

# Annual Report & Financial Statements

For the year ended  
31 March 2015



## The Journey Ahead







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**OUR VISION:**

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

**OUR PURPOSE:**

Contributing to the sustainable development of Africa.



# Performance Highlights

## Highlights of the Year

Turnover (KShs' Million)



Operating loss (KShs' Million)



Loss before tax (KShs' Million)



Net loss (KShs' Million)



Capital and reserves (KShs' Million)



Loss per share (KShs' Million)



## Key Financial Statistics

Debt to equity



Operating margin (%)



Interest cover (%)

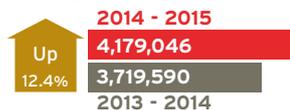


EBITDAR margin (%)



## Operating Statistics

Passengers carried



Available seats KM (million)



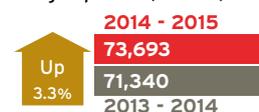
Revenue passengers KM (million)



Cabin factor (%)



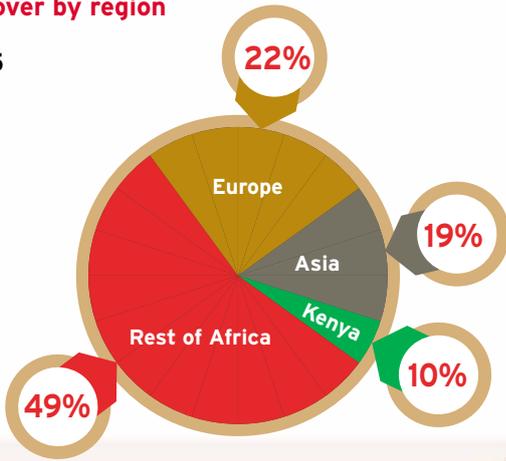
Cargo uplifted (Tonnes)



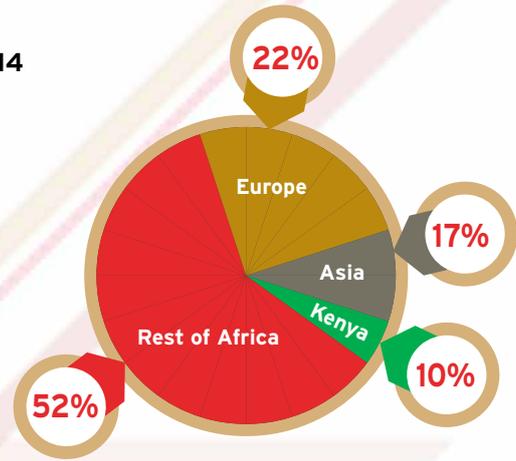
# Performance Highlights (continued)

## Turnover by region

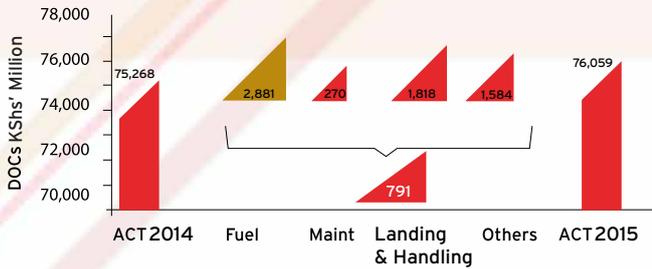
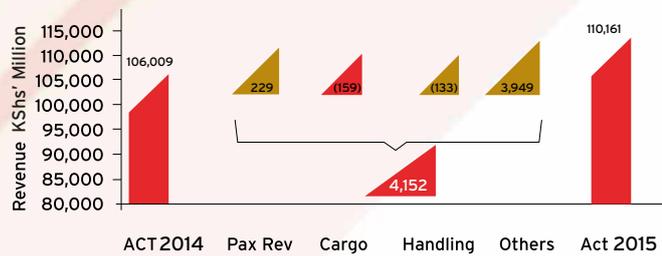
2015



2014

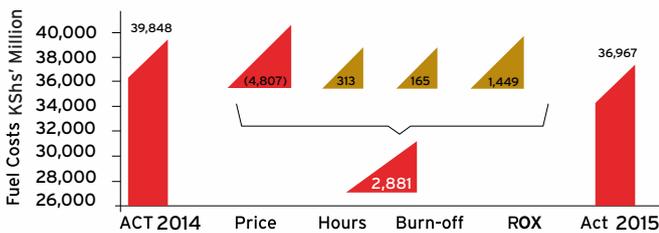
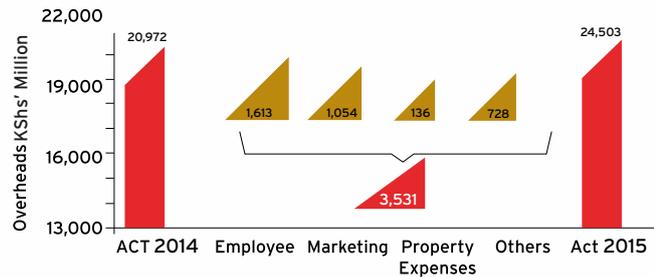


### Turnover



### Direct operating costs

### Overheads



### Fuel costs

## Performance Highlights (continued)

### Three year summary of financial highlights

Financial highlights	2015		2014		2013	
	KShs' Million	US\$ Million	KShs' Million	US\$ Million	KShs' Million	US\$ Million
Passenger	90,408	1,015.3	90,179	1,049.6	85,099	1,000.9
Freight and mail	9,783	109.9	9,942	115.7	9,714	114.3
Handling	2,080	23.4	1,948	22.7	1,705	20.1
Other	7,890	88.6	3,941	45.9	2,342	27.5
<b>Total</b>	<b>110,161</b>	<b>1,237.1</b>	<b>106,009</b>	<b>1,233.8</b>	<b>98,860</b>	<b>1,162.8</b>
Direct expenditure	(76,059)	(854.1)	(75,268)	(876.0)	(77,225)	(908.3)
Fleet ownership costs	(25,932)	(291.2)	(12,490)	(145.4)	(11,178)	(131.5)
Overheads	(24,503)	(275.2)	(20,972)	(244.1)	(19,469)	(229.0)
<b>Operating loss</b>	<b>(16,333)</b>	<b>(183.4)</b>	<b>(2,721)</b>	<b>(31.7)</b>	<b>(9,012)</b>	<b>(106.0)</b>
<b>Operating margin%</b>	<b>(14.8%)</b>	<b>-</b>	<b>(2.6%)</b>	<b>-</b>	<b>(9.1%)</b>	<b>-</b>
Net finance costs	(4,581)	(51.4)	(1,601)	(18.6)	(486)	(5.7)
Realised (loss)/ gain on fuel derivatives	(1,676)	(18.8)	972	11.3	602	7.1
Unrealised loss on fuel hedge derivatives	(5,776)	(64.9)	-	-	-	-
Other costs	(1,346)	(15.1)	(1,511)	(17.6)	(1,700)	(20.0)
Share of results of associate	-	-	-	-	(230)	(2.7)
<b>Loss before tax</b>	<b>(29,712)</b>	<b>(333.7)</b>	<b>(4,861)</b>	<b>(56.6)</b>	<b>(10,826)</b>	<b>(127.3)</b>
Income tax credit	3,969	44.6	1,479	17.2	2,962	34.8
<b>Loss for the year</b>	<b>(25,743)</b>	<b>(289.1)</b>	<b>(3,382)</b>	<b>(39.4)</b>	<b>(7,864)</b>	<b>(92.5)</b>
<b>Loss after tax margin%</b>	<b>(23.4%)</b>	<b>-</b>	<b>(3.2%)</b>	<b>-</b>	<b>(8.0%)</b>	<b>-</b>
<b>Operating statistics</b>	<b>2015</b>		<b>2014</b>		<b>2013</b>	
Passengers	4,179,046		3,719,590		3,664,844	
RPK's (Million)	9,793		9,309		9,579	
ASK's (Million)	15,406		14,188		13,937	
Passenger load factor (%)	63.6		65.6		68.7	
Cargo tonnes	73,693		71,340		69,871	
Pax yield/ RPK inc fuel	9.55		10.47		9.81	
Surcharge (Usc)						
<b>Employees</b>						
Airline	3,463		3,449		3,470	
Group	4,002		3,989		4,006	
<b>Aircraft in service at year end</b>						
Boeing 787-800	6		1		0	
Boeing 777-300	3		1		0	
Boeing 777-200	4		4		4	
Boeing 767-300	5		6		6	
Boeing 737-800	6		5		5	
Boeing 737-700	4		4		4	
Boeing 737-300	4		4		5	
Embraer 190	15		15		12	
Embraer 170	3		5		5	
B737-300 Freighter	2		2		1	
B747-400 Freighter	-		-		1	
<b>Total</b>	<b>52</b>		<b>47</b>		<b>43</b>	

# Board of Directors



## FROM LEFT TO RIGHT

Joseph Nduva Muli | Ron Schipper | Vincent Rague | Wanjiku Mugane | Evanson Mwaniki

## NOT IN PICTURE

Dr. Kamau Thugge





**FROM LEFT TO RIGHT**

Mbui Ngunze | Caroline Armstrong | Joseph Bernadus Veenstra | Pieter Elbers | Alex Mbugua | Amb. Dennis Awori

**NOT IN PICTURE**

Catherine Musakali



Festus Kingori



# Board of Directors Profiles

## Evanson Mwaniki

### Non Executive Chairman (76 years)

Mr. Mwaniki holds a Bachelor of Arts (Hons) from the University of London. He was the General Manager of Shell and BP between June 1989 and December 1994. Over this period Mr. Mwaniki's notable achievements included turning around the Company from a loss position in 1989 to profitability. He also led the oil industry negotiations with the Government of Kenya on liberalisation of the oil industry, leading to actual decontrol in October 1994, and prepared Kenya Shell & BP Kenya (including restructuring the organisation) for effective marketing in the new (liberalised) business environment.

Mr. Mwaniki has represented the oil industry in various influential forums. These include the Federation of Kenya Employers and the East Africa Association. Mr. Mwaniki has also served as a Non-Executive Director on the Boards of various companies, including British American Tobacco Kenya (Non-Executive Chairman), East African Breweries Ltd, and Lion of Kenya Insurance Company Ltd. He currently serves as Non-Executive Director on the Board of the East African packaging industry Ltd.

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

## Mbuvi Ngunze

### Group Managing Director and Chief Executive Officer (47 years)

Mbuvi holds a Bachelor of Commerce degree accounting option from the University of Nairobi. He is a Chartered Accountant (England and Wales) and is also a graduate of the Harvard Business School's Management Development Programme (PMD75). He joined Price Waterhouse in Nairobi in 1990 and was seconded to Manchester in the United Kingdom where he was articled. In the UK, he started off as an Audit Assistant and left 5 years later as an Assistant Manager. In 1995, he rejoined Price Waterhouse in Kenya as Audit Manager, leading audits of various blue chip companies, and also involved in training and recruitment.

In 1998, he joined Bamburi Cement (a Lafarge subsidiary) as Finance Manager and was promoted to the Finance Director's position in February 1999. He held this position up to March 2002 when he was appointed Managing Director Hima Cement Uganda (Lafarge). In May 2006, he moved to the headquarters of Lafarge in Paris. He first took up the role of Mission Director in the Group Audit Department for six months, and then was appointed Group Vice President Internal Communications in November 2006. In March 2009, he was appointed General Manager for Lafarge's operations in Tanzania (Mbeya Cement). He joined KQ in September 2011 as Chief Operating Officer. Mbuvi took over as Group Managing Director & CEO of Kenya Airways on 1<sup>st</sup> November 2014.

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

He is currently a Board member of JamboJet Limited, Lewa Wildlife Conservancy, a member of Board of Governors of IATA and a member of the Executive Committee of African Airlines Association. (AFRAA).

## Alex Wainaina Mbugua

### Group Finance Director (51 years)

Mr. Mbugua was appointed Group Finance Director of the KQ Group on 14th July 2008. Mr. Mbugua is an alumnus of Harvard Business School having completed the Advanced Management Programme (AMP 183) in October 2012. He is also a Wits Business School MBA graduate and a member of the Institute of Certified Public Accountants of Kenya.

In the past 30 years, during his highly successful career, Mr. Mbugua has developed significant knowledge and expertise in the fields of finance, strategy and general management. As Group Finance Director, Mr. Mbugua has overseen certain key milestones for KQ, including the high profile 2012 rights issue offer that raised net proceeds of KShs 13.8 billion.

Prior to his current position, Mr. Mbugua held the position of Chief Financial Officer of AngloGoldAshanti-Africa Open Pit Mines, based in Johannesburg SA. Mr. Mbugua held board positions at AngloGold Holdings (UK) and also in

eight mining subsidiaries spread out in Africa. Other Board positions have included Bain Hogg Ltd and Norfolk Holdings (K) Ltd together with KQ subsidiaries Kenya Airfreight Handling Ltd and Jambojet Ltd.

## Wanjiku Mugane

### Non-Executive Director (51 Years)

Wanjiku Mugane is an entrepreneur and investment banker. She is the Founder CEO of Fedha Connect Limited, a corporate finance advisory firm which provides M&A Advisory and intermediates capital in East Africa covering various sectors including FMCG, Mid and Downstream oil & gas, financial services, agribusiness and real estate development, in the private equity and debt capital markets. She is co-founder of First Africa Group, an Africa cross-border Corporate Finance Advisory firm which had a presence in Johannesburg, Nairobi and Lagos and which she and her colleagues sold to Standard Chartered Bank in 2009. The firm was then rebranded Standard Chartered Securities where she was Managing Director responsible for East Africa M&A and Equity Capital Markets advisory. She was also a member of Standard Chartered Bank Kenya's Top Team, the executive committee of the bank that oversees the bank's business in Kenya. Wanjiku has also served as a Non-Executive Director on the boards of East African Breweries and Equity Bank, both listed on the Nairobi Securities Exchange. Prior to co-founding First Africa she worked with SG Warburg (which was since acquired by UBS) in its Corporate Finance division in London and Johannesburg. Wanjiku was a member of the Vision 2030 Technical Committee that was chaired by the then Head of Civil Service and which was tasked with preparing Kenya's Vision 2030. She was also a member of the Capital Markets Master Plan Steering Committee which in 2014 delivered the blueprint for the transformation of Kenya's Capital Markets, a flagship project under Kenya's Vision 2030. Wanjiku holds an LLB, University of Nairobi and an LLM, Georgetown University, USA and is an Advocate of the High Court of Kenya and an Attorney and Counselor at Law of New York State. In 2003 she was honored by the President of Kenya when he conferred upon her the Moran of the Burning Spear (MBS) National Award for service to the Nation of Kenya, in recognition of the pioneering role played as a woman in enterprise in the capital markets sector.

## Joseph William Nduva Muli, EBS

### Non-Executive Director (45 Years)

Mr. Nduva Muli is the Principal Secretary for the State Department of Transport in the Ministry of Transport and Infrastructure of the Republic of Kenya. The role of the Ministry is to deliver Kenya's ambitious plans to have a

world-class transport and logistics system for the country that will contribute to the realisation of Kenya's national vision to be middle-income country before 2030. Prior to his appointment as Principal Secretary, he was the Managing Director of Kenya Railways Corporation where he spearheaded significant reform in the railway sector which culminated in the development and construction of new railways in the country after several decades of decline in the sector. He has held senior management positions in other organisations including the African Medical Research Foundation (AMREF), one of Africa's leading health non-profit organizations and Kenya Airways, one of Africa's fastest growing commercial airlines.

Mr. Nduva sits on various boards of blue chip companies and state corporations in Kenya including BRITAM, a leading financial services company, Kenya Airways, Kenya Ports Authority, Kenya Airports Authority, among others. He also sits on the Board of Kenya Vision 2030 that is taking the lead in delivering the national vision.

Mr. Nduva holds a Bachelor's degree in Land Economics (BLE) from the University of Aberdeen, Scotland, United Kingdom and a Master's in Business Administration (MBA) from Moi University, Nairobi Campus. He has also undertaken specialised training in transport and logistics, strategic management, leadership and corporate governance from various institutions of higher learning.

He has been recognised for his outstanding service to Kenya by His Excellency the President of the Republic of Kenya and awarded Elder of the Order of the Burning Spear (EBS), an award that is one of the highest civilian service awards.

## Pieter J.TH. Elbers

### Non Executive Director (45 Years)

Pieter Elbers is currently the President and Chief Executive Officer (CEO) of the Executive Board of KLM Royal Dutch Airlines. He is also a member of the Executive Committee of the Air France KLM Group.

Since July 1<sup>st</sup>, 2013 his primary responsibility has been to manage KLM's Passenger Business with € 6.6 billion of revenues, 25 million passengers per year, 160 aircrafts, 650 flights per day to 131 international destinations and 20,000 staff. He is also responsible for defining and implementing KLM's strategic fleet development, KLM's main port strategy and enhancing joint venture partnerships with SkyTeam and other airlines.

Previous positions held by Pieter include:

- Senior Vice President, Network & Alliances;
- Vice President, Network Planning;

## Board of Directors Profiles (continued)

- General Manager, KLM Japan and Korea (based in Tokyo); and
- General Manager, KLM Mediterranean (based in Athens).

In addition to Kenya Airways, he sits on the Board of Malfo B.V and Transavia Airlines B.V. and is a Member of the Advisory Board of The National Aerospace Laboratory of the Netherlands (NLR), Advisory Board of International Institute of Air & Space Law (IIASL) and the College Dutch Aerospace/"Lucht- en ruimtevaart Nederland" (LRN).

### Ambassador Dennis Awori

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

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

In April 2010, he was appointed to the NEPAD National Steering Committee, a body appointed by the Government of Kenya to promote Kenya's effective participation in regional infrastructure development. During the later part of his career he also established a Business Consultancy and Advisory service and successfully performed several consultancies for USAID, World Forestry Services, Kusters Engineering and other corporates and NGOs.

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

### Ron Kornelis Adriaan Schipper

#### Non-Executive Director (69 Years)

Mr. Ron Schipper was born in 1945 in Bussum in the Netherlands. He joined KLM in 1969, flew for 3 years as a cabin attendant and was then transferred to cabin crew management where he worked in various management positions until 1977. He was appointed Manager of the Cabin Crew Training Department at Schiphol in the same year. He left the Netherlands in 1980 for his first posting abroad as Manager, Cabin Crew seconded to Nigeria Airways in Lagos. In 1982 he was appointed Sales Manager, Kenya, based in Nairobi after which he was transferred to the UK in 1984 as District Manager, Northern England, based in Manchester.

In 1986 Mr. Schipper was appointed General Manager Ghana and in 1989 he spent a brief period in France as interim General Manager based in Paris before returning

to the Netherlands to take up the appointment of Executive Secretary of the Passenger Division. Thereafter, he was seconded in 1991 to Antillean Airlines in Curacao as Managing Director. He returned to the continent close to his heart, Africa, in 1994 and held the position of Vice President and Area Manager Africa based in Johannesburg until he retired in 2008. He continues to live in Johannesburg.

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

### Dr. Kamau Thugge

#### Non-Executive Director (58 Years)

Dr. Kamau Thugge is the first Principal Secretary, National Treasury. He has previously worked as the Senior Economic Advisor in the Ministry of Finance from 2010 to 2013. He has also worked at the IMF in various capacities for over 21 years. He was the Deputy Division Chief, International Monetary Fund from 2008 to 2010 and the Economic Secretary and Head of Economic Affairs Department, Treasury (Kenya) from 2005 to 2008.

He also previously held the positions of Head of Fiscal and Monetary Affairs Department, Treasury (Kenya) from 2004 to 2005 and Economist/Senior Economist, IMF from 1985 to 2004. He has represented the Permanent Secretary, Finance on the Boards of the Central Bank of Kenya, the Monetary Policy Committee of the Central Bank of Kenya, the Kenya Revenue Authority and the Capital Markets Authorities.

### Caroline Armstrong - Ogwapit

#### Non-Executive Director (41 Years)

Caroline Armstrong's career has spanned 19 years, two continents and four financial institutions, both multi-national and local. She started her career as a management trainee with ABN AMRO Bank and has worked hard to rise through the ranks to become a senior executive in the banking industry. During her career she has had the benefit of managing a team of over 400 people and a team spanning five countries within the region. Her skills as both a leader and a strategic thinker able to translate broad concepts into specific actions enable her to perform

## Board of Directors Profiles (continued)

her current role as the Director, Strategic Projects at the Housing Finance group of companies where she is responsible for the implementation of high impact projects that enable the achievement of business strategy.

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

### Joseph Bernadus Veenstra

**(Alternate to Mr. Pieter J.TH. Elbers & R.K Schipper) (48 Years)**

Mr. Veenstra is a Chartered Accountant. After completing his studies at the University of Groningen in 1991 he worked with KPMG as an auditor. He joined KLM in 1996. He has been Vice President Finance & Control of KLM Engineering and Maintenance from 2001 to 2005. Since 2005, he has been Vice President, Mergers, Acquisitions and Holdings for Air France-KLM and in that position he is responsible for the monitoring of Air France's and KLM's holdings. He is a KLM appointed alternate Director of Kenya Airways and a member the Audit and Risk Management Committee.

### Vincent Rague

**Non-Executive Director (62 Years)**

Vincent Rague has more than 25 years of experience in investment management, project and corporate finance and banking and policy advisory work in Africa, Latin America, Europe and Asia. He is a Co-Founder and Chairman of the Supervisory Panel at Catalyst Principal Partners, a Nairobi based private equity fund manager. Mr. Rague is also non-executive Chairman of the Financial Sector Deepening Africa (FSDA) programme a DFID-funded programme based in Nairobi. In addition, Vincent Infrastructure Development Fund (PAIDF) and Kenya Airways.

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

### Festus W. King'ori

**Non-Executive Director (52 Years)**

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

# Chairman's Statement



*Evanson Mwaniki  
Chairman*

*The Board has taken a number of measures aimed at turning around and safeguarding the long-term viability of the business. Kenya Airways recorded weak performance during the 2014/15 financial year. The airline continued to operate against a very challenging environment, with major security concerns in its home market, negative travel advisories, uncertain global economic outlook and intense competition in the International market. All these factors continue to be major concern to our business.*

## INDUSTRY OVERVIEW

According to IATA, in 2014, the international air travel markets performance was above the 10-year average growth rate of 5.6% and the 5.2% annual growth experienced in 2013, compared to 2012.

Industry capacity rose by 5.6% last year with the result that load factor climbed 0.2 percentage points to 79.7%. All regions saw demand grow in 2014. More than half of the growth in passenger travel occurred on airlines in emerging markets including Asia-Pacific and the Middle East. According to Tony Tyler, IATA's Director General and CEO; "Demand for the passenger business did well in 2014. With a 5.9% expansion of demand, the industry out-performed the 10-year average growth rate. Carriers in the Middle East posted double-digit growth while results in Africa were barely above previous-year levels. Overall, a record 3.3 billion passengers boarded aircrafts last year - some 170 million passengers more than in 2013. While it is clear that people will continue to travel in growing numbers, there have been signs in recent months that softening business confidence is translating into a levelling off of international travel demand".

International passenger traffic rose 6.1% in 2014 compared to 2013. Capacity rose 6.4% and load factor slipped 0.1 percentage points to 79.2%. The performance can be summarised as follows:

- Asia Pacific carriers recorded a passenger increase of 5.8% compared to 2013, which was the largest increase among the three biggest regions. However, traffic was broadly flat over the last four months of the 2014 or so amid signs of a slowdown in regional production activity, although trade volumes remained strong. Capacity rose 7.0%, pushing down the load factor of 1.1 percentage points to 76.9%
- European carriers' international traffic climbed 5.7% in 2014. Capacity rose 5.2% and load factor rose 0.6 percentage points to 81.6%. Robust travel on low fare airlines as well as airlines registered in Turkey offset economic weakness and risks in the region
- North American airlines saw demand rise 3.1% in 2014 over 2013. Among developed economies, the US was the standout performer. Capacity rose 4.6%, dropping load factor 1.1 percentage points to 81.7%. This was the highest among all regions
- On the other hand, Middle East carriers experienced the strongest annual traffic growth at 13.0%. The region's economies continue to show robust growth in non-oil sectors, and are therefore well-placed to withstand the plunge in oil revenues. Capacity rose 11.9% and load factor climbed 0.8 percentage points to 78.1%

- Latin American airlines' traffic rose 5.8%. Capacity rose 4.7% and the load factor climbed 0.8 percentage points to 80%. While Brazilian economic growth has stagnated, regional trade volumes have improved in recent months
- Finally, on the home front, African airlines experienced the slowest annual demand growth, up 0.9% compared to 2013. With capacity up 3.0%, load factor fell 1.5 percentage points to 67.5%, the lowest among the regions. The weakness in international air travel for regional carriers is partly attributable to the Ebola outbreak, the impact of which has been restricted largely to Guinea, Liberia and Sierra Leone, markets that comprise a very small proportion of traffic. Instead it appears to reflect negative economic developments in parts of the continent including Nigeria, which is highly reliant on oil revenues. South Africa also experienced weakness in its economy earlier in the year

In terms of future prospects, the IMF projects that the global economy will grow by 3.5% in 2015, an improvement from 3.4% achieved in 2014. This growth is projected to be stronger in advanced economies but weaker in emerging markets, reflecting more subdued prospects for some large emerging market economies and oil exporters. Economic development worldwide is getting a significant boost from air transport and the benefit is being generated by increasing connections between cities enabling the flow of goods, people, capital, technology and ideas and reducing air transport costs.

The airline industry profitability has improved, returning a profit of USD 19.9 billion in 2014, from USD 10.6 billion in 2013. This return represented a 2.7% margin and a ROIC (Return on Invested Capital) of 6.1% both an improvement from previous year. Profitability for 2015 has been forecast by IATA to improve further to USD 25.0 billion. Airline profit expectations for the year ahead remain positive mainly due to falling input costs (largely due to lower crude oil prices) and growth in volumes both in passenger and cargo.

Global airline profitability continues to be concentrated in North America with more than 50% of the forecast profits, followed by Asia-Pacific and Europe. What is clear is that despite the significant increase in capacity and demand, the Middle East is still low on profitability. Africa continues to lag too.

Fuel prices will be the dominant feature of industry economics for the better part of the year, although the threat of slackening consumer demand may cast a long shadow. The oil price outlook provides the most important source of macroeconomic uncertainty facing the airline sector in 2015. Initially the impact will be extremely

## Chairman's Statement (continued)

positive, as the cost savings flow immediately to the bottom line. The only consolation for airlines is that they are affected similarly, so the vast fluctuations mostly do not discriminate. Other features, such as currency fluctuations and the strengthening of the US dollar do however, come into play as does each airline status on hedging.

In Europe breakeven load factors are highest, caused by a combination of low yields due to the highly competitive open aviation area, and high regulatory costs. As a result, and despite the industry in the region achieving the second highest load factor, financial performance has been poor. Net profits of \$4 billion next year represent only \$4.27 per passenger and a margin of 1.8%.

European economies are steadily improving, but companies remain cautious about spending more on travel, so expansion in demand will not be rapid. Businesses are more likely to rely more on managing trip approval than negotiating pricing with suppliers to control costs in 2015.

Traditional airlines will face increased competition in 2015 as LCCs (Low Cost Carrier) continue to grow their fleets on short-haul routes and Middle Eastern carriers grow long-haul services. Traditional carriers will resort to both "flight" and "fight" on short-haul: exiting more routes while cutting their costs, for example by introducing more ancillary fees for baggage and food.

It is anticipated that long-haul fares may in 2015 start to rise faster on transatlantic routes, as airlines operating in joint ventures realise the pricing power of consolidation. However, for flights to the eastern hemisphere, the continuing introduction of new aircraft by Middle Eastern carriers should push down prices (and push up corporate discounts) even more.

### Africa

Economic growth picked up moderately in Sub-Sahara Africa in 2014 to an average of 4.5% compared to 4.3% in 2013. It is anticipated that economic growth in the region will pick up to 5.1% in 2017, lifted by infrastructure investments, increased agricultural production and buoyant services. The outlook is however subject to downside risks arising from renewed spread of the Ebola epidemic, violent insurgencies, lower commodity prices and volatile global financial conditions. GDP growth slowed markedly in South Africa, constrained by strikes in the mining sector, electricity shortages and low investor confidence. Angola was set back by a decline in oil production. The Ebola outbreak severely disrupted economic activity in Guinea,

Liberia, and Sierra Leone. By contrast, in Nigeria, the region's largest economy, activity expanded at a robust pace, supported by a buoyant non-oil sector. Excluding South Africa, the average growth for the rest of the region was 5.6%.

Going forward, Africa's opportunity remains high. The same factors that have led to its strong performance over the last decade will continue to propel its growth into the future. Economic management continues to improve and flourish, which, according to the IMF, has placed 10 Sub-Saharan Africa economies as part of the 20 fastest growing economies in the world.

Rising commodity prices (oil and other natural minerals), have also boosted Africa's economic growth. Global focus for oil and other mineral exploitation has largely been on Northern, West, Central and Southern Africa. However, Eastern Africa has now become the new frontier. Discoveries of large oil and gas deposits, gold and other minerals in Eastern Africa have attracted global attention.

Africa is the weakest region as regards the aviation industry, as in the past 2 years, profits are barely positive, and represent just \$2.51 per passenger. Breakeven load factors are relatively low, as yields are a little higher than average and costs are lower. However, during the period under review, few airlines in the region were able to achieve adequate load factors, which are the lowest by 5% points. Performance is improving, but at a slow pace.

While Ebola put a spotlight on West Africa in 2014, it was not the only story in African aviation. Growth slowed in 2014 but international departing seat volumes grew by 1.4% to 87 million, well below the 5.9% growth experienced in 2013. Meanwhile, domestic seat capacity in African countries saw the reverse trend. Growth in 2014 was 4.4%, significantly better than the 5.1% decline in 2013, and this translated to an increase in total domestic capacity to 49 million seats per annum.

In October 2014, IATA released its first 20-year passenger forecast. The forecast anticipates that African air passenger numbers will grow at an average annual rate of 4.7%, faster than the global average of 4.1%. By 2034 there will be an extra 177 million air passengers travelling to and from African airports taking the total market size to 294 million passengers. Furthermore, by 2034 eight of the ten fastest growing markets globally, albeit that some are relatively small in terms of absolute volumes, will be in Africa, and these include Central African Republic, Madagascar, Tanzania and Burundi.

## Kenya

Kenya's economy is estimated to have grown by 5.4% in 2014 and is projected to grow by 6.9% in 2015, 6.6% in 2016 and 7.0% in 2017. The momentum for growth according to the "2015 Economic Survey" is expected to be sustained by a stable macroeconomic environment, continued investment in infrastructure, improved business environment, exports and regional integration. The government has also maintained discipline in fiscal and monetary policy, despite increasing pressure from devolution and the rising public sector wage bill. While the overall medium-term outlook remains favourable, risks exist from the continued downturn of the tourism sector arising from security concerns.

Kenya became a lower middle-income country, with its economy 25% larger than earlier estimated, following the rebasing of its GDP in September 2014. The population is estimated at 44.4 million and poverty has declined from 47% in 2005 to 34-42% recently. Inequalities however remain high and the national revenue sharing formula includes a weight of 20% to poverty incidence.

During the period under review, the transportation industry in Kenya was heavily influenced by the threat of terrorism and the shifting preferences of European visitors as a result of the economic crisis. As a result, Kenya and other African countries increasingly began to look to Eastern countries for growth. This led to Kenya signing code sharing agreements with several Eastern countries, including Malaysia, Singapore, South Korea and China. Thus, while the number of European visitors fluctuated, an increasing number of tourists from Asian countries continued to travel to Kenya.

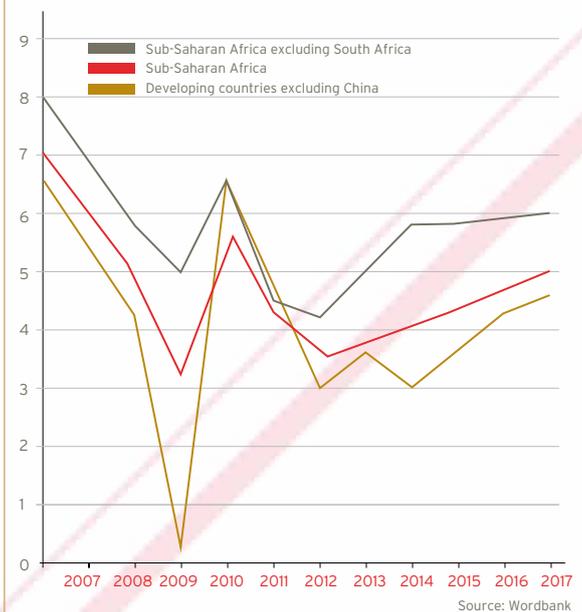
## Aeropolitics And Market Access

The period under review saw renewed efforts by African Union to push for the Implementation of the Yamoussoukro Decision 1999. This agreement committed the 44 African signatory countries to deregulating air services and to promoting regional air markets opening to transnational competition. However, the implementation of this agreement has been slow and limited and thus the potential benefits of liberalising intra-African air markets have remained largely unrealised. The Government of Kenya continues to support Kenya Airways by taking a guided approach in addressing this issue so as to ensure that all players fully benefit from the liberalisation of the air transport.

Regions	Net Profits, \$ Billion				
	2011	2012	2013	2014	2015F
Global	8.3	6.1	10.6	19.0	25.0
North America	1.7	2.3	7.2	11.9	13.2
Europe	0.3	0.4	0.5	2.7	4.0
Asia Pacific	5.0	2.7	2.3	3.5	5.0
Middle East	1.0	1.0	0.5	1.1	1.6
Latin America	0.2	(0.2)	0.2	0.7	1.0
Africa	0.0	(0.1)	(0.1)	0.0	0.2

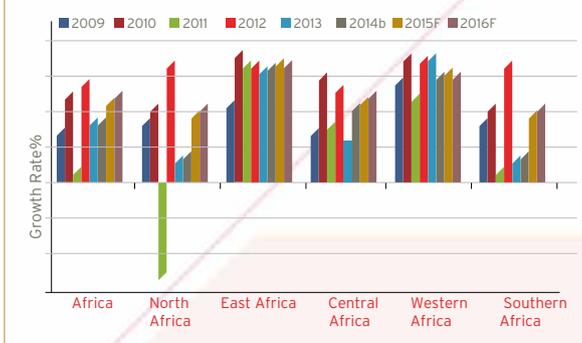
### GDP GROWTH

Growth was steady in Sub-Saharan Africa in 2014



### GDP GROWTH

Growth was steady in Sub-Saharan Africa in 2014



## Chairman's Statement (continued)

This same period also saw the creation of the Northern Corridor Integrated Projects Summit by the governments of Kenya, South Sudan, Uganda and Rwanda as a regional integration bloc to push for growth of regional trade. They are seeking to enforce common visa requirements and abolishing trade barriers including creating a common airspace which will liberalise traffic rights for the airlines of these countries.

The Government of Kenya through Vision 2030 continues to support the local aviation industry and notable achievements are inter alia, the launch of Terminal 1A, Terminal 2 and the construction of the Greenfield Terminal which will create the much needed space for Kenya Airways and further enhance JKIA as a regional hub.

Kenya Airways hosted the first ever Aviation Industry workshop in February 2015, bringing together the National and County governments as well as aviation stakeholders. This platform highlighted the importance of a common approach to aviation management and agreed a nine point plan for implementation. Aviation industry according to the Oxford Business Study account for 10% of GDP.

During the period under review, a total of 18 countries reviewed their MOUs and initiated Bilateral Air Service Agreements with Kenya. These countries include Cambodia and Vietnam, whose inaugural flight operated on 30th March 2015, Nigeria, Gabon, DRC, Botswana and Mauritius. Kenya's Representative to the ICAO Council, Ms Mercy Awori, who also represents the Eastern African Region, continues to boost Kenya's participation and influence on international aero-political affairs. The Council, among other tasks, acts as arbiter between member states on matters concerning aviation, difficult Bilateral Air Service Agreement negotiations and the provisions of the convention to maintain safety and regularity of international air transport.

The aviation industry recognises the need for reasonable, co-ordinated regulations to ensure industry competitiveness. Kenya Airways continues to participate in the reviews of relevant laws namely the Civil Aviation Act, Airports Authority Act and Consumer Protection Act, Competition Act with a view of maintaining the security, safety and regularity of international air transport in Kenya.

### Company Performance

Kenya Airways successfully completed the first phase of its fleet renewal programme during the year, involving the acquisition of the long delayed 5xB787 Dreamliner, 2xB777-300ER and 3xB737-800NG. In the same period,

the entire fleet of 767s were exited from operations. These investments however coincided with a difficult business environment driven by the incidences of terrorism in the region together with adverse external factors like West African Ebola crisis and the effects of travel advisories. We also experienced strong competitive pressures in our key markets. These factors cumulatively had a negative effect on the Kenyan tourism and aviation sector. As a result, both the operational and financial performance of the airline for the period under review was adversely impacted.

Full year results for the period were as detailed below:

- Revenues of KShs 110 billion up 4%, down 1% like for like;
- Gross profit of KShs 8.2 billion, a decrease of KShs 10 billion, year on year, but a decrease of KShs 3.1 billion excluding one off impacts;
- Operating loss of KShs 16.3 billion, a decrease of KShs 13.6 billion;
- Includes impairment costs and spares provision of KShs 7 billion relating to four Boeing 777-200 put up for sale and the accelerated depreciation for out of service 767's and
- Loss for the year of KShs 25.7 billion including unrealised losses on fuel derivatives of KShs 5.8 billion.

