            |               |
|----------------------------|---------------|
| Within one year            | 3,534         |
| Between two and five years | 14,460        |
| After five years           | 8,926         |
| <b>Total borrowings</b>    | <b>23,386</b> |
|                            | 26,920        |



# Notes to the Financial Statements (cont'd)

## BORROWINGS (continued)

movement in borrowings is as follows:

|   | GROUP                |                      | COMPANY              |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2010<br>KShs'million | 2009<br>KShs'million | 2010<br>KShs'million | 2009<br>KShs'million |
| Balance at the beginning of the year                              | 32,108               | 28,367               | 32,108               | 28,367               |
| Change during the year  | (3,676)              | (3,274)              | (3,676)              | (3,274)              |
| Change in fair value difference                                   | (1,512)              | 7,015                | (1,512)              | 7,015                |
| Balance at the end of the year                                    | 26,920               | 32,108               | 26,920               | 32,108               |
| Change in fair value differences have been dealt with as follows: |                      |                      |                      |                      |
| Change in fair value differences on borrowings                    | 1,512                | (7,015)              | 1,512                | (7,015)              |
| Change in fair value differences on monetary assets               | (251)                | 808                  | (251)                | 808                  |
| Change in fair value differences on settlement of loans           | 19                   | (244)                | 19                   | (244)                |
| Change in fair value differences on effect                        | 1,280                | (6,451)              | 1,280                | (6,451)              |

## Line facilities

The Group has multi-currency credit line facilities with a total value of KShs 5,953 million (2009 - KShs 7,370 million) with various local and international banks for tenures of one year or less. At 31 March 2010, the group had utilised guarantees amounting to KShs 1,189 million (2009 - KShs 1,211 million) against these facilities leaving an unutilised facility of KShs 4,764 million (2009 - KShs 6,159 million).



## Notes to the Financial Statements (cont'd)

### 29. DEFERRED TAXATION

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

|                                 | GROUP        |              | COMPANY      |    |
|---------------------------------|--------------|--------------|--------------|----|
|                                 | 2010         | 2009         | 2010         | KS |
|                                 | KShs'million | KShs'million | KShs'million |    |
| <b>Deferred tax assets</b>      |              |              |              |    |
| Leave pay provision             | (376)        | (221)        | (373)        |    |
| Other provisions                | (285)        | (69)         | (279)        |    |
| Tax losses                      | (1,622)      | (608)        | (1,622)      |    |
| Fuel derivative losses          | -            | (1,575)      | -            |    |
| Hedged losses                   | (11)         | (515)        | (11)         |    |
|                                 | (2,294)      | (2,988)      | (2,285)      |    |
| <b>Deferred tax liabilities</b> |              |              |              |    |
| Accelerated capital allowances  | 8,991        | 8,779        | 9,014        |    |
| Unrealised exchange gain        | 66           | 54           | 66           |    |
| Fuel derivative gains           | 123          | -            | 123          |    |
|                                 | 9,180        | 8,833        | 9,203        |    |
| Net deferred tax liability      | 6,886        | 5,845        | 6,918        |    |

**Comprising:**

|                            |       |       |       |
|----------------------------|-------|-------|-------|
| Deferred tax asset         | (32)  | (26)  | -     |
| Deferred tax liability     | 6,918 | 5,871 | 6,918 |
| Net deferred tax liability | 6,886 | 5,845 | 6,918 |

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

|                                   | GROUP        |              | COMPANY      |    |
|-----------------------------------|--------------|--------------|--------------|----|
|                                   | 2010         | 2009         | 2010         | KS |
|                                   | KShs'million | KShs'million | KShs'million |    |
| At beginning of year              | 5,845        | 9,495        | 5,871        |    |
| Statement of comprehensive income |              |              |              |    |
| Charge/(credit) (note 10(a))      | 538          | (1,714)      | 544          |    |
| Deferred tax dealt with in        |              |              |              |    |
| other comprehensive income        | 503          | (1,936)      | 503          |    |
| At end of year                    | 6,886        | 5,845        | 6,918        |    |



# Notes to the Financial Statements (cont'd)

|   | GROUP                |                      | COMPANY              |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2010<br>KShs'million | 2009<br>KShs'million | 2010<br>KShs'million | 2009<br>KShs'million |
| <b>ASSETS IN ADVANCE OF CARRIAGE</b>                |                      |                      |                      |                      |
|   | 8,533                | 6,824                | 8,533                | 6,824                |
|   | 167                  | 62                   | 167                  | 62                   |
|   | <u>8,700</u>         | <u>6,886</u>         | <u>8,700</u>         | <u>6,886</u>         |
| <b>LIABILITIES AND OTHER PAYABLES</b>               |                      |                      |                      |                      |
|   | 5,529                | 2,926                | 5,516                | 2,913                |
|   | 1,622                | 1,673                | 1,441                | 1,538                |
|   | <u>7,151</u>         | <u>4,599</u>         | <u>6,957</u>         | <u>4,451</u>         |
| <b>PROVIDENT FUNDS FOR STAFF LEAVE ENTITLEMENTS</b> |                      |                      |                      |                      |
|   | 741                  | 738                  | 733                  | 728                  |
|   | 554                  | 78                   | 549                  | 76                   |
|   | (42)                 | (75)                 | (40)                 | (71)                 |
|   | <u>1,253</u>         | <u>741</u>           | <u>1,242</u>         | <u>733</u>           |
| <b>DEFERRED INCOME - AIRCRAFT SUBSIDY</b>           |                      |                      |                      |                      |
|   | 2,413                | 2,587                | 2,413                | 2,587                |
|   | (174)                | (174)                | (174)                | (174)                |
|   | <u>2,239</u>         | <u>2,413</u>         | <u>2,239</u>         | <u>2,413</u>         |
| <b>Income comprises:</b>                            |                      |                      |                      |                      |
|   | 174                  | 174                  | 174                  | 174                  |
|   | 2,065                | 2,239                | 2,065                | 2,239                |
|   | <u>2,239</u>         | <u>2,413</u>         | <u>2,239</u>         | <u>2,413</u>         |

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



## Notes to the Financial Statements (cont'd)

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

|  | 2010          | 2010 |
|--|---------------|------|
|  | KSh's'million | KSh  |
| Profit/(loss) before taxation  | 2,671         |      |
| <b>Adjustments for:</b>  |               |      |
| Depreciation (note 14(a))  | 4,216         |      |
| Impairment (note 14(a))  | 52            |      |
| Amortisation of intangible assets (note 15)                            | 343           |      |
| Amortisation of prepaid lease rentals (note 16)                        | 21            |      |
| Amortisation of deferred expenditure (note 18)                         | -             |      |
| Provision for maintenance deposits (note 19)                           | 5             |      |
| Aircraft purchase subsidy released to income (note 33)                 | (174)         |      |
| Profit on disposal of property, plant and equipment                    | (15)          |      |
| Share of results of associated company (note 17(b))                    | (77)          |      |
| Amortisation of aircraft deposits (note 19)                            | (20)          |      |
| Fair value movements in mark to market on fuel derivatives (note 7(b)) | (6,140)       |      |
| Interest payable (note 6(a))   | 1,485         |      |
| Interest receivable (note 6(b))  | (372)         |      |
| <b>Working capital changes:</b>  |               |      |
| Increase in inventories  | (69)          |      |
| Decrease/(increase) in trade and other receivables                     | 1,000         |      |
| Increase in sales in advance of carriage                               | 1,814         |      |
| Increase/(decrease) in trade and other payables                        | 2,552         |      |
| Increase in accruals for staff leave entitlements                      | 512           |      |
| Movement in related company balances                                   | (3)           |      |
| Cash generated from operations   | 7,801         |      |

### b) CASH AND CASH EQUIVALENTS

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

|  | 2010          | 2010 |
|--|---------------|------|
|  | KSh's'million | KSh  |
| Cash in hand and at bank (note 24(b))                    | 2,910         |      |
| Short term deposits maturing within 90 days (note 24(b)) | -             |      |
|  | 2,910         |      |

GROUP

KSh

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**RELATED PARTIES**

Interparty transactions

for 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 Dutch Airlines (KLM)** has a 26% equity interest in Kenya Airways Limited, and has a joint venture agreement with Kenya Airways Limited which commenced in November 1997. The agreement allows KLM to share generated revenue benefits and costs for the core routes between Nairobi and Amsterdam. Kenya Airways Limited and KLM Airlines 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** holds 49% equity interest in Precision Air Services Limited with code share on the route between Nairobi and Dar es Salaam.