As a result of the declining performance and to safeguard the financial structure of the business, the Board took a decision in November 2014 to reduce fleet by offering for sale four (4) B777-200ER aircraft. In addition, the Board also approved for sale other non-core assets such as land. The decision to sell the four (4) aircraft led to an accounting adjustment between the fair market value of the aircrafts and the book value.

### Revenues

The airline offered to the market a capacity of 15,406 million measured in Available Seat Kilometres (ASKs) representing a year on year growth of 8.6%. The uptake of capacity measured in Revenue Passenger Kilometres (RPKs) rose to 9,793 million, a growth of 5.2%, driving down the achieved cabin factor to 63.6% for the period from 65.6% prior year. At KShs 90.4 billion, the passenger revenue base remained flat and at the same level with the prior year's KShs 90.2 billion.

The capacity availed into Europe grew by 13% mainly driven by the deployment of the larger B777-300ER to Amsterdam in place of the B777-200ER, as well as the upgrade of the Paris operations to a B787 Dreamliner. The combined capacity into the Middle East and Far East regions expanded by 9% due to the substitution of the B767s with B787 to most of the destinations.

Within Africa, the capacity offered increased by 3.6% as a result of the additional frequencies to most destinations despite the suspension of operations into Sierra Leone and Liberia since August 2014 and suspension of operations into South Sudan earlier in the year. The capacity within the domestic market registered a 29% growth following a successful entry of our low cost carrier Jambojet into the arena.

During the year, passenger numbers increased from 3.7 million to 4.2 million.

### Costs

#### Direct operating costs

Direct operating costs remained flat at KShs 76.1 billion compared to the prior year despite the 8.6% increase in capacity, mainly driven by savings in fuel cost. Fleet ownership costs increased to KShs 26 billion compared to the prior year at KShs 12.5 billion arising from the impact of the fleet renewal plan. Included in the fleet costs are impairment and other costs associated with the retirement of the old fleet totalling KShs 7 billion.

#### Overheads

Overheads increased from KShs 21 billion to KShs 24.5 billion driven by support costs for the expanded network and additional fleet.

#### Financial items

- Finance costs at KShs 4.7 billion are KShs 2.3 billion higher than the prior year due to acquisition of additional fleet and short term financing costs
- Included unrealised losses on fuel derivatives of KShs 5.8 billion

#### Exchange rate

During the period under review the Kenya shilling weakened against the dollar with the average exchange rate at KShs 89.05 compared to KShs 85.92 in the prior year.

#### Outlook

Against this background, the Board has taken a number of measures aimed at turning around and safeguarding the long term viability of the business. These measures include, inter alia:

- 1) Engagement with key shareholders for support;
- 2) The agreement with Afrexim Bank to act as a financial advisor for an optimal funding structure and to provide a USD 200m bridge loan;
- 3) The acceleration of the commercial action plan geared at enhancing revenue generation, and
- 4) Greater focus on cost management, operational efficiency and productivity of the human resources.

### Shareholding

The number of shareholding on the Register of Members as at 31st March 2015 was 77,727. Out of these 39,136 shareholders have immobilised their shareholding in favour of CDSC Nominees Limited and opened accounts on the Central Depository System. The shareholder profiles as at 31st March 2015 is on page 59.

### Dividend

The Directors do not recommend payment of a dividend.

### Appreciation

The Board believes that the KQ product offering is greatly enhanced with the fleet renewal and improvements at the hub. On behalf of the Board, I take this opportunity to express my sincere appreciation to our customers, shareholders, the Government, management, staff, suppliers and fellow Board members for their dedicated contribution to the airline.

### Directors

The members of the Board who have served during the year are shown in the report of the Directors on page 69.



Evanson Mwaniki

Chairman

# Taarifa ya Mwenyekiti

Bodi hii ya wakurugenzi imechukua hatua kadhaa zinazoungua kugeuza mambo na kulinda uwezekano wa kuendelea kudumu kwa biashara hii kwa muda mrefu.

Kenya Airways ilipata matokeo dhaifu katika mwaka huu wa kifedha wa 2014/15. Shirika hili la ndege liliendeleza shughuli zake kukiwa na hali ngumu yenye changamoto tele, kukiwa na wasiwasi mkubwa wa kiusalama katika soko la humu nyumbani, ushauri mbaya wa kutosafiri kuja huku, mtazamo usioweza kutabirika wa hali ya kiuchumi ulimwenguni na ushindani mkubwa katika masoko ya kimataifa. Mambo haya yote yanaendelea kuwa tatizo kubwa kwa biashara hii yetu.

## MTAZAMO WA SEKTA HII

Kulingana na shirika la IATA, katika 2014, utendaji wa masoko ya usafiri wa anga ulikuwa juu ya kiwango cha miaka 10 kwa wastani wa ukuaji wa 5.6% na ukuaji wa mwaka wa 5.2% uliodhihirika katika 2013 ikilinganishwa na 2012.

Uwezo uliongezeka kwa 5.6% mwaka jana matokeo yake yakiwa kupanda upande wa shehena kwa alama asilimia 0.2 hadi 79.7%. Maeneo yote yalishuhudia kuongezeka kwa mahitaji katika 2014. Zaidi ya nusu ukuaji abiria wa kusafiri ulisababishwa na shirika hili la ndege kuweko katika masoko yanayochipuka ikiwa ni pamoja na Asia-Pacific na Mashariki ya Kati. Kulingana na Tony Tyler, Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa IATA; "Mahitaji ya biashara ya abiria yalifanya vizuri katika 2014. Kukiwa na ongezeko la 5.9% la kuhitajika, sekta hii ilifanya vizuri zaidi kuliko kima cha ukuaji wa wastani wa miaka 10. Wasafirishaji katika Mashariki ya kati walifanikiwa kuwasilisha dijiti maradufu za ukuaji huku wa Afrika hawakufua viwango vya mwaka uliotangulia. Kwa ujumla, rekodi ya idadi ya abiria bilioni 3.3 waliosafiri na ndege mwaka jana - ikiwa ni kama abiria milioni 170 zaidi kuliko 2013. Huku ikiwa ni dhahiri kuwa watu bado wataendelea kusafiri kwa idadi kubwa, kumekuwa na ishara katika miezi ya hivi karibuni kuweko kwa matumaini katika biashara ambako kunaleta hali ya kusawazisha kuhitajika kwa usafiri wa kimataifa".

Safari za abiria za kimataifa ziliongezeka kwa 6.1% katika 2014 ikilinganishwa na 2013. Uwezo uliongezeka kwa 6.4% na upande wa shehena ukidorora kwa asilimia pointi 0.1

hadi 79.2% na kwa mukhtasari utendaji unaweza kuwa kama ifuatavyo:

- Mashirika ya ndege za Asia Pacific yalirekodi ongezeko la abiria la kima cha 5.8% ikilinganishwa na 2013, ambayo ndiyo ilikuwa ongezeko kubwa katika maeneo hayo matatu. Hata hivyo, idadi ya abiria hasa ilikuwa bapa katika kipindi cha miezi minne ya mwisho wa 2014 au kama hivyo huku kukiwa na dalili za kupungua kwa shughuli za uzalishaji za kimkanda, ingawa kiasi cha biashara kiliendelea kuwa imara. Uwezo ulizidi kwa 7.0%, na kupeleka chini upande wa shehena kwa asilimia pointi 1.1 hadi 76.9%.
- Abiria wa kimataifa wa mashirika ya ndege ya Ulaya iliongezeka kwa 5.7% katika 2014. Uwezo ulizidi kwa 5.2% na upande wa shehena ukizidi kwa pointi asilimia 0.6 hadi 81.6%. Kuimarika kwa usafiri kupitia tikiti za ndege za bei nafuu pamoja na mashirika ya ndege yaliyosajiliwa nchini Uturuki kukabiliana na udhaifu wa hali ya uchumi katika ukanda huo.
- Mashirika ya ndege ya Kaskazini Marekani yalishuhudia kupanda kwa uhitaji kwa kima cha 3.1% katika 2014 ikiwa ni zaidi ya 2013. Miongoni mwa mataifa yaliyoendelea, Marekani ndiyo iliyopata ufanisi wa kipekee. Uwezo ulikuwa na kupanda kwa 4.6%, uchukuzi shehena ukidorora kwa asilimia pointi 1.1 hadi 81.7%. Hii ilikuwa ya juu zaidi miongoni mwa maeneo yote.
- Kwa upande mwingine, mashirika ya ndege ya Mashariki ya Kati yalipata ukuaji thabiti wa abiria wa kila mwaka kwa kima cha 13.0%. Uchumi wa mataifa ya eneo hili unaonyesha ishara za kuendelea kuwa na ukuaji mkubwa katika sekta zisizo za mafuta, na hivyo basi ziko katika nafasi nzuri kuweza kuhimili kuanguka kwa mapato kutokana na mafuta. Uwezo ulikua kwa 11.9% na upande wa shehena kupanda kwa asilimia pointi 0.8 hadi 78.1%.
- Usafiri wa mashirika ya ndege ya Amerika Kusini ulipanda kwa 5.8%. Uwezo ulizidi kwa 4.7% na upande wa shehena ulizidi kwa asilimia pointi 0.8 hadi 80%. Huku ukuaji wa uchumi wa Brazil ukituwama, ukubwa wa kiwango cha biashara katika eneo hili kilitawia pakubwa katika miezi ya hivi karibuni.
- Hatimaye, katika eneo la humu, mashirika ya ndege ya Afrika yalisuhudia kupungua kabisa kwa ukuaji wa uhitaji wa mwaka, juu kwa 0.9% ikilinganishwa na 2013. Ujazo

ukienda juu kwa 3.0%, upande wa shehena ulianguka kwa pointi asilimia 1.5 hadi 67.5%, ikiwa ni kwango cha chini zaidi miongoni mwa maeneo. Udhaifu wa Usafiri wa ndege wa kimataifa kwa mashirika ya eneo hili kwa sehemu fulani ilitokana na kutokea kwa ugonjwa wa Ebola, ambao athari zake zilihisiwa zaidi katika mataifa ya Guinea, Liberia na Sierra Leone, ambayo ni masoko yaliyo na sehemu ndogo zaidi ya safari za ndege. Badala yake inaonyesha kuakisia hali hasi ya maendeleo ya kiuchumi katika baadhi ya sehemu ikiwa ni pamoja na Nigeria, ambayo hutegemea pakubwa mapato kutokana na petroli. Afrika Kusini vile vile ilipatwa na hali ya udhaifu wa uchumi katika mwanzo wa mwaka.

Upande wa fursa katika siku zijazo, shirika la kifedha la kimataifa (IMF) linabashiri uchumi wa dunia utakua kwa 3.5% katika 2015, ikiwa ni imariko kutoka 3.4% lilofikiwa katika 2014. Ustawi huu unakisiwa kuwa imara zaidi katika mataifa yenye uchumi ulioendelea huku ikiwa hafifu kwa mataifa ya uchumi ibuka, ikiakisia kupungua zaidi kwa fursa kwa masoko ya uchumi ibuka na wauzaji petroli nje. Ustawi wa uchumi kote ulimwenguni umepata kiinuko kikubwa kutokana na usafiri wa ndege na manufaa yanatokana na kuongezeka kwa miunganisho baina ya miji inayoweza mtiriko wa bidhaa, watu, rasilimali, teknolojia na fikira na upunguzaji wa gharama za usafiri.

Upataji wa faida katika sekta hii umeimarika, na kuleta faida ya Dola za Marekani bilioni 19.9 katika 2014, kutoka Dola za Marekani bilioni 10.6 katika 2013. Faida hii ikiwakilisha kiasi cha 2.7% na Faida ya Uwekezaji (ROIC) ya 6.1% yote ikiwa ni imariko kutoka mwaka uliotangulia. Upataji faida kwa 2015 ulikuwa umetabiriwa na shirika la IATA na kuimarika zaidi na kufika Dola za Marekani bilioni 25.0. Matarajio ya faida ya shirika hili la ndege katika mwaka unaokuja bado yana matumaini hasa zaidi kutokana na kupungua kwa gharama za pembejeo (hasa zaidi kutokana na kupungua gharama za bei ya mafuta) na ukuaji wa ujazo kwote kwa upande wa abiria na mizigo.

Upataji faida wa mashirika ya ndege kimataifa unaendelea kulimbikiza katika Amerika ya Kaskazini kukiwa na zaidi ya 50% ya faida zilizotarajiwa, ikifuatiwa na mataifa ya Asia-Pacific na Uropa. Jambo lililo wazi ni kuwa licha ya ongezeko kubwa la uwezo na mahitaji, Mashariki ya Kati bado wako chini kwa upataji faida. Afrika pia bado ingali nyuma.

Bei za mafuta zitakuwa na hulka kubwa katika uchumi wa sekta hii kwa sehemu kubwa ya mwaka huu, ingawa tishio la kupunguka kwa mahitaji ya wateja kunaweza kukaathiri jambo hili. Hali ya bei ya mafuta inachangia

pakubwa utoovu wa uhakika wa hali ya kiuchumi kwa ujumla inayokabili sekta ya uchukuzi wa ndege katika 2015. Mwanzo athari hizi zitakuwa za matumaini makubwa, kwa vile kuna uokoaji gharama kwenye faida. Faraja ya pekee kwa mashirika ya ndege ni kuwa yote yanaathiriwa pamoja, hivi kwamba mapunguo hayo makubwa huwa hayabagui. Mambo mengine, kama vile kushuka thamani ya fedha na kuimarika kwa Dola ya Marekani hata hivyo, huchangia kama ilivyo na hali ya kila shirika la ndege na uzio wake.

Katika nchi za Ulaya (Europe) mambo ya shehena yako juu zaidi, yakisababishwa na mchanganyo wa matokeo ya chini kutokana na ushindani mkubwa uliyoko katika eneo huru la sekta ya anga, na gharama ya juu ya uthibiti kanuni. Matokeo yake, na licha ya sekta hii katika eneo kufikia hali ya juu ya shehena, utendaji wa kifedha umekuwa duni. Faida halisi ya Dola za Marekani bilioni 4 mwaka ujao kuwakilisha tu Dola za Marekani 4.27 kwa kila abiria na kiasi cha 1.8%.

Uchumi wa Ulaya unaendelea kustawi kwa kasi, lakini makampuni yanabaki kuwa katika hali ya tahadhari kuhusu matumizi ya zaidi ya kusafiri, kwa hivyo kuongezeka kwa uhitaji hakutakuwa kwa kasi. Biashara zinatarajiwa kutegemea zaidi juu ya kusimamia utoaji idhini ya safari idhini zaidi ya mazungumzo ya bei na watoa huduma juu ya kudhibiti gharama katika mwaka 2015.

Mashirika ya ndege ya jadi yatakabiliwa na ushindani mkubwa katika 2015 wakati ambapo Ndege za kusafirisha kwa bei nafuu (Low Cost Carrier) zitazidi kuongezeka hasa katika safari fupi na ndege za Mashariki ya Kati zitazidi kustawisha huduma zake za safari ndefu. Mashirika ya ndege za jadi yataamua kutumia mbinu zote za "kupaa" na "kupambana" katika mrengo wa safari fupi: kujiondoa katika baadhi ya mikondo huku wakikata gharama zao, kwa mfano kwa kuanzisha ada za kipunguzo kwa mizigo na chakula.

Inatarajiwa kuwa katika 2015 nauli za safari ndefu zitaanza kupanda upesi katika mikondo ya upande wa transatlantic, wakati mashirika ya ndege yanayoendesha shughuli zao kwa ushirikiano wanapoanza kugundua faida za bei ya kujumuisha. Hata hivyo, safari za ndege za kwenda ulimwengu wa mashariki, kuendelea kuanzishwa kwa ndege mpya na mashirika ya Ndege za Mashariki ya Kati kunastahili kupeleka chini bei (na kupeleka juu diskaunti za mashirika) hata zaidi.

## Afrika

Ukuaji wa uchumi ulipanda kwa kiasi katika eneo la karibu na Sahara la Afrika katika 2014 kufikia wastani wa 4.5% ikilinganishwa na 4.3% katika 2013. Inatarajiwa kuwa

## Taarifa ya Mwenyekiti (inaendelea)

ukuaji wa uchumi katika eneo hili utaimarika kwa hadi 5.1% katika 2017, ukiinuliwa na uwekezaji katika muundo-msingi, ongezeko la uzalishaji katika kilimo na uchangamfu wa huduma masokoni. Mtazamo huu hata hivyo una upande wa chini ambao ni mashaka kutokana na kuzuka upya kwa upya kwa janga la Ebola, tetesi na vurugu na hali ya kiuchumi isioweza kutabirika ulimwenguni. Ukuaji wa Mapato halisi ya Taifa ulipungua sana Afrika Kusini, kukabiliwa na migomo katika sekta ya maadini, uhaba wa nguvu za umeme, na wawekezaji kutokuwa na matumaini. Angola ilirudishwa nyuma na kupungua kwa uzalishaji mafuta. Kuibuka kwa ugonjwa wa Ebola kuliathiri pakubwa uchumi wa mataifa ya Guinea, Liberia, na Sierra Leone. Kwa upande mwingine, nchini Nigeria, ambao ndiyo uchumi mkubwa wa kanda hiyo, shughuli ziliimarika kwa kasi, zikiungwa mkono na sekta changamfu isiyo ya mafuta. Ukiondoa Afrika Kusini, wastani wa ukuaji kwa maeneo mengine yote ulikuwa 5.6%.

Tunaposonga mbele, fursa ya Afrika bado ni kubwa. Mambo yale yaliyopelekea kupatikana matokeo yake mazuri katika muongo uliopita yatazidi kuchangia ukuaji wake katika siku zijazo. Usimamizi wa uchumi unaendelea kuboreka na kushamiri, ambao, kwa mujibu wa shirika la kifedha dunia (IMF), limeweka chumi za mataifa 10 yaliyo karibu na Sahara kama baadhi ya chumi zinazostawi kwa kasi zaidi duniani.

Kupanda kwa bei za maliasili (mafuta na maadini mengine asilia), pia kumepatia nguvu ukuaji wa uchumi wa Afrika. Mtazamo wa ulimwengu wa uchimbaji mafuta na maadini mengine umekuwa zaidi katika sehemu za Kaskazini, Magharibi, Kati na Kusini mwa Afrika. Hata hivyo, Afrika ya Mashariki sasa imekuwa ndiyo eneo jipya. Ugunduzi wa mabaki ya mafuta na gesi, dhahabu na maadini mengine katika Afrika ya Mashariki kumeanza kuvutia ulimwengu.

Afrika ndio eneo hafifu zaidi katika ukanda kuhusiana na sekta ya usafiri wa anga, kwa vile katika miaka 2 iliyopita, faida hazileti matumaini kamwe, na zinawakilisha tu Dola za Marekani 2.51 kwa kila abiria. Faida za upande wa mzigo ni duni, na mapato ni kidogo zaidi ya wastani na gharama ni ya chini. Hata hivyo, katika kipindi tunachokitathmini, mashirika machache ya ndege yaliweza kutimiza utoshelevu wa upande wa mizigo, ambao ni wa chini zaidi kwa pointi 5%. Utendaji unaendelea kuimarika lakini kwa kiwango wa chini.

Huku Ebola ikifanywa Afrika ya Magharibi kutazamwa kwa makini katika 2014, hii haikuwa simulizi ya pekee kutoka sekta ya usafiri wa anga wa Afrika. Ukuaji ulidorora katika 2014, lakini usafiri wa kimataifa kuondoka huko ulikua kwa 1.4% hadi milioni 87, ikiwa ni chini zaidi ya ukuaji wa

5.9% uliopatikana katika 2013. Wakati huo huo, usafiri wa anga baina ya mataifa ya Afrika ulishuhudia mwenendo wa kinyume. Ukuaji katika 2014 ulikuwa 4.4%, bora kwa kiasi kikubwa kuliko kule kuanguka kwa 5.1% katika 2013, na hii ilisababisha ongezeko la jumla ya ujazo wa humu hadi viti milioni 49 kwa mwaka.

Katika mwezi wa Oktoba 2014 IATA walitoa utabiri wa abiria wa kwanza wa miaka 20 ijayo. Utabiri huo unaashiria ya kwamba idadi ya abiria wa Afrika wa angani itakuwa kwa kiwango wastani cha 4.7%, hii ikiwa ni kwa kasi kuliko kiwango wastani cha ulimwengu cha 4.1%. Ifikapo mwaka wa 2034 kutakuwa na abiria kusafiri angani milioni 177 wa ziada wakisafiri kuingia na kutoka viwanjani vya ndege vya Afrikana kuipundusha jumla ukubwa wa soko kwa hadi abiria milioni 294. Zaidi ya hayo, kufikia mwaka wa 2034 nane kati nchi kumi ulimwenguni zinazostawi haraka, licha ya ukuaji kuwa duni unapolinganishwa na viwango vilivyopo, zitakuwa ni za Afrika, na hizi ni pamoja na Taifa la Afrika ya Kati, Madagascar, Tanzania na Burundi.

## Kenya

Uchumi wa Kenya unakisiwa kuwa umestawi kwa kima cha 5.4% katika 2014 na unatarajiwa kukuwa kwa 6.9% katika 2015, 6.6% katika mwaka wa 2016 na 7.0% katika 2017. Kasi hii ya ukuaji kwa mujibu wa jarida la "2015 Economic Survey" inatarajiwa kudumishwa kwa ajili ya mazingira bora ya uchumi mkuu, kuendelea kuwekezwa kwenye muundo-msingi, hali bora ya kibiashara, kuuza nje bidhaa na ushirikiano katika kanda hii. Serikali pia imeimarisha nidhamu katika sera zake za kifedha, licha ya kuweko shinikizo kutokana na utekelezaji ugatuzi na gharama kubwa ya sekta ya umma. Huku kwa ujumla mtazamo wa muda wa kati ukiwa bado mzuri, zipo hatari kutokana na kuendelea kwa mtikisiko wa sekta ya utalii kwa sababu ya mashaka ya kiusalama.

Kenya nchi ya mapato ya kati, huku uchumi wake ukiwa mkubwa kwa 25% zaidi ya kiwango kilichotarajiwa, kufuatia kuwekewa kiwango kipya cha pato lake la kitaifa katika mwezi wa Septemba mwaka wa 2014. Idadi ya watu inakisiwa kuwa milioni 44.4 na hali ya umasikini imepungua kutoka 47% katika 2005 hadi 34-42% hivi karibuni. Kukosekana kwa usawa hata hivyo kunabaki juu na njia ya kugawana mapato ya taifa kunajumuisha uzito wa 20% kwa matukio ya umaskini.

Katika kipindi cha muda tunaouzungumzia, sekta ya usafiri hapa Kenya iliathiriwa pakubwa na tishio la ugaidi na kuamua kuzuru kwingine kwa wageni kutoka Ulaya kutokana na hali tata ya kiuchumi. Matokeo ya haya,

## Taarifa ya Mwenyekiti (inaendelea)

Kenya pamoja na nchi zingine za Afrika zilizidi kutafuta njia za kujikuza katika mataifa ya Mashariki. Hii ilipelekea Kenya kutia saina mikataba ya kushirikiana na kugawana na mataifa kadhaa ya Mashariki, ikiwa ni pamoja na Malaysia, Singapore, South Korea na China. Hivyo, wakati idadi ya wageni wa kutoka Ulaya imeshuka, ongezeko la idadi ya watalii kutoka nchi za Asia kuja Kenya ilizidi.

### Siasa za biashara ya usafiri wa ndege na nafasi katika masoko

Katika muda tunaouzungumzia tulishuhudia juhudi mpya za Muungano wa Afrika kuhimiza kupendekezwa kwa utekelezaji wa Maafikiano ya Yamoussoukro Decision 1999. Makubaliano haya yaliyofanywa baina ya nchi 44 za Afrika zilizotia saina ya kupunguza uziti wa kanuni za huduma za usafiri wa anga na ukuza masoko ya kikanda ya ndege kwa ufunguzi wa mashindano baina ya mataifa. Hata hivyo, utekelezaji wa makubaliano haya umekuwa wa taratibu na wenye kikomo hivyo basi fursa zilizotarajiwa za kuwacha huru biashara ya usafiri wa ndege baina ya mataifa ya Afrika imebakia zaidi bila ya kutekelezwa. Serikali ya Kenya inaendelea kusaidia Kenya Airways kwa kuchukua mbinu za kuongoza katika kuangazia swala hili ili kuhakikisha washikadau wote wanapata manufaa kamili kutokana na uwachaji huru huu wa biashara ya usafiri wa anga.

Katika muda huo pia ndio kulifanywa uundwaji wa Mkutano wa Ushirikiano wa Miradi kaika Ushoroba wa Kaskazini (the Northern Corridor Integrated Projects Summit) baina ya serikali za Kenya, South Sudan, Uganda na Rwanda kama muungano wa kushinikiza ukuaji wa biashara katika kanda hii. Wanafuatilia utekelezaji wa mfumo wa visa ya usafiri ya pamoja na kuondoa vikwazo vya kibiashara baina yao ikiwa ni pamoja na kubuni ukanda wa anga ya pamoja ambayo itafanya huru haki ya usafiri wa anga katika nchi hizi husika. .

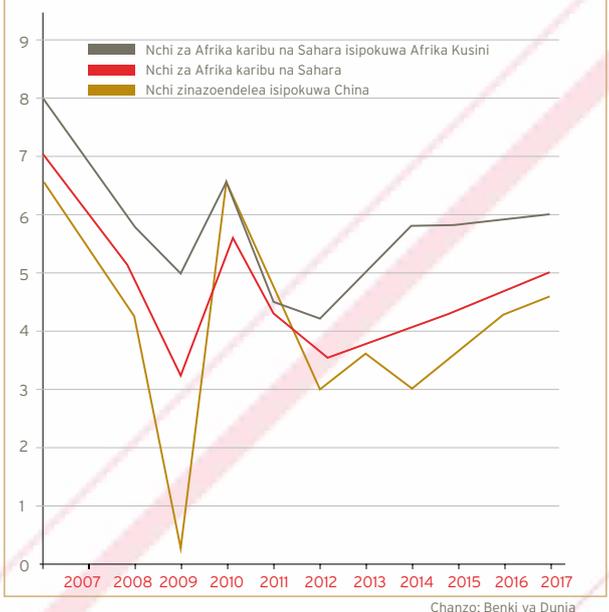
Serikali ya Kenya kupitia Ruwaza ya 2030 inaendelea kusaidia sekta ya anga ya humu na mafanikio yaliyofikiwa miongoni mwa mengine ni, kuzinduliwa kwa kituo cha abiria cha Terminal 1A, Terminal 2 na ujenzi wa kituo cha abiria cha Greenfield Terminal ambacho kitakuwa na nafasi kubwa kama inayohitajiwa na Kenya Airways na kuboresha zaidi JKIA kuwa kitovu cha usafiri kwa eneo hili.

Kenya Airways iliandaa warsha ya kwanza kabisa kwa sekta ya Usafiri wa Anga mnamo Februari ya 2015, na kuleta pamoja Serikali ya Kitaifa na Serikali za Kaunti pamoja pia na wadau wa usafiri wa anga. Jukwaa hili lilionyesha umuhimu wa kutafuta ushirikiano wa pamoja katika usimamizi wa usafiri wa anga na kukubaliana mpango wa hatua tisa

Mikoa	Faida halisi, \$Billioni				
	2011	2012	2013	2014	2015F
Kimataifa	8.3	6.1	10.6	19.0	25.0
Marekani kaskazini	1.7	2.3	7.2	11.9	13.2
Ulaya	0.3	0.4	0.5	2.7	4.0
Asia Pacific	5.0	2.7	2.3	3.5	5.0
Mashariki ya kati	1.0	1.0	0.5	1.1	1.6
Amerika kusini	0.2	(0.2)	0.2	0.7	1.0
Afrika	0.0	(0.1)	(0.1)	0.0	0.2

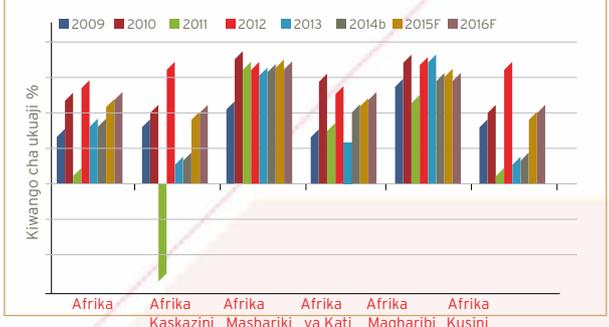
### UKUAJI WA PATO LA KITAIFA

Ukuaji ulikuwa thabiti katika nchi za Afrika zilizo karibu na Sahara katika 2014



### UKUAJI WA PATO LA KITAIFA

Ukuaji ulikuwa thabiti katika nchi za Afrika zilizo karibu na Sahara katika 2014



## Taarifa ya Mwenyekiti (inaendelea)

wa utekelezaji. Sekta ya usafiri wa anga, kwa mujibu wa uchunguzi wa Oxford Business Study, unachangia 10% ya Jumla ya Pato la Kitaifa (GDP).

Katika mwaka tunaouzungumzia jumla ya Mataifa 18 yalitathmini Makubaliano ya Ushirikiano (MOUs) pamoja na Mikataba ya pande mbili ya Huduma za Safari ya Anga na Kenya. Nchi hizi zikijumuisha Cambodia na Vietnam ambako uzinduzi wa Safari zake za ndege ulianza tarehe 30 Machi 2015, Nigeria, Gabon, DRC, Botswana na Mauritius. Mwakilishi wa Kenya katika Baraza la ICAO Council, Ms Mercy Awori, ambaye pia anawakilisha Eneo la Afrika ya Mashariki, inaendelea kuongeza ushiriki wa Kenya na ushawishi juu ya masuala ya Siasa za kimataifa za usafiri wa anga. Miongoni mwa majukumu ya Baraza hili pia kuwa kama mpatanishi kati ya nchi wanachama juu ya masuala ya anga, makubaliano magumu ya pande mbili ya Huduma za Safari za Anga na masharti ya mkataba ili kudumisha usalama na utaratibu wa usafiri wa anga wa kimataifa.

Sekta ya Usafiri wa anga inatambua haja ya kuratibu kanuni zenye busara ili kuhakikisha kuna ushindani katika sekta. Kenya Airways inaendelea kushiriki katika mapitio ya sheria husika kama zile Sheria za Usafiri wa Anga (Civil Aviation Act), Sheria ya Mamlaka ya Viwanja vya Ndege (Airports Authority Act) na Sheria ya Ulinzi wa Wateja (Consumer Protection Act), Sheria ya Ushindani wa kibishara (Competition Act) kwa lengo la kudumisha ulinzi, usalama na utaratibu wa usafiri wa anga za kimataifa katika Kenya.

### Utendaji wa Kampuni

Kenya Airways ilifaulu kukamilisha awamu ya kwanza ya mpango wake wa kuleta ndege mpya mwakani, iliyohusisha umilikaji uliosubiriwa kwa muda mrefu wa ndege za aina ya 5xB787 Dreamliner, 2xB777-300ER na 3xB737-800NG. Katika kipindi hicho, msururu wa ndege za aina ya 767s zilisitishwa kutumiwa. Hata hivyo uwekezaji huu uliunda sanjari na hali ngumu ya kibiashara iliyochochewa na matukio ya kigaidi katika kanda hii pamoja na athari mbaya kutoka nje kama kuibuka janga la Ebola Afrika Magharibi na athari za ushauri kutosafiri kuja huku. Vile vile tulipatwa na shinikizo la ushindani mkubwa wa kibiashara katika masoko yetu muhimu. Kwa ujumla mambo haya yalisababisha athari mbaya kwa sekta za Utalii na usafiri wa anga hapa Kenya. Kutokana na hiyo, uendeshaji na utendaji wa kifedha wa shirika hili la ndege katika kipindi tunachoangazia ulikuwa na matokeo mabaya.

Matokeo ya mwaka kwa kipindi hiki ni kama yanayoelezewa hapa chini:

- Mapato ya shilingi bilioni 110 juu kwa 4%, chini ya 1% kama

kwa kama;

- Jumla ya Pato la faida ya shilingi bilioni 8.2, ikiwa ni upungufu wa shilingi bilioni 10, mwaka kwa mwaka, lakini ikiwa ni upungufu wa shilingi bilioni 3.1 bila kuzingatia athari za mara moja;
- Hasara kutokana na uendeshaji shughuli ya shilingi bilioni 16.3 ikiwa ni ya kungua kwa shilingi bilioni 13.6;
- Inajumuisha gharama za kuharibika na za vipuri ya shilingi bilioni 7 zinazohusu ndege nne za Boeing 777-200 zilizotolewa kuuzwa, na uchakavu wa kasi wa ndege za 767's zilizokuwa hazitumiki, na
- Hasara katika mwaka ilikuwa shilingi bilioni 25.7 na inajumuisha hasara zisiotekelzwa kutokana na mafuta zalika ya shilingi bilioni 5.8.

Kutokana na matokeo haya ya utendaji kupungua na ili kulinda muundo wa fedha wa biashara hii, Bodi katika mwezi wa Novemba 2014 iliazimia kupunguza idadi ya ndege kwa kutoa nne aina ya (4) B777-200ER kuuzwa. Kuongezea, Bodi hii pia iliidhinisha kuuzwa kwa mali zisizo za asili kama vile ardhi. Uamuzi wa kuuza zile ndege nne (4) ulipelekea urekebishaji wa kihesabu kati ya thamani haki ya soko ya ndege hizo na thamani ilivyo katika vitabu.

### Mapato

Shirika la ndege lilitoa kwa soko uwezo wa kipimo cha milioni 15,406 ikiwa ni kipimo kulingana na Kuwepo kwa nafasi ya Kiti kwa Kilomita (Available Seat Kilometres au ASKs) ikiwakilisha ukuaji wa mwaka kwa mwaka wa 8.6%. Matumizi ya uwezo yakipimwa katika Mapato kutokana na Abiria kwa Kilomita (Revenue Passenger Kilometres au RPKs) yalipanda hadi milioni 9,793, ukuaji wa 5.2%, kupeleka chini mafanikio ya yaliofikwa ya nafasi ndegeni hadi 63.6% katika kipindi hicho kutoka 65.6% ilivyokuwa mwaka uliotangulia. Ikiwa katika shilingi bilioni 90.4, shina la mapato kutokana na abiria lilibakia bapa na katika kiwango sawa na cha mwaka uliotangulia cha shilingi bilioni 90.2.

Uwezo uliotolewa kuingia Ulaya ulikua kwa 13% hasa kutokana na kupeleka kwa ndege kubwa ya B777-300ER kwenda Amsterdam kuchukua nafasi ya B777-200ER, ikiwa ni pamoja na kuboresha shughuli zetu katika Paris kwa kutumia B787 Dreamliner. Uwezo wa pamoja wa kusafiri katika eneo la Mashariki ya Kati na Mashariki ya Mbali ulipanuka kwa 9% kutokana na kubadilishwa kwa B767s na zile za B787 kwenda mahala kwingi.

Ndani ya Afrika, uwezo uliyotolewa uliongezeka kwa 3.6% kutokana na mikondo ya ziada kwenda nchi nyingi licha ya kuzuiwa kwa shughuli zetu kuingia Sierra Leone na

Liberia tangu Agosti ya 2014 na kusitishwa kwa sgughuli katika Sudan Kusini mapema mwaka huu. Uwezo wa soko la humu ndani ulisajili ukuaji wa 29% kufuatia mafanikio ya kuingia kwenye soko kwa Usafiri wa anga wa gharama nafuu kupitia Jambojet.

Katika kipindi hicho, idadi ya abiria iliongezeka kutoka milioni 3.7 hadi milioni 4.2.

### Gharama

#### Gharama za moja kwa moja za uendeshaji shughuli

Gharama za moja kwa moja za uendeshaji shughuli zikiwa shilingi bilioni 76.1 zilibaki bapa ikiliganishwa na mwaka uliopita licha ya ongezeko la uwezo la 8.6% hasa Zaidi kutokana na kuokoa gharama za mafuta. Gharama za umiliki wa ndege ziliongezeka hadi shilingi bilioni 26 ikiliganishwa na mwaka uliopita kwa shilingi bilioni 12.5 kutokana na athari za mpango wa kununua ndege mpya.

Pamoja kwenye gharama hii ya ndege pia kuna gharama nyingine zinazohusiana na kuondolewa kwa ndege zilizozeeka jumla yake ikiwa ni shilingi bilioni 7.

#### Matumizi ya kawaida

Matumizi ya kawaida yaliongezeka kutoka shilingi bilioni 21 hadi shilingi bilioni 24.5 ikichochea na gharama kupanuka kwa mtandao na ndege za ziada.

#### Mambo ya kifedha

- Gharama za Fedha katika shilingi bilioni 4.7 ni shilingi bilioni 2.3 zaidi ya mwaka uliotangulia kutokana na upatikanaji wa ndege za ziada na gharama za muda mfupi za kifedha.
- Ikijumisha gharama za mafuta zalika ya shilingi bilioni 5.8

#### Ubadilishanaji wa fedha

Katika kipindi cha mwaka tunaoukariria Shilingi ya Kenya ilidorora dhidi ya Dola ya Marekani kukiwa kiwango wastani cha ubadilishanaji cha shilingi 89.05 ikilinganishwa na shilingi 85.92 katika mwaka uliotangulia.

#### Mtazamo

Kukiwa na mambo haya yote, Bodi hii imechukua hatua kadhaa zinazolenga kugeuza hali na kulinda uwezo wetu wa kudumu katika biashara hii. Hatua hizi zinajumuisha, pamoja na mengine mengi:

- 1) Kuwahusisha wadau wakuu katika kutupa usaidizi;
- 2) Makubaliano na benki ya Afrexim Bank kuwa kama mshauri wa kifedha kwa kutoa muongozo wa kutoa fedha na kutupa mkopo wa kutuvusha wa Dola Milioni 200;
- 3) Kuongeza kasi ya kibiashara mpango wa utekelezaji kwa lengo la kuimarisha uzalishaji wa mapato, na
- 4) Mtazamo mkubwa katika usimamizi wa gharama, utendaji kazi na tija ya wafanyikazi.

### Umilikaji Hisa

Idadi ya wamiliki hisa katika Rejista ya Wanachama kufikia tarehe 31 Machi 2015 ilikuwa 77,727. Kati ya hawa wanahisa 39,136 walizuiya hisa zao na kuchagua ziende katika shirika la CDSC Nominees Limited na kufungua akaunti na mfumo wa hisa wa Central Depository System. Maelezo kuhusu wamiliki hisa kufikia tarehe 31 Machi 2015 yako katika ukurasa 59.

### Mgao

Wakurugenzi hawapendekezi malipo ya mgao.

### Shukrani

Bodi inaamini kwamba huduma zinazotolewa na KQ zinasaidiwa sana kuimarishwa kukiwa na ndege mpya na maboresho mapya katika kitovu cha shughuli. Kwa niaba ya Bodi ya Wakurugenzi, nachukua nafasi hii kutoa shukrani zangu za dhiti kwa wateja wetu, wamiliki hisa, Serikali, wasimamizi, wafanyikazi, wasambazaji na wanachama wenzangu katika bodi kwa mchango wao kwa shirika hili la ndege.

### Wakurugenzi

Wanachama wa Bodi ambao walihudumu katika kipindi cha mwaka ni kama inavyoonekana katika ripoti ya Wakurugenzi kwenye ukurasa 69.



Evanson Mwaniki

Mwenyekiti

# *Management Team*



## **FROM LEFT TO RIGHT**

Alex Avedi | Kevin Kinyanjui | Yves Guibert | Alex Mbugua | Cap. Paul K. Mwangi



**FROM LEFT TO RIGHT**

Mbuvi Ngunze | Chris Diaz | Tom Obonyo Ouma | Gerard Clarke | Alban M. Mwendar

**NOT IN PICTURE**

Frederick Sine



# Management Team Profiles

## Mbuvi Ngunze

### Group Managing Director and Chief Executive Officer (47 years)

Mbuvi holds a Bachelor of Commerce degree accounting option from the University of Nairobi. He is a Chartered Accountant (England and Wales) and is also a graduate of the Harvard Business School's Management Development Programme (PMD75). He joined PricewaterhouseCoopers in Nairobi in 1990 and was seconded to Manchester in the United Kingdom where he was articled. In the UK, he started off as an Audit Assistant and left 5 years later as an Assistant Manager. In 1995, he rejoined PricewaterhouseCoopers in Kenya as Audit Manager, leading audits of various blue chip companies and was also involved in training and recruitment.

In 1998, he joined Bamburi Cement (a Lafarge subsidiary) as Finance Manager and was promoted to the Finance Director's position in February 1999. He held this position up to March 2002 when he was appointed Managing Director Hima Cement Uganda (Lafarge). In May 2006, he moved to the headquarters of Lafarge in Paris. He first took up the role of Mission Director in the Group Audit Department for six months and then was appointed Group Vice President Internal Communications in November 2006. In March 2009, he was appointed General Manager for Lafarge's operations in Tanzania (Mbeya Cement). He joined KQ in September 2011 as Chief Operating Officer. Mbuvi took over as Group Managing Director & CEO of Kenya Airways on 1<sup>st</sup> November 2014.

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

He is currently a Board member of Jambojet Limited, Lewa Wildlife Conservancy, a member of Board of Governors of IATA and a member of the Executive Committee of African Airlines Association (AFRAA).

## Alex Wainaina Mbugua

### Group Finance Director (51 years)

Mr. Mbugua was appointed Group Finance Director of the KQ Group on 14th July 2008. Mr. Mbugua is an alumnus of Harvard Business School having completed the Advanced Management Programme (AMP 183) in October 2012. He is also a Wits Business School MBA graduate and a member of the Institute of Certified Public Accountants of Kenya.

In the past 30 years, during his highly successful career, Mr. Mbugua has developed significant knowledge and expertise in the fields of finance, strategy and general management. As Group Finance Director, Mr. Mbugua has overseen certain key milestones for KQ, including the high profile 2012 rights issue offer that raised net proceeds of KShs 13.8 billion.

Prior to his current position, Mr. Mbugua held the position of Chief Financial Officer of AngloGoldAshanti-Africa Open Pit Mines, based in Johannesburg SA. Mr. Mbugua held board positions at AngloGold Holdings (UK) and also in eight mining subsidiaries spread out in Africa. Other board positions have included Bain Hogg Ltd and Norfolk Holdings (K) Ltd together with KQ subsidiaries Kenya Airfreight Handling Ltd and Jambojet Ltd.

## Captain Paul K. Mwangi

### Director Flight Operations (56 Years)

Captain Paul Mwangi is an alumnus of Alliance High School and a firm believer in the school's motto "strong to serve". He has served KQ in various capacities since 1984. As the Director of Flight Operations, he is responsible for the training and operations of crew (pilots and cabin crew) and for In-flight Management. He joined the airline in 1984 at the age of 25, initially as a cadet officer and then as a co-pilot. He underwent progressive training in the flying of various fleets and recently checked out as Captain of Boeing 777. During his extensive flying career, he has flown a number of aircraft types including Fokker 27s and 50s,

Boeing 737s, Airbus, Boeing 767 and currently, Boeing 777. Paul not only serves KQ as a Captain but also plays the role of instructor and examiner for the Kenya Civil Aviation Authority and is a part-time lecturer in Airline Operations for the Moi University MBA Programme.

Paul joined KQ management in 1998 as Manager of Quality Systems and Standards. Since then he has served in various diverse roles including Fleet Manager for the Airbus A310-300, B767-300s, Head of Fleets Management, Head of Operations Control Centre and is currently the Director of Flight Operations. In addition to obtaining his Airport Transport Licence (ATPL) in Oxford UK, he also holds an MSC degree in Air Transport Management from the City University of London. He has complemented his training with IATA Diplomas in Airline Operations and Airline Strategic Management in Geneva and recently successfully completed the Programme for Management Development (PMD) at The University of Cape Town, South Africa.

In 2011, Paul attended a Programme for Management Development (PMD) over a period of four months at Hull University Business School in Yorkshire (UK) on Systems thinking in the Public Sector.

## Yves Guibert

### Director Ground Services (52 Years)

Mr. Guibert, a French national, began his aviation career in Tahiti when he joined a subsidiary of Union Transports Aeriens (UTA) in 1986 as a Load Controller. He left French Polynesia three years later having qualified as a Dispatch and Airport Duty Controller and joined UTA in Paris in the position of a Relief Station Manager. For close to two years, he relieved station management and worked in various countries around the UTA network worldwide.

In 1991, when Air France absorbed UTA, he was expatriated to South Africa to join the station management. He joined Virgin Atlantic as Station Manager overseeing the running the Johannesburg and the opening the Cape Town Station in 1998. In 2001, he moved to Nigeria and opened the Lagos Station followed by Port Harcourt. Upon the creation of Virgin Nigeria in 2005, he was detached to the new entity and undertook the task of building ground services from scratch before becoming the Director Customer Service. At the time he left Virgin Nigeria to join KQ in April 2009, he was managing its entire ground services, training and in-flight services.

## Kevin Kinyanjui

### Informational Systems Director (48 Years)

Mr. Kinyanjui has over 23 years' experience in the Information Technology field. This includes 6 years at a management consulting firm PricewaterhouseCoopers, 6 years at Bamburi Cement Limited and a total of 4 years in the banking sector, most recently at Housing Finance. He has attended many technical IT and management courses both locally and abroad. As an IT management consultant, he carried out numerous management consultancy assignments in the finance, hospitality, manufacturing and service industries in both private and public sector organisations. These organisations were spread out in Kenya and in other African countries including Uganda, Tanzania, Malawi and Ethiopia.

At Bamburi Cement where he was head of IT, initially for the cement company alone and thereafter for all group companies in Kenya and Uganda, he was instrumental in strategy formulation, shifting the Group to an end user computing environment, integrating ERP systems and putting in place a complete IT organisation.

Mr. Kinyanjui was the first IT Director at Housing Finance where he oversaw similar planning and implementation activities for banking business systems. This included the evaluation and selection of a completely new banking system platform.

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

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

## Management Team Profiles (continued)

### Gerard Clarke

#### Commercial Director (52 Years)

Mr. Clarke's career in the international airline industry spans more than 25 years and he possesses expertise in all major airline business models - premium service and low fare, network and point-to-point, scheduled and charter. An Irish national, Gerard holds a Bachelor of Arts (Honours) in Spanish and French from University College Dublin (1986) and a Master of Science in Transport Planning and Management, specialising in Airline Economics, from the Polytechnic of Central London (1990). He has also been educated at the University of Caen, France and undergone executive training and development at Ashridge Business School, UK.

Throughout his career Gerard has been employed by leading aviation and aviation-related businesses operating from the Arabian Gulf, China, Europe, the United States and West Africa. His previous employers included trade body International Air Transport Association (IATA), leading Middle Eastern carrier Emirates Airline, US e-commerce pioneer BroadVision, largest UK General Sales Agent Aviareps Plc and largest West African airline Arik Air. Gerard has helped these and other employers to transform their businesses in readiness for growth, improve commercial performance and forge international joint ventures.

In performing his various roles, Gerard has lived and worked in Barcelona, Damascus, Dubai, Kuwait City, Lagos and London. Gerard joined Kenya Airways in October 2013 from China's largest privately-owned aviation company, the Hainan Airlines Group (HNA), where he was General Manager UK/Europe for the Group's Hong Kong-based carrier, Hong Kong Airlines. Gerard is a fellow of the UK's Institute of Digital and Direct Marketing.

### Tom Obonyo Ouma Kadoyo

#### Technical Director (60 Years)

Tom Kadoyo is an alumni of Starehe Boys High School and strongly believes in the school's motto "Natulenge Juu", which means "Aim High". Tom holds Master of Science degree in Aeronautical Engineering from Riga Institute of Civil Aviation. He has gone through progressive training at Boeing and Airbus on diverse aircraft. Tom is currently attending the Executive Management Development Programme at Gordon Institute of Business Science - University of Pretoria.

Tom joined KQ in 1986 as a graduate trainee rising through the ranks as Development Engineer, Senior Development Engineer, Principal Development Engineer, Manager

Engineering Development, Head of Base Maintenances and currently, Technical Director.

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

Tom has 26 years' experience with the airline industry.

### Alban M. Mwendar

#### Group HR Director (53 Years)

Mr. Mwendar is an alumnus of the Alliance High School, and holds a Bachelor of Education (B.Ed.) degree and a Masters in Business Administration (MBA) degree, both attained at the University of Nairobi. He is also a Fellow Member of the Institute of Human Resources Management of Kenya and recently completed his diploma at the highly accredited coaching organisation, the Academy of Executive Coaching in the United Kingdom.

Mr. Mwendar has extensive experience within multinational businesses in the corporate sector having joined Unilever (Kenya) Ltd in 1987 as a Management Trainee, and rising up the ranks within the HR function and in Logistics. He left Unilever in 1995 to take up the role of Head of Human Resources at British American Tobacco (Kenya) Ltd, a role he held until the year 2000 when he was appointed Group HR Director at Kenya Commercial Bank. At KCB he spearheaded cultural reform programmes and internal branding initiatives that turned the bank from a parastatal organisation to the present day commercial organisation that prides itself as having the largest branch network in East & Central Africa. In 2004, Mr. Mwendar was appointed Group HR Director of East Africa Breweries Ltd, a Diageo plc subsidiary, and again led internal rebranding initiatives that launched Diageo into the Eastern African markets.

During the course of his career, Mr. Mwendar has played a consultancy and advisory role on HR matters to numerous individuals and organisations and has made several presentations to HR practitioners in the region. He has also attended numerous professional courses abroad including in institutions such as Harvard Law School. He has been a past Vice Chairman of the Kenya Institute of Bankers, member - Board of Governors of Alliance High School, and Assistant Chairman - Institute of HR Management of Kenya. He currently sits on the Council of the Agricultural Society of Kenya. He joined KQ in August 2011.

### Chris Diaz

#### Marketing Director (46 Years)

Chris Diaz was appointed Marketing Director of Kenya Airways on 7th November 2012

Along with his current position, Chris is a Board member of the Brand Kenya Board and is involved in supporting the marketing of Kenya to the world. Chris is also a Trustee on the Board of the Chartered Institute of Marketing in the UK, which is the largest professional marketing body in the world.

Chris joined Kenya Airways from BIDCO Group, where his responsibilities included Group Marketing and Communications, Corporate Affairs and business development across multiple countries and he currently serves as a Non-Executive Board member.

Chris was born in Mombasa and schooled at Allidina Visram at the Coast up to A-levels. He was one of the first marketing (FCIM) in East Africa and holds a Chartered status, Bachelor of Commerce (Hons) degree in accounting, Diploma in Marketing and a Masters of Science in International Marketing (UK).

Chris was awarded the Head of State Commendation (HSC) by the President of Kenya in 2003 and was also honoured by the Marketing Society of Kenya with the Warriors Award in 2009 and the Fellows Award in 2011, for successful marketing and supporting the growth of world class brands.

Chris has also previously served as Director in CMC Motors Group, African Marketing Confederation and is currently a board member of the Imperial Group. He has presented talks in conferences across Africa, Asia and Europe on best Marketing trends and innovative Branding strategies.

He has a passion for conservation, environment, supporting special sustainability projects for community development.

Chris is very passionate about high quality corporate strategic communications and is experienced in building consistent international Brands for services and products.

He enjoys and stimulates positive teamwork and strongly encourages humility and attention to detail as a Brand personality to deliver outstanding customer service.

### Frederick ("Rick") Sine

#### Fleet and Asset Development Director (67 Years)

Frederick ("Rick") Sine is the Kenya Airways ("KQ") Fleet and Asset Development Director, responsible for the acquisition and disposal of aircraft for KQ, the oversight of major aircraft modification programmes and the development of long-term fleet plans. He brings to the position extensive executive airline, business and leadership experience, in operating and support activities at both large and small companies, in US domestic and international markets. With a long career with several US airlines, has a broad background in the management of technical activities and in the buying, leasing, modifying, supporting and operating of transport category aircraft.

Prior to joining KQ, Rick held the position of Managing Member with Aerospace Executive Support Service, acting as senior consultant to aerospace organisations where his clients included Accenture, BearingPoint, Spirit Airlines, In-flight Canada, Louis Berger Services and many others. In addition, Rick spent two years providing executive level leadership for corporate management, business development and product delivery for Interactive Voice Technologies, an innovative organization supplying voice-enabled, hands-free solutions for the completion of inspections and operating activities in high-noise environments.

Rick was Vice President with Boeing Airplane Services for three years, where amongst other responsibilities; he negotiated aircraft purchase and lease agreements, identified and managed third party support vendors and developed operating policies and procedures for major aircraft modification and support programmes.

Other key positions held by Rick include Vice President, Line Maintenance with US Airways, Chief Operating Officer of Avatar Alliance, Aircraft Maintenance Operations Manager with United Parcel Service and Senior Director of Component Repair with Pan American World Airlines. Rick began his career holding an active duty commission with the US Air Force for nine years, where he was Aircraft Maintenance Officer.

Mr. Sine is a graduate of the USAF Academy in Colorado Springs, Colorado, is an FAA licensed aircraft mechanic, holds a 25 year membership with the Society of Automotive Engineers and was President of the Air Force Association for the Northwest Region of the United States.

## Management Team Profiles (continued)

### Alex Avedi

#### Director Corporate Quality, Safety, Security and Environment (43 years)

Alex Avedi joined Kenya Airways in October 2004. Until his appointment as Director, he was the Head of Corporate Quality, Safety, Security and Environment. He was charged with readying Kenya Airways for its initial IATA Operational Safety Audit (IOSA) that was successfully completed in July 2005, making Kenya Airways the first Airline in Sub-Saharan Africa to achieve this certification. In 2008, Kenya Airways received the company of the year award for strategic planning and emergency preparedness.

Alex subsequently led the airline to another first when Kenya Airways became the first operator in Africa to attain the IATA Safety Audit for Ground Operators (ISAGO) certification in 2009. Under his leadership, Kenya Airways was awarded at the Company of the Year Awards (COYA) ceremony for "Best Emergency Practices" in 2009. Kenya Airways was also honoured with the "African Safety Award" in 2009 by IATA. In 2010, he led Kenya Airways to attain membership of the global SKYTEAM alliance after passing rigorous safety audit. Kenya Airways is the only African Member of this alliance of 19 world class airlines with a strong safety culture.

In 2013, he led Kenya Airways in attaining Stage 1 of the IATA Environmental Assessment (IEnvA) Programme

certification. Kenya Airways was one of only 6 carriers in the world to attain stage 1 of IEnvA certification at the time. Most recently under his stewardship, Kenya Airways attained the prestigious British Safety Council International Safety Award in 2014, in recognition of excellence in Occupational Safety and Health Management at Kenya Airways.

Prior to joining the airline industry, Alex worked in the banking industry for 7 years in Switzerland and Kenya in various capacities primarily in the area of Treasury Risk Management. He holds a B.Com (Hons) degree from the University of Nairobi and several Safety certifications from IATA including a Diploma in Aviation Safety. He also holds a post graduate diploma in Advanced Aviation Management from the University of Geneva and a graduate of the Embry Riddle Aeronautical University Aviation Safety Programme. He holds a certificate in Aircraft Accident Investigation from the Southern California Safety Institute (SCSI) and is a gazetted Aircraft Accident Investigator by the Ministry of Transport and Infrastructure of the Republic of Kenya.

In addition, Alex is a licensed commercial pilot with instrument rating. He has attended Leadership Development Courses at Cambridge University, London Business School, University of Pretoria (GIBS) and General Electric. He also holds specialised Aviation Security certificates from both the United Kingdom and Israel.



# Chief Executive Officer's Statement



*Mbuvi Ngunze  
Kenya Airways, CEO*

*The last two years have been some of the most exciting, yet difficult in the recent history of the airline. With an ambitious fleet plan, the airline has changed its product and service offering substantially. This has coincided with a difficult trading environment .*

Nonetheless, we continue to stay focused on our mission to provide superior service and exceed guest expectations while making a positive return to our shareholders. To return towards profitability, we are revisiting our strategic orientation and network, focusing on our commercial organization and selling capability, as well as working to improve our cost structure.

## COMMERCIAL HIGHLIGHTS

During the financial year 2014/15, Kenya Airways carried a total of 3.698 million passengers compared to 3.719 million in the previous year. KQ passenger revenue including Fuel Surcharge stood at KShs 88.3 billion compared to KShs 90.1 billion in the previous year, representing a 6% decline on previous year performance. Jambojet on the other hand carried a total of 480,092 passengers during the period under review and achieved passenger revenue of KShs 2.04 billion.

The current year's performance was achieved despite adverse factors in the industry and home market. Some of these factors include; the security situation in the home market leading to travel advisories from the key tourist source markets for Kenya i.e. United Kingdom, United States, France and Australia. Further Ebola pandemic equally impacted the airline performance during the period, the direct impact being felt during the suspension of Kenya Airways' operations into Liberia and Sierra Leone.

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

New operations commenced during the period under review included; Abuja (ABV) Nigeria - launched on 3<sup>rd</sup> June 2014, four (4) flights a week, and Zanzibar (ZNZ) Tanzania - launched on 2nd June 2014, seven (7) times. Kenya Airways' low cost affiliate Jambojet (JX) started operations on 1st April 2014 to serve route segments to Eldoret, Kisumu and Mombasa thus complimenting Kenya Airways operations in the domestic market.

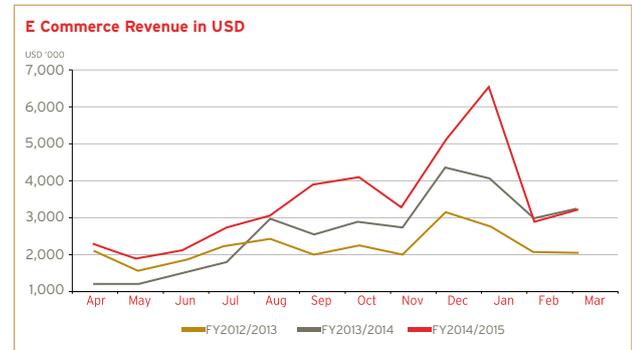
## E-COMMERCE

There are a number of strategic moves that were taken during the period under review to position E-Commerce competitively and which has since seen additional revenues being realised as detailed below:

- 1) A fully functional mobile solution; the product has targeted the mobile users looking to buy KQ services.

Available services include booking, payments, Mobile Check-in, flight status and flight timetables.

- 2) Msafiri Connect; A B2B web based solution that converts the inventory in a web application format and distributes it through World Wide Web (www). The product is designed for SME and non - IATA travel agents segments.
- 3) An upgrade of the website to the website to improve functionality and simplify process steps.



## CONTACT CENTRE OPERATIONS

The Contact Centre closed the year with KShs 561 million in hard sales.

Call service levels achieved stood at 75% and call efficiency levels at 80%. Guests travelling ex-Kenya/Nairobi received communication via Telephone, Email or SMS from the Contact Centre, advising of flight schedule changes, delays or cancellations. The foregoing was applicable to flight schedule changes beyond 3 hrs and up to 72 hrs.

## REVENUE MANAGEMENT

### Commercial process improvement

The Company's revenue generation has been out of line with projections and ambitions set year on year. In order to reverse this trend, management appointed a consultant within the financial year. The main objective of the consultancy exercise was to identify opportunities which can be leveraged on to improve the revenue generating potential of the airline within the sales and revenue management departments. As regards revenue management, the exercise was split into two phases, namely; recommendations and implementation phases. The first phase was completed in February 2015, while the second phase kicked off in April 2015 and is projected to run until September 2015. The exercise highlighted significant opportunity for enhancement of the use of existing tools and processes towards a better revenue optimization approach.

### Revenue integrity tool

During financial year 2014/15, the Revenue Integrity Tool generated USD 1,062,908 through penalties levied on Agents for abusive Global Distribution transactions. This

## Chief Executive Officer's Statement (continued)

represents 368% growth compared to USD 227,068 realised in the previous financial year.

The tool, together with other awareness programmes mounted by Revenue Management and Sales departments has greatly contributed to reduction in costs related to abuses in Global Distribution transactions from 7.2% in 2012/13 to 5.2% in 2013/14 and 3.7% during the 2014/15 financial year.

### Revenue Management Systems Utilisation

Over the past years, a number of tools have been acquired to enhance decision making within the Revenue Management function. During the year, a number of health checks were conducted to ensure proper usage of these systems. The health checks and user training sessions were conducted for the following tools: Pros-Revenue Management System, Delorean and Monet-forward booking and revenue performance tools and Amadeus-Airline Reservation system.

### Cost Management

The selling channels of the airline include own ticketing offices, the call centre, website and travel agents. Kenya Airways has thus entered into full content agreements with various Global Distribution System providers which guarantee their subscribers the same content as that offered to direct channels. During the period under review, expired contracts were negotiated to ensure that distribution is achieved at lower unit costs.

## Cargo and Mail

### Cargo Revenue

Belly freight sales revenues increased to KShs 8.6 billion reflecting a 6.6% year on year growth. Major shift in the product structure were encountered during the financial year with the 'Khat' (Miraa) ban imposed in the U.K. This had a revenue reduction impact of KShs 500 million.

The Cargo team embarked on a substitution strategy to integrate the valuable cargo product which delivered KShs 58.5 million in revenues since launch and is projected to grow in the financial year 2015/16.

The late conclusion of the Economic Partnership Agreement renewal that grants preferred access to European markets and favourable import tax regime led to the withholding of cargo exports by shippers during the period October 2014 to November 2014. During this period, the export volumes for vegetables, flowers and fish were affected.

Courier and Mail product ratio grew to 12% of overall cargo revenue largely driven by courier volumes. Mail traffic

remained stagnant. The growth in courier traffic will form an integral part of the premium growth strategy for Cargo.

Warehouse revenues stood at KShs 1.3 billion reflecting a 7.5 per cent year on year growth buoyed by strong export volumes.

### Cargo Tonnage

Cargo capacity Available Ton Kilometer (ATK) declined by 2.5% compared to prior year due to capacity adjustments implemented on the passenger business to cope with a challenging business environment in the second half of the year with total uplifts for the financial year at 66K tons compared to 58.2K tons in 2014, a 13.2% year on year growth - depicting an improved capacity uptake. This was as a result of the introduction of the B777-300 aircraft and B787-800 which provided better loading configuration than the B767-300.

### B737F Freighter

The regional freighter has seen progressive growth since its introduction. The freighters delivered 7.7K tons, a 16.9% growth in tonnage versus previous year.

On the revenue front, the B737F delivered KShs 1.1 billion, a growth of 93.9% versus previous year. Non-Governmental (NGO) relief activities in the region continue to provide freight opportunities where KQ Cargo is providing solutions and continues to position itself as a market leader.

## OPERATIONS

During the period under review KQ operations continued to remain vulnerable to cyclical traffic patterns. In particular, two big dips in weekly on-time-performance (OTP) are experienced year on year, during the peak of the summer and the pre-Christmas travel periods - airport fire notwithstanding. We believe this is an indication of the pressure on the infrastructure due to increased number of flights and guest numbers through JKIA.

Measured at IATA benchmark target of 85% at 15 minutes, the operations sustained improvements in OTP with a positive trend since September 2014, until mid-March (Week 51) where we started to experience deterioration as a result of withdrawal of goodwill by the cockpit crew. This has significantly affected our OTP and we closed the financial year at 77% for the final week of the financial year.

On average for the year, this translated into an achieved 79% OTP at 15mins for the financial year 2014/15 (the blue line which is the weekly moving average).

# Chief Executive Officer's Statement (continued)

## Top 5 contributors to Delays FY2014/15

At the IOCC, the airline monitors the network-wide performance, though the main contributors are Ground Services (who manage the airport and ramp departure process), Flight Operations (provision of requisite Flight Deck & Cabin Crew) and Technical Department (serviceable aircraft).

As seen on the 'On Time Performance FY 2014/15 graph', we still maintain a positive trend in airport facilities since the migration to T1A. Ground Services (pax and ramp handling) has also improved its performance since the migration, however two significant dips in the month of December and mid-March are due to unfavorable weather conditions in various regions, and effects of withdrawal of goodwill by the cockpit crew, respectively.

Flight Operations had long since sustained improvements in OTP due to reduction of Network flights, which has led to not only lower crew requirements, but also improved crew availability.

The Technical Department during the period under review experienced an improvement in their dispatch reliability due to the newer and more reliable aircraft in our fleet.

This upcoming financial year is characterised by a planned schedule to close the runway from midnight to 6 am every day for a year, in order to pave way for runway repairs. Nevertheless, we maintain our focus to improve and sustain good OTP.

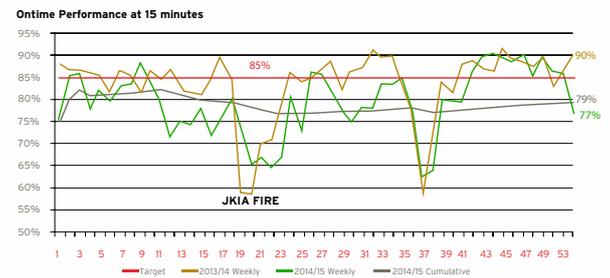
## GROUND SERVICES

During the year under review, Ground Services registered exemplary performance compared to prior year. This was mainly driven by strong performance by the Mombasa cargo warehouse and ground handling services together with equipment hire in Nairobi.

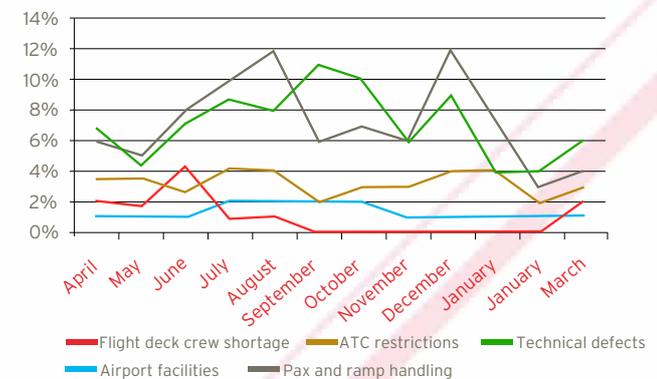
We implemented various initiatives to improve safety performance in operations. These initiatives among others included development of a hazard and near miss register, undertaking operational spot check to ensure adherence to standard operating procedures and conducting periodic health, safety and environmental audits in all staff offices and rest rooms with the aim of eliminating occupational hazards in places of work.

Ground Services further rolled out a number of projects in the financial year 2014/15 aimed at improving the guest experience. We successfully migrated all KQ flights to Terminal 1A together with three of our customer airlines

## On Time Performance FY 2014/15



## Top 5 contributors to Delays FY2014/15



## Ground Services



## Chief Executive Officer's Statement (continued)

(KLM, PW and MK). All the ten (10) gates at the new terminal are currently in use for boarding, two others remain under construction and shall be commissioned for aircraft parking later in 2015. The new terminal now has a full complement of sky priority product in all guest touch points besides the two lounges that were also commissioned.

Other guest-centric KPIs received focus in equal measure. Ground services On Time Performance was delivered at 94%, one point below the departmental target. Several initiatives were implemented to improve baggage delivery (FIBA-LABA) to guests at the arrival hall. This included a focused improvement project that saw the performance of this KPI improve from an average of 40% early in the year to 72% by close of the financial year 2014/15 as shown on ASRs/CSRs Comparison graph.

### SAFETY, SECURITY AND QUALITY

Kenya Airways has maintained a high standard in Quality, Safety, Security and Environment issues, with a movement beyond mere compliance with regulatory requirements, to becoming a good example of aviation safety in the continent and worldwide.

#### Flight Safety

##### Safety Reporting Culture

During the financial year 2014/15, a general increase in the reporting culture was noted compared to the previous years. Above graph compares Cabin Safety Reports (CSRs) and Air Safety Reports (ASRs) filed over the last three financial years.

The increase in reporting culture is attributed to communication and safety awareness through safety bulletins, attendance of regulatory classes and crew forums by the safety team.

##### Bird strikes

A total of Seventy Seven (77) bird strikes were reported in FY 2014/15 compared to Fifty Three (53) bird strikes reported in FY 2013/14. Most bird strikes inflicted minor damage on the engines and other areas of the aircraft while others had major damages leading to air turnbacks. This has cost implications and is a hazard to our operations.

An increase in bird activity was noted between April to June and October to December. Most of the bird strikes occurred on or near the ground .i.e. take off and/or landing. KQ in conjunction with other stake holders across East Africa continuously monitor bird and wildlife activity on the airports grounds and in the vicinity.

##### Other Incidents

A total of Thirty (30) unstable approaches were reported in FY 2014/15 compared to Fifteen (15) reports in FY 2013/14. Unstable approaches were due to various reasons including but not limited to; weather, Air Traffic control (ATC) procedures and human factors.

Thirteen (13) incidents were reported pertaining to disruptive passenger/inappropriate behaviour in FY 2013/14 compared to eight (8) incidents reported in FY 2013/14. Four (4) incidents involved passenger being offloaded before the flight, thirteen (13) incidents necessitated flights being met by security/police services on arrival while the rest involved issuance of verbal warnings.

### Industrial Safety and Environment

#### Corporate Risk Management

In a bid to manage our operational risks, Kenya Airways has trained teams in operational departments who are able to analyze the reported hazards and risks. This has led to the formation of a hazard database and through this occupational accidents are prevented. In FY 2014/2015, there was an increase in the number of hazards reported by staff and subsequently the severity of the workplace accidents reported has tremendously reduced.

We have also conceptualised and finalised our corporate sustainability ambitions on Safety, Health and Environment which we will be able to report on in the coming years.

#### Quality Assurance

In the financial year under review, Quality Assurance has continuously worked with other sections within the business and from our external customers with the view of preventing non-conformities when delivering services to both our external and internal guests. This has resulted in remaining accredited by IATA Operating Safety Audit (IOSA) and IATA Safety Audit for Ground Operations (ISAGO). IOSA is recognised worldwide as an acceptable evaluation system to gauge control systems and operational management of the registered airlines. ISAGO facilitates reduction in incidents, accidents and injuries to all stakeholders thereby drastically reducing costs. In addition to this, the section has represented Kenya Airways at IATA audit pools thus achieving additional revenues for the business.

We have successfully ensured that the Ground Services and Cargo Operations Quality is soundly developed, properly executed and systematically monitored by conducting periodic audits network wide, where we note any non-

## Chief Executive Officer's Statement (continued)

conformities and ensure approved corrective actions are carried out within the stipulated time-scales. This ensures continuous improvement, compliance with Civil Aviation Requirements, enhanced reputation, accountability and meeting the objectives of our Corporate Quality System. By so doing, it leads to customer satisfaction and retention.

### Corporate Security

We are pleased to report that during the year under review, KQ security has consistently assessed the threat facing aviation industry globally and regularly reviewed mitigating measures to reduce vulnerability. As a result KQ has operated without any major security incidents network-wide.

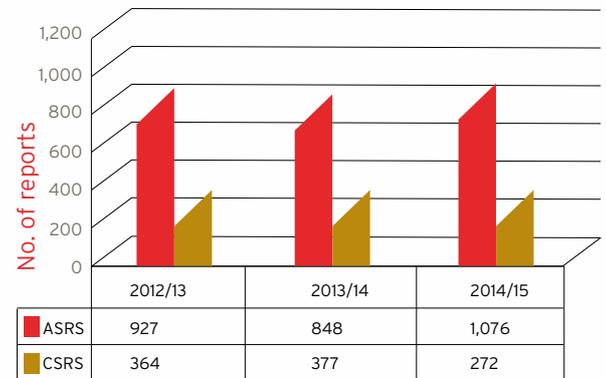
In addition, during the year under review KQ security widened the scope of adopting technology into security operations by extending the coverage of CCTV on KQ operational areas. The concept of adopting technology into security operations is to complement the efforts of the security manpower and also where incidents have occurred, have CCTV footage that would aid the investigation teams. Areas currently covered by CCTV include JKIA Terminal 1A, Terminal 1C, Terminal 1D, KQ Base, and Pride Centre Training School. The roll out is still ongoing in various sales outlets.

Having stopped the carriage of Gold bullions and bank notes a few years back, we again refined our valuable cargo process with increased demand for the service. This service is currently being offered to Kinshasa, Lubumbashi, Congo Brazzaville, Douala, Dar es Salaam, Lusaka, Johannesburg and Abidjan. We shall, soon commence the service on the routes; Bamako, Mumbai, Yaoundé and Dubai. So far, we have customers who have been requesting for the service to and from Entebbe, Accra, Delhi, Juba and Bangkok. Upon Security inspection and clearance, we shall commence the service to the five stations. This is a fast expanding venture - we receive requests for security assessment of potential valuable cargo destinations at the rate of one destination every two months.

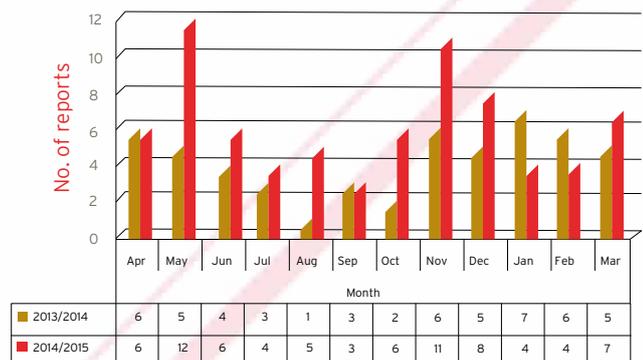
During the same period, KQ Security and cargo successfully went through the ACC3 validation (a European Union Regulation) and also supported a total of seven (7) other Known Shippers to get their RA3 certification. This allows the Airline to fly cargo into the European Union for the next five years. This was an important milestone in ensuring export of cargo from Kenya to Europe was sustained.