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

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

Due to the nature of the business, related companies and suppliers

are not included in the consolidated financial statements. Balances outstanding at the year end on account of transactions with related parties were as follows:

**Related companies:**

|                                | GROUP                |                      | COMPANY              |                      |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                | 2010<br>KShs'million | 2009<br>KShs'million | 2010<br>KShs'million | 2009<br>KShs'million |
| Air Services Limited           | 6                    | 3                    | 6                    | 3                    |
| Kenya Airways Limited          | -                    | -                    | 58                   | 54                   |
| Precision Air Services Limited | -                    | -                    | -                    | 775                  |
| Kenya Airways Limited          | -                    | -                    | 2,641                | 2,080                |
| Kenya Airways Limited          | -                    | -                    | -                    | 61                   |
| <b>Total</b>                   | <b>6</b>             | <b>3</b>             | <b>2,705</b>         | <b>2,973</b>         |

**Related companies:**

|                                | COMPANY              |                      |
|--------------------------------|----------------------|----------------------|
|                                | 2010<br>KShs'million | 2009<br>KShs'million |
| Kenya Airways Limited          | 4,655                | 3,872                |
| Precision Air Services Limited | 48                   | 48                   |
| <b>Total</b>                   | <b>4,703</b>         | <b>3,920</b>         |

Kenya Airways Limited  
Precision Air Services Limited





# Notes to the Financial Statements (cont'd)

## 35. RELATED PARTIES (continued)

### b) Related companies balances (continued)

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

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

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

|   | GROUP                |                      | COMPANY              |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2010<br>KShs'million | 2009<br>KShs'million | 2010<br>KShs'million | 2010<br>KShs'million |
| Salaries and other benefits   | 195                  | 186                  | 180                  |                      |
| Non monetary benefits   | 10                   | 14                   | 9                    |                      |
|   | 205                  | 200                  | 189                  |                      |
| Directors' remuneration (included in key management compensation above) |                      |                      |                      |                      |

|                       | GROUP                |                      | COMPANY              |                      |
|-----------------------|----------------------|----------------------|----------------------|----------------------|
|                       | 2010<br>KShs'million | 2009<br>KShs'million | 2010<br>KShs'million | 2010<br>KShs'million |
| As executives         | 63                   | 73                   | 63                   |                      |
| As non executives     | 10                   | 12                   | 10                   |                      |
| Non-monetary benefits | 73                   | 85                   | 73                   |                      |
|                       | 5                    | 6                    | 5                    |                      |
|                       | 78                   | 91                   | 78                   |                      |

## 36. CAPITAL EXPENDITURE COMMITMENTS

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

|                                   | 2010<br>KShs'million | GROUP |
|-----------------------------------|----------------------|-------|
| Authorised and contracted for     | 88,835               |       |
| Authorised but not contracted for | 4,273                |       |
|                                   | 93,108               |       |

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



# Notes to the Financial Statements (cont'd)

## OPERATING LEASE COMMITMENTS

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

|                              | GROUP        |              |
|------------------------------|--------------|--------------|
| Year                         | 2010         | 2009         |
| but not more than five years | KShs'million | KShs'million |
|                              | 5,648        | 6,746        |
|                              | 13,868       | 17,566       |
|                              | 19,516       | 24,312       |

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

## CONTINGENCIES

### Contingent liabilities

|  | GROUP        |              |
|--|--------------|--------------|
|  | 2010         | 2009         |
|  | KShs'million | KShs'million |
|  | 1,189        | 1,211        |
|  | 3D5          | 345          |
|  | 1,494        | 1,556        |

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 arise in respect of these guarantees.

In relation to various legal cases brought against the company which are pending determination by the courts, it is not practicable to determine the timing and ultimate liabilities (if any) which 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 complexity of these cases, detailed disclosures have not been made for each case as these may be prejudicial to the position of the group.

### Revenue Authority tax assessment

In the year, Kenya Revenue Authority issued an assessment of additional taxes which the company has objected to. The directors consider that full disclosure of the matter is likely to be the outcome of the ongoing negotiations.

### Contingent assets

|  | GROUP        |              |
|--|--------------|--------------|
|  | 2010         | 2009         |
|  | KShs'million | KShs'million |
|  |              |              |
|  |              |              |
|  |              |              |



## Notes to the Financial Statements (cont'd)

### 39. FINANCIAL RISK MANAGEMENT

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

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

#### a) Market risk

The group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprises three types of risk – interest rate risk, jet fuel price risk and foreign currency risk.