KQ Security has also joined other stakeholders in fighting illegal wildlife trafficking and has come up with a number

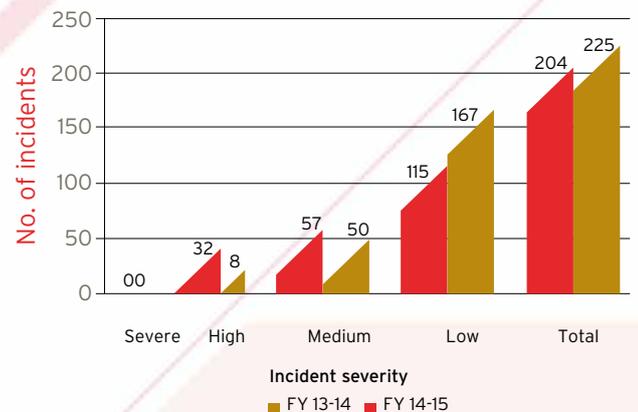
Graph 1: ASRs/CSRs Comparison



Graph 2: FY 14-15 Bird strike incidents compared to same period last FY 13-14



Graph 3: Incident Numbers vs Severity in FY 14/15 Compared to FY 13/14



## Chief Executive Officer's Statement (continued)

of initiatives applauded by the stakeholders for providing insight into the missing link in that supply chain.

### TECHNICAL DEPARTMENT

The 2014/15 financial year closed with the primary departmental metric of Technical Dispatch reliability on the B787 fleet and E190 fleet trending at 99.1% and 99.4% respectively which performance was above the industry average of 98.8% and 99.3%.

The department continues to focus on three key goals. These are primarily improving the quality of maintenance carried out on the KQ fleet, minimizing waste in all work activities and growing revenue generated for Kenya Airways by selling maintenance and engineering services to other operators.

Light maintenance resource optimization is one key improvement targeted for Line maintenance operations in the next fiscal Year. This project seeks to align resource deployment to the highly dynamic airline demand hence increasing productivity of staff and improving the quality of work carried out. This calls for innovative shift patterns and versatile maintenance planning in order to achieve a healthy balance between employee productivity and fatigue levels.

The "C" Check or heavy maintenance process that takes place in the Base Maintenance division is one other key maintenance process that is targeted for improvement. The project targets to bring about significant reduction in maintenance ground times as well as improve quality in order to benefit aircraft availability and reliability. This is also expected to increase maintenance capacity and competitiveness hence accommodating and attracting more third party heavy maintenance work.

The Technical department continues to position itself as a key player in the wider Aircraft Engineering and maintenance industry in order to improve competitiveness. Extending the existing European Aviation Safety Agency (EASA) to cover both base maintenance and line maintenance has been a key initiative during the period under review and this initiative was completed successfully in April 2015.

The above EASA Line and base certification has indeed elevated Kenya Airways' maintenance services to a globally recognised and accepted level. A number of key opportunities have arisen from the foregoing status, including the on-going endorsement of the airline by Embraer as the second Approved Embraer Service Centre in Africa as well as potential maintenance partnerships

with European and Middle East carriers.

The department's component workshops division attained the ISO 17025 certification of the Calibration centre during the financial year. This is in addition to the Kenya Accreditation Service (KENAS) endorsement during the same period. This has put the KQ calibration shop on the global stage and continues to attract more business. The calibration shop offers calibration services of precision tooling to other maintenance divisions within Kenya Airways, local and regional aircraft operators as well as other industries in the region.

### FLEET DEVELOPMENT

#### Year in review

During this fiscal year the renewal of the KQ aircraft fleet continued. We accepted a total of ten (10) new aircraft into the fleet. These were five (5) additional B787 Dreamliners, two B777-300ERs and three B737-800s. These new aircraft complimented the new Terminal 1A and the new business class lounge as we worked to provide a superior travel experience to our guests. These additions as well as the removal from the fleet of several older aircraft, kept the total fleet, including aircraft to support Jambojet and the KQ regional freighter operation at an almost equal level from the previous year, but resulted in a much younger group of aircraft which aids reliability and guest comfort.

Fleet		
Aircraft Type	31 March, 2015	1 April, 2014
787-8	6	1
777-300ER	3	1
777-200ER	4	4
767-300ER	5	6
737-800	6	5
737-700	4	4
737-300	4	4
737-300F	2	2
E190	15	15
E170	3	5
Total	52	47

#### The year ahead

The coming year will see further changes in the fleet with 5 new aircraft arriving and at least 9 being returned to lessors or sold. This will further strengthen our brand by providing an even newer operating fleet and supporting a more reliable operational experience.

This reduction in the fleet size and concentration on a few, newer aircraft models reflects the commitment by KQ to update its aircraft fleet to proven higher individual aircraft

## Chief Executive Officer's Statement (continued)

utilization, a higher level of customer experience, greater operational reliability and much better economics through lower fuel consumption and better maintenance cost.

### The future

Using the guidance of the current edition of the fleet plan, work is underway to modernise and simplify the KQ aircraft fleet. Over the next 5 years, the fleet is expected to grow by the elimination of all aircraft over approximately 8 years old (other than the 737-300 freighters), and reduce from 7 major aircraft types to 3.

## MARKETING

Kenya Airways is focused on strongly positioning the brand and new products roll out supported by strategic marketing communications across the network. During the period under review, to strengthen internal marketing strategies and enhance our brand promise and values to all staff, the department successfully implemented the Brand Ambassador programme which saw non-sales staff rewarded for targeted new business of over KShs 150 Million.

The state of the art Dreamliner B787-8 aircraft has been very well received by our guests who are looking forward to a differentiated and enhanced customer experience as we work towards achieving a higher Skytrax global rating. We continue to conduct regular service surveys in conjunction with SkyTeam, and conduct our own NPS surveys. Our Customer Relations and Social Media team now have 24 hour coverage and our front line service delivery teams have been taken through "living the brand" training on the entire customer journey to reflect in their culture and service delivery.

The airline has won several international awards including, for the third year running, "Best Cargo Airline in Africa 2014/15", "Africa Leading Airline - Business Class 2014 - World Travel Awards", "Best in Strategy by CEO", top ten world's most improved airline in 2014 and "Best Airline On-Time performance out of Heathrow".

## Sponsorship

The Pride of Africa continues to distinguish itself in enriching sporting talent in the country through supporting Rugby, Golf and Motorsports. Kenya National Rugby 7s Team has grown to become the greatest ambassadors of the Kenyan brand and the country's loved sport increasing brand visibility globally. The KQ Golf Safari has been a unifying factor in the country and overseas.

## HUMAN CAPITAL

As at 31st March 2015, Kenya Airways' Group headcount stood at 3,973, with an additional 29 in Jambojet and 626 outsourced staff primarily in Flight Operations and Ground Services. This represents no increase in headcount in permanent staff numbers over the last two years. In a bid to control escalating employee costs, the Company continues to scrutinize any additional headcount requirements, and reorganise any existing roles in order to avoid increase in headcount. Vacancies have by and large been filled internally and through re-organisation. The use of outsourced labour was also continued.

### Talent Management

In managing our talent, our key focus was to help the business restructure key areas and to live within reduced staff numbers and still deliver the objectives. During the year, the drive for robust succession planning was sustained to identify critical development needs of would-be successors to key positions in the business, and to create talent pipelines in each function. A Talent Delivery team was established to focus on talent mapping within and outside of the business, and to deliver and enhance selection and on-boarding processes. All this was aimed at enhancing the talent guarantee in the business and improving the employer value proposition to prospective employees. There was a continued use of both psychometric and capability assessments both at recruitment and for existing staff, so as to optimize placements and focus on appropriate development initiatives.

In an effort to enhance career development of our staff within the business, work had been ongoing on the creation of 'job families' within each function, that provide a blueprint of the expected competences at each role/level of one's career path. A leadership competency framework was also developed to be rolled out and embedded in the next financial year for all managers in the business.

### Learning and Development

During the year 2014/15 the team continued to help in the development of leadership capabilities and delivery of the already established programmes.

### Corporate training

- Our corporate training focus was on "The Guest Pillar". We initiated a new awareness programme named, "Living the Brand", whose main objective is to create understanding and ownership of the KQ Brand and associated behaviours amongst all members of staff. 1,832 targeted customer-facing staff had been trained by the end of March 2015.

## Chief Executive Officer's Statement (continued)

• Additionally, with the support of General Electric, we trained 98 senior staff on "Leadership for Customers" and the "Change Acceleration Process". The aim of these leadership programmes was to develop skills aligned with fostering team growth and positive business results.

### Coaching and mentoring

Over the course of the year, we equipped 45 senior managers with coaching and mentoring skills, and assigned coachees and mentees to them. Coaching and mentoring sessions were established primarily for those identified in the succession plans who needed to be coached as a part of their development plans. This has also driven a coaching culture within the business.

### Technical Training

During the financial year 2014/15, the Technical Training school continued to conduct courses that ensured that production had qualified staff that can support aircraft maintenance. These included Aircraft Type courses, A-Rating courses, and other trainings that were geared towards EASA (European Aviation Safety Agency) 145 for Base and Line Maintenance. A total of 686 staff were trained to achieve this objective.

The year under review saw continued delivery of refresher/continuous training courses for maintenance staff to ensure that they remained current as per the Kenya Civil Aviation Regulations.

A key highlight for this financial year 2014/15 is that Technical Training is now capable of handling all aircraft type trainings for KQ fleet including the new B787-800.

### Operational Training

For other operational areas, we conducted other programmes for staff who principally are candidates for outsourced labour as follows:-

	Course	Number of students
1	Certificate in Airline Passenger services (Nbi)	149
2	Certificate in Airline Passenger services (Msa)	36
3	Certificate in Airline cabin crew	110
4	Diploma in IATA - Foundation	36
5	Diploma in IATA - Consultant	40
6	Certificate in Weights & Balances	19

The number of students under our cooperation agreement with JKUAT also escalated from 97 when we began in May 2014 to 144 in September 2014 to 244 in January 2015.

On March 7th 2015, Kenya Airways Pride Centre was awarded Africa Top Performing IATA Authorised Training Center (ATC).

## Industrial Relations

Enhancing Industrial Relations between the Company and the Unions was in key focus, with the Company entering into a new first-time Collective Bargaining Agreement with the newly recognised Amalgamated Transport and General Workers Union (ATGWU) in Uganda. The other Unions remain the Kenya Aviation Workers Union (KAWU), the Kenya Airline Pilots Association (KALPA), and the National Union of Air Transport Employees (NUATE, Nigeria).

### KALPA

We engaged with the Association's leadership through monthly management meetings and scheduled Group Managing Director/KALPA quarterly meetings, and Seniority and Promotion Committee meetings, as well as other meetings called on a need basis. We also engaged in Collective Bargaining negotiations, which are yet to be concluded. The thrust of the negotiations is to drive greater productivity based pay from the pilot community, whilst achieving optimal pilot numbers for the agreed fleet size and network plan. As at 31st March 2015, we had recorded a dispute for conciliation at the Ministry of Labour on outstanding CBA clauses, and the retirement of older B777 pilots.

### AASWU

The Company still has a case in the Supreme Court over the redundancies that had been effected in 2012/2013 financial year under the staff rationalisation programme. The membership of AASWU has greatly diminished owing to the formation and registration of the newer Union, KAWU.

### KAWU

The Company and the Union were able to conclude negotiations for the period 2014 - 2016 and register a CBA that maintained basic salary levels at the current level, whilst driving productivity based pay higher. Regular Management/Union meetings take place in order to appraise the Union leadership on business performance.

## National Union of Air Transport Union (NUATE, Nigeria)

The Company is in the process of conducting negotiations with the union.

### Amalgated Transport And General Workers Union (ATGWU, Uganda)

The Company experienced slightly turbulent flight with the newly recognised Union in Uganda, the Amalgamated Air Transport and General Workers Union, over financial clauses in the new CBA, but these were resolved amicably. Uganda has 19 employees in unionisable role (H1-H9).

### INFORMATION SYSTEMS

The Information Systems department participated in and delivered a number of successful projects and initiatives during the period under review. The key projects are as detailed below:

#### E-Enabled Boeing 787 and 737NG aircraft

During the financial year 2014/15, the delivery of E-Enabled Boeing 787 Dreamliner and 737NG aircraft project (the "Project") was the biggest programme the Information Systems department participated in.

The project involved:

1. Building all the e-enabling infrastructure and systems in a primary data centre and disaster recovery centre;
2. Learning all the procedures and processes of downloading, testing and loading the software parts to the aircraft;
3. Building the security systems, procedures and processes to ensure integrity of the software parts;
4. Building the procedures for handling the maintenance laptops both from an operational perspective and the security requirements associated therewith, and
5. A similar framework to the above was carried out for the Boeing 737NG aircraft.

All the above objectives were successfully delivered on time and to the quality defined by Boeing and in compliance with the requirements set out by the regulator - KCAA.

#### Customer Relationship Management

In support of the company-wide i-Delight programme, the airline enhanced its customer relationship management through automation. The automation platform selected was an Oracle cloud-based offering that included a centralised customer data repository, an automated marketing platform, a customer service platform and a sales force automation platform. During the year the centralised customer data repository was implemented. The customer data repository currently contains one version of data for each guest and this facilitates a unique and comprehensive knowledge of any such guest. The foregoing will go a long

way in facilitating the airline becoming more personalised towards its guests when offering customer service at various customer touch points, including and not limited to; the contact centre, the airport, the sales shop and on board our aircraft.

An automated marketing platform was also implemented during the period under review. This platform is currently enabling the airline to carry out more targeted electronic marketing based on the value and demographics of the guests. Each guest can be tracked whether they read or respond to the marketing campaigns.

#### Mobile Solutions

The airline is focusing more on bringing into play solutions that can work well with mobile devices. We have delivered our websites into mobile websites that are lighter to work with mobile phones so that customers' reach can be improved. In addition, the airline now has a mobile application (app) that enables its guests to book, manage their bookings, ticket, check-in on-line and get information services (like timetables, etc) for iOS, Android and Windows mobile phones. The airline will from time to time roll out updated versions of the mobile app to increase the functionality and make interaction between the guests and the airline more convenient and improved.

#### Mobile Money Payments

In Africa the use of mobile payments is increasing at a rapid rate. In addition to our guests being able to make mobile money payments in Kenya, Uganda and Tanzania, the airline enabled the use of mobile payments in Rwanda and Cameroon.

#### Terminal 1A JKIA

The department worked round the clock to ensure that the required IT automation for the commissioning and operations of Terminal 1A at JKIA, the most modern terminal in Kenya, was delivered on time. This included automation at the check-in and sales counters, the networking of the entire terminal, the airport gates and the wireless network access on the airside which enables baggage management, passenger reconciliation and line maintenance activities.

#### Improved fuel management through ACARS

The airline embarked on a journey to improve its fuel management through ACARS data communication between the aircraft and ground systems. Through enabling the data communication for all flights, the fuel management team can now have access to more accurate fuel data which should drive more fuel saving initiatives. It is anticipated that the savings will continue into the next

## Chief Executive Officer's Statement (continued)

financial year 2015/16.

### Improved load control through ACARS

The airline also earmarked on improving its load control operations through implementing an improved system involving load-sheets being uploaded electronically to aircrafts through the ACARS data communication. This was piloted on the B737 and Embraer fleet. A cockpit template was developed and implemented for B737 aircraft to facilitate the completion of the ACARS load-sheet process as documented and required by KCAA. This process was duly approved by KCAA including the authorization of electronic signatures in the ACARS load-sheet. As a result thereof, the airline has witnessed a more efficient operation of the load-sheet process. During the next financial year the airline targets to carry out a similar process with the B787 fleet. This will be followed with more centralised load control process from Nairobi for all aircraft departing from all outstations in the KQ network.

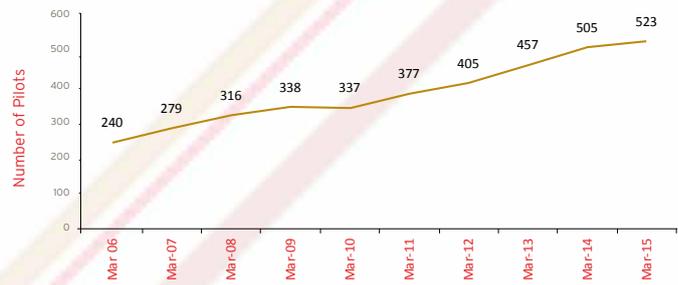
### FLIGHT OPERATIONS

The airline's Flight Operations department continues to support safe and reliable operations by providing qualified crew through recruitment and rigorous training. A key activity for the year under review was to ensure that the airline adequately trains and checks out crew to fly our new and state of the art B787-8 Dreamliner aircraft. Eighty eight (88) pilots completed their training on the B787-8 aircraft during the year and we pride ourselves as having the first female African Dreamliner Captain - Captain Irene Koki Mutungi.

Further, a total of twenty (22) ab-initio cadets were sent to South Africa for pilot training having successfully completed a robust selection process that includes aptitude tests, psychometric tests, psychomotor tests, medical examination, external online profiling and formal oral interview. During the year, fifteen (15) direct entry pilots joined the Company from the local Kenyan market.

The graph below shows the trend in pilot numbers for the last 10 years:-

Pilot Numbers



### Pilot Numbers

On the commercial front, jointly with our supply chain team, we managed to negotiate new terms following a tender process for duty free items sold onboard, resulting in an increase in KQ royalties by 9%. With the new contract, we have a more vibrant in-flight duty free magazine, "KARIBU", with a wider array of products to select from at prices starting from US\$10 which can cater for the last minute shopper.

Our online duty free store, [www.kqdutyfree.com](http://www.kqdutyfree.com), which offers a convenient platform for guests travelling with KQ on international routes to buy items online with delivery services to the guest's seat, was also revamped with the new products. The online store also allows guests travelling on our narrow body fleet such as the Embraer E190s, access to all duty free items through pre-order, previously not available due to trolley space constraints on such aircraft, with extended limits for card transactions.

Mbuvi Ngunze

CEO



# Taarifa ya Afisa Mkuu Mtendaji

Miaka miwili iliyopita ilikuwa ya kuisimua sana, ingawa mambo yamekuwa magumu hivi karibuni katika historia ya shirika hili la ndege. Kukiwa mpango kabambe wa ndege zake, shirika hili limebadilisha huduma na bidhaa zake linazotoa. Hii imeenda sanjari na mazingira magumu ya kibiashara yalioko. Hata hivyo, tunaendelea kuwa makini kwa mpango wetu wa kutoa huduma bora zaidi kupita matarajio ya wageni wetu huku tukirudisha thamani bora kwa wanahisa wetu. Kurudi tena katika hali ya upataji faida, tunakariri upya mkakati wetu na mtandao, tukitilia mkazo usimamizi wetu wa biashara na uwezo wetu wa kuuza, pamoja na kujitahidi kuboresha mfumo wetu wa gharama.

## YALIYO MUHIMU KATIKA MAUZO

Katika mwaka huo wa kifedha wa 2014/15, Kenya Airways ilibeba idadi ya abiria milioni 3.698 ikilinganishwa na abiria milioni 3.719 katika mwaka uliotangulia. Mapato ya KQ kutokana na abiria ikijumuisha malipo ya ziada ya Mafuta yalisimama katika shilingi bilioni 88.3 ikilinganishwa na shilingi bilioni 90.1 katika mwaka uliotangulia, ikiwakilisha kupungua kwa 6% ikilinganishwa na mwaka uliopita. Jambojet kwa upande mwingine ilibeba jumla ya abiria 480,092 katika kipindi tunachokitathmini na kufaulu kupata mapato kutokana na abiria ya kiasi cha shilingi bilioni 2.04.

Matokeo ya mwaka huu yalipatikana licha ya kuweco hali mbaya katika sekta ya soko la humu nyumbani. Baadhi ya mambo haya ni pamoja na; hali ya usalama katika soko la humu nyumbani kufuatia ushauri wa kutosafiri kuja huku kutoka mataifa muhimu yanayoleta watalii hapa Kenya kama vile Uingereza, Marekani, Ufaransa na Australia. Kuingoza hayo kuibuka kwa janga la Ebola pia kuliathiri vibaya utendaji wa shirika hili la ndege katika kipindi hicho, athari ya moja kwa moja iliyopatikana katika muda huo wa Kenya Airways kusitisha shughuli zake za kusafiri kuingia Liberia na Sierra Leone.

Katika mwaka huu wa kifedha, makundi ya Mauzo yalizidisha juhudi zake za kutilia mkazo utafutaji wa njia mpya za mapato. Juhudi hizi zikiwa ni pamoja na kuanzishwa kwa mikakati zaidi anuwai, hasa kuboresha ushirikiano na

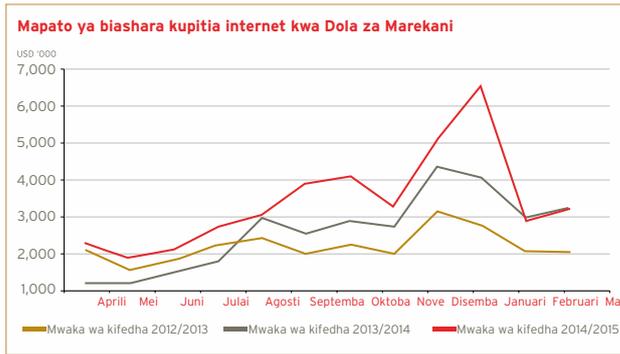
mashirika ya mawakala wa usafiri yaani Corporate Travel Agents (TMC's), Shughuli za Serikali, Burudani na kitengo cha Wajasiriamali wadogo (Wafanyibiashara).

Safari za kwenda maeneo mapya zilianzishwa katika kipindi hicho cha mwaka tunaotazama na ni pamoja na; Abuja (ABV) Nigeria - iliozinduliwa mnamo tarehe 3 Juni 2014, safari nne (4) za ndege kwa wiki, na Zanzibar (ZNZ) Tanzania - iliozinduliwa mnamo tarehe 2 Juni 2014, mara saba (7). Kampuni tanzu ya Kenya Airways ya safari kwa bei nafuu ya Jambojet (JX) ilianzisha shughuli zake mnamo tarehe 1 Aprili 2014 kuhudumia mkondo wa sehemu za kwenda Eldoret, Kisumu na Mombasa na hivyo basi kuunga mkono shughuli za Kenya Airways katika soko la humu nchini.

## BIASHARA KUPITIA TOVUTI

Kuna mikakati kadhaa iliyotekelezwa katika kipindi cha mwaka tunaoangazia ili kuweka Biashara kupitia tovuti katika hali njema ya ushindani na kumeshuhudiwa mapato ya ziada kama inavyoelezwa hapa chini:

- 1) Njia kamili ya huduma kupitia simu ya mkono; huduma hii inalenga watumiaji wa simu za mikononi wanaotafuta kununua huduma za KQ. Huduma zilizopo ni pamoja na, kuagiza tikiti, malipo, kuripoti kwa usafiri, kujua hali ya safari, na jedwali la safari.
- 2) Mtandao wa Msafiri Connect; Mtandao wa suluhisho la B2B unaogeza hesabu katika mfumo wa programme ya mtandao na kuutandaza kupitia Wavuti Wa Walimwengu (www). Bidhaa hii imeundwa hususan kwa wajasiriamali wadogo (SME) na Mawakala wa Usafiri wasiosajiliwa katika kitengo cha shirika la IATA.
- 3) Urekebishaji wa wavuti ili kuboresha utendaji wa wavuti huo na kurahisisha hatua za mfumo wake.



## SHUGHULI ZA KITUO CHA MAWASILIANO

Kituo cha mawasiliano kilifunga mwaka na mauzo ya thamani ya shilingi milioni 561.

Viwango vya huduma za simu vilikuwa katika kima cha 75% na viwango vya utendaji bora wa simu vikiwa 80%. Wageni wanaosafiri kutoka Kenya/Nairobi walipokea mawasiliano kupitia Simu, Barua pepe au SMS kutoka kituo cha mawasiliano, kuwajulisha kuhusu mabadiliko ya ratiba ya safari, kuchelewa au kusitishwa safari. Mambo haya yalitumika kwa mabadiliko ya ratiba ya safari zaidi ya saa 3 hadi saa 72.

## USIMAMIZI WA MAPATO

### Uboreshaji wa Mfumo wa Mauzo

Upataji faida wa kampuni hii umekuwa hauendi sambamba na matarajio yaliyowekwa mwaka kufuatia mwingine. Ili kubadilisha mwenendo huu, Wasimamizi waliteua mshauri katika mwaka wa kifedha. Lengo kuu la juhudi hizi za kutaka ushauri lilikuwa kutambua fursa ambazo zaweza kutumiwa kama nyenzo kuboresha njia za upataji faida wa shirika hili la ndege kwenye idara za mauzo na usimamizi wa mapato. Kuhusiana na usimamizi wa mapato, shughuli hii iligawanywa katika awamu mbili, yaani; awamu za mapendekezo na ya utekelezaji. Awamu ya kwanza ilikamilishwa katika Februari ya 2015, huku awamu ya pili ikianzishwa mnamo Aprili 2015 na inatarajiwa kuendelea hadi mwezi wa Septemba 2015. Shughuli hii ilizingatia zaidi fursa za kuboresha matumizi ya mbinu na mifumo itakayoleta mwelekeo bora wa upataji faida.

### Kifaa cha Uadilifu cha Mapato

Katika mwaka wa kifedha wa 2014/15, kifaa cha uadilifu cha mapato kilitengeneza kiasi cha Dola za Marekani 1,062,908 kupitia adhabu iliyotowza Mawakala kwa matumizi mabaya ya shughui za usambazaji wa kwote ulimwenguni. Hii inawakilisha ukuaji wa 368% ikilinganishwa na Dola za Marekani 227,068 zilizopatikana katika mwaka wa kifedha uliopita.

Kifaa hichi, pamoja na mipango mingine ya kuhamasisha iliyotekelezwa na Idara ya Usimamizi wa Mapato na Mauzo umechangia pakubwa katika upunguzaji gharama zinazohusu ukiukaji wa shughui za Usambazaji wa kwote Ulimwenguni kutoka 7.2% katika 2012/13 hadi 5.2% katika 2013/14 na 3.7% katika mwaka wa kifedha wa 2014/15.

## Mifumo ya Usimamizi wa Matumizi ya Mapato

Katika miaka iliyopita, zana kadhaa zilipatikana ili kuimarisha utoaji wa maamuzi ndani ya kazi Usimamizi wa Mapato. Katika mwaka huo, vipimo kadhaa vya kutathmini vilifanyika ili kuhakikisha matumizi sahihi ya mifumo hii. Tathmini hizi za kutazama na vikao vya mafunzo kwa watumaji vilifanyika katika zana zifuatavyo: Pros - Revenue Management System, Delorean na Monet - kuagiza kimbele na vifaa vya utendaji wa mapato na Amadeus - Airline Reservation system.

### Usimamizi wa Matumizi

Uuzaji wa mikondo ya shirika inajumuisha kumiliki ofisi za ukataji tikiti, kituo cha mawasiliano, wavuti na mawakala wa usafiri. Kenya Airways kwa hivyo ilifanya mikataba kamili na watoaji huduma za usambazaji mifumo ulimwenguni mbali mbali inayowathibitishia wateja wao huduma zilizomo sawa na zinazotolewa na mikondo ya kawaida. Katika muda tunaoutathmini, mikataba iliyomalizikiwa na wakati ilijadiliwa upya ili kuhakikisha usambazaji unatekelezwa kwa gharama za chini.

## Shehena na Barua

### Mapato kutokana na Shehena

Mapato kutokana na uchukuzi wa shehena yaliongezeka hadi shilingi bilioni 8.6 ikiakisia ukuaji wa 6.6% wa mwaka hadi mwingine. Mabadiliko makubwa ya muundo wa huduma tunazotoa yalitokea katika kipindi cha mwaka tunaouzungumzia baada ya kupigwa marufuku kwa 'Khat' (Miraa) kuingia Uingereza. Hii ilileta athari ya kupungua kwa mapato yetu kwa kiasi cha shilingi milioni 500.

Kundi la Uchukuzi shehena lilianzisha mpango wa kubadilisha ili kujumuisha huduma ya shehena ya thamani amabyo iliwasilisha mapato ya kiasi cha shilingi milioni 58.5 tangu kuanzishwa kwake na utarajiwa kustawi katika mwaka wa kifedha wa 2015/16.

Kuchelewa kukamilishwa kwa maafikiano ya Makubaliano ya Ushirikiano wa iktisadi unaotupatia upendeleo wa kuingia katika masoko ya Ulaya pamoja na malipo nafuu ya kodi ya kuingiza bidhaa kutoka nje kulipekea kuziwa kwa shehena ya kusafirisha nje na wasafirishaji katika muda Oktoba 2014 hadi Novemba 2014. Katika kipindi hichi, kiasi cha bidhaa za kuuzwa nje ya nchi za mboga, maua na samaki ziliathiriwa.

## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

Huduma ya Tarishi na Barua ilikuwa kwa uwiano wa hadi 12% ya jumla ya mapato kutokana na mizigo hasa kwa kiasi kikubwa ikichochea na wingi wa mahitaji ya huduma ya utarishi. Kiwango cha utumaji barua kilibaki pale pale. Ukuaji wa huduma tarishi utaunda sehemu kubwa muhimu ya mkakati maalum wa ukuaji wa Uchukuzi Shehena.

Mapato ya ghala yalituwama katika shilingi bilioni 1.3 ikiakisia ukuaji wa asilimia 7.5 mwaka baada ya mwaka unaofanyiwa malipo ya ziada kutokana na kiasi imara cha kuuza nje.

### Tani za Shehena

Uwezo wa kuchukua shehena ulioko wa Tani kwa kila Kilomita (ATK) ulipungua kwa 2.5% ikilinganishwa na mwaka uliopita kutokana na marekebisho ya uwezo uliotekelezwa kwa biashara ya uchukuzi wa abiria kukabiliana na changamoto za mazingira ya biashara zilizokuwa katika nusu ya mwaka kukiwa na jumla ya shehena katika mwaka huu wa kifedha ya tani 58.2K elfu katika 2014, ukuaji wa 13.2% wa mwaka kwa mwaka - hii ikionyesha kuboreka kwa uwezao wa uchukuzi shehena. Hii ilitokana na kuanzishwa kwa zile ndege aina ya B777-300 na B787-800 ambazo zilitoa nafasi kubwa ya kubeba mizigo zaidi kuliko ile ya B767-300.

### Ndege ya Mizigo ya B737F

Ndege hizi za kubeba shehena katika eneo hili zimethibitisha ukuaji maridhawa tangu zilipoanzishwa. Ndege hizi za shehena ziliwasilisha tani 7.7K elfu, ikiwa ni ukuaji wa 16.9% katika tani ikilinganishwa na mwaka uliotangulia.

Upande wa mapato, ile aina ya B737F iliwasilisha shilingi bilioni 1.1, ikiwa ni ukuaji wa 93.9% inapolinganishwa na mwaka uliotangulia. Shughuli za uchukuzi wa misaada kutoka mashirika yasiyo ya kiserikali (NGO) katika eneo hili uliendelea kutoa fursa ambapo kitengo cha KQ Cargo kinatoa huduma kwao na kuendelea kujiweka katika nafasi muafaka kama kiongozi katika soko hili.

## UTENDAJI

Katika mwaka tunaoutathmini shughuli za KQ ziliendelea kuwa katika hatari za mwenendo wa mzunguko wa safari za ndege. Hasa zaidi, kudorora kuwili kukubwa kwa kigezo cha muda wa utendaji (OTP) kulikoshuhudiwa mwaka kwa mwaka, katika wakati wa kilele cha majira ya joto na kabla ya usafiri wa Krismasi - bila ya kuzingatia ule moto wa uwanja wa ndege. Tunaamini ya kuwa hii ni ishara ya shinikizo lilioko kwenye miundombinu kutokana na kuongezeka kwa idadi ya wasafiri wa ndege kupitia JKIA.

Kipimo kulingana na IATA kwa kigezo kilidhamiriwa cha

85% kwa dakika 15, shughuli ziliweza kuboreshwa katika kigezo cha OTP kukiwa na mwenendo wenye matumaini tangu Septemba 2014, hadi kufikia katikakati ya Machi (Wiki ya 51) ambapo tulianza kuhisi kuzorota kutokana na uondoaji wa ukarimu wa wafanyakazi wa ndani ya ndege. Hii imeathiri pakubwa kigezo chetu cha OTP na tulifunga mwaka tukiwa katika kima cha 77% kwa wiki ya mwisho ya mwaka huo wa kifedha.

Kwa wastani wa mwaka huo, hii ilimaanisha kutimizwa kwa 79% ya OTP katika dakika 15 kwa mwaka wa kifedha wa 2014/15 (mistari ya rangi ya sawamati ndiyo mwenendo wa wastani kwa kila wiki).

### Wachangiaji 5 wakuu wa ucheleweshaji katika mwaka wa kifedha wa 2014/15

Katika IOCC, shirika hili huchunguza mtandao pana wa utendaji, japokuwa wachangiaji wakuu wakiwa ni wahudumu kiwanjani (wanaosimamia mfumo wa shughuli za uwanja wa ndege na njia za kuondokea), Uendeshaji shughuli za ndege (utoaji huduma zinazohitajika ndani ya ndege na chumba cha rubani) na idara ya Kiufundi (urekebishaji wa ndege).

Kama inavyoonyeshwa kwenye mchoro wa OTP, bado tunadumisha mwenendo wenye matumaini katika utoaji huduma uwanjani tangu uhamaji kwenda katika T1A. Huduma za uwanjani (watu na usimamizi wa eneo la uwanja) vile vile umekuwa bora katika utendaji wake tangu uhamaji huo kufayika, hata hivyo kupungua kuwili muhimu katika mwezi wa Disemba na katikati ya Machi ni kutokana na hali mbaya ya hewa katika maeneo mbali mbali, na athari za uondoaji wa ukarimu wa wafanyakazi wa ndani ya ndege, mtawalia.

Shughuli za safari za ndege kwa muda mrefu tangu uendelevu wa maboresho katika OTP kutokana na kupungua kwa Safari za Ndege za mtandao, ambako kulipelekea sio tu kupunguzwa kwa mahitaji ya wafanyakazi, lakini pia kuboreshwa kuwepo kwa wafanyakazi.

Idara ya Kiufundi katika muda huo tunaoungazia ilipata ustawi kutokana na utegemeaji na kuaminiwiwa zaidi kwa ndege zetu katika utumaji kutokana na umiliki wetu wa msururu wa ndege mpya na za kutegemewa zaidi. Lakini hata hivyo bado tunakabiliwa na changamoto kutokana na ndege zetu za zamani za B737-700.

Mwaka huu unaokuja wa kifedha uko na hulka ya kuwa na jedwali la kupangiwa kimbele la kufungwa kwa sehemu ya kuondokea ndege uwanjani kuanzia saa sita usiku hadi saa kumi na mbili asubuhi kwa muda wa mwaka mmoja, ili kutoa nafasi ya kukarabati sehemu hiyo ya kuondokea ndege.

# Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

Hata hivyo, sisi tunadumisha mtazamo wetu wa kuboresha na kuendeleza kigezo bora cha OTP.

## HUDUMA ZA UWANJANI

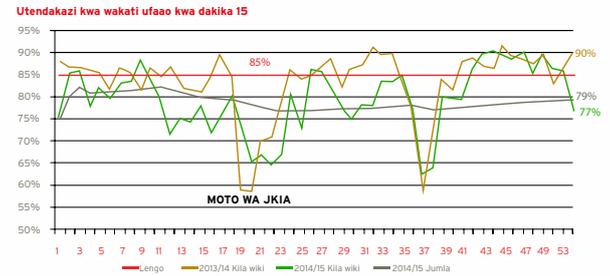
Katika kipindi cha mwaka tunaoutazama, Huduma za uwanjani ziliimarika kimapato ikilinganishwa na mwaka uliopita kwa kima cha 14% juu ya makadirio. Hii zaidi ilichangiwa na matokeo thabiti ya ghala la mizigo la Mombasa na shughuli za huduma za uwanjani pamoja na kukodisha vifaa mjini Nairobi.

Tulitekeleza mipango mbali mbali ya kuboresha shughuli za usalama katika utendakazi wetu. Mipango hii miongoni mwa mingine ni pamoja na kuendeleza ilani ya hali ya hatari na kukaribia kufanyika madhara, kufanya ukaguzi wa papo hapo ili kuhakikisha uzingatiaji wa viwango vilivyowekwa vya mpangilio wa shughuli na uchunguzi wa kiafya wa mara kwa mara, ukaguzi wa usalama na wa mazingira katika ofisi za wafanyakazi wote na vyumba vyao vya kubarizi kwa lengo la kuondoa hatari yoyote katika maeneo ya kazi.

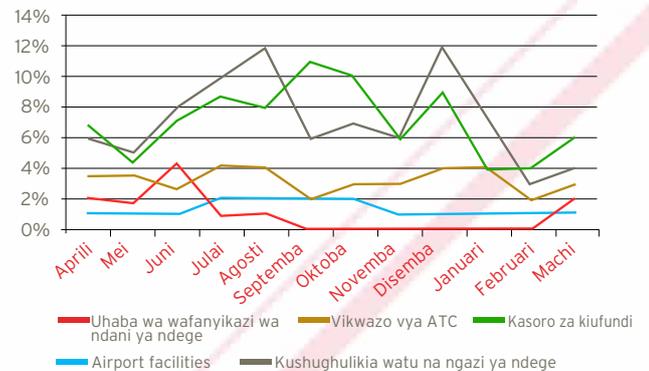
Huduma za uwanjani ziliendelea kuamilisha miradi mbali mbali katika mwaka wa kifedha wa 2014/15 iliyonuiya katika kuboresha utoshelevu wa mahitaji ya wageni. Tulifanikiwa kuhamisha safari za ndege za KQ hadi kituo cha Terminal 1A pamoja na mashirika ya ndege wateja wetu (KLM, PW and MK). Milango yote kumi (10) katika sehemu mpya ya wasafiri hivi sasa inatumika kuabiri ndege, ujenzi ungali unaendelea katika sehemu zingine mbili na unatarajiwa kukamilika kwa kugeshea ndege hatimaye katika 2015. Kituo kipya cha wasafiri sasa kinatoa huduma kamili za kipaumbele za Sky priority katika vituo vyote vya maingiliano na wageni pamoja na sebule mbili za kupumzikia ambazo pia zilikamilishwa.

Mifumo mingine ya kufuatilia (KPIs) inayolenga wageni hasa vile vile ilipewa kipaumbele. Utekelezaji Shughuli kwa muda ufaao katika huduma za uwanjani ziliwasilishwa kwa 94%, alama moja chini ya makadirio ya idara hii. Mikakati mbali mbali ilitokelezwa ili kuboresha uwasilishaji wa mizigo (FIBA-LABA) kwa wageni kwenye ukumbi wa kuwasilia. Hii ilijumuisha mtazamo kwa makini wa mradi wa kuboresha uliopo kupaatika matokeo haya ya KPI yaliyoimarika kutoka wastani wa 40% mapema mwakani hadi kufikia 72% mwisho wa mwaka wa kifedha wa 2014/15 kama inavyoonyeshwa hapa chini:

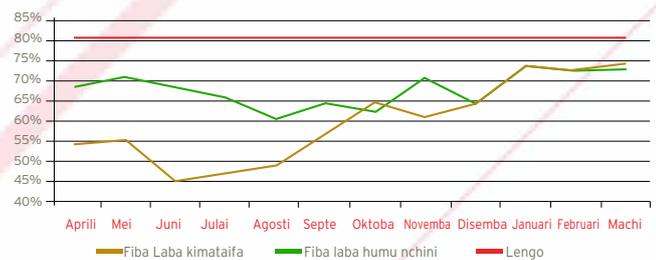
## Kigezo cha utendakazi kwa wakati ufaao mwaka wa kifedha wa 2014/2015



## Wachangiaji 5 wakuu wa ucheleweshaji katika mwaka wa kifedha wa 2014/15



## Huduma za uwanjani



## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

### USALAMA, ULINZI NA UBORA

Kenya Airways imedumisha kiwango cha hali ya juu katika Ubora, Usalama, Ulinzi na maswala ya Mazingira, kukiwa na juhudi zaidi ya uzingatiwaji mahitaji ya kanuni, hadi kuwa kielelezo kizuri cha usalama katika sekta ya usafiri wa anga hapa barani na kote ulimwenguni.

### Usalama wa Safari za Angani

#### Desturi ya Utoaji Ripoti ya Usalama

Katika kipindi cha mwaka wa kifedha wa 2014/15, kwa ujumla kulishuhudiwa kuongezeka kwa desturi ya kuarifu kuhusu usalama ikilinganishwa na miaka iliyotangulia. Mchoro uliyo hapo juu unalinganisha Ripoti za Usalama ndani ya Ndege (CSRs) na Ripoti za Usalama wa Usafiri wa Angani (ASRs) zillizotolewa katika muda wa miaka mitatu ya kifedha iliyopita.

Kuongezeka desturi ya utoaji ripoti unahusishwa na hamasisho la mawasiliano na usalama kupitia vijarida vya usalama, mahudhuro ya madarasa ya udhibiti na vikao vya wafanyakazi na timu ya usalama.

#### Migongano na Ndege Wanaopuruka

Kulikuwa na migongano na ndege jumla ya mara Sabini na Saba (77) iliyoripotiwa katika mwaka wa kifedha wa 2014/15 ikilinganishwa na mara Hamsini na Tatu (53) iliyoripotiwa katika mwaka wa kifedha wa 2013/14. Migongano mingi na ndege iliyotokea ilisababisha uharibifu mdogo wa injini na sehemu zingine za ndege hata hivyo migongano mingine ilileta uharibifu mkubwa na kusababisha ndege kurudishwa. Hii ina maana tunapata gharama na pia ni hatari kwa shughuli zetu.

Ongezeko katika shughuli za ndege kuruka lilibainika kati ya Aprili hadi Juni na Oktoba hadi Desemba. Aghalabu migongano mingi na ndege wanaoruka ilishuhudiwa zaidi ardhini au karibu na ardhi, ikimaanisha wakati wa kuanza kupaa na/ au wakati wa kutua. KQ ikishirikiana na wadau wengine kote katika Afrika Mashariki wanaendelea kufuatilia mienendo ya ndege na wanyamapori katika viwanja vya ndege na katika maeneo jirani.

#### Matukio Mengine

Jumla ya mikaribio ya ndege isiyo imara thelathini (30) iliripotiwa katika mwaka wa kifedha wa 2014/15 ikilinganishwa na kumi na tano (15) iliyoripotiwa katika mwaka wa kifedha wa 2013/14. Mikaribio ya ndege isiyo imara ilitokana na sababu mbali mbali ikiwa ni pamoja na lakini bila kukomea hapo; hali ya anga, uratibu wa Muongozo wa Ndege zinazolingia na kuondoka (ATC) na sababu za kibinadamu.

Matukio Kumi na tatu (13) yaliripotiwa kuhusiana na usumbufu wa abiria / tabia zisizofaa katika mwaka wa kifedha wa 2013/14 ikilinganishwa na matukio Nane (8) yaliyoripotiwa katika mwaka wa kifedha wa 2013/14. Matukio Manne (4) yakihusisha abiria kutolewa ndegeni kabla ya kuanza safari, matukio kumi na tatu (13) yakilazimu ndege kupokelewa na walinda usalama/ polisi wakati wa kuwasili ilihali mengine yalobakia yakihusisha kutolewa kwa onyo la kauli.

### Hali ya Usalama katika Mazingira ya Kazi

#### Usimamizi wa Dhima ya Shirika

Katika juhudi za kusimamia mashaka ya utendakazi wetu, Kenya Airways imetoa mafunzo kwa timu juu ya usimamizi wa idara ambao wako na uwezo wa kutathmini na kuripoti maswala ya hatari na mashaka. Hii imepelekea kubuniwa kwa hifadhi-data ya hatari na kupitia kwayo ajali za kazini zimeweza kuhepukwa. Katika mwaka wa kifedha wa 2014/2015, kulikuwa na ongezeko la hatari za ajali zilizoripotiwa na wafanyakazi na hatimaye kuripotiwa huko kwa tishio la ajali za mahali pa kazi kulipungua pakubwa.

Katika kipindi cha mwaka wa kifedha wa 2015/16, tuko na mpango wa kuanzisha daftari la kusajili dhima ya shirika ambayo itaonyesha hatari zozote zilizopo katika uendeshaji wa shuguli zetu ili tuweze kuweka hatua za kuzizuiya kimbele.

Pia sisi tumebuni na kukamilisha matarajio endelevu ya shirika letu yetu juu ya Usalama, Afya na Mazingira ambayo yatatuwezesha kutoa ripoti husika katika miaka inayokuja.

### Hakikisho la Ubora

Katika mwaka wa kifedha unaotathminiwa, hakikisho la ubora limeendelea kutumika pamoja na vitengo vingine katika biashara hii na kutoka kwa wateja wetu wa nje kukiwa na lengo la kuzuiya mambo yanayokwenda kinyume wakati kutoa huduma kwa wote wageni wetu nje na ndani. Hii imesababisha sisi kuendelea kuwa na vibali vya IATA vya utekelezaji ukaguzi wa usalama (IOSA) na IATA ukaguzi wa usalama katika uendeshaji shughuli za kiwanjani (ISAGO). IOSA inatambulika duniani kote kama njia ya kutathmini na kupima mifumo ya udhibiti na usimamizi wa utendakazi wa mashirika ya ndege yaliyosajiliwa. ISAGO huwezesha kupunguza matukio, ajali na majeruhi kwa wadau wote na hivyo basi kupunguza gharama kwa kiasi kikubwa. Mbali na hayo, kifungu hiki kimewakilisha Kenya Airways katika vikundi vya IATA vya ukaguzi hivyo basi kuletea biashara hii yetu mapato ya ziada.

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Tumefaulu kuhakikisha kwamba ubora wa huduma za uwanjani na shughuli za uchukuzi wa shehena unakuzwa vyema, unatekelezwa vizuri na utaratibu unafuatiliwa kwa kufanyiwa ukaguzi wa mara kwa mara wa mtandao wote kwa upana, ambapo tunatambua mambo yoyote yanayokwenda kinyume na kuhakikisha hatua zilizoidhinishwa za kurekebisha, zinachukuliwa katika muda unaofaa. Hii inahakikisha kuendelea kwa uboreshaji, kutii mahitaji ya Usafiri wa Anga, kuimarishwa kwa sifa, uwajibikaji na kufikia malengo ya ubora wetu wa Mfumo wa Ubora wa Shirika. Kufanya hivyo, kutapelekea kuridhika kwa mteja na kumfanya aendelee kuwa muamnifu kwetu.

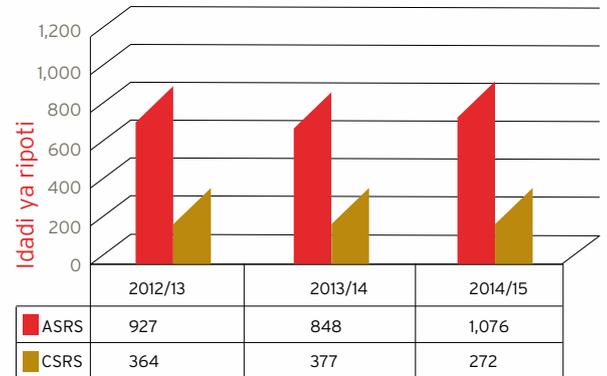
### Usalama Katika Shirika

Tuko na furaha ya kuwaarifu kuwa katika kipindi cha mwaka tunaoganzia, KQ imeweka mipango mfululizo ya kutathmini tishio la usalama linalokabili sekta ya usafiri wa anga ya kimataifa na mara kwa mara hukariri upya hatua za kukabiliana na kupunguza kuwa katika mazingira hatari. Matokeo yake ni kuwa KQ inaendesha shughuli zake bila ya matukio yoyote makubwa ya kiusalama katika mtandao wake mpana.

Aidha, katika mwaka huu unaokaguliwa KQ iliongeza mtazamo wake wa usalama kwa kuamua kutumia teknolojia katika shughuli zake za kiusalama kwa kuzidisha usambazaji wa kamera za CCTV katika maeneo kunakoendesha shughuli za KQ. Azimio la kutumia teknolojia katika operesheni za usalama ni ili kusaidia juhudi za wafanyakazi wa usalama na pia mahala ambako matukio yalitokea, kuweco kwa picha CCTV ambazo zitasaidia makundi ya upelelezi. Maeneo ambayo hivi sasa, yako na kamera za CCTV ni pamoja na sehemu ya JKIA Terminal 1A, Terminal 1C, Terminal 1D, KQ Base pamoja na Pride Centre Training School. Bado usambazaji huu ungali unaendelea katika vituo mbali mbali vya mauzo.

Kufuatia kusitisha kwetu kwa uchukuzi wa vikuo vya dhahabu na noti za pesa miaka michache iliyopita, sisi tuliweza kuandaa upya utaratibu wetu shehena za thamani kukiwa na ongezeko la mahitaji ya huduma hii. Huduma hii kwa sasa inatolewa kwenda Kinshasa, Lubumbashi, Congo Brazzaville, Douala, Dar es Salaam, Lusaka, Johannesburg na Abidjan. Hivi karibuni, tutaanzisha huduma hii katika mikondo ya safari za; Bamako, Mumbai, Yaoundé na Dubai. Kufikia sasa, tuna wateja ambao wanaitisha huduma hii kwenda na kutoka Entebbe, Accra, Delhi, Juba na Bangkok. Baada ya ukaguzi wa usalama na kupata kibali, tutaanzisha huduma hii katiaka vituo hivi vitano. Huu ni mradi wa kibiashara unaoendelea kupanuka haraka- sisi

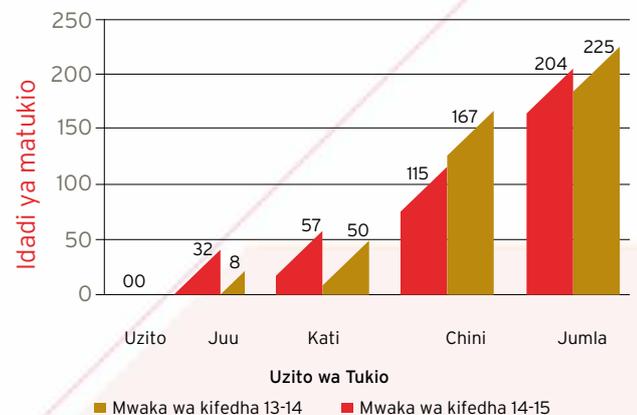
Mchoro wa 1: Ulinganisho wa ASRs/CSRs



Mchoro wa 2: Mwaka wa kifedha wa 14-15 Matukio ya mgongano na ndege wanaouruka ikilinganishwa na kipindi kama hiki katika mwaka wa kifedha uliopita wa 13-14



Idadi ya matukio ikilinganishwa dhidi ya Uzito katika Mwaka wa Kifedha wa 14/15 ikilinganishwa na Mwaka wa Kifedha wa 13/14



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hupokea maombi ya kutathmini usalama ya usafirishaji wa shehena za thamani kwa kiwango cha mahala pamoja pa kusafirishwa kila baada ya miezi miwili.

Katika muda huo huo, kitengo cha KQ cha Usalama na mizigo kilifanikiwa kupitia uthibitisho wa ACC3 (Kanuni ya Umoja wa Ulaya) na pia kuungwa mkono na jumla ya wasafirishaji wengine saba (7) ili kupata vyeti vyao vya RA3. Hii inaruhusu Shirika hili la ndege kupaa na shehena katika matiafa ya Umoja wa Ulaya kwa miaka mitano ijayo. Hii ilikuwa ni hatua muhimu katika kuhakikisha kuendelea kwa mauzo ya nje ya nchi ya mizigo kutoka Kenya kwenda Ulaya..

Usalama wa KQ pia umejiunga na wadau wengine katika kupambana na biashara haramu ya wanyamapori na imekuja na mipango kadhaa iliyopongezwa na wadau wake kwa kutoa ufahamu wa kina wa kiungo kinachokosekana katika msururu wa ugavi wa mali hiyo ya haramu.

### IDARA YA KIUFUNDI

Mwaka wa kifedha wa 2014/15 ulimalizika na kwa msingi wa Idara za Ujazo wa Ufundi kuegemea kwa ndege za B787 na ndege za E190 zikielekea katika 99.1% na 99.4% mtawalia kwa mtiririko ambao utendaji wake ulikuwa juu ya kiwango cha wastani cha sekta cha 98.8% na 99.3%.

Idara hii inazidi kutilia mkazo malengo matatu muhimu. Kimsingi malengo haya yanauyua ubora wa shughuli za marekebisho yanayofanywa kwa ndege za KQ, kupunguza uharibifu katika shughuli zote za utendakazi na kukuza mapato yanayotokana na Kenya Airways kuuza huduma za marekebisho na uhandisi kwa watoa huduma wengine.

Matumizi bora ya njia za marekebisho mepesi ni moja ya malengo muhimu yanayodhamiria shughuli za marekebisho kwa foleni katika kipindi cha mwaka wa kifedha unaokuja. Mradi huu unalenga kuweka sambamba matumizi ya uwezo kuwa wenye nguvu kama shirika hili la ndege linavyohitaji hivyo basi kuongeza tija ya wafanyakazi na kuboresha ubora wa utekelezaji kazi. Hii inahitaji kuwa na mwelekeo bunifu wa kuhamisha na uhodari wa mipango ya marekebisho ili kufikia uwiano na afya kati ya tija ya mfanyakazi na viwango vya uchovu.

Mfumo wa kuchunguza wa "C" au mchakato mzito wa matengenezo ambao hufanyika katika kitengo Msingi cha marekebisho ndio mfumo mwingine muhimu marekebisho ambao unalenga katika kuboresha. Malengo ya mradi huu ni kupunguza kwa kiasi kikubwa muda wa marekebisho ya ndege zinapokuwa kiwanjani pmoja na kuimarisha ubora ili kusaidia upatikanaji na utegemewaji wa ndege. Hii pia

inatarajiwa kuongeza uwezo wa kutengeneza na ushindani hivyo basi kukaribisha na kuvutia zaidi wahusika wa nje kuhitaji huduma zetu za marekebisho mazito.

Idara ya ufundi inaendelea kujiweka katika nafasi ya kuwa kama mhusika mkuu katika sekta ya uhandisi na marekebisho ya ndege kwa ujumla ili kuboresha ushindani. Upanuzi wa shughuli za shirika la Ulaya la Usalama wa Anga (EASA) ili kufidia matengenezo yote ya msingi na ya foleni umekuwa mpango muhimu katika kipindi tunachokitathmini na ulikamilika kwa mafanikio katika mwezi wa Aprili 2015.

Vyeti vya urekebishaji wa foleni na msingi wa EASA uliotajwa hapo juu kwa kweli umeinua haadhi ya huduma za marekebisho za Kenya Airways kuwa za kutambuliwa kimataifa na kuwa katika kiwango cha kukubalika. Kumetokeza baadhi ya fursa muhimu za muhimu kutokana na hali hii iliyopo, ikiwa ni pamoja na kupendekezwa kunakoendelea na shirika la ndege la Embraer kuidhinishwa kama kituo cha pili cha Huduma ya Marekebisho cha Embraer katika Afrika pamoja pia uwezekano wa kupata mkataba wa ushirikiano wa marekebisho ya ndege za Ulaya na Mashariki ya Kati.

Kitengo cha sehemu cha marekebisho cha idara hii kilifanikiwa kupata cheti cha ukadriaji ubora cha ISO 17025 katika mwaka huo wa fedha. Hii ni pamoja na kupatikana kibali cha Utoaji huduma cha Kenya Accreditation Service (KENAS) katika kipindi hicho hicho cha mwaka. Hii ina kuweka mahala pa KQ pa ukadriaji marekebisho kuwa katika kiwango cha kimataifa na inaendelea kuvutia biashara zaidi. Mahala hapa pa kukadiriya marekebisho hutolewa huduma zenye usahihi wa vifaa kwa vitengo vingine vya urekeshaji ndani ya Kenya Airways, mashirika ya ndege ya humu nchi na katika eneo pamoja na sekta zingine katika kanda hii.

### MAENDELEO YA KUNDI LA NDEGE ZETU

#### Katika mwaka unaokaririwa:

Katika kipindi cha mwaka huu wa kifedha shughuli ya KQ kumiliki ndege mpya iliendelea. Tulipokea idadi ya ndege kumi (10) mpya na kuongeza katika kundi la ndege zetu. Hizi zilikuwa ni ndege tano (5) zaidi za aina ya B787 Dreamliners, mbili za B777-300ERs na tatu za B737-800s. Ndege hizi mpya zilichukuana na kituo kipya Terminal 1A na sebule mpya wasafiri wa kiwango cha business tukiwa bado tungali tunaendelea kutoa huduma za hali ya juu za usafiri wa anga kutosheleza wageni wetu. Kuongezeka huku kwa ndege mpya pamoja na kuondolewa kwa ndege zilizozeeka, kulibakiza idadi ya ndege zetu, ikijumuisha zile za kitengo saidizi cha Jambojet pamoja na ndege za KQ za

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kubeba shehena katika eneo kuwa takriban kiwango sawa na mwaka uliopita, lakini hii ilisababisha kuwepo kwa kundi la ndege mpya zaidi ambazo zinasaidia katika kuimarisha kutegemewa kwetu na faraja tosha kwa wageni wetu.

NDEGE		
Aiana ya ndege	31 Machi, 2015	1 Aprili, 2014
787-8	6	1
777-300ER	3	1
777-200ER	4	4
767-300ER	5	6
737-800	6	5
737-700	4	4
737-300	4	4
737-300F	2	2
E190	15	15
E170	3	5
Jumla	52	47

### Mwaka unaotukabili:

Katika mwaka unaokuja kutakuwa na mabadiliko zaidi katika kundi la ndege zetu kukitarajiwa kuwasili kwa ndege 5 mpya na takriban 9 zikirejeshwa kwa wakodishaji au kuuzwa. Hii itashadidi zaidi chapa yetu kwa kutuwezesha kutoa kundi la ndege mpya zaidi kutumiwa kuunga mkono juhudi za utekelezaji shughuli za kutosheleza na za kutegemewa.

Upunguzaji huu wa idadi ya ndege zetu na kuzingatia ndege chache, za aina mpya zaidi inadhihirisha kujitolea kwa KQ ya kufanya upya msururu wa ndege zake hadi kufikia matumizi yafaayo ya ndege binafsi, kiwango cha juu cha utoshelevu wa wateja, utendakazi wa kutegemewa zaidi na usimamizi gharama bora zaidi kupitia kupunguza matumizi ya mafuta na uthibiti wa gharama za marekebicho.

### Siku zijazo:

Kwa kutumia muongozo wa toleo la sasa la mpango wa ndege, kazi inaendelea kufanya msururu wa ndege za KQ ziwe za kisasa na zinazorahisha shughuli. Katika kipindi cha miaka 5 ijayo, idadi ya ndege inatarajiwa kuongezeka kwa kuondolewa ndege zote zilizomaliza takriban miaka 8 (ila zile za uchukuzi shehena za 737-300), na kupunguza kutoka 7 aina kuu ya ndege hadi 3.

## MAUZO

Kenya Airways inalenga kwa makini katika kuiweka kwenye nafasi thabiti chapa yake na utoaji wake wa huduma mpya ikisaidiwa na mkakati kabambe wa hamasisho la mauzo kote katika mtandao wake. Katika kipindi cha mwaka tunaotathmini, ili kuimarisha mipango ya mawasiliano ya ndani na kuboresha ahadi ya chapa yetu na thamani kwa

wafanyikazi wetu wote, idara husika ilifanikiwa kutekeleza mpango wa Balozi wa Chapa (Brand Ambassador) ambao ulipelekea kuzawadiwa kwa wafanyikazi wasiyo wa idara ya mauzo kwa kuleta biashara mpya tarajiwa ya zaidi ya shilingi milioni 150.

Ndege mpya ya kisasa kabisa ya Dreamliner B787-8 ilipokelewa vizuri mno na wageni wetu ambao wanatarajiwa kuhisi utofauti wa huduma iliyoboreshwa wakati ambapo tunajitahidi kufikia kiwango cha juu cha kimataifa cha Skytrax global rating. Tunaendelea kufanya utafiti wa mara wa mara tukishirikiana shirika la SkyTeam, na pia kufanya tafiti zetu wenyewe za NPS. Kitengo cha Uhusiano mwema na Wateja na Timu ya Mitandao ya Kijamii sasa wanahudumu saa 24 na timu zetu za kuwasilisha huduma za mstari wa mbele zimepata mafunzo ya "living the brand" ambayo yanaangazia safari yote ya mteja ili kuakisia utamaduni wao na uwasilishaji huduma kwao.

Idara ya mwema na Wateja na Timu ya Mitandao ya Kijamii sasa wanahudumu saa 24 na timu zetu za kuwasilisha huduma za mstari wa mbele zimepata mafunzo ya "living the brand" ambayo yanaangazia safari yote ya mteja ili kuakisia utamaduni wao na uwasilishaji huduma kwao.

Shirika hili la ndege limeshinda tuzo mbali mbali za kimataifa, ikiwa ni pamoja na, kwa mwaka wa tatu mfululizo, ile ya "Best Cargo Airline in Africa 2014/15", "Africa Leading Airline - Business Class 2014 - World Travel Awards", "Best in Strategy by CEO", top ten world's most improved airline in 2014 na "Best Airline On-Time performance out of Heathrow".

## Ufadhili

The Pride of Africa bado inaendelea kujitofautisha katika kukuza vipaji vya michezo nchini kupitia ufadhili wa mchezo wa Raga, Gofu na Mashindano ya magari. Timu ya Kitaifa ya Kenya ya Raga ya 7s imestawi na kuwa mabalozi wakuu zaidi wa chapa ya Kenya na mchezo huu ambao ni mashuhuri hapa nchini umezidisha kueneza chapa yetu ulimwenguni. Mchezo wa KQ Golf Safari imekuwa kiunganishi cha taifa hili na nchi za nje.

## MTAJI WA WATU

Hadi kufikia tarehe 31 Machi 2015, idadi ya wafanyikazi wa Kenya Airways ilisimamia 3989, pamoja na wengine 29 zaidi katika shirika tanzu la Jambojet na 626 wafanyakazi wanakandarasi wa nje ya shirika hasa katika uendeshaji ndege na Huduma za Uwanjani. Hii haionyeshi ongezeko lolote katika idadi ya wafanyikazi wa kudumu katika muda wa miaka miwili iliyopita. Katika jitihada za kudhibiti

## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

kuzidi kwa gharama za wafanyikazi, Kampuni inaendelea kutazama kwa makini mahitaji yoyote ya ongezeko la idadi ya wafanyikazi, na kupanga vizuri majukumu yoyote yaliyopo ili kuepuka ongezeko la wafanyikazi. Kwa kiasi kikubwa nafasi za kazi zimekuwa zikijazwa na walio ndani na kupitia kupanga upya majukumu katika shirika. Uajiri wa kikandarasi kutoka nje ya kampuni pia uliendelea.

### Usimamizi wa Vipaji

Katika usimamizi wetu wa vipaji, mazingatio yetu makuu yalikuwa kusaidia urekebishaji maeneo muhimu na kutekeleza kazi kukiwa na idadi ya wafanyakazi wachache na bado kuweza kuwasilisha malengo yaliyowekwa. Katika mwaka huo, hamasisho imara la mpango wa upokezaji hatamu lilidumishwa ili kutambua mahitaji muhimu ya maendeleo ya warithi-watarajiwa wa nafasi muhimu za kazi katika shirika, na kubuni njia za vipaji katika kila jukumu. Kundi la kuwasilisha vipaji lilianzishwa kuangazia katika utafutaji wenye vipaji ndani na nje ya shirika, na kuwasilisha mifumo bora ya uteuzi na upokezaji hatamu wa ndani. Yote haya yakilenga katika uboreshaji wa uthibitio wa vipaji katika shirika na kuimarisha pendekezo la thamani kwa mwajiri na kwa waajiriwa wanaotazamiwa. Matumizi yaliendelea kwa tathmini zote zote mbili za uchunguzi nafasi na uwezo tathmini hali yoyote wakati wa kuajiri na kwa wafanyakazi waliopo, ili kufanikisha utoaji nafasi na kuzingatia mipango sahihi ya maendeleo.

Katika jitihada za kuimarisha maendeleo ya wafanyakazi wetu ndani ya shirika, kazi imekuwa ikiendelea ya kubuni 'familia za kazi' ndani ya kila jukumu la kazi, ya kutoa mwongozo wa ufahamu unaotarajiwa katika kila jukumu / kiwango wa kazi alichofikia mtu. Mfumo wa muundo wa uongozi katika uwezo pia ulianzishwa ili kutolewa na kuzingatiwa katika mwaka wa kifedha unaokuja kwa maneja wote katika shirika hili.

### Mafunzo na Maendeleo

Katika kipindi cha mwaka wa 2014/15 timu hii iliendelea kusaidia katika kufanikisha uwezo wa uongozi na utekekezaji wa mipango ambayo tayari imeshawekwa.

### Mafunzo katika Shirika

• Mafunzo yetu katika shirika yalizingatia kwenye mfumo wa "The Guest Pillar". Tulizindua mipango mipya ya kuhamasisha iliyoitwa, "Living the Brand", ambao lengo lake kuu ni kubuni uelewewu na umiliki wa Chapa hii ya KQ pamoja na tabia husika miongoni mwa wafanyakazi wote. Idadi ya wafanyakazi 1,832 walengwa ambao hukutana na wateja walikuwa wamepata mafunzo mwishoni mwa mwezi wa Machi 2015.

• Zaidi ya hayo, kwa msaada wa General Electric, tulitoa mafunzo kwa wafanyakazi waandamizi 98 juu ya "Uongozi kwa Wateja" na "Mchakato wa Kasi ya Mabadiliko". Lengo la programemu hizi za uongozi ni kustawisha ujuzi uliyo sambamba na udumishaji wa timu za ukuaji na matokeo bora ya shughuli zetu za biashara.

### Mafunzo na ushauri:

Katika kipindi cha mwaka huu, tuliwapa vifaa meneja waandamizi 45 wenye ujuzi wa kufundisha na kutoa ushauri, na kuwapatia wanafunzi na washauriwa kuwa chini yao. Vikao vya Mafunzo na Kutoa Ushauri viliasisiwa mahsusan kwa wale walioteuliwa katika mipango ya kurithiana hatamu waliohitaji kufunzwa kama sehemu yao ya mpango wa maendeleo. Hii pia imechochea utamaduni wa mafunzo ndani ya shirika.

### Mafunzo ya Kiufundi

Katika kipindi cha mwaka wa kifedha wa 2014/15, Shule ya Mafunzo ya Kiufundi iliendelea kutoa kozi zilizo hakikisha ya kwamba uzalishaji unapata wafanyakazi wenye ujuzi tosha unaoweza kusaidia katika marekebisho ya ndege. Haya yalijumuisha kozi za aina za ndege yaani Aircraft Type courses, kozi za A- Rating courses, na mafunzi mengine yanayodhamiria katika cheti cha EASA (European Aviation Safety Agency) 145 kwa Marekebisho ya msingi na ya foleni. Jumla ya wafanyakazi 686 walipata mafunzo haya ili kufanikisha lengo hili.

Mwaka huu wa ukaguzi ulishuhudia kuendelea kwa utoaji wa kozi za marudio / mafunzo ya kuendelea kwa wafanyakazi wa matengenezo ili kuhakikisha wanakuwa na ufahamu wa hali ya kisasa kwa mujibu wa Uthibiti wa Kanuni za Usafiri wa Anga hapa Kenya.

Mambo muhimu katika mwaka huu wa kifedha wa 2014/15 ni kwamba Shule ya Mafunzo ya Ufundu sasa iko na uwezo wa kutoa mafunzo aina zote ya ndege za KQ ikiwa ni pamoja na ile mpya ya B787-800.

### Mafunzo ya Utendaji

Kwa mafunzo mengine ya utendaji, tulitekeleza mipango mingine kwa wafanyikazi ambao kimsingi wagombea kazi nje ya shirika kama ifuatavyo:-

## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

	Kozi	Idadi ya wanafunzi
1	Cheti cha huduma za Abiria wa ndege (Nbi)	149
2	Cheti cha huduma za Abiria wa ndege (Msa)	36
3	Cheti cha Wafanyikazi wa ndani ya ndege	110
4	Stashahada katika IATA - Foundation	36
5	Stashahada katika IATA - Consultant	40
6	Cheti cha Uzani na Mizania	19

Idadi ya wanafunzi chini ya mkataba ushirikiano wetu na JKUAT pia ilizidi kutoka 97 wakati tulipoanza katika Mei 2014 hadi kufikia 144 mwezi wa Septemba 2014 hadi 244 mwezi wa Januari mwaka wa 2015.

Mnamo Machi tarehe 7 mwaka wa 2015, kituo cha Kenya Airways Pride kilipatiwa tuzo la kituo bora cha mafunzo la Africa Top Performing IATA Authorised Training Center (ATC).

### Uhusiano na Vyama vya Wafanyikazi

Kuimarisha uhusiano kati ya Kampuni na vyama vya kutetea wafanyikazi ilikuwa miongoni mwa malengo muhimu, Kampuni hii ikiingia katika mkataba na chama kipya kilichosajiliwa karibuni cha Amalgamated Transport and General Workers Union (ATGWU) nchini Uganda. Vyama vingine vinabaki kile cha Kenya cha Wafanyikazi wa Usafiri wa Anga yaani Kenya Aviation Workers Union (KAWU), chama cha Marubani cha Kenya yaani Kenya Airline Pilots Association (KALPA), na Umoja wa Kitaifa wa vyama vya wafanyikazi wa Usafiri wa Anga nchini Nigeria kiitwacho National Union of Air Transport Employees (NUATE, Nigeria).

### Vikao vya KALPA

Sisi pia huwa na majadiliano ya mara kwa mara na Uongozi wa Vyama kupitia mikutano ya usimamizi ya kila mwezi na ile iliyopangiwa ya Mkurugenzi Mkuu Mtendaji / KALPA ya kila baada ya miezi mitatu, na mikutano ya Uongozi na Kupandisha cheo, pamoja na mikutano mingine inayoitwa wakati inapohitajika. Pia tulifanya vikao vya makubaliano ya pamoja, ambavyo bado havijahitimishwa. Undani wa mazungumzo ni kuchochea malipo yanayotegemea utendakazi katika jamii ya marubani, na wakati huo huo kufikia idadi ifaayo ya marubani kulingana na ukubwa wa ndege kama ilivyoafikiyanwa na mpango wa mtandao. Hadi

kufikia tarehe 31 Machi 2015, tulikuwa tumerekodi mgogoro ili ufanyiwe upatanishi katika Wizara ya Leba kuhusu vifungu vilivyobakia vya CBA, na kustaafu kwa marubani wakongwe wa ndege za B777.

### AASWU

Shirika bado liko na kesi yake katika Mahakama Kuu kuhusu Upunguzaji wa idadi ya wafanyikazi uliyofanyika katika mwaka wa kifedha wa 2012/2013 chini ya mpango wa ugawaji wafanyikazi. Uanachama katika chama cha AASWU umepungua sana kutokana na kuanzishwa na kusajiliwa kwa chama kipya cha Union, KAWU.

### KAWU

Shirika hili na Chama lilifaulu kukamilisha mazungumzo katika kipindi cha 2014 - 2016 na kusajili makubaliano ya pamoja yaani CBA ya kudumisha mshahara kimsingi katika kiwango cha sasa, huku kusisitizwa kuongezwa juu mshahara kulingana na tija ya kazi. Mikutano ya mara kwa mara baina ya Wakurugenzi na vyama vya wafanyikazi hufanyika ili kufahamisha uongozi wa vyama hivyo kuhusu utendaji wa biashara hii.

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

Shirika hili liko na mpango wa kufanya mazungumzo na chama hiki.

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

Shirika hili lilipatiwa na msukosuko kidogo kutokana na chama hiki kipya kilichosajiliwa hivi karibuni nchini Uganda, the Amalgamated Air Transport and General Workers Union, juu ya vifungu vya kifedha katika CBA, lakini haya yalitatuiliwa kwa amani. Uganda iko na wafanyikazi 19 walio katika vyama (H1-H9).

### MFUMO WA TEKNOLOJIA YA MAWASILIANO

Idara ya teknolojia ya Mawasiliano ilihusika na kufanikisha miradi na mipango mbali mbali katika kipindi cha mwaka tuanozungumzia. Miongoni mwa miradi muhimu ni kama inavyoelezewa hapa chini:

Ndege zilizowezeshwa kwa internet za Boeing 787 na 737NG

## Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

Katika kipindi cha mwaka wa kifedha wa 2014/15, kuwasilishwa kwa mradi wa ndege zilizowezesha kwa internet za Boeing 787 Dreamliner na 737NG (the "Project") kulikuwa mradi mkubwa zaidi kwa idara ya Teknolojia ya Mawasiliano kuwahi kushughulikia.

Mradi huu ulihusisha:

1. Uundaji wa muundo-mbinu na mifumo iliyowezeshwa kwa internet katika kituo msingi cha data na kituo kuleta afueni baada ya mkasa;
2. Kujifunza utaratibu na mifumo yote ya kupakua, kupima na kupakua sehemu za programmeu ya ndege;
3. Kujenga mifumo ya usalama, taratibu na michakato ya kuhakikisha uadilifu wa sehemu za programmeu;
4. Kujenga taratibu za kushughulikia urekebishaji wa vipakatalishi (Laptops) kutoka kote katika mtazamo wa uendeshaji na mahitaji ya usalama yahasuyo hayo, na
5. Mfumo sawa na huo uliotajwa hapo juu ulifanywa kwa ndege ya Boeing 737NG.

Malengo haya yote yalioelezwa hapo juu yalifanikiwa kutekelezwa kwa wakati ufao na kwa ubora uliofafanuliwa na Boeing na kwa kufuatia na mahitaji yaliyowekwa na mdhibiti kanuni - KCAA.

### Usimamizi wa Uhusiano Mwema na Mteja

Katika kuunga mkono mpango uliofanyika kotea katika kampuni wa i-Delight, shirika hili liliboresha usimamizi wa uhusiano wake na wateja kupitia mfumo wa kujiendesha wenyewe. Mfumo wa mashine ya kujiendesha yenyewe ulichaguliwa ni Kampuni ya Oracle unaoegemea matumizi ya cloud unaojumuisha hifadhi data ya wateja iliyowekwa mahala pamoja, programme ya mauzo inayojiendesha yenyewe, programmeu za huduma kwa wateja na za kikosi cha mauzo pia za kujiendesha zenyewe. Katika kipindi cha mwaka tunaoangazia mfumo wa hifadhi data ya wateja iliyowekwa mahala pamoja ulitekelezwa. Hifadhi data hii ya wateja hivi sasa iko na toleo moja la data kwa kila mgeni na hii hutuwezeshwa kuwa wa ufahamu wa kipekee wa mgeni yoyote yule. Hayo yote husaidia sana katika kuwezesha shirika hili la ndege kutoa huduma zaidi za kibinafsi hususan kwa mteja katika vituo vyote tunakowashughulikia, ikijumuisha na bila kukomea hapo; kituo cha mawasiliano, uwanjani wa ndege, ofisi ya mauzo na ndani ya ndege zetu.