#### i) Interest rate risk

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

Most of the group's debts are asset related, reflecting the capital intensive nature of the airline industry. At 31 March 2010, all the group's borrowings were at fixed rates of interest and there were no borrowings at floating rates.

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

#### ii) Jet fuel price risk

The group's fuel risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices. To meet this objective, the company hedges within approved limits and with approved counterparties accordingly. There were derivative financial instruments held to manage fuel price risk at 31 March 2010. As at 31 March 2010 the group had in place fuel hedging contracts for 52 percent of its anticipated fuel requirements for the period up to 31 December 2010 and 19 percent of anticipated fuel requirements for the period to 31 December 2011.

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

|               | 2010             |       | 2009             |       |
|---------------|------------------|-------|------------------|-------|
|               | KShs'million     |       | KShs'million     |       |
| Fuel price    | Effect on Profit | 188   | Effect on Equity | 188   |
| + 1% Movement |                  | (188) |                  | (188) |
| - 1% Movement |                  | 188   |                  | (246) |



FINANCIAL RISK MANAGEMENT (continued)

risk (continued)

**currency risk**

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

The sensitivity analysis presented below shows how profit and equity would change if the market risk variables had been different on the end of the reporting period with all other variables held constant.

|                           | GROUP                                    |  | COMPANY                                  |  |
|---------------------------|--|--|--|--|
|                           | 2010<br>KShs'million<br>Effect on Profit | 2009<br>KShs'million<br>Effect on equity | 2010<br>KShs'million<br>Effect on profit | 2009<br>KShs'million<br>Effect on equity |
| <b>- UK pounds</b>        |  |  |  |  |
| Investment                | 82                                       | 66                                       | 81                                       | 65                                       |
| Liabilities               | (82)                                     | (66)                                     | (81)                                     | (65)                                     |
| <b>- Euro</b>             |  |  |  |  |
| Investment                | 54                                       | 69                                       | 53                                       | 68                                       |
| Liabilities               | (54)                                     | (69)                                     | (53)                                     | (68)                                     |
| <b>- American dollars</b> |  |  |  |  |
| Investment                | 48                                       | 46                                       | 45                                       | 44                                       |
| Liabilities               | (48)                                     | (46)                                     | (45)                                     | (44)                                     |

The following table provides a summary of the financial assets and liabilities at their carrying amounts at 31 March 2010:

| Category          | KES          |     | USD   |     | EUR |       | GBP  |        | Total |  |
|-------------------|--------------|-----|-------|-----|-----|-------|------|--------|-------|--|
|                   | KShs Million | 105 | 76.50 | 105 | 118 | 136   | 1670 | Others | Total |  |
| Assets:           |              |     |       |     |     |       |      |        |       |  |
| Investments       | 589          | 6   | 711   | 6   | 136 | 1,670 | -    | 3,112  |       |  |
| Receivables       | 3,011        | -   | -     | -   | -   | -     | -    | 3,011  |       |  |
| Other receivables | 592          | 338 | 5,897 | 338 | 332 | 18    | 18   | 7,177  |       |  |
| Financial assets  | -            | -   | 409   | -   | -   | -     | -    | 409    |       |  |
| Liabilities       | 4,192        | 344 | 7,017 | 344 | 468 | 1,688 | -    | 13,709 |       |  |



## Notes to the Financial Statements (cont'd)

### 39. FINANCIAL RISK MANAGEMENT (continued)

#### a) Market risk (continued)

#### iii) Foreign currency risk (continued)

Below is a summary of the financial assets and liabilities at their carrying amounts at 31 March 2010:

| COMPANY                          |              |              |              |              |  |  |  |              |
|----------------------------------|--------------|--------------|--------------|--------------|--|--|--|--------------|
| Closing rate                     | 1            | 76.50        | 105          | 118          |  |  |  |              |
|                                  | KES          | USD          | EUR          | GBP          |  |  |  | Others       |
|                                  | KShs Million | KShs Million | KShs Million | KShs Million |  |  |  | KShs Million |
|                                  |              |              |              |              |  |  |  | KS           |
| <b>Financial assets:</b>         |              |              |              |              |  |  |  |              |
| Bank balances                    | 560          | 683          | 6            | 136          |  |  |  | 1,670        |
| Term deposits                    | 3,011        | -            | -            | -            |  |  |  | -            |
| Trade and other receivables      | 520          | 5,891        | 338          | 332          |  |  |  | 18           |
| Derivative financial instruments | -            | 409          | -            | -            |  |  |  | -            |
| <b>Total</b>                     | <b>4,091</b> | <b>6,983</b> | <b>344</b>   | <b>468</b>   |  |  |  | <b>1,688</b> |