Mfumo wa programme ya mauzo inayojiendesha yenyewe pia ulitekelezwa katika kipindi cha mwaka tunaozungumzia. Programmeu hii hivi sasa inawezesa shirika hili la ndege kufanya shughuli za mauzo zinazolenga hasa watarajiwa kupitia mfumo wa kielektroniki unaotegemea thamani na idadi wa wageni. Kila mteja anaweza kufuatiliwa kujuwa ikiwa wamesoma au kujibu kampeni zetu za mauzo.

### Suluhisho kupitia Mtandao

Shirika hili linazingatia Zaidi katika kuleta matumizi ya suluhisho zinazoweza kutekelezwa kwa njia bora kupitia simu za mkononi. Tumefikisha tovuti yetu katika wavuti za simu za mkono ambazo ni nyepesi kufanya kazi nazo kupitia simu ili ufikiwaji wa wateja uweze kuimarika. Aidha, shirika hili la ndege sasa liko na programme ya simu ambayo itawezesha wageni wake kuagiza tikiti, kusimamia uagizaji wao, tiketi, kuthibitisha safari zao na kupata maelezo zaidi (kama vile ratiba, na kadhalika) kwa simu za rununu zinazotumia iOS, Android na Windows. Mara kwa mara Shirika hili la Ndege litakuwa linaendelea kufanya upya matoleo ya programmeu za simu ili kuongeza utendaji na kufanya mwingiliano kati ya wageni na shirika la ndege kuwa rahisi zaidi na kuboreshwa.

### Malipo ya Pesa kupitia Simu

Matumizi ya malipo kupitia simu za mkono katika Afrika yanazidi kuenea kwa kasi. Mbali na wageni wetu kuwa na uwezo wa kufanya malipo kupitia simu za mkononi nchini Kenya, Uganda na Tanzania, shirika hili la ndege lilianzisha matumizi ya malipo kupitia simu nchini Rwanda na Cameroon.

### Kituo cha Terminal 1A katika JKIA

Idara hii ilifanya kazi usiku na mchana ya ili kuhakikisha kuwekwa kwa vifaa ya teknolojia ya mawasiliano yaani IT vinavyofaa katika shughuli kwenye kituo cha Terminal 1A katika JKIA, kituo cha kuwasiliaa mabacho ni cha kisasa zaidi nchini Kenya, vililekwa kwa wakati ufao. Hii ni pamoja na kuweka mitambo inayojichakata yenyewe katika sehemu za kuthibitisha usafiri na za mauzo, kituo kizima kikiwekwa kwenye mitandao, milango ya uwanja wa ndege na mtandao wa mawasiliano bila nyaya maeneo ya uwanjani ambayo yanawezesha shughuli za usimamizi wa mizigo, maridhiano na abiria na shughuli za marekebisho ya foleni.

### Kuboresha usimamizi wa mafuta kupitia ACARS

Shirika hili la ndege lilianza safari ya kuboresha usimamizi wa matumizi yake ya mafuta kupitia data wa mawasiliano ya ACARS baina ya mifumo ya ndege na wale waliyo uwanjani. Kupitia kuwezesha data za mawasiliano kwa safari zote za ndege, timu ya kusimamia matumizi ya mafuta sasa wanaweza kupata data zilizo sahihi zaidi kuhusu mafuta na hii inatarajiwa kuimarisha mipango ya upunguzaji ghara katika matumizi ya mafuta. Inatarajiwa ya kuwa ukoaji huu wa gharama utaendelea hadi katika mwaka unaokuja wa kifedha wa 2015/16.

# Taarifa ya Afisa Mkuu Mtendaji (inaendelea)

## Kuboresha uthibiti wa mizigo kupitia ACARS

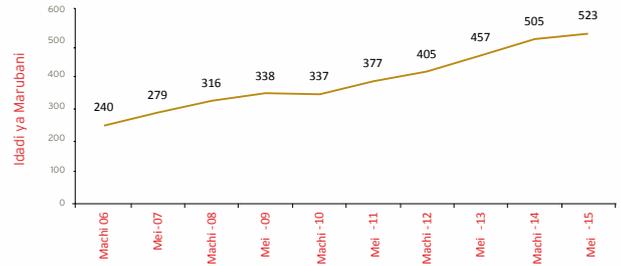
Shirika la ndege pia liliweka dhamira ya kuboresha shughuli zake kuthibiti mzigo kwa njia ya utekelezaji wa mfumo bora unaoshirikisha kumbukumbu za mzigo kupakiwa kieletroniki kwenye ndege kupitia data ya mawasiliano ya ACARS. Hii ilifanyiwa majaribio kwenye B737 na ndege za Embraer. Kielelezo cha ndani ya ndege kilitengenezwa na kutekelezwa kwa ndege za B737 ili kuwezesha kukamilika kwa mchakato wa kumbukumbu za mzigo za ACARS kama inavyohitajika na KCAA. Utaratibu huu ulipitishwa na KCAA ikiwa ni pamoja na idhini ya saina za kielektroniki katika kumbukumbu za mzigo za ACARS. Matokeo ya haya, shirika limeshuhudia mafanikio makubwa ya mchakato wa kumbukumbu za mzigo. Katika mwaka ujao wa fedha malengo ya shirika hili ni kutekeleza mchakato sawa na huu kwa ndege za B787. Hii itafuatiwa na uwekaji pamoja wa kumbukumbu za mizigo ili kuuthibiti kutoka Nairobi kwa ndege zote zinazoondoka kutoka sehemu za nje katika mtandao mzima wa KQ.

## SHUGHULI ZA SAFARI ZA NDEGE

Idara ya Shughuli za Safari za Ndege inaendelea kuunga mkono uendeshaji shughuli kwa njia salama na ya kutegemewa kwa kutoa wafanyikazi waliyohitimu kupitia kuajiri na mafunzo thabiti. Shughuli muhimu katika mwaka huo tunaotathmini zilikuwa shirika kutoa mafunzo kamili na kuwatazama kwa makini wafanyikazi wetu wanaosafiri na ndege yetu mpya ya kisasa kabisa ya B787-8 Dreamliner. Marobani Themanini na Nane (88) walikamilisha mafunzo yao katika ndege ya B787-8 mwakani huo na tunajivunia kuwa na Mwanamke wa Kwanza Mwafrika kuwa Nahodha wa Dreamliner - Kapteni Irene Koki Mutungi.

Zaidi ya hayo, jumla ya makadeti ishirini na mbili (22) wa kwanza walipelekwa Afrika Kusini kwa ajili ya mafunzo ya urubani baada ya kufanikiwa kukamilisha mfumo mgumu wa uteuzi uliyojumuisha vipimo vya aptitude, uchunguzi wa psychometric, vipimo vya psychomotor, upimaji wa kiafya, muonekano mtandaoni pamoja na mahojiano ya ana kwa ana. Katika kipindi hicho, marobano kumi na tano (15) wa kuingia moja kwa moja walijiunga na shirika kutoka soko la humu Kenya.

## Idadi ya Marubani



## Idadi ya Marubani

Katika upande wa mauzo, kwa ushirikiano na timu ya usambazaji, tulifaulu kufanya makubaliano mapya ya mchakato wa zabuni kwa bidhaa zizolipishwa kodi zinazouzwa ndani ya ndege, na kusababisha ongezeko la mrahaba wa KQ kwa 9%. Tukiwa na mkataba huu mpya, tuko na jarida maahiri la kutolewa bure ndani ya ndege,

“KARIBU”, na safu pana ya bidhaa za kuchagua kwa bei za kuanzia Dola 10 za Marekani ambayo inaweza kuhudumia mteja wa kununua bidhaa dakika za mwisho.

Duka letu la bidhaa zizolipishwa kodi yaani za duty free liko mtandaoni, [www.kqdutyfree.com](http://www.kqdutyfree.com), na linatoa njia muafaka ya urahisi kwa wageni wanaosafiri na KQ safari za kimataifa kununua bidhaa mtandaoni wa internet kukiwa na huduma ya kuwaletea walipo kwenye viti vyao, hii pia iliboreshwa kwa bidhaa nyingi mpya. Duka hili la mtandaoni pia linamwezesha mgeni anayesafiri katika ndege zetu za umbo mwembamba kama zile za Embraer E190s, kufikia bidhaa zote za duty free kwa kuagiza kimbele, kitambao huduma hii haikuwezekana kutokana na nafasi ndogo ya kigari cha kubebea katika ndege kama hizi, pia kukiwa na muda wa ziada kwa wanaonunua kwa kadi.

Mbuvi Ngunze

Afisa Mkuu Mtendaji

# Corporate Governance

Kenya Airways Board of Directors is responsible for the overall governance of the airline and is accountable to the shareholders for ensuring that the Company complies with the law and the highest standards of best practice in corporate governance and business ethics. The Directors are committed to fostering a culture that values ethical behaviour, integrity and respect and the need to conduct the business and operations of the airline and the Group in accordance with generally accepted corporate practices. The Directors believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

## Board of Directors

The Articles of Association of the Company provide that the business and affairs of the airline are to be managed under the direction of the Board. The Board clearly understands its role, powers, duties and functions.

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

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

The full Board meets 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.

In line with good governance practice, the Board has delegated authority for conduct of day-to-day business to the Group Managing Director and Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the airline's overall internal control of financial, operational and compliance issues as

well as implementing strategies for the long-term success of the airline.

Nine out of the eleven members of the Board are non-executive including the Chairman of the Board, and all others except the Group Managing Director, Group Finance Director and two KLM Directors are subject to periodic reappointment in accordance with the Company's Articles of Association and Guidelines of the Capital Markets Authority. In this regard therefore, two Directors will retire by normal rotation.

During the year under review, the Board conducted an effectiveness valuation and also attended a corporate governance training session.

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

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

After the appointment of a new Director, management guides them through an induction course explaining the anatomy of the airline. They are also taken through corporate Governance training so as to understand their roles and responsibilities as Directors.

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

## Committees of the Board

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

### Audit and Risk Management Committee

The Board has constituted an Audit and Risk Management committee, which meets four times a year or as necessary. Ms. Wanjiku Mugane, an independent Non-Executive Director chairs this committee whose other members include Dr Kamau Thugge, Mr. Pieter Elbers and Mr. Nduva Muli. Its responsibilities include review of the integrity of the financial statements and formal announcements relating to the Group's financial performance, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The external and internal auditors, the Group Managing Director and the Group Finance Director attend all meetings of the committee. Other service line Directors attend as required to brief the committee.

### Staff and Remuneration Committee

There is a Staff and Remuneration committee of the Board. Ambassador Dennis Awori, also an independent Non-Executive Director, chairs the Committee. The other members are Mr. Ron Schipper and Mr. Vincent Rague. The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non executive Directors. The Group Managing Director and the Director of Human Resources attend all meetings of the committee.

### Nominations Committee

There is a Nominations committee of the Board. Its membership comprises Mr. Evanson Mwaniki as its Chairman, Dr Kamau Thugge, Mr. Pieter Elbers and Ambassador Dennis Awori. The committee meets once a year or more if necessary. The committee is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. In so doing, consideration is given to succession planning, taking into account the challenges and opportunities facing the Company, and to ensure the necessary skills and expertise are available on the Board in the future.

Candidates who are recommended by this sub-committee are interviewed by the Chairman and the major shareholders and their suitability assessed and discussed. The candidate is cautioned to disclose any area of conflict of interest, which may undermine their position or service to the Company.

In addition, there is an opportunity for other candidates to be proposed by a shareholder for consideration and voting by the members at the Annual General Meeting.

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

This committee is also responsible for appraising the role, contribution and effectiveness of the Board as a whole and individual Directors. The Group Managing Director may also be invited to attend this meeting.

## Internal Controls

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

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

## Internal Audit

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

## Corporate Governance (continued)

### External Auditor Relationship

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

### Code of Business Conduct & Ethics

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

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

### Communication with Shareholders

The Company is committed to ensuring that shareholders and the financial markets are provided with full, accurate and timely information about its performance. This is achieved by the distribution of the Company's annual report, the release of notices in the press and on the Company's web site of its half yearly and annual results. There is also a minimum of two investor briefings per annum for institutional investors.

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

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

### Directors Emoluments and loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2014/15 is disclosed in the notes to the financial statements. At no time during the year was there any arrangement to which the Company was a party, whereby Directors acquired benefits by means of transactions in the Company's shares outside applicable law.

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

There were no Directors' loans at any time during the year. Directors interests in the shares of the Company, the distribution of the Company's shareholding and analysis of the ten largest shareholders as at 31 March 2015 were as follows:-

#### Directors' Interests

Name of Director	Number of Shares
Cabinet Secretary to the National Treasury	445,920,557
Evanson Mwaniki	42,378
Alex Mbugua	25,426

# Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 March 2015 are as follows:

Name of shareholder	Number of shares
1. Permanent Secretary to the Treasury	445,920,557
2. KLM - Koninklijke Luchtvaart Maatschappij	400,020,026
3. Standard Chartered Nominees Ltd Non Resident A/c KE11752	143,000,000
4. Standard Chartered Nominees Ltd A/c KE 17682	71,116,080
5. Standard Chartered Nominees Ltd A/c 9187	35,906,095
6. Standard Chartered Nominees Ltd A/c 9230	20,630,773
7. Gulamali Ismail	10,424,100
8. Vijay Kumar Ratilal Shah	9,309,160
9. Mike Maina Kamau	8,003,940
10. Old Mutual Life Assurance Company LTD.	7,477,369
Other shareholders	344,660,935
<b>Total</b>	<b>1,496,469,035</b>

## Distribution of shareholders:

	Number of shareholders	Number of shares	% Shareholding
Less than 500 shares	31,959	12,586,404	0.84
500 - 5,000 shares	39,909	64,361,690	4.30
5,001 - 10,000 shares	2,801	21,041,330	1.41
10,001 - 100,000 shares	2,715	72,077,183	4.82
100,001 - 1,000,000 shares	296	87,361,557	5.84
Over 1,000,000 shares	47	1,239,040,871	82.80
<b>Total</b>	<b>77,727</b>	<b>1,496,469,035</b>	<b>100</b>

## Distribution of shareholders by region:

	Number of shareholders	Number of shares	% Shareholding
Foreign Institutions	21	628,567,960	42
Foreign Individuals	536	8,918,675	0.60
Local Institutions	3,168	629,045,679	42.04
Local Individuals	74,002	229,936,721	15.37
<b>Total</b>	<b>77,727</b>	<b>1,496,469,035</b>	<b>100</b>

# Corporate Social Responsibility (CSR)



*Social responsibility or corporate conscience is important to Kenya Airways. We endeavor to impact the continent by investing in bettering the quality of lives for the communities in the different markets that we operate.*



During the year under review, together with several like-minded renowned international organizations, we undertook and implemented strategic CSR initiatives that promote standards of education, improve access to water, provide sanitation, and conserve our environment and wildlife across our expanding network. Some of the initiatives achieved during this financial year included:

## Environmental Conservation

We proudly continue the reforestation programme that will see the reduction of the airline's carbon footprint in line with international environmental and aviation standards.

## Corporate Social Responsibility (continued)

### Wildlife preservation

In partnership with Born Free foundation (BFF) and through the campaign themed 'Change brings Change', we have managed to raise GBP 5,800 which helped the rescue and transfer of two lionesses from torture to a Sanctuary in Shamwari, near Port Elizabeth in South Africa. We have renewed this partnership and enhanced the objectives to improve our co-ordination and fundraising for wildlife activities.

Also, to support the fight towards rhino anti-poaching project, we donated GBP 10,000 worth in equipment to Kenya Wildlife Services in order to provide anti-poaching ground support in our national parks. Other projects that have benefited from this cooperation include: building a Lion Proof Boma project in Amboseli, Support the Lion conservation project in Meru National Park and the Rhino Anti-Poaching Project within Lake Nakuru, Nairobi National Park and Tsavo West and engaging in a successful primate release programmes which rescue and rehabilitate injured, orphaned and illegally held velvet monkeys and yellow baboons for release back to the wild.

We continue to partner with Wildlife Direct and the Ministry of East African Affairs, Commerce and Tourism to support the "Keep Hands off Elephants" campaign across the country through direct and in-direct funds toward the realization of the overall goal including campaign awareness on board our flights, around the airports and in our in-flight magazines. Kenya Airways continues to work with different embassies across the board to educate and disseminate the message/warning about trading in ivory.

### Education

Using the combined power of resource infrastructure and human collaboration, during the period under review, we engaged in initiatives that were aimed at delivering sustainable educational programmes that support communities facilitate efficient learning in schools which impacts current and upcoming generations. Some of these projects include the refurbishment of Mazeras Primary School in Kwale County at a cost of KShs 3,500,000 after it suffered a severe storm that damaged the entire roofing structure of the school.

We take great pride in the many education impact stories, across our continent, of individual lives and communities transformed by better access to education through our innovative solutions to persistent problems. One such example is Lingithia Primary School in Kitui which has seen

their student uptake increase by 600% and locally trained teachers gain employment thanks to building of the school classrooms and administration block.

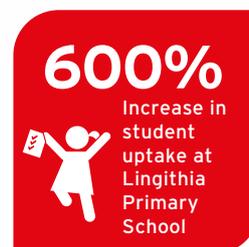
### Health

The mother and child mortality rate in Kajiado County has been high due to expectant mothers being attended to by unskilled midwives. We are proud to step in and mitigate this situation so that no mother and child die during birth. To support this cause, due to the scarcity experience and resources, a health facility is currently under construction to cater for the population in the immediate area.

### Other projects

Our portfolio of community based philanthropic and investment initiatives spans wide. We have assisted many individuals' across the world access medical competitive facilities, flown charitable donations or medical doctors through our airline services and contributed a-shilling-for-a-shilling in support of our staff driven initiative.

As Kenya Airways flies into the future, CSR will feature a key pillar of how we do business. Investing back to our communities and ensuring we enrich their lives and livelihoods by fostering sustainable developments across Africa remains our integral component and core purpose and role as 'The Pride of Africa'.



*We continue to partner with Wildlife Direct and the Ministry of East African Affairs, Commerce and Tourism to support the "Keep Hands off Elephants" campaign across the country...*



*ABOVE: Group CEO Mbuvi Ngunze, Born Free's CEO Will Travers, Senior Leadership and KQ team all smiles after the transfer of the two lionesses (Maggie and Sonja) from London to Johannesburg at JKIA*

*The dilapidated state that was Lingithia Primary School has seen a transformation after permanent school structures were built attracting 600% more pupils and 300% more teachers in Kitui County.*



*ABOVE: Local leaders with KQ Team posing on the backdrop of Ngong Forest where the "plant-a-tree" initiative has seen KQ plant +940,000 trees*

*BELOW: Following a freak storm that saw the school roofing completely damaged, KQ stepped in and refurbished the classrooms and administration block including re-painting the school*



# Uwajibikaji wa Shirika kwa Maswala ya Kijamii (CSR)

Uwajibikaji katika maswala ya kijamii au dhamira njema ya shirika ni jambo muhimu kwa Kenya Airways. Hii ndiyo maana mchango wetu katika juhudi za kupata uwajibikaji wa kudumu na ustawi wa Afrika bado ndiyo msingi wa lengo letu kama shirika la ndege. Tunajitahidi kuleta athari nzuri barani hili kwa kuwekeza katika kuboresha maisha ya watu na jumuiya katika masoko yote tunakoendesha shughuli zetu.

Katika kipindi cha mwaka tunaoutathmini, tukishirikiana pamoja na mashirika mengine mbali mbali mashuhuri ya kimataifa yenye fikira sawa na hili letu, tulianzisha na kutekeleza mkakati ya Uwajibikaji katika Jamii (CSR) ambayo ni ya kukuza viwango vya elimu, kuboresha njia za kupata maji, kuthibiti hali ya usafi, na kuhifadhi mazingira yetu na wanyamapori kote ambako mtandao unakoendelea kuenea. Baadhi ya mipango hii ilileta natija nzuri katika mwaka huo wa kifedha ikiwa ni pamoja na:-

## Uhifadhi wa Mazingira

Kenya Airways iliendelea na mpango wake wa upandaji miti ambao utapelekea kupunguza kiwango cha utoaji kaboni kwa ndege kuambatana na viwango vya kimataifa vya mazingira kwa mashirika ya ndege. Kwa ushirikiano na washikadau na mashirika mengine mbali mbali ikijumuisha KLM, Rolls Royce, Coca-Cola, Moi Air Base, Kenya Air Forces na Kenya Wildlife Services shirika hili kufikia sasa limewekeza zaidi ya KShs. 60M na kupanda miti 940,000. Mikakati hii imechochea ongezeko la idadi ya wakulima wadogo miongoni katika jumuiya ya humu hivyo basi kubuni njia muhimu ya upataji chakula. Hii vile vile imetoa ukanda wa kijani wa ndege kupurukia.

## Uhifadhi wa Wanyamapori

Kwa ushirikiano na shirika la Born Free foundation (BFF) na kupitia kampeni yetu yenye kichwa 'Change brings Change', Kenya Airways ilifanikiwa kuchangisha Pauni za Uingereza 5,800 zilizosaidia kuokoa na kuhamisha simba wawili wa kike kutoka kwa mateso katika eneo la Shamwari, karibu na Port Elizabeth nchini Afrika Kusini.

Vile vile, tili kusaidia mradi wa kupambana na uwindaji haramu wa kifaru, Kenya Airways ilitoa mchango wa vifaa vya thamani ya Pauni za Uingereza 10,000 kwa shirika la Wanyama pori la Kenya Wildlife services ili kuwezesha usaidizi wa kupambana na ujangili wa ardhini katika mbuga zetu za wanyama pori. Miradi mingine iliyofaidika na ushirikiano huu ni pamoja na; mradi wa ujenzi wa Boma lililolindwa dhidi ya simba (building a Lion proof Boma project) katika Amboseli, mradi wa kusaidia kuhifadhi simba katika Meru National Park na ule wa kuzuiya uwindaji haramu wa Kifaru katika eneo la Ziwa Nakuru, Nairobi National Park na Tsavo West. Shirika hili la ndege pia lililifanikisha shughuli ya mpango wa kuokoa na kuhamisha nyani ambao huokoa na kuwatibu nyani waliyojeruhiwa, yatima na walioshikiliwa kinyume cha sheria wa jamii ya velvet monkeys na yellow baboons na kwachwa huru mbugani.

Tunaendelea kushirikiana na shirika la Wildlife Direct pamoja na Wizara ya Utalii ili kusaidia kuhamasisha kampeni ya "Keep Hands off Elephants" kote nchini kupitia ufadhili usio wa moja kwa moja na ufadhili wa moja kwa moja wa kutekeleza kampeni yote kwa ujumla ikijumuisha pamoja hamasisho la matangazo ya ndani ya ndege zetu, kwenye maeneo ya viwanja vya ndege na katika majarida yetu ya ndani ya ndege. Kenya Airways inaendelea kushirikiana na balozi mbali mbali kote duniani ili kufunza na kusambaza ujumbe/onyo dhidi ya biashara ya pembe za ndovu.

## Elimu

Kutumia nguvu za pamoja za muundo-mbinu na za watu, katika kipindi cha muda tunaoutathmini, tulishirikisha mipango ambayo ililenga katika kuwasilisha mikakati endelevu ya elimu ya kusaidia jumuiya na kuwezesha mafunzo yafaayo katika shule ambayo yataleta athari nzuri sasa na katika siku zijazo. Baadhi ya miradi hii ni pamoja na ukarabati wa Shule ya msingi ya Mazeras katika kaunti ya Kwale ambayo iliharibiwa na mvua kubwa. Tulisaidia shughuli ya kukarabati paa na dari iliyokuwa imeharibika hapo shuleni kwa gharama ya shilingi 3,500,000.

Tunajivunia sana visa vya ufanisi mkubwa katika elimu, kote barani, katika maisha ya watu binafsi na katika jumuiya kubadilishwa na njia bora za kupata elimu kupitia suluhisho zetu bunifu kwa matatizo sugu yaliyoko. Mfano mmoja ni shule ya Msingi ya Lingithia kule Kitui ambako kumesababisha ongezeko la wanafunzi kwa kima cha 600% na walimu walipata mafunzo humu kupta ajira yote shukrani ujenzi wa madarasa shuleni na ofisi za usimamizi.

## Afya

Idadi ya mama na watoto kufa wakati wa kujifungua ilikuwa juu katika Kaunti ya Kajiado kutokana na mama wajawazito kuhudumiwa na wakunga wasiyo na ujuzi. Kenya Airways ilijivunia kujitolea na kuokoa hali hii ili kusitokee visa na vyovyote vya kufa kwa mama wala mtoto wakati wa kujifungua. Katika kusaidia mpango huu, kutokana na kutokuwa uzoefu na rasilimali, kituo cha afya hivi sasa kinajengwa ili kuhudumia idadi ya watu katika maeneo hayo na ya karibu

## Miradi mingine

Orodha ya miradi yetu katika jumuiya ya ufadhili na kuwekeza imeenea zaidi. Tumeweza kusaidia watu wengi mahala kwingi kote ulimwenguni kupata matibabu katika hospitali za hali ya juu, tumebeba na ndege vitu vilivyocahngwa kusaidia au madaktari kwenda kutibu kupitia huduma za shirika letu la ndege na pia kuchanga kupitia mpango wa shilingi-kwa-shilingi kwa ushirikiano na wafanyikazi wetu kuauni mipango yao ya kuchanga.

Wakati Kenya Airways inapopaa kuelekea katika siku zijazo, kuwajibika katika jumuiya (CSR) kutakuwa nguzo muhimu ya jinsi tutakavyoendesha biashara yetu. Shirika hili la ndege lina mpango wa muda mrefu wa kujitolea katika kuchangia na kuwekeza kwenye jumuiya tunakoendesha shughuli zetu. Tutaendelea kujitolea kuhakikisha kuwa tunaboresha maisha yao na hasa zaidi, tutaendelea kusaidia na/ au kudumisha ustawi endelevu kote barani Afrika ukiwa ni ushahidi wa halisi wa kiini cha lengo na na wajibu wetu kama 'The Pride of Africa'.



# Financial Report

for the year ended  
**31 March 2015**





# Directors and statutory information for the year ended 31 March 2015

## EXECUTIVE DIRECTORS

M.Ngunze	Managing Director (Appointed 1 November 2014)
A.W. Mbugua	Group Finance Director
Dr T.T.Naikuni	Managing Director (Retired 31 October 2014)

## NON-EXECUTIVE DIRECTORS

E. Mwaniki	Chairman
P. Elbers	
R. Schipper	
D. Awori	
V. Rague	
K. Thugge	
J. Muli	
J. Veenstra	Alternate to R. Schipper and P. Elbers
F. Kingori	Alternate to K. Thugge (Appointed 12 November 2014)
W.Mugane	(Appointed 1 December 2014)
C.Armstrong	(Appointed 1 December 2014)
D. Kapila	(Retired 21 November 2014)
A. Makatiani	(Retired 21 November 2014)

## COMPANY SECRETARY

Catherine Musakali FCPS (K)  
Dorion Associates  
Thompson Estate, off Ole Dume Road  
P.O Box 29737 - 00202  
Nairobi

## AUDITORS

KPMG Kenya  
8th Floor, ABC Towers  
ABC Place, Waiyaki Way  
P.O Box 40612 - 00100  
Nairobi

## REGISTERED OFFICE

Kenya Airways Headquarters and Base  
Airport North Road, Embakasi  
P.O Box 19002 - 00501  
Nairobi

## REGISTRARS AND TRANSFER OFFICE

Custody & Registrars Services Limited  
6th Floor, Bruce House  
Standard Street  
P.O Box 8484 - 00100  
Nairobi

## PRINCIPAL BANKERS

Barclays Bank of Kenya Limited  
Barclays Plaza  
P.O Box 30120 - 00100  
Nairobi  
Citibank N .A (Kenya Branches)  
P.O Box 30711 - 00100  
Nairobi

## LEGAL ADVISORS

Kaplan & Stratton Advocates  
9th Floor, Williamson House,  
4th Ngong Avenue, Upper Hill.  
P.O Box 40111 - 00100  
Nairobi  
TRIPLEOKLAW Advocates  
5th Floor, Block C, ACK Garden House,  
1st Ngong' Avenue, off Bishops Road  
Nairobi

# Report of the Directors for the year ended 31 March 2015

The Directors submit their report together with the audited financial statements for the year ended 31 March 2015, in accordance with Section 157 of the Kenyan Companies Act, which discloses the state of affairs of Kenya Airways Limited (the "Company") and its subsidiaries (together, the "Group").

## 1. PRINCIPAL ACTIVITIES

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

The Group operates domestic flights and flies to 56 destinations in Africa, Middle East, Asia and Europe.

At 31 March 2015, the Group had 52 aircraft, either owned or on operating leases. These comprised seven Boeing 777 wide body jets, six Boeing 787, five Boeing 767 wide body jets, fourteen Boeing 737 narrow body jets, eighteen Embraer regional jets and two Boeing 737 freighters; formerly passenger aircraft.

## 2. RESULTS AND DIVIDENDS

The net loss for the year of KShs 25,743 million (2014: net loss of KShs 3,382 million) has been deducted from the retained earnings. The results for the year are set out fully on pages 73 to 139 in the attached financial statements.

## 3. DIVIDENDS

The Directors do not recommend payment of dividends (2014: Nil).

## 4. DIRECTORS

The Directors who held office during the year and to the date of this report are set out on page 69.

## 5. AUDITOR

The auditors, KPMG Kenya, who were appointed on 21 November 2014 in place of PricewaterhouseCoopers, have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap. 486).

## 6. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved at a meeting of the Board of Directors held on 29 July 2015

**By Order of The Board**



Catherine Musakali

Secretary

Date: 29 July 2015

# Statement of Directors' responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of Kenya Airways Limited set out on pages 73 to 139 which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of its operating results.

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

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

## APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements, as indicated above, were approved by the Board of Directors on 29 July 2015 and were signed on its behalf by:



Evanson Mwaniki

Director



Mbuvi Ngunze

Director

# Report of the independent auditors to the members of Kenya Airways Limited

We have audited the consolidated financial statements of Kenya Airways Limited set out on pages 73 to 139 which comprise the consolidated and Company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated and Company statements of changes in equity, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

As stated on page 71, 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 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## **AUDITORS' RESPONSIBILITY**

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

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

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

## **OPINION**

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

## **EMPHASIS OF MATTER**

Without qualifying our opinion, we draw attention to Note 2(e) in the consolidated financial statements which indicate that the Group incurred a net loss of KShs 25,743 million (2014 - Net loss of KShs 3,382 million) during the year ended 31 March 2015 and, as of that date, the Group's current liabilities exceeded its current assets by KShs 40,701 million (2014 - KShs 34,120 million) and the Group's total liabilities exceed its total assets by KShs 5,963 million. These conditions along with other matters as set forth in Note 2(e), indicate the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern.

## **REPORT ON OTHER LEGAL REQUIREMENTS**

As required by the Kenyan Companies Act 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 purpose 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 statement of financial position of the Company is in agreement with the books of account.

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



Date: 29 July 2015

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2015

	Notes	2015 KShs' Million	2014 KShs' Million
Revenue	7	110,161	106,009
Direct costs	8(a)	(76,059)	(75,268)
Fleet ownership costs	8(b)	(25,932)	(12,490)
Overheads	8(c)	(24,503)	(20,972)
<b>Operating loss</b>		<b>(16,333)</b>	<b>(2,721)</b>
Finance costs	9	(4,734)	(2,424)
Finance income	9	153	823
Realised (losses)/gains on fuel derivatives	10	(1,676)	972
Unrealised losses on fuel derivatives	10	(5,776)	-
Other losses	11	(1,346)	(1,511)
<b>Loss before income tax</b>	12	<b>(29,712)</b>	<b>(4,861)</b>
Income tax credit	13	3,969	1,479
<b>Loss for the year</b>		<b>(25,743)</b>	<b>(3,382)</b>
<b>Other comprehensive income</b>			
<i>Items that may subsequently be reclassified through profit or loss</i>			
Loss on hedged exchange differences		(5,192)	(264)
(Loss)/gain on fuel contracts		(2,830)	838
Deferred taxation on hedges		(427)	(172)
<b>Other comprehensive income, net of tax</b>		<b>(8,449)</b>	<b>402</b>
<b>Total comprehensive income for the year</b>		<b>(34,192)</b>	<b>(2,980)</b>
<b>Loss attributable to:</b>			
Equity holders of the Company		(25,746)	(3,371)
Non-controlling interest	29	3	(11)
<b>Loss for the year</b>		<b>(25,743)</b>	<b>(3,382)</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		(34,195)	(2,969)
Non-controlling interest	29	3	(11)
<b>Total comprehensive income for the year</b>		<b>(34,192)</b>	<b>(2,980)</b>
<b>Basic and diluted earnings per share (KShs)</b>	14	<b>(17.21)</b>	<b>(2.25)</b>

The notes on pages 82 to 139 are an integral part of these financial statements.

# Consolidated statement of financial position as at 31 March 2015

<b>ASSETS</b>		<b>2015</b>	<b>2014</b>
	<b>Notes</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>Non-current assets</b>			
Property and equipment	16	125,422	88,389
Intangible assets	17	1,163	1,619
Prepaid operating lease rentals	18	1,237	1,238
Deferred expenditure	20	2,684	182
Aircraft deposits	21	10,391	27,505
Fuel derivatives	22	-	32
Deferred tax assets	31	114	56
		<b>141,011</b>	<b>119,021</b>
<b>Current assets</b>			
Inventories	23	1,897	2,461
Trade and other receivables	24	14,819	13,706
Income tax recoverable	13(c)	1,222	1,216
Fuel derivatives	22	-	1,035
Assets held for sale	25	19,847	-
Cash and cash equivalents	26	3,267	11,218
		<b>41,052</b>	<b>29,636</b>
<b>Total Assets</b>		<b>182,063</b>	<b>148,657</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners</b>			
Share capital	27(a)	7,482	7,482
Share premium	27(b)	8,670	8,670
Cash flow hedging reserve	28(a)	(10,042)	(1,593)
Revaluation surplus	28(b)	3,557	3,557
Retained earnings		(15,676)	10,070
		<b>(6,009)</b>	<b>28,186</b>
Non-controlling interests	29	46	43
<b>Total equity</b>		<b>(5,963)</b>	<b>28,229</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	30(a)	104,175	50,120
Deferred tax liabilities	31	1,487	5,084
Deferred income	32	-	1,468
Fuel derivatives	22	611	-
		<b>106,273</b>	<b>56,672</b>

# Consolidated statement of financial position as at 31 March 2015

(CONTINUED)

	Notes	2015 KShs' Million	2014 KShs' Million
<b>Current liabilities</b>			
Sales in advance of carriage	33	11,270	10,786
Finance lease obligations	34	-	852
Fuel derivatives	22	6,928	-
Trade and other payables	35	18,244	12,150
Deferred income	32	-	174
Loans and borrowings	30(a)	43,609	38,892
Provisions for liabilities and charges	36	1,672	902
Income tax payable	13(c)	30	-
		<b>81,753</b>	<b>63,756</b>
<b>Total liabilities</b>		<b>188,026</b>	<b>120,428</b>
<b>Total equity and liabilities</b>		<b>182,063</b>	<b>148,657</b>

The financial statements on pages 73 to 139 were approved for issue by the Board of Directors on 29 July 2015 and signed on its behalf by:



Evanson Mwaniki

Director



Mbuvi Ngunze

Director

The notes on pages 82 to 139 are an integral part of these financial statements.

# Company statement of financial position as at 31 March 2015

<b>ASSETS</b>		<b>2015</b>	<b>2014</b>
	<b>Notes</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>Non-current assets</b>			
Property and equipment	16	124,831	87,757
Intangible assets	17	1,080	1,556
Prepaid operating lease rentals	18	1,237	1,238
Investment in subsidiaries	19(a)	435	435
Deferred expenditure	20	2,684	182
Aircraft deposits	21	10,391	27,505
Fuel derivatives	22	-	32
		<b>140,658</b>	<b>118,705</b>
<b>Current assets</b>			
Inventories	23	1,897	2,461
Trade and other receivables	24	21,078	18,229
Income tax recoverable	13(c)	1,219	1,131
Fuel derivatives	22	-	1,035
Assets held for sale	25	19,847	-
Cash and cash equivalents	26	2,955	11,114
		<b>46,996</b>	<b>33,970</b>
<b>Total assets</b>		<b>187,654</b>	<b>152,675</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners</b>			
Share capital	27	7,482	7,482
Share premium	27	8,670	8,670
Cash flow hedging reserve	28(a)	(9,445)	(996)
Revaluation surplus	28(b)	3,470	3,470
Revenue reserves		(18,655)	6,864
<b>Total equity</b>		<b>(8,478)</b>	<b>25,490</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	30(a)	104,175	50,120
Deferred income tax	31	1,487	5,084
Deferred income	32	-	1,468
Fuel derivatives	22	611	-
		<b>106,273</b>	<b>56,672</b>

# Company statement of financial position as at 31 March 2015

(CONTINUED)

	Notes	2015 KShs' Million	2014 KShs' Million
<b>Current liabilities</b>			
Sales in advance of carriage	33	11,158	10,712
Finance lease obligations	34	-	852
Trade and other payables	35	26,860	19,155
Deferred income	32	-	174
Borrowings	30(a)	43,609	38,892
Fuel derivatives	22	6,928	-
Provision for liabilities and charges	36	1,304	728
		<b>89,859</b>	<b>70,513</b>
<b>Total liabilities</b>		<b>196,132</b>	<b>127,185</b>
<b>Total equity and liabilities</b>		<b>187,654</b>	<b>152,675</b>

The financial statements on pages 73 to 139 were approved for issue by the Board of Directors on 29 July 2015 and signed on its behalf by:



Evanson Mwaniki

Director



Mbuvi Ngunze

Director

The notes on pages 82 to 139 are an integral part of these financial statements.

# Consolidated statement of changes in equity for the year ended 31 March 2015

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

The notes on pages 82 to 139 are an integral part of these financial statements.

# Consolidated statement of changes in equity for the year ended 31 March 2015

(CONTINUED)

<b>2014:</b>	<b>Share capital</b> KShs' Million	<b>Share premium</b> KShs' Million	<b>Cash flow</b> <b>hedging reserve</b> KShs' Million	<b>Revaluation</b> <b>surplus</b> KShs' Million	<b>Retained</b> <b>earnings</b> KShs' Million	<b>Total</b> KShs' Million	<b>Non-controlling</b> <b>interest</b> KShs' Million	<b>Total equity</b> KShs' Million
At 1 April 2013	7,482	8,670	(1,995)	3,557	13,441	31,155	54	31,209
<b>Total comprehensive income</b>	-	-	-	-	(3,371)	(3,371)	(11)	(3,382)
Loss for the year	-	-	-	-	-	-	-	-
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-
Loss on hedged exchange differences on borrowings (Note 30(b))	-	-	(264)	-	-	(264)	-	(264)
Gain on hedged fuel contracts	-	-	838	-	-	838	-	838
Deferred tax on cash flow hedges (Note 31(a))	-	-	(172)	-	-	(172)	-	(172)
<b>Total other comprehensive income</b>	-	-	402	-	-	402	-	402
<b>Total comprehensive income</b>	-	-	402	-	(3,371)	(2,969)	(11)	(2,980)
<b>At 31 March 2014</b>	<b>7,482</b>	<b>8,670</b>	<b>(1,593)</b>	<b>3,557</b>	<b>10,070</b>	<b>28,186</b>	<b>43</b>	<b>28,229</b>

The notes on pages 82 to 139 are an integral part of these financial statements.

# Company statement of changes in equity for the year ended 31 March 2015

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

The notes on pages 82 to 139 are an integral part of these financial statements.

	Share capital KShs' Million	Share premium KShs' Million	Cash flow hedging reserve KShs' Million	Revaluation surplus KShs' Million	Revenue reserve KShs' Million	Total equity KShs' Million
<b>2014:</b>						
At 1 April 2013	7,482	8,670	(1,398)	3,470	10,126	28,350
<b>Total comprehensive income</b>	-	-	-	-	(3,262)	(3,262)
Loss for the year	-	-	-	-	-	-
<b>Other comprehensive income</b>	-	-	(264)	-	-	(264)
Loss on hedged exchange differences on borrowings (Note 30(b))	-	-	838	-	-	838
Gain on hedged fuel contracts	-	-	(172)	-	-	(172)
Deferred tax on cash flow hedges (Note 31(a))	-	-	402	-	-	402
<b>Total other comprehensive income</b>	-	-	402	-	-	402
<b>Total comprehensive income</b>	-	-	402	-	(3,262)	(2,860)
<b>At 31 March 2014</b>	<b>7,482</b>	<b>8,670</b>	<b>(996)</b>	<b>3,470</b>	<b>6,864</b>	<b>25,490</b>

The notes on pages 82 to 139 are an integral part of these financial statements.

## Consolidated statement of cash flows for the year ended 31 March 2015

	Notes	2015 KShs' Million	2014 KShs' Million
<b>Cash flows from operating activities</b>			
Cash generated from operations	38(a)	5,904	4,532
Interest received	9	153	823
Interest paid	9	(4,734)	(2,424)
Income tax paid	13(c)	(109)	(193)
<b>Net cash generated from operating activities</b>		<b>1,214</b>	<b>2,738</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	16	(75,551)	(22,326)
Proceeds from disposal of property and equipment		4	28
Purchase of intangible assets	17	(69)	(225)
Purchase of prepaid operating lease rentals	18	-	(4)
Aircraft deposits refunds received	21	191	2,805
Aircraft deposits paid for aircraft purchases	21	(103)	(12,156)
Deferred expenditure	20	(1,238)	-
<b>Net cash used in investing activities</b>		<b>(76,766)</b>	<b>(31,878)</b>
<b>Cash flows from financing activities</b>			
Loans raised to pay Pre-Delivery Payments (PDPs)	21	17,455	-
Borrowings received	30(b)	84,078	39,274
Repayments of borrowings	30(b)	(33,071)	(13,096)
Repayment of finance lease obligations	34	(861)	(213)
<b>Net cash generated from financing activities</b>		<b>67,601</b>	<b>25,965</b>
Decrease in cash and cash equivalents		(7,951)	(3,175)
Cash and cash equivalents at 1 April		11,218	14,393
<b>Cash and cash equivalents at 31 March</b>	38(b)	<b>3,267</b>	<b>11,218</b>

The notes on pages 82 to 139 are an integral part of these financial statements.

# Notes to the financial statements

## 1. REPORTING ENTITY

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

The Group is primarily involved in international, regional and domestic carriage of passengers and cargo by air, the provision of ground handling services to other airlines and the handling of import and export cargo. The address of its registered office is as shown on page 69.

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

## 2. BASIS OF PREPARATION

### (a) Basis of accounting

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

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

### (b) Basis of measurement

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

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

### (c) Functional and presentation currency

These consolidated financial statements are presented in Kenya shillings (KShs), which is the Company's functional currency. Except as otherwise indicated, financial

information presented in KShs has been rounded to the nearest million (KShs' Million).

### (d) Use of estimates and judgements

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

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

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

### (e) Going concern

The Group incurred a net loss after tax of KShs 25,743 million (2014 - Net loss of KShs 3,382 million) during the year ended 31 March 2015 and, as of that date, the Group's current liabilities exceeded its current assets by KShs 40,701 million (2014 - KShs 34,120 million) and the Group's total liabilities exceed its total assets by KShs 5,963 million. The Group has put in place the following initiatives to ensure it meets its obligations as and when they fall due:

The Group renegotiated with the lenders and obtained waivers for non-compliance with certain covenants as at 31 March 2015.

## 2. BASIS OF PREPARATION (CONTINUED)

### (e) Going concern (continued)

The Board of Directors are cognisant of the financial position of the Company and are in the process of engaging a turnaround consultant to assist in developing a turnaround plan which will include but not limited to review of the Airline's commercial strategy and advise on the best optimal capital structure. Earlier, the Board contracted a consultant to relook at the Company's revenue optimization and sales performance.

The Board has appointed a financial advisor to assist with raising long-term financing in form of debt and/or capital.

The key shareholders have also been appraised on the need for long-term support and have indicated their willingness to support the Company subject to recommendations of the turnaround consultant.

The Board also approved sale and leaseback of three B787 aircraft expected to be delivered in the year 2015/16

Refer to note 43 for subsequent events.

The Directors, having taken into account all the information at hand, are confident that the above referenced initiatives are reasonably sufficient in order to make the going concern assumption appropriate in the preparation of these consolidated financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidation

#### (i) Business combinations

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

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

#### (ii) Subsidiaries

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

#### (iii) Non-controlling interests (NCI)

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

#### (iv) Loss of control

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

#### (v) Interest in equity-accounted investees

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

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

Management has fully impaired the investment in

# Notes to the financial statements

(CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (v) Interest in equity-accounted investees (continued)

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

#### (vi) Transactions eliminated on consolidation

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

### (b) Transactions in foreign currencies

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

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

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

### (c) Revenue recognition

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

#### *Sale of services*

Revenue from sale of services is recognised in the period in which the services are rendered by reference to the completion of specific transactions assessed on

the basis of actual service period. Revenue can only be recognised when the associated costs can be estimated reasonably and the amount of revenue can be estimated reliably.

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

Other operating revenue is recognised at the time the service is provided.

Commission costs are recognised at the same time as the revenue to which they relate and are charged to direct costs.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment as a shareholder have been established.

### (d) Frequent flyer programmes

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Property and equipment

#### (i) Recognition, measurement and subsequent expenditure

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

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

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

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

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

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

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

#### (ii) Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amount to their residual values over the estimated useful lives. The depreciation

rates for the current and comparative year are as follows:

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

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

#### (iii) Revaluation

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

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

Revaluation surpluses are not distributable.

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

#### (iv) Non-depreciable items

These are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management. In the event of partially completed construction work that has necessitated advance or progress payments, or work-in-progress, depreciation will only commence

# Notes to the financial statements

(CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Property and equipment (continued)

#### (iv) Non-depreciable items (continued)

when the work is complete. Fixed assets are classified as work-in-progress if it is probable that future economic benefits will flow to the Group and the cost can be measured reliably.

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

### (f) Assets held for sale

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

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

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

### (g) Intangible assets - Capitalised software

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

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

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

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

### (h) Leased assets

#### (i) Finance lease

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

#### (ii) Operating lease

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

### (i) Derivative financial instruments and hedge accounting

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

The Group designates:

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

On initial designation, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **(i) Derivative financial instruments and hedge accounting (continued)**

hedged item. Movements in the hedging reserve in equity are detailed in the other comprehensive income.

#### **Cash flow hedges**

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

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

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

### **(j) Manufacturer Credits**

#### *(i) Aircraft subsidy*

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

#### *(ii) Deferred income*

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

### **(k) Employee benefits**

#### *(i) Defined contribution plan*

The employees of the Group participate in a defined contribution retirement benefit scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to defined contribution schemes are charged to the profit or loss in the year to which they

relate. The Group has no further obligation once the contributions have been paid.

#### *(ii) Short-term employee benefits*

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

#### *(iii) Termination benefits*

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

#### *(iv) Leave accrual*

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

#### *(v) Employee Share Option Scheme (ESOP)*

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

### **(l) Taxation**

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

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

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction

# Notes to the financial statements

(CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Taxation (continued)

that is not a business combination and which affects neither accounting nor taxable profit. Deferred tax is not recognised on the initial recognition of goodwill as well as differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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

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

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

### (m) Inventories

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

### (n) Cash and cash equivalents

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

### (o) Share capital

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

### (p) Financial instruments

#### (i) Recognition

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

#### (ii) Classification

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

### Loans and receivables

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

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

### Other financial liabilities

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Financial instruments (continued)

#### Derivative financial instruments

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

#### (iii) Measurement

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

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

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

#### (iv) De-recognition

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

#### (v) Offsetting of financial assets and liabilities

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

#### (vi) Fair value of financial assets and liabilities

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

### (q) Impairment

#### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to

be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

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

#### (ii) Interests in equity-accounted investees

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

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

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

#### (iii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine

# Notes to the financial statements

(CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Impairment (continued)

whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

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

### (r) Earnings per share

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

### (s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, those that take substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Other borrowing costs are recognised as an expense as per Note 9.

### (t) Provisions for liabilities

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

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

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

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

### (u) Segment reporting

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

### (v) Dividends

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Comparatives

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

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

New standard or amendments	Effective for annual periods beginning on or after
Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)	1 January 2014
Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)	1 January 2014
Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013)	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies (2013)	1 January 2014

- *Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The adoption of the amendments did not have a significant impact on the financial statements of the Group.

- *Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities (effective for annual periods beginning on or after 1 January 2014)*

The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

The adoption of the amendments did not have a

significant impact on the financial statements of the Group.

- *Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)*

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The adoption of the amendments did not have an impact on the financial statements of the Group.

- *Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)*

The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met.

The adoption of the amendments did not have a significant impact on the financial statements of the Group.

- *IFRIC 21: Levies (effective for annual periods beginning on or after 1 January 2014).*

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when - and only when - the triggering event specified in the legislation occurs.

The adoption of the amendments did not have an impact on the financial statements of the Group.

# Notes to the financial statements

(CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards effective for annual periods beginning after 1 January; however the Group has not applied the following new or amended standards in preparing these consolidated financial statements:

New standard or amendments	Effective for annual periods beginning on or after
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments (2014)	1 January 2018

Those that are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

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

The amendments require the full gain to be recognised when assets transferred between an investor and

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

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

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

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

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

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

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

The adoption of these changes will not have an impact on the Group's financial statements.

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **(y) New standards, amendments and interpretations not yet adopted (continued)**

The adoption of these changes are not expected to have an impact on the Group's financial statements.

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

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

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

#### *• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)- continued*

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

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

#### *• Disclosure Initiative (Amendments to IAS 1)*

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

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

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

#### *• IFRS 15 Revenue from Contracts with Customers*

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

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

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

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

#### *• IFRS 9: Financial Instruments (2014)*

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

This standard introduces changes in the measurement

# Notes to the financial statements

(CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) New standards, amendments and interpretations not yet adopted (continued)

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

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

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (a) Critical accounting estimates

#### (i) Impairment of aircraft

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

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

- Management's decision to discontinue use of a certain fleet
- Significant decline in the market value beyond that which would be expected from the passage of time and normal use

- Significant changes in technology and regulatory environments
- Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected

In the Directors' judgment, the carrying values of aircraft are not impaired as of the date of these financial statements

#### (ii) Property and equipment and intangible assets

##### Useful life of assets

Critical estimates are made by Directors in determining the useful lives of property and equipment based on the intended use and economic lives of those assets.

##### Intangible assets - Capitalised software

Critical estimates are made by management to determine the period over which to amortise both purchased and internally developed software.

#### (iii) Revaluation of land and buildings

Certain items of property and equipment are measured at revalued amounts. The fair value is determined based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

#### (iv) Unused ticket revenue

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

#### (v) Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (vi) Trade receivables

The Group assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### (vii) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs.

Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value, with changes in fair value either reported within profit or loss or within other comprehensive income until the instrument is sold or becomes impaired.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the Fair Value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters.

### (b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, the Directors have made judgments in determining:

- the classification of finance and operating leases
- whether financial and non-financial assets are impaired
- the functional currency of the Company

## 5. FINANCIAL RISK MANAGEMENT

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

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Changing market conditions expose the Group to various financial risks and management have highlighted the importance of financial risk management as an element of control for the Group. The policy of the Group is to minimise the negative effect of such risks on cash flow, financial performance and equity.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### The Group's Risk Management Framework

The Company's board of Directors has overall responsibility for the establishment of and oversight of the Group's risk management framework. The board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the Group. The Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

### (a) Market risk

Market risk is the risk that changes in market prices, such as changes in interest rates, jet fuel prices or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing returns.

The Group uses derivatives to manage market risks. As such, transactions are carried out within the guidelines set by the Board of Directors. Generally, the group seeks to apply hedge accounting to manage volatility in profit or loss.

#### (i) Interest rate risk

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

Most of the Group's debts are asset backed, reflecting the capital intensive nature of the airline industry. The Group has a mix of fixed rate interest loans and variable rate interest loans.

#### Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows:

	2015		2014	
	Effective interest rate	Nominal amount KShs' Million	Effective interest rate	Nominal amount KShs' Million
<b>Fixed rate instruments</b>				
Short term borrowings	7.21%	29,760	6.60%	17,557
Long term borrowings	5.18%	6,432	5.09%	10,448
		<b>36,192</b>		<b>28,005</b>
<b>Variable rate instruments</b>				
Short term borrowings	3.54%	18,859	5.38%	21,335
Long term borrowings	1.75%	92,733	4.80%	39,672
		<b>111,592</b>		<b>61,007</b>
<b>Total exposure</b>		<b>147,784</b>		<b>89,012</b>

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Sensitivity Analysis

A 1% increase/decrease in the interest rates at the reporting date would have increased/decreased profit or loss and equity by the amounts shown below.

The analysis assumes that all other variables, in particular, foreign currency rates remain constant and is applied on variable interest bearing instruments.

	Profit or loss/equity	
	31 March 2015 KShs' Million	31 March 2014 KShs' Million
<b>Fixed rate instruments</b>		
1% increase	(362)	(280)
1% decrease	362	280
<b>Variable rate instruments</b>		
1% increase	(1,116)	(610)
1% decrease	1,116	610

### (ii) Jet fuel price risk

The Group is exposed to jet fuel risk to the extent that there are significant changes in the prices of jet fuel. To minimize exposure to fluctuations in prices, the Group enters into derivative financial instruments to manage exposure to fuel risk. The Group's risk management objective is to hedge a substantial part of the jet fuel price risk by effectively fixing the price of the expected future purchases. Kenya Airways limited uses Brent Crude Oil call and put options (4 way zero cost collar) instrument while the entire risk of jet fuel purchase is designated as the hedged item.

At the inception of the hedge and in subsequent periods, the collars are expected to be highly effective in achieving off-setting changes in the fair value attributable to the fuel purchases during the period for which the hedge is designated.

The Group prospectively and retrospectively measures and assesses the hedge effectiveness twice a year. The Group's policy is to hedge a maximum of 80% of the current year's fuel requirements and a maximum of 50% of the subsequent year's projected fuel requirements.

### Exposure to jet fuel price risk

As at 31 March 2015, the Group had in place fuel hedging contracts for 79% of its anticipated fuel requirements for the period up to 31 March 2016 and 40% of anticipated fuel requirements for the period to 31 March 2017.

### Sensitivity analysis

An increase/decrease of one percentage point in the fuel price at the reporting date would have increased/decreased profit or loss and equity by the amounts shown below:

	Profit or loss/equity	
	2015 KShs' Million	2014 KShs' Million
1% increase	370	398
1% decrease	(370)	(398)

### (iii) Currency risk

The Group is exposed to currency risk to the extent that there is mismatch between the currencies in which sales, purchases and borrowings are denominated. The currencies in which these transactions are primarily denominated are US Dollars, Euros and Sterling Pounds.

To mitigate the foreign currency risk exposure, management hedges USD loans against forecast USD sales to ensure that the foreign currency obtained from their sales is used to settle any foreign denominated liability. The main liability is the repayment of borrowings for the short term and long-term debt.

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

#### (iii) Currency risk (continued)

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group - primarily US Dollars. In addition, interest on borrowings is denominated in the

currency of the borrowing. This provides an economic natural hedge.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Groups policy is to ensure the net exposure is kept at an acceptable level.

#### GROUP: 2015

KShs' million	GBP	USD	Euro	Total
<b>Financial assets</b>				
Deferred expenditure	-	2,685	-	2,685
Aircraft deposits	-	10,391	-	10,391
Trade and other receivables	774	7,885	520	9,179
Cash and cash equivalents	-	1,212	16	1,228
<b>Total financial assets</b>	<b>774</b>	<b>22,173</b>	<b>536</b>	<b>23,483</b>
<b>Financial liabilities</b>				
Trade and other payables	(249)	(9,779)	(609)	(10,637)
Fuel derivatives	-	(7,539)	-	(7,539)
<b>Total financial liabilities</b>	<b>(249)</b>	<b>(17,318)</b>	<b>(609)</b>	<b>(18,176)</b>
<b>Net exposure in profit or loss</b>	<b>525</b>	<b>4,855</b>	<b>(73)</b>	<b>5,307</b>
<b>Financial liabilities</b>				
Loans and borrowings	-	(147,784)	-	(147,784)
<b>Net exposure in other comprehensive income</b>	<b>-</b>	<b>(147,784)</b>	<b>-</b>	<b>(147,784)</b>

#### GROUP : 2014

KShs' million	GBP	USD	Euro	Total
<b>Financial assets</b>				
Deferred expenditure	-	182	-	182
Aircraft deposits	-	27,505	-	27,505
Fuel derivatives	-	1,067	-	1,067
Trade and other receivables	791	5,691	321	6,803
Cash and cash equivalents	19	4,626	183	4,828
<b>Total financial assets</b>	<b>810</b>	<b>39,071</b>	<b>504</b>	<b>40,385</b>
<b>Financial liabilities</b>				
Deferred income	-	(1,642)	-	(1,642)
Finance lease obligation	-	852	-	852
Trade and other payables	(137)	(5,958)	(503)	(6,598)
<b>Total financial liabilities</b>	<b>(137)</b>	<b>(6,748)</b>	<b>(503)</b>	<b>(7,388)</b>
<b>Net exposure in profit or loss</b>	<b>673</b>	<b>32,323</b>	<b>1</b>	<b>32,997</b>
<b>Financial liabilities</b>				
Loans and borrowings	-	(89,012)	-	(89,012)
<b>Net exposure in other comprehensive income</b>	<b>-</b>	<b>(89,012)</b>	<b>-</b>	<b>(89,012)</b>

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Currency risk (continued)

### COMPANY: 2015

KShs' million	GBP	USD	Euro	Total
<b>Financial assets</b>				
Deferred expenditure	-	2,685	-	2,685
Aircraft deposits	-	10,391	-	10,391
Trade and other receivables	774	7,830	520	9,124
Cash and cash equivalents	-	1,098	16	1,114
<b>Total financial assets</b>	<b>774</b>	<b>22,004</b>	<b>536</b>	<b>23,314</b>
<b>Financial liabilities</b>				
Trade and other payables	(249)	(9,670)	(609)	(10,528)
Fuel derivatives	-	(7,539)	-	(7,539)
<b>Total financial liabilities</b>	<b>(249)</b>	<b>(17,209)</b>	<b>(609)</b>	<b>(18,067)</b>
<b>Net exposure in profit or loss</b>	<b>525</b>	<b>4,795</b>	<b>(73)</b>	<b>5,247</b>
<b>Financial liabilities</b>				
Loans and borrowings	-	(147,784)	-	(147,784)
<b>Net exposure in other comprehensive income</b>	<b>-</b>	<b>(147,784)</b>	<b>-</b>	<b>(147,784)</b>

### COMPANY: 2014

KShs' million	GBP	USD	Euro	Total
<b>Financial assets</b>				
Deferred expenditure	-	182	-	182
Aircraft deposits	-	27,505	-	27,505
Fuel derivatives	-	1,067	-	1,067
Trade and other receivables	791	5,499	321	6,611
Cash and cash equivalents	19	4,588	183	4,790
<b>Total financial assets</b>	<b>810</b>	<b>38,841</b>	<b>504</b>	<b>40,155</b>
<b>Financial liabilities</b>				
Deferred income	-	(1,642)	-	(1,642)
Finance lease obligation	-	(852)	-	(852)
Trade and other payables	(137)	(5,934)	(503)	(6,574)
<b>Total financial liabilities</b>	<b>(137)</b>	<b>(8,428)</b>	<b>(503)</b>	<b>(9,068)</b>
<b>Net exposure in profit or loss</b>	<b>673</b>	<b>30,413</b>	<b>1</b>	<b>31,087</b>
<b>Financial liabilities</b>				
Loans and borrowings	-	(89,012)	-	(89,012)
<b>Net exposure in other comprehensive income</b>	<b>-</b>	<b>(89,012)</b>	<b>-</b>	<b>(89,012)</b>

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Currency risk (continued)

### Sensitivity analysis

A 1% percent appreciation of the Kenya shilling against the following currencies would increase/(decrease) the reported profit or loss and equity by amounts shown below. This analysis is based on foreign currency exchange rates variances that the Group considered to be reasonably possible at end of the reporting period. This analysis assumes that all other variables in particular interest rates remain constant. The analysis is performed on the same basis for 2014:

Profit / Loss	Group		Company	
	2015	2014	2015	2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
GBP	(5)	(7)	(5)	(7)
USD	(49)	(323)	(48)	(304)
EURO	1	-	1	-
<b>Total</b>	<b>(53)</b>	<b>(330)</b>	<b>(52)</b>	<b>(311)</b>
<b>Other Comprehensive income</b>				
GBP	-	-	-	-
USD	1,478	890	1,478	890
<b>Total</b>	<b>1,478</b>	<b>890</b>	<b>1,478</b>	<b>890</b>

The exchange rates applied during the year are as follows:

	Average rates		Closing rates	
	2015	2014	2015	2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
GBP	144.23	135.48	137	143.5
USD	89.06	85.76	92	86.5
EURO	113.91	114.16	100	119

### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, cash and bank balances, aircraft deposits and derivative counter-parties.

The carrying amount of the financial assets represents the maximum credit exposure.

The Group largely conducts its sale of passenger and cargo transportation through International Air Transport Association (IATA) approved sales agents. All IATA agents have to meet a minimum financial criterion applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an on-going basis by

IATA through the association's Agency Programme. The credit risk associated with such sales agents is relatively low owing to the programme's broad diversification. The Group's accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services. Majority of these sales are in accounts receivable which are generally short term in duration. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Group has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Group does not have significant concentrations of credit risk on derivative counterparties where transactions are limited to financial institutions possessing high credit quality since the risk of default is low. Cash surpluses are maintained with credible financial institutions.

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

The board of Directors sets the Group's treasury policies and objectives and lays down parameters within which the various aspects of treasury risk management are operated.

The board has set limits for investing in specified banks and financial institutions.

	Group		Company	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
Trade receivables (Note 24)	9,693	8,756	9,527	8,599
Other receivables (Note 24)	2,288	2,493	2,288	2,486
Amounts due from related companies (Note24)	259	161	6,758	4,987
Aircraft deposits (Note 21)	10,391	27,505	10,391	27,505
Fuel derivatives (Note 22)	-	1,067	-	1,067
Bank balances (Note 26)	3,267	11,218	2,955	11,114
<b>Total</b>	<b>25,898</b>	<b>51,200</b>	<b>31,919</b>	<b>55,758</b>

The aging of the trade and other receivables at the reporting date was as follows:

GROUP : 2015	Gross	Provision for impairment	Net
	KShs' Million	KShs' Million	KShs' Million
Current	9,289	-	9,289
Past due 0- 30 days	563	-	563
Past due 31 - 90 days	378	-	378
Past due 91 - 180 days	1,369	-	1,369
Past due 181 - 360 days	1,336	(695)	641
Over 361 days	1,462	(1,462)	-
	<b>14,397</b>	<b>(2,157)</b>	<b>12,240</b>

GROUP : 2014	Gross	Provision for impairment	Net
	KShs' Million	KShs' Million	KShs' Million
Current	5,580	-	5,580
Past due 0- 30 days	3,427	-	3,427
Past due 31 - 90 days	513	-	513
Past due 91 - 180 days	866	-	866
Past due 181 - 360 days	1,180	(156)	1,024
Over 361 days	1,062	(1,062)	-
	<b>12,628</b>	<b>(1,218)</b>	<b>11,410</b>

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

	Gross	Provision for impairment	Net
	KShs' Million	KShs' Million	KShs' Million
Current	9,355	-	9,355
Past due 0- 30 days	571	-	571
Past due 31 - 90 days	394	-	394
Past due 91 - 180 days	1,560	-	1,560
Past due 181 - 360 days	2,695	(693)	2,002
Over 361 days	6,762	(2,071)	4,691
	<b>21,337</b>	<b>(2,764)</b>	<b>18,573</b>

	Gross	Provision for impairment	Net
	KShs' Million	KShs' Million	KShs' Million
Current	5,579	-	5,579
Past due 0- 30 days	3,471	-	3,471
Past due 31 - 90 days	570	-	570
Past due 91 - 180 days	990	-	990
Past due 181 - 360 days	1,393	(157)	1,236
Over 361 days	5,894	(1,668)	4,226
	<b>17,897</b>	<b>(1,825)</b>	<b>16,072</b>

The movement in the provision for impairment during the year was as follows:

GROUP	2015	2014
	KShs' Million	KShs' Million
Balance at April	1,218	1,282
Impairment loss recognised	939	254
Reversals	-	(318)
	<b>2,157</b>	<b>1,218</b>

COMPANY	2015	2014
	KShs' Million	KShs' Million
Balance at April	1,825	1,889
Impairment loss recognised	939	254
Reversals	-	(318)
	<b>2,764</b>	<b>1,825</b>

The Directors believe that the unimpaired amounts that are past due are still collectible in full based on historic payment behavior and extensive analysis of customer credit risk.

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Kenya Airways seeks to maintain sufficient cash balances to cover six months debt obligations and lease rentals.

Management perform cash flow forecasting and monitor

rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group and Company do not breach borrowing limits or covenants on any of its borrowing facilities. Management has sought waivers from lenders when they have not been compliant with the covenants and this is included in note 30(a)

The table below analyses financial liabilities into relevant maturities based on the remaining period at year-end to the contractual maturity date. The amounts are gross and undiscounted and include estimated interest payments.

<b>GROUP: 2015</b>	<b>Less than 1 year KShs' Million</b>	<b>2 - 5 years KShs' Million</b>	<b>Over 5 years KShs' Million</b>	<b>Total KShs' Million</b>
Borrowings	43,609	51,097	53,078	147,784
Fuel derivatives	6,928	611	-	7,539
Trade and other payables	18,244	-	-	18,244
Provisions for liabilities and charges	1,672	-	-	1,672
	<b>70,453</b>	<b>51,708</b>	<b>53,078</b>	<b>175,239</b>

<b>GROUP: 2014</b>	<b>Less than 1 year KShs' Million</b>	<b>2 - 5 years KShs' Million</b>	<b>Over 5 years KShs' Million</b>	<b>Total KShs' Million</b>
Borrowings	38,892	31,339	18,781	89,012
Fuel derivatives	852	-	-	852
Trade and other payables	12,150	-	-	12,150
Provisions for liabilities and charges	902	-	-	902
	<b>52,796</b>	<b>31,339</b>	<b>18,781</b>	<b>102,916</b>

<b>COMPANY: 2015</b>	<b>Less than 1 year KShs' Million</b>	<b>2 - 5 years KShs' Million</b>	<b>Over 5 years KShs' Million</b>	<b>Total KShs' Million</b>
Borrowings	43,609	51,097	53,078	147,784
Fuel derivatives	6,928	611	-	7,539
Trade and other payables	26,860	-	-	26,860
Provisions for liabilities and charges	1,304	-	-	1,304
	<b>78,701</b>	<b>51,708</b>	<b>53,078</b>	<b>183,487</b>

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

#### COMPANY: 2014

	Less than 1 year	2 - 5 years	Over 5 years	Total
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
Borrowings	38,892	31,339	18,781	89,012
Finance Lease obligations	852	-	-	852
Trade and other payables	19,155	-	-	19,155
	<b>58,899</b>	<b>31,339</b>	<b>18,781</b>	<b>109,019</b>

### (d) Capital management

The Company's board of Director's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Company's board of Directors monitors the return on capital, which is defined as net operating income divided by total shareholders' equity.

The Company's board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group monitors the return on shareholder's funds which is defined as the profit for the year expressed as a percentage of average shareholder's equity. The Group seeks to provide a higher return to the shareholders by investing in more profitable routes and improving on efficiencies to provide world class service to meet its growth plans.

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

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

	2015 KShs' Million	2014 KShs' Million
<b>Equity*</b>	<b>(5,963)</b>	<b>28,229</b>
Total borrowings	147,784	89,012
Total finance lease obligations	-	852
less: Cash and bank balances	(3,267)	(11,218)
<b>Net borrowings</b>	<b>144,517</b>	<b>78,646</b>
<b>Net debt to equity ratio</b>	<b>2,424%</b>	<b>279%</b>

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

	2015 KShs' Million	2014 KShs' Million
<b>Equity*</b>	<b>(8,478)</b>	<b>25,490</b>
Total borrowings	147,784	89,012
Total finance lease obligations	-	852
less: Cash and bank balances	(2,955)	(11,114)
<b>Net borrowings</b>	<b>144,829</b>	<b>78,750</b>
<b>Net debt to equity ratio</b>	<b>1,708%</b>	<b>309%</b>

\* Equity includes all capital and reserves of the Group and Company.

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Accounting classifications and fair values for financial assets and financial liabilities

The table below sets out the carrying amount of each class of financial assets and financial liabilities and their fair values.

<b>GROUP: 2015</b>	<b>Loans and receivables</b>	<b>Fair value - Hedging instruments</b>	<b>Other liabilities</b>	<b>Total</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>Financial assets</b>				
Trade receivables	9,693	-	-	9,693
Other receivables	2,288	-	-	2,288
Due from related companies	259	-	-	259
Aircraft deposits	10,391	-	-	10,391
Cash and bank balances	3,267	-	-	3,267
<b>Total financial assets</b>	<b>25,898</b>	<b>-</b>	<b>-</b>	<b>25,898</b>
<b>Financial liabilities</b>				
Borrowings	-	-	147,784	147,784
Fuel derivatives	-	7,539	-	7,539
Trade and other payables	-	-	18,244	18,244
Provisions for liabilities and charges	-	-	1,672	1,672
<b>Total financial liabilities</b>	<b>-</b>	<b>7,539</b>	<b>167,700</b>	<b>175,239</b>

<b>GROUP: 2014</b>	<b>Loans and receivables</b>	<b>Fair value - Hedging instruments</b>	<b>Other liabilities</b>	<b>Total</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>Financial assets</b>				
Trade receivables	8,756	-	-	8,756
Other receivables	2,493	-	-	2,493
Due from related companies	161	-	-	161
Aircraft deposits	27,505	-	-	27,505
Fuel derivatives	-	1,067	-	1,067
Cash and bank balances	11,218	-	-	11,218
<b>Total financial assets</b>	<b>50,133</b>	<b>1,067</b>	<b>-</b>	<b>51,200</b>

<b>Financial liabilities</b>				
Borrowings	-	-	89,012	89,012
Finance lease obligations	-	-	852	852
Trade and other payables	-	-	12,150	12,150
Provisions for liabilities and charges	-	-	902	902
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>102,916</b>	<b>102,916</b>

# Notes to the financial statements

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## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Accounting classifications and fair values for financial assets and financial liabilities (continued)

<b>COMPANY: 2015</b>	<b>Loans and receivables</b>	<b>Fair value - Hedging instruments</b>	<b>Available for sale</b>	<b>Other liabilities</b>	<b>Total</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>Financial assets</b>					
Trade receivables	9,527	-	-	-	9,527
Other receivables	2,288	-	-	-	2,288
Due from related companies	6,758	-	-	-	6,758
Aircraft deposits	10,391	-	-	-	10,391
Cash and bank balances	2,955	-	-	-	2,955
<b>Total financial assets</b>	<b>31,919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,919</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	147,784	147,784
Fuel derivatives	-	7,539	-	-	7,539
Trade and other payables	-	-	-	26,860	26,860
Provisions for liabilities and charges	-	-	-	1,304	1,304
<b>Total financial liabilities</b>	<b>-</b>	<b>7,539</b>	<b>-</b>	<b>175,948</b>	<b>183,487</b>

<b>COMPANY: 2014</b>	<b>Loans and receivables</b>	<b>Fair value - Hedging instruments</b>	<b>Available for sale</b>	<b>Other liabilities</b>	<b>Total</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>		<b>KShs' Million</b>
<b>Financial assets</b>					
Trade receivables	8,599	-	-	-	8,599
Other receivables	2,486	-	-	-	2,486
Due from related companies	4,987	-	-	-	4,987
Investment in subsidiaries	-	-	435	-	435
Aircraft deposits	27,505	-	-	-	27,505
Fuel derivatives	-	1,067	-	-	1,067
Cash and bank balances	11,114	-	-	-	11,114
<b>Total financial assets</b>	<b>54,691</b>	<b>1,067</b>	<b>435</b>	<b>-</b>	<b>56,193</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	89,012	89,012
Finance lease obligations	-	-	-	852	852
Trade and other payables	-	-	-	19,155	19,155
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,019</b>	<b>109,019</b>

# Notes to the financial statements

(CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Accounting classifications and fair values for financial assets and financial liabilities (continued)

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

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>Financial assets</b>				
Derivative financial Instruments - (liabilities)	-	(7,539)	-	(7,539)
<b>2014</b>				
<b>Financial assets</b>				
Derivative financial Instruments - (liabilities)	-	1,067	-	1,067

The fair value of the derivative financial instruments rate is calculated as the present value of the estimated future cash flows based on observable yield curves.

See Note 16 for IFRS 13 disclosures for the land and buildings that are measured at fair value.

## 6. SEGMENT INFORMATION

The accounting policies of the reportable segments are the same as the Group's accounting policies applied in the last audited financial statements for the year ended 31 March 2014.

Directors have determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of share of profits/(loss) of associates, investment revenue and finance costs, and income tax expense.

The major part of the business of the Group falls under the category of aviation transport with income from other categories comprising less than 7% of total income.

Analysis of turnover according to business segments:

<b>2015</b>	<b>Passenger</b>	<b>Freight and mail</b>	<b>Handling</b>	<b>Others</b>	<b>Total</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
Domestic	8,266	1,416	55	945	10,682
Foreign	82,142	8,367	2,025	6,945	99,479
	<b>90,408</b>	<b>9,783</b>	<b>2,080</b>	<b>7,890</b>	<b>110,161</b>
<b>2014</b>					
Domestic	8,502	1,431	55	1,089	11,077
Foreign	81,677	8,511	1,892	2,852	94,932
	<b>90,179</b>	<b>9,942</b>	<b>1,947</b>	<b>3,941</b>	<b>106,009</b>

# Notes to the financial statements

(CONTINUED)

## 6. SEGMENT INFORMATION (CONTINUED)

Apart from Nairobi - Amsterdam and Nairobi - London routes which contribute 15.9% of turnover in aggregate, no single route contributes more than 10% of the total Group revenues.