#### Financial liabilities:

|                          |              |               |            |            |  |  |  |            |
|--------------------------|--------------|---------------|------------|------------|--|--|--|------------|
| Trade and other payables | 3,830        | 2,486         | 256        | 136        |  |  |  | 249        |
| Borrowings               | -            | 26,920        | -          | -          |  |  |  | -          |
| <b>Total</b>             | <b>3,830</b> | <b>29,406</b> | <b>256</b> | <b>136</b> |  |  |  | <b>249</b> |

Below is a summary of the financial assets and liabilities at their carrying amounts at 31 March 2009:

| GROUP                       |              |              |              |              |  |  |  |              |
|-----------------------------|--------------|--------------|--------------|--------------|--|--|--|--------------|
| Closing rate                | 1            | 80.30        | 100          | 120          |  |  |  |              |
|                             | KES          | USD          | EUR          | GBP          |  |  |  | Others       |
|                             | KShs Million | KShs Million | KShs Million | KShs Million |  |  |  | KShs Million |
|                             |              |              |              |              |  |  |  | KS           |
| <b>Financial assets:</b>    |              |              |              |              |  |  |  |              |
| Bank balances               | 331          | 324          | 166          | 406          |  |  |  | 1,146        |
| Term deposits               | 5,077        | -            | -            | -            |  |  |  | -            |
| Trade and other receivables | 513          | 4,996        | 318          | 601          |  |  |  | 1,265        |
| <b>Total</b>                | <b>5,921</b> | <b>5,320</b> | <b>484</b>   | <b>1,007</b> |  |  |  | <b>2,411</b> |

#### Financial liabilities:

|                                  |              |               |            |           |  |  |  |            |
|----------------------------------|--------------|---------------|------------|-----------|--|--|--|------------|
| Trade and other payables         | 2,564        | 1,646         | 115        | 65        |  |  |  | 209        |
| Derivative financial instruments | -            | 6,129         | -          | -         |  |  |  | -          |
| Borrowings                       | -            | 32,108        | -          | -         |  |  |  | -          |
| <b>Total</b>                     | <b>2,564</b> | <b>39,883</b> | <b>115</b> | <b>65</b> |  |  |  | <b>209</b> |



## FINANCIAL RISK MANAGEMENT (continued)

## currency risk (continued)

summary of the financial assets and liabilities at their carrying amounts at 31 March 2009:

| Year<br>end           | 1 KES        |        | 80.30 USD    |  | 100 EUR      |  | 120 GBP      |  | Others<br>KShs Million | Total<br>KShs Million |
|-----------------------|--------------|--------|--------------|--|--------------|--|--------------|--|------------------------|-----------------------|
|                       | KShs Million |        | KShs Million |  | KShs Million |  | KShs Million |  |                        |                       |
| <b>Assets:</b>        |              |        |              |  |              |  |              |  |                        |                       |
| cash                  | 255          | 300    | 166          |  | 406          |  | 1,146        |  |                        | 2,273                 |
| debt securities       | 5,077        | -      | -            |  | -            |  | -            |  |                        | 5,077                 |
| other receivables     | 513          | 4,996  | 318          |  | 601          |  | 1,265        |  |                        | 7,693                 |
|                       | 5,845        | 5,296  | 484          |  | 1,007        |  | 2,411        |  |                        | 15,043                |
| <b>Liabilities:</b>   |              |        |              |  |              |  |              |  |                        |                       |
| other payables        | 2,417        | 1,645  | 115          |  | 65           |  | 209          |  |                        | 4,451                 |
| financial instruments | -            | 6,129  | -            |  | -            |  | -            |  |                        | 6,129                 |
|                       | -            | 32,108 | -            |  | -            |  | -            |  |                        | 32,108                |
|                       | 2,417        | 39,882 | 115          |  | 65           |  | 209          |  |                        | 42,688                |

## Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The group actively manages cash surpluses using a combination of short and long term investment programmes that ensure adequate liquidity to meet its short and long term obligations. The group always seeks to maintain sufficient cash balances to cover six months debt obligations and lease rentals.

The table below is the maturity profile of financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts are the contractual undiscounted cash flows:

| 2010           | Less than 1 year |        | 2 - 5 years   |  | Over 5 years  |               | Total         |
|----------------|------------------|--------|---------------|--|---------------|---------------|---------------|
|                | KShs' million    |        | KShs' million |  | KShs' million | KShs' million |               |
| Other payables | 3,534            | 14,460 | 8,926         |  | 26,920        |               |               |
|                | 7,151            | -      | -             |  | 7,151         |               |               |
| 2009           | Less than 1 year |        | 2 - 5 years   |  | Over 5 years  |               | Total         |
|                | KShs' million    |        | KShs' million |  | KShs' million |               | KShs' million |
| Other payables | 3,851            | 14,911 | 13,346        |  | 32,108        |               |               |
|                | 4,599            | -      | -             |  | 4,599         |               |               |
|                | 5,415            | 714    | -             |  | 6,129         |               |               |



# Notes to the Financial Statements (cont'd)

## 39. FINANCIAL RISK MANAGEMENT (continued)

### c) Credit risk

The group is exposed to credit risk which is the risk that the counter party will cause a financial loss to the group by failing to discharge an obligation. Credit risk arises mainly from funds held in the form of bank balances, short term deposits, or held-to-maturity investments. Credit exposure also arises from derivative counterparties as well as from commercial air transportation.

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

The group largely conducts its sale of passenger and cargo transportation through International Air Transport Association (IATA) approved sales agents. All IATA agents have minimum financial criterion applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an ongoing basis by IATA through the 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 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 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 any potentially irrecoverable amounts.

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

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

### At 31 March 2010

|   | Fully performing<br>KShs' million | Past due<br>KShs' million | KSh |
|---|-----------------------------------|---------------------------|-----|
| Trade and other receivables             | 6,333                             | 844                       |     |
| Short term deposits                     | 3,011                             | -                         |     |
| Bank and cash balances                  | 3,112                             | -                         |     |
| <u>Derivative financial instruments</u> | 409                               | -                         |     |

### At 31 March 2009

|                             | Fully performing<br>KShs' million | Past due<br>KShs' million | KSh |
|-----------------------------|-----------------------------------|---------------------------|-----|
| Trade and other receivables | 5,781                             | 1,912                     |     |
| Short term deposits         | 5,077                             | -                         |     |



FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy

The hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi stock exchange.
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The company requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

|                       | Note  | Level 1<br>KShs' million | Level 2<br>KShs' million | Level 3<br>KShs' million | Total<br>KShs' million |
|-----------------------|-------|--------------------------|--------------------------|--------------------------|------------------------|
| Financial instruments | 20(b) | -                        | 409                      | -                        | 409                    |
| Financial instruments | 20(c) | -                        | 6,129                    | -                        | 6,129                  |

Operational risk

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

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

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





## Notes to the Financial Statements (cont'd)

### 40. CAPITAL RISK MANAGEMENT

The airline monitors the return on shareholder's funds which is defined as the profit for the year expressed as a percentage of average shareholder's equity. The group seek a higher return to the shareholders by investing in more profitable routes and improving on efficiencies to provide world class service to meet its growth plans. In 2010 Kenya Airways achieved a return on shareholder's equity of 10% (2009: negative 24%) in comparison to an effective interest rate of 5.3% incurred (2009: 5.3%) on borrowings.

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

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

|                                      | 2010          |   |
|--------------------------------------|---------------|---|
|                                      | KSh's'million | K |
| Equity*                              | 19,923        |   |
| Total borrowings                     | 26,920        |   |
| Less: Bank and cash balances         | (3,112)       |   |
| Deposits with financial institutions | (3,011)       |   |
| Net borrowings                       | 20,797        |   |
| Net debt to equity ratio             | 104%          |   |

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

### 41. CURRENCY

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

Company and Registrars Services Limited  
Suite, 6th Floor  
1st Street  
Nairobi, Kenya  
P.O. Box 84, 00100

RM

Member/Members of Kenya Airways Limited, hereby appoint

him/her

proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday the 24th of September 2010 and at any adjournment thereof.

S ..... day of ..... 2010

is to be used \* in favour of / against the resolution. Unless otherwise instructed the proxy will vote as he/she thinks fit. (\*strike out as appropriate).