	2015	2014
	KShs' Million	KShs' Million
Analysis of operating loss per business segments:		
Passengers	(13,404)	(2,378)
Freight, mail and others	(2,929)	(343)
	<b>(16,333)</b>	<b>(2,721)</b>

Loss by business segment is only analysed between "Passengers" and "Freight, mail and others".

### Net assets

The major revenue-earning assets of the Group comprise the aircraft fleet, all of which are registered in Kenya. Since the Group's aircraft fleet is employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to the operating segments. Since the aircraft fleet is deployed flexibly across the Company's route network, providing information on non-current assets by geographical and business segments is not considered meaningful.

No single external customer contributes 10% or more of the Group's revenues.

## 7. REVENUE

	2015	2014
	KShs' Million	KShs' Million
Passengers	90,408	90,179
Freight and mail	9,783	9,942
Handling	2,080	1,947
Others	7,890	3,941
	<b>110,161</b>	<b>106,009</b>

## 8. EXPENSES BY NATURE

### (a) Direct costs

	2015	2014
	KShs' Million	KShs' Million
Aircraft fuel and oil	36,967	39,848
Aircraft landing, handling and navigation	12,275	10,770
Aircraft maintenance	9,035	8,765
Passenger services	5,213	4,620
Commissions on sales	3,623	2,949
Aircraft, passenger and cargo insurance	452	468
Crew route expenses	2,666	2,456
Central reservation system and frequent flyer programme	4,293	4,170
Others	1,535	1,222
	<b>76,059</b>	<b>75,268</b>

# Notes to the financial statements

(CONTINUED)

## 8. EXPENSES BY NATURE (CONTINUED)

### (b) Fleet ownership costs

	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
Hire of aircraft and engines	9,919	7,656
Depreciation on aircraft and engines	8,570	5,158
Depreciation on rotables	2,134	192
Impairment of assets held for sale (Note 25)	5,583	-
Aircraft purchase subsidy (Note 32)	(274)	(516)
	<b>25,932</b>	<b>12,490</b>

### (c) Overheads

#### (i) Administration

	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
Employee costs (Note 8 (d))	16,960	15,347
Legal and professional fees	667	406
Directors' remuneration (Note 39 (c))	114	121
Audit fees	13	12
General expenses	2,383	1,750
	<b>20,137</b>	<b>17,636</b>

#### (ii) Establishment

	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
General maintenance and supplies	1,086	949
Depreciation on buildings, vehicles and other equipment	835	896
Amortisation of intangible assets and leasehold	541	641
	<b>2,462</b>	<b>2,486</b>

#### (iii) Selling

	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
Advertising and publicity	964	596
Bad debts expense	940	254
	<b>1,904</b>	<b>850</b>
<b>Total overheads</b>	<b>24,503</b>	<b>20,972</b>

# Notes to the financial statements

(CONTINUED)

## 8. EXPENSES BY NATURE (CONTINUED)

### (d) Employee costs and number

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

<i>(i) Employee costs</i>	2015 KShs' Million	2014 KShs' Million
Wages and salaries	12,047	10,923
Contributions to retirement benefits	897	817
National Social Security Fund	9	9
Movement in leave pay provision	316	681
Others	3,691	2,917
<b>Total overheads</b>	<b>16,960</b>	<b>15,347</b>

<i>(ii) Employee numbers</i>	2015 KShs' Million	2014 KShs' Million
Kenya	3,487	3,539
Overseas	515	450
	<b>4,002</b>	<b>3,989</b>

## 9. NET FINANCE COSTS

<b>Finance costs</b>	2015 KShs' Million	2014 KShs' Million
<b>Interest expense:</b>		
On long-term borrowings	3,277	1,991
On short-term facilities	1,443	399
On finance leases	14	34
	<b>4,734</b>	<b>2,424</b>
<b>Finance income:</b>		
Interest income on short term bank deposits	(153)	(823)
<b>Net finance costs</b>	<b>4,581</b>	<b>1,601</b>

## 10. FUEL DERIVATIVES (LOSS)/GAINS

	2015 KShs' Million	2014 KShs' Million
Realised (loss)/ gain - Net (payments)/receipts	(1,676)	972
Unrealised losses	(5,776)	-

The realised (losses)/gains on the fuel derivatives represent receipts from/payments to counter parties for fuel derivatives that matured during the financial year. The unrealised losses on fuel derivatives represents the ineffective portion of the fuel hedge recognised in profit or loss.

## 11. OTHER LOSSES

	2015 KShs' Million	2014 KShs' Million
Foreign currency exchange losses	748	1,328
Other costs	598	183
	<b>1,346</b>	<b>1,511</b>

# Notes to the financial statements

(CONTINUED)

## 12. LOSS BEFORE INCOME TAX

	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
The profit before taxation is arrived at after charging/(crediting):		
Employee costs (Note 8(d))	16,960	15,347
Operating lease rentals	9,919	7,656
Net foreign exchange losses	748	1,328
Depreciation of property and equipment (Note 16 (a))	11,539	6,246
Amortisation of intangible assets (Note 17)	540	640
Amortisation of leasehold land (Note 18)	1	1
Auditor's remuneration	13	12
Directors remuneration (Note 39(c))	114	121
Inventories written off	-	209
Manufacturer's compensation on aircraft (Note 32)	(274)	(516)
Loss on disposal/write off of property and equipment	31	19

## 13. INCOME TAX CREDIT

	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>(a) Income tax credit</b>		
<i>Income tax credit recognised in profit or loss</i>		
Current income tax	113	37
Deferred income tax (Note 31(a))	(4,082)	(1,516)
	<b>(3,969)</b>	<b>(1,479)</b>
<b>Movement in income tax recognised in other comprehensive income</b>		
<b>Deferred tax (credit)/ expense on fuel hedges</b>	<b>427</b>	<b>172</b>

### (b) Reconciliation

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>GROUP:</b>		
<b>Loss before income tax</b>	<b>(29,712)</b>	<b>(4,861)</b>
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2014: 30%)	(8,914)	(1,458)
Tax effect of:		
Expenses not deductible for tax purposes	(1,623)	(56)
Unrecognised deferred tax asset	3,272	35
Prior year tax over provision	50	-
<b>Income tax credit</b>	<b>(3,969)</b>	<b>(1,479)</b>

# Notes to the financial statements

(CONTINUED)

## 13. INCOME TAX CREDIT (CONTINUED)

(c) Current tax movement	Group		Company	
	2015	2014	2015	2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
<b>Taxation recoverable</b>				
At beginning of year	1,216	1,060	1,131	975
Charge for the year (Note 13(a))	(113)	(37)	(21)	-
Provision for tax asset	(20)	-	-	-
Paid during the year	109	193	109	156
<b>At end of year</b>	<b>1,192</b>	<b>1,216</b>	<b>1,219</b>	<b>1,131</b>

Current tax assets and liabilities are presented in the statement of financial position as follows:

	Group		Company	
	2015	2014	2015	2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
Tax recoverable	1,222	1,216	1,219	1,131
Tax payable	(30)	-	-	-
<b>Net current tax asset</b>	<b>1,192</b>	<b>1,216</b>	<b>1,219</b>	<b>1,131</b>

## 14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2015	2014
	KShs' Million	KShs' Million
<b>(a) Income tax credit</b>		
<i>Loss attributable to equity holders of the Company</i>	(25,746)	(3,371)
Weighted average number of ordinary shares (million)	1,496	1,496
<b>Basic earnings per share (KShs)</b>	<b>(17.21)</b>	<b>(2.25)</b>

There were no potentially dilutive shares outstanding as at 31 March 2015 or 2014. Diluted earnings per share are therefore the same as basic earnings per share.

## 15. DIVIDENDS

The Directors do not recommend payment of a dividend (2014: Nil). This proposal will be presented for formal approval by shareholders' at the forthcoming Annual General Meeting.

Dividend per share is arrived at by dividing the dividends payable by the number of shares in issue at the end of the reporting period. Payment of dividends is subject to withholding tax at the rate of 0% to local companies with shareholding of 12½% or above, 5% for all other residents and 10% for non-resident shareholders.

The movement in the unclaimed dividends account is as follows:

	2015	2014
	KShs' Million	KShs' Million
<b>(a) Income tax credit</b>		
At 1 April and 31 March	109	109

# Notes to the financial statements

(CONTINUED)

## 16. PROPERTY AND EQUIPMENT

	Freehold land and buildings	Aircraft, engines and rotables	Other property and equipment	In-complete projects	Total
<b>GROUP: 2015</b>	KShs' Million	KShs' Million	KShs' Million	KShs' Million	KShs' Million
<b>Cost or valuation</b>					
At 1 April 2014	7,264	110,171	10,169	1,432	129,036
Additions	-	74,274	962	315	75,551
Aircraft deposits capitalised (Note 21)	-	1,341	-	-	1,341
Transfer from incomplete projects	-	72	8	(80)	-
Transfer to intangible assets (Note 17)	-	-	-	(15)	(15)
Net transfer to deferred expenditure (Note 20)	-	(160)	-	(1,312)	(1,472)
Reclassified to assets held for sale (Note 25)	(2,218)	(46,896)	-	-	(49,114)
Disposals/write offs	-	(76)	(28)	-	(104)
<b>At 31 March 2015</b>	<b>5,046</b>	<b>138,726</b>	<b>11,111</b>	<b>340</b>	<b>155,223</b>
<b>Depreciation:</b>					
At 1 April 2014	205	32,481	7,907	54	40,647
Charge for the year	129	10,704	706	-	11,539
Reclassified to assets held for sale (Note 25)	(14)	(22,302)	-	-	(22,316)
Disposals	-	(49)	(20)	-	(69)
<b>At 31 March 2015</b>	<b>320</b>	<b>20,834</b>	<b>8,593</b>	<b>54</b>	<b>29,801</b>
<b>Carrying amount</b>					
<b>At 31 March 2015</b>	<b>4,726</b>	<b>117,892</b>	<b>2,518</b>	<b>286</b>	<b>125,422</b>
<b>Cost or valuation:</b>					
At 1 April 2013	7,264	88,679	9,207	842	105,992
Additions	-	19,669	943	1,714	22,326
Aircraft deposits capitalised (Note 21)	-	859	-	-	859
Transfer from incomplete projects	-	1,056	63	(1,119)	-
Transfer to intangible assets (Note 17)	-	-	-	(5)	(5)
Disposals	-	(92)	(44)	-	(136)
<b>At 31 March 2014</b>	<b>7,264</b>	<b>110,171</b>	<b>10,169</b>	<b>1,432</b>	<b>129,036</b>
<b>GROUP: 2014</b>					
<b>Depreciation:</b>					
At 1 April 2013	-	27,199	7,237	54	34,490
Charge for the year	205	5,350	691	-	6,246
Disposals	-	(68)	(21)	-	(89)
<b>At 31 March 2014</b>	<b>205</b>	<b>32,481</b>	<b>7,907</b>	<b>54</b>	<b>40,647</b>
<b>Carrying amount at 31 March 2014</b>	<b>7,059</b>	<b>77,690</b>	<b>2,262</b>	<b>1,378</b>	<b>88,389</b>

# Notes to the financial statements

(CONTINUED)

## 16. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land and buildings	Aircraft, engines and rotables	Other property and equipment	In-complete projects	Total
	KShs' Million	KShs' Million	KShs' Million	KShs' Million	KShs' Million
<b>COMPANY: 2015</b>					
<b>Cost or valuation:</b>					
At 1 April 2014	6,783	110,143	9,680	1,433	128,039
Additions	-	74,274	939	304	75,517
Aircraft deposits capitalised (Note 21)	-	1,341	-	-	1,341
Transfer from incomplete projects	-	72	8	(80)	-
Transfer to intangible assets (Note 17)	-	-	-	(15)	(15)
Transfer to deferred expenditure (Note 20)	-	(160)	-	(1,312)	(1,472)
Reclassified to assets held for sale (Note 25)	(2,218)	(46,896)	-	-	(49,114)
Disposals	-	(52)	(27)	-	(79)
<b>At 31 March 2015</b>	<b>4,565</b>	<b>138,722</b>	<b>10,600</b>	<b>330</b>	<b>154,217</b>
<b>Depreciation:</b>					
At 1 April 2014	189	32,480	7,559	54	40,282
Charge for the year	108	10,704	677	-	11,489
Reclassified to assets held for sale (Note 25)	(14)	(22,302)	-	-	(22,316)
Disposals	-	(49)	(20)	-	(69)
<b>At 31 March 2015</b>	<b>283</b>	<b>20,833</b>	<b>8,216</b>	<b>54</b>	<b>29,386</b>
<b>Carrying amount at 31 March 2015</b>	<b>4,282</b>	<b>117,889</b>	<b>2,384</b>	<b>276</b>	<b>124,831</b>
<b>COMPANY: 2014</b>					
<b>Cost or valuation:</b>					
At 1 April 2013	6,783	88,679	8,742	843	105,047
Additions	-	19,641	919	1,714	22,274
Aircraft deposits capitalised (Note 21)	-	859	-	-	859
Transfer from incomplete projects	-	1,056	63	(1,119)	-
Transfer to intangible assets (Note 17)	-	-	-	(5)	(5)
Disposals	-	(92)	(44)	-	(136)
<b>At 31 March 2014</b>	<b>6,783</b>	<b>110,143</b>	<b>9,680</b>	<b>1,433</b>	<b>128,039</b>
<b>Depreciation:</b>					
At 1 April 2013	-	27,199	6,919	54	34,172
Charge for the year	189	5,349	661	-	6,199
Disposals	-	(68)	(21)	-	(89)
<b>At 31 March 2014</b>	<b>189</b>	<b>32,480</b>	<b>7,559</b>	<b>54</b>	<b>40,282</b>
<b>Carrying amount at 31 March 2014</b>	<b>6,594</b>	<b>77,663</b>	<b>2,121</b>	<b>1,379</b>	<b>87,757</b>

# Notes to the financial statements

(CONTINUED)

## 16. PROPERTY AND EQUIPMENT (CONTINUED)

The Group's freehold land and buildings were valued on 31 March 2013 by an independent valuer, on the basis of open market value. If the freehold land and buildings were stated on the historical cost basis, the carrying values at 31 March 2015 would be as follows:

	<b>2015</b>	<b>2014</b>
<b>Historical cost</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
Cost	4,134	4,134
Accumulated depreciation	(942)	(845)
<b>Carrying amount</b>	<b>3,192</b>	<b>3,289</b>

The land and buildings are in level 2 hierarchy of measurement where the inputs are based on observable market data, other than quoted prices. The valuers used the depreciated replacement cost to estimate the fair value.

Included in property and equipment are assets with a cost of KShs 9,173 million (2014 - KShs 8,025 million) that are fully depreciated. The notional annual depreciation of these assets would have been KShs 2,034 million (2014 - KShs 1,800 million).

Capital work in progress relates to ongoing constructions and systems yet to be available for use.

## 17. INTANGIBLE ASSETS

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>Cost</b>				
At 1 April	4,210	3,980	4,123	3,958
Additions	69	225	29	160
Transfer from property and equipment (Note 16)	15	5	15	5
<b>At 31 March</b>	<b>4,294</b>	<b>4,210</b>	<b>4,167</b>	<b>4,123</b>
<b>Amortisation</b>				
At 1 April	2,591	1,951	2,567	1,930
Charge for the year	540	640	520	637
<b>At 31 March</b>	<b>3,131</b>	<b>2,591</b>	<b>3,087</b>	<b>2,567</b>
<b>Carrying amount at 31 March</b>	<b>1,163</b>	<b>1,619</b>	<b>1,080</b>	<b>1,556</b>

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

# Notes to the financial statements

(CONTINUED)

## 18. PREPAID OPERATING LEASE RENTALS

	Group and Company	
	2015 KShs' Million	2014 KShs' Million
<b>Cost/ valuation</b>		
At 1 April	1,239	1,235
Additions	-	4
<b>At 31 March</b>	<b>1,239</b>	<b>1,239</b>
<b>Amortisation</b>		
At 1 April	1	-
Charge for the year	1	1
<b>At 31 March</b>	<b>2</b>	<b>1</b>
<b>Carrying amount at 31 March</b>	<b>1,237</b>	<b>1,238</b>

Leasehold land was valued on 31 March 2013 by an independent valuer, on the basis of open market value. If the Leasehold land were stated set the historical cost basis, the carrying values at 31 March 2015 would be as follows:

	2015 KShs' Million	2014 KShs' Million
<b>Historical Cost</b>		
Cost	8	8
Accumulated depreciation	4	3
<b>Carrying amount</b>	<b>4</b>	<b>5</b>

The leasehold land are in level 2 hierarchy of measurement where the inputs are based on observable market data, other than quoted prices. The valuers used the market values of recent transactions involving similar assets in comparable locations.

Costs incurred to acquire interests in leasehold land are carried in the financial statements as long term prepayments and amortised to profit or loss on the straight line basis over the terms of the related buildings.

# Notes to the financial statements

(CONTINUED)

## 19. INVESTMENTS

### (a) Investment in subsidiaries

Details of investment	Country of incorporation	Activity	2015 % of equity interest	2014 % of equity interest	2015 KShs' Million	2014 KShs' Million
Kenya Airfreight Handling Limited (2,550,000 shares of KShs 20 each)	Kenya	Cargo handling for perishable products	51%	51%	51	51
Jambojet Limited (5,000 shares of KShs 20 each)	Kenya	Local passenger air transport	100%	100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Dormant	100%	100%	**	**
African Cargo Handling Limited (5,753,822 shares of KShs 100 each)	Kenya	Cargo handling	100%	100%	***384	***384
<b>At 31 March</b>					<b>435</b>	<b>435</b>

\*The value of the investment in Jambojet is KShs 100,000 which when rounded to the nearest million gives a value of zero.

\*\*The investment in Kencargo Airlines International Limited is fully provided for since the Company has been inactive, casting doubt on the recoverability and valuation of the investment.

\*\*\* The purchase of African Cargo Handling Limited was below the net identifiable assets resulting in a bargain purchase. As a result, the value of the investment is below the par value of the shares.

# Notes to the financial statements

(CONTINUED)

## 19. INVESTMENTS (CONTINUED)

### (a) Investment in subsidiaries (continued)

The summarised financial information of the subsidiaries is as shown below:

	Current assets		Non-current assets		Current liabilities		Non-current liabilities	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
Kenya Airfreight Handling Limited	131	87	149	173	146	132	40	40
Jambojet Limited	189	101	121	104	1,272	881	-	-
Kencargo Airlines	-	-	-	-	-	-	61	61
African Cargo Handling Limited	3,427	3,161	519	475	1173	935	488	-

	Revenues		Profit / (loss) before tax		Total comprehensive income	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
Kenya Airfreight Handling Limited	201	139	9	(32)	6	(32)
Jambojet Limited	2,605	-	(287)	(118)	(287)	(118)
Kencargo Airlines	-	-	17	-	17	-
African Cargo Handling Limited	2,243	1,894	104	49	72	49

### (b) Other investments

	2015 KShs' Million	2014 KShs' Million
<b>African Tours and Hotels Limited:</b>		
(100,398 ordinary shares of KShs 20 each)	2	2
Less: Provision for impairment	(2)	(2)
<b>Carrying amount</b>	<b>-</b>	<b>-</b>

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

# Notes to the financial statements

(CONTINUED)

## 19. INVESTMENTS (CONTINUED)

### (c) Investment in associate

#### GROUP AND COMPANY

	Group		Company	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
Precision Air Services Limited:				
66,157,350 ordinary shares of TShs 20 each	230	230	230	230
(less) Impairment of investment in associate	(230)	(230)	(230)	(230)
<b>As at 31 March</b>	-	-	-	-

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

	2015 KShs' Million	2014 KShs' Million
Total assets	10,353	13,249
Total liabilities	(17,106)	(14,284)
Net liabilities	(6,753)	(1,035)
Total revenue	5,462	7,421
Loss for the year	(5,154)	(638)
<b>Group's share of loss of associate</b>	-	-

Kenya Airways Limited owns 41.23% equity interest in Precision Air Limited. The Investment was fully impaired in 2013 as the Directors do not expect the value of the investment to be recovered.

## 20. DEFERRED EXPENDITURE

#### GROUP AND COMPANY

	2015 KShs' Million	2014 KShs' Million
<b>Cost:</b>		
At start of the year	182	182
Additions	1,238	-
Transfer from property and equipment (Note 16)	1,472	-
<b>At end of year</b>	<b>2,892</b>	<b>182</b>
<b>Amortisation:</b>		
At start of the year	-	-
Charge for the year	208	-
<b>At end of year</b>	<b>208</b>	<b>-</b>
<b>Net book value</b>	<b>2,684</b>	<b>182</b>

Deferred expenditure relates to cost incurred to obtain financing for the purchase of the Boeing 787-8 aircraft. The costs include commitment, arrangement, consultants, underwriters and guarantee fees. These costs are amortised over the loan repayment period (12 years). The opening balance of KShs 182 million relates to the refurbishment of Boeing 767 and the cost has been capitalised in the current year following the delivery of Boeing 777 aircraft in July 2014.

# Notes to the financial statements

(CONTINUED)

## 21. AIRCRAFT DEPOSITS

<b>GROUP AND COMPANY</b>	<b>2015</b> <b>KShs' Million</b>	<b>2014</b> <b>KShs' Million</b>
Deposits for aircraft leases under long-term operating leases	897	782
Deposits paid towards acquisition of aircraft	9,494	26,723
	<b>10,391</b>	<b>27,505</b>

The deposits under long-term operating leases relate to lease of aircraft and engines of Boeing 737's, Embraer E170's and Embraer E190's.

The deposits paid towards acquisition of aircraft represents amounts paid to Boeing Corporation towards acquisition of the Boeing 787-8 aircraft scheduled for delivery in 2015. These deposits do not earn any interest and are carried at amortised cost.

	<b>2015</b> <b>KShs' Million</b>	<b>2014</b> <b>KShs' Million</b>
At 1 April 2014 and 2013	27,505	19,095
Additions	103	12,156
Refunds received	(191)	(2,805)
Loans raised to pay Pre-Delivery Payments (PDPs)	(17,455)	-
Amortisation*	182	(33)
Aircraft deposits capitalised (Note 16)	(1,341)	(859)
Foreign exchange differences	1,588	(49)
<b>At 31 March</b>	<b>10,391</b>	<b>27,505</b>

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

# Notes to the financial statements

(CONTINUED)

## 22. FUEL DERIVATIVES - GROUP AND COMPANY (CONTINUED)

In the normal course of its business, the Group uses fuel derivatives with approved counterparties to protect it against sudden and significant increases in fuel prices. The table below analyses the fuel derivatives into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity.

Maturity analysis of derivatives at fair value through profit or loss:

	1-6 months KShs' Million	7-9 months KShs' Million	10-12 months KShs' Million	1-2 years KShs' Million	Total KShs' Million
<b>31 March 2015</b>					
Options	(5,401)	(983)	(544)	(611)	(7,539)
<b>31 March 2014</b>					
Options	830	149	56	32	1,067

	2015 KShs' Million	2014 KShs' Million
<b>GROUP AND COMPANY</b>		
<b>Derivative (liability) asset</b>		
Within one year	(6,928)	1,035
Between one and two years	(611)	32
	<b>(7,539)</b>	<b>1,067</b>

## 23. INVENTORIES - GROUP AND COMPANY

	2015 KShs' Million	2014 KShs' Million
Aircraft consumables inventories	1,472	2,040
Other inventories	425	421
	<b>1,897</b>	<b>2,461</b>

The cost of inventories recognised as an expense and included in the consolidated 'Direct costs' amounted to KShs 2,137 million (2014: KShs 1,754 million).

# Notes to the financial statements

(CONTINUED)

## 24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
<b>Trade and other receivables</b>	16,976	14,924	23,842	20,054
Less: Provision for impairment	(2,157)	(1,218)	(2,764)	(1,825)
	<b>14,819</b>	<b>13,706</b>	<b>21,078</b>	<b>18,229</b>
<b>Analysed as :</b>				
Trade - airlines	1,662	1,372	1,546	1,272
Trade - agents	6,575	6,304	6,536	6,291
Trade - others	1,370	985	1,359	941
Trade - Government ministries and parastatals	86	95	86	95
Prepayments	2,579	2,296	2,505	2,157
Other receivables	2,288	2,493	2,288	2,486
Due from related parties (Note 39 (b))	259	161	6,758	4,987
	<b>14,819</b>	<b>13,706</b>	<b>21,078</b>	<b>18,229</b>

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
At beginning of year	1,218	1,282	1,825	1,889
Provision in the year	939	254	939	254
Reversals	-	(318)	-	(318)
<b>At end of year</b>	<b>2,157</b>	<b>1,218</b>	<b>2,764</b>	<b>1,825</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group and Company does not hold any collateral as security. The fair value of trade and other receivables approximates their carrying value.

# Notes to the financial statements

(CONTINUED)

## 25. ASSETS HELD FOR SALE

In August 2014, the Directors approved a plan to sell 7 aircraft. Accordingly, the deferred revenue relating to the aircraft has been presented as a disposal group held for sale. The Directors also approved the sale of land and building in March 2015. Efforts to sell the assets have commenced and a sale of all the assets below is expected to be completed within the next 12 months:

	2015 KShs' Million	2014 KShs' Million
<b>(a) Impairment loss relating to disposal group</b>		
Aircraft's carrying amount	24,594	-
Deferred revenue on aircraft	(1,368)	-
	23,226	-
Impairment loss (Note 8(b))	(5,583)	-
<b>Adjusted carrying amount of disposal group</b>	<b>17,643</b>	<b>-</b>

### (b) Assets held for sale

As at 31 March 2015, the assets held for sale were stated at the lower of fair value less costs to sell and the carrying amount

	2015 KShs' Million	2014 KShs' Million
Aircraft net of impairment (Note 25(a))	17,643	-
Land and buildings- Net	2,204	-
	<b>19,847</b>	<b>-</b>

## 26. CASH AND BANK BALANCES

	Group		Company	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
Cash in hand and at bank	3,267	7,136	2,955	7,032
Short term deposits maturing within 90 days	-	4,082	-	4,082
	<b>3,267</b>	<b>11,218</b>	<b>2,955</b>	<b>11,114</b>

The effective interest rates on short-term deposits ranged from 9% - 12% (2014: 8% - 9%) depending on the country where the deposit has been placed.

# Notes to the financial statements

(CONTINUED)

## 27. SHARE CAPITAL

Group and Company	2015 KShs' Million	2014 KShs' Million
<b>(a) Ordinary share capital</b>		-
<b>Authorised:</b>		-
2,000,000,000 ordinary shares of KShs 5 each	10,000	10,000
<b>Issued and fully paid:</b>		-
At 1 April 2013 and 31 March 2014, 31 March 2015:		
1,496,469,035 ordinary shares of KShs 5 each	7,482	7,482
<b>(b) Share premium</b>		
1,034,853,551 ordinary shares issued at a premium of KShs 8.38 per share	8,670	8,670

All ordinary shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## 28. RESERVES

### (a) Cash flow hedging reserve, net of tax

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedging pending subsequent in profit or loss as the hedged cash flows affect profit or loss.

	Group		Company	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
Hedged exchange differences on borrowings	(7,683)	(1,743)	(7,683)	(1,743)
Fuel hedge contracts	(1,762)	747	(1,762)	747
Share of associate reserves	(597)	(597)	-	-
	<b>(10,042)</b>	<b>(1,593)</b>	<b>(9,445)</b>	<b>(996)</b>

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

Realised losses of KShs 1,474 million (2014: 551 million) have been transferred from equity into profit or loss during the year.

# Notes to the financial statements

(CONTINUED)

## 28. RESERVES (CONTINUED)

### (b) Revaluation reserve

	Group		Company	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
Surplus on revaluation of property, plant and equipment	3,851	3,851	3,727	3,727
Surplus on revaluation of leasehold land	1,230	1,230	1,230	1,230
	5,081	5,081	4,957	4,957
Deferred tax on revaluation on reserve	(1,524)	(1,524)	(1,487)	(1,487)
	<b>3,557</b>	<b>3,557</b>	<b>3,470</b>	<b>3,470</b>

The revaluation surplus arose on the revaluation of freehold land and buildings and Leasehold land done in 2013 and is stated net of deferred tax. The surplus is not distributable.

## 29. NON-CONTROLLING INTERESTS

	2015 KShs' Million	2014 KShs' Million
<b>Stamina Group B.V</b>		
At beginning of year	43	54
Share of profit/(loss) for the year	3	(11)
At end of year	46	43
<b>Represented by:</b>		
Holding in Kenya Airfreight Handling Limited	49%	49%

## 30. BORROWINGS

### (a) Analysis of interest bearing loans and borrowings:

GROUP AND COMPANY	Maturities	Average interest rates	2015 KShs' Million	Average interest rates	2014 KShs' Million
Barclays Bank PLC - Aircraft loans	2005-2017	4.84%	6,555	4.84%	9,590
Citibank NA - Aircraft loans	2007-2019	5.36%	4,180	5.36%	4,787
Citi/JP Morgan - Aircraft loans	2014-2026	0.94%	79,089	3.41%	10,000
Afrexim - Aircraft Loans	2012-2025	4.47%	32,503	5.19%	51,008
Co-operative Bank - Engine loan	2012-2016	4.55%	239	4.55%	393
Short term facilities	2014-2015	7.30%	25,218	6.59%	13,234
			<b>147,784</b>		<b>89,012</b>

# Notes to the financial statements

(CONTINUED)

## 30. BORROWINGS (CONTINUED)

Loans and borrowings are presented in the statement of financial position as follows:

<b>GROUP AND COMPANY:</b>	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
<b>Current:</b>		
Payable within one year	<b>43,609</b>	<b>38,892</b>
<b>Non-current:</b>		
After one year	<b>104,175</b>	<b>50,120</b>

The loans were obtained for the purpose of funding aircraft acquisition, aircraft spare engines and for pre-delivery payments for ordered aircraft. For the purpose of holding collateral for the financiers, the aircraft are registered in the name of special purpose vehicles (SPV's) whose equity are held by the security trustees on behalf of the respective financiers. The legal title is to be transferred to Kenya Airways Limited once the loans are fully repaid. The entities are as listed below:

<b>Entity</b>	<b>Bank</b>	<b>Guarantee</b>	<b>Original tenor of the loan</b>
Swara Aircraft Financing Limited	Barclays Bank PLC	Export-Import Bank of the United States of America (Eximbank)	12 years
Ndovu Aircraft Financing Limited			
Nyati Aircraft Financing Limited			
Kifaru Aircraft Financing Limited			
Chui Aircraft Financing Limited	Citibank NA		12 years
Tsavo financing LLC	Citibank N.A and JP Morgan N.A	Export-Import Bank of the United States of America (Eximbank)	12 years
Samburu Limited	African Export and Import Bank in syndication with Standard Chartered Bank	None	12 years
Aberdare Limited			12 years
Amboseli Limited			12 years

Co-operative Bank financed the acquisition of an Embraer spare engine. The loan is repayable over a period of five years starting June 2012. The short-term facilities were draw down from Barclays Bank, Standard Chartered Bank, Kenya Commercial Bank, Commercial Bank of Africa and Ecobank for the financing of pre-delivery payments for ordered aircraft.

### Covenants

The Group has signed a number of facilities with African Export-Import Bank (Afrexim) for the purchase of aircraft and funding of pre-delivery deposits for aircraft. The facilities, for the purchase of 10 Embraer E190 aircraft, Six (6) Boeing 787-8 aircraft and one (1) Boeing 777-300ER aircraft contain some financial covenants, which are monitored against the annual audited financial statements. The Group is in breach of the respective financial covenants but has obtained waivers from the financiers.

# Notes to the financial statements

(CONTINUED)

## 30. BORROWINGS (CONTINUED)

(b) The movement in the borrowings is as follows:

	2015	2014
	KShs' Million	KShs' Million
<b>GROUP AND COMPANY:</b>		
At start of year	89,012	61,965
Additions	84,078	39,274
Repaid in the year	(33,071)	(13,096)
Exchange difference on hedged borrowings	6,666	815
Exchange difference on non-hedged borrowings	1,099	54
	<b>147,784</b>	<b>89,012</b>

The exchange differences have been dealt with as follows:

	2015	2014
	KShs' Million	KShs' Million
Group and Company:		
Total exchange differences on borrowings	(6,666)	(815)
Realised on settlement of loans	1,474	551
<b>Net hedge effect</b>	<b>(5,192)</b>	<b>(264)</b>

The Group has multi-currency credit line facilities with a total value of KShs 39,768 million (2014 - KShs 42,422 million) with various local and international banks for tenures of one year and renewable. At 31 March 2015 the Group had utilised guarantees amounting to KShs 14,549 Million (2014-KShs 14,184 Million) and draw down of KShs 25,219 Million (2014- KShs 13,624 Million). Unutilised facilities total KShs Nil (2014- KShs 14,614 Million). A corporate guarantee of KShs 1,000 million is in place for the Kenya Airways & Co-operative Bank Ab Initio Programmeme.

# Notes to the financial statements

(CONTINUED)

## 31. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2014: 30%). The deferred income tax liability/ (asset) are made up as follows:

### (a) Recognised deferred tax (asset)/ liability

	At 1 April 2014	Derecognised in profit or loss	Charged/ (credited) to profit or loss	Derecognised in other comprehensive income	At 31 March 2015
	KShs' Million	KShs' Million	KShs' Million	KShs' Million	KShs' Million
<b>GROUP: 2015:</b>					
Leave pay provision	(413)	412	(1)	-	(2)
Other provisions	(273)	218	(57)	-	(112)
Tax losses	(4,261)	4,248	2	-	(11)
Unrealised exchange (losses)/gains	(111)	110	4	-	3
Hedge losses	(747)	-	-	747	-
Hedge gains	320	-	-	(320)	-
Accelerated capital allowances	8,989	(9,012)	(6)	-	(29)
Revaluation reserve	1,524	-	-	-	1,524
<b>Net deferred tax liability/(asset)</b>	<b>5,028</b>	<b>(4,024)</b>	<b>(58)</b>	<b>427</b>	<b>1,373</b>

	At 1 April 2013	Charged/ (credited) to profit or loss	Charged/ (credited) to other comprehensive income	At 31 March 2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
<b>GROUP: 2014:</b>				
Leave pay provision	(208)	(205)	-	(413)
Other provisions	(141)	(132)	-	(273)
Tax losses	(3,032)	(1,229)	-	(4,261)
Unrealised exchange losses	(103)	(8)	-	(111)
Hedge losses	(667)	-	(80)	(747)
Hedge gains	68	-	252	320
Accelerated capital allowances	8,931	58	-	8,989
Revaluation reserve	1,524	-	-	1,524
<b>Net deferred tax liability</b>	<b>6,372</b>	<b>(1,516)</b>	<b>172</b>	<b>5,028</b>

Comprising:	2015 KShs' Million	2014 KShs' Million
Deferred tax asset	(114)	(56)
Deferred tax liability	1,487	5,084
<b>Net deferred tax liability</b>	<b>1,373</b>	<b>5,028</b>

# Notes to the financial statements

(CONTINUED)

## 31. DEFERRED INCOME TAX (CONTINUED)

### (a) Recognised deferred tax (asset)/ liability (continued)

	At 1 April 2014	Derecognised in profit or loss	Derecognised in other comprehensive income	At 31 March 2015
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
<b>COMPANY: 2015</b>				
Leave pay provision	(412)	412	-	-
Other provisions	(218)	218	-	-
Tax losses	(4,248)	4,248	-	-
Unrealised exchange (losses)/gains	(110)	110	-	-
Hedge losses	(747)		747	-
Hedge gains	320		(320)	-
Accelerated capital allowances	9,012	(9,012)	-	-
Revaluation reserve	1,487	-	-	1,487
	<b>5,084</b>	<b>(4,024)</b>	<b>427</b>	<b>1,487</b>

	At 1 April 2013	Charged/ (credited) to profit or loss	Charged/ (credited) to other comprehensive income	At 31 March 2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
<b>COMPANY: 2014</b>				
Leave pay provision	(208)	(204)	-	(412)
Other provisions	(104)	(114)	-	(218)
Tax losses	(3,026)	(1,222)	-	(4,248)
Unrealised exchange losses	(102)	(8)	-	(110)
Hedge losses	(667)	-	(80)	(747)
Hedge gains	68	-	252	320
Accelerated capital allowances	8,950	62	-	9,012
Revaluation reserve	1,487	-	-	1,487
	<b>6,398</b>	<b>(1,486)</b>	<b>172</b>	<b>5,084</b>

# Notes to the financial statements

(CONTINUED)

## 31. DEFERRED INCOME TAX (CONTINUED)

### (b) Unrecognised deferred tax asset

The deferred tax asset for the year ended 31 March 2015 for Kenya Airways Limited and for the years ended 31 March 2014 and 2015 for Jambojet Limited has not been recognised in the financial statements since the Directors are of the view that it is not probable that future taxable profits will be available in the foreseeable future against which the temporary differences can be utilised.

The unrecognised deferred tax asset computed at the enacted rate of 30% is made up as follows:

<b>GROUP: 2015:</b>	<b>At 1 April 2014</b>	<b>Derecognised deferred tax</b>	<b>Movement in the year</b>	<b>At 31 March 2015</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
Leave pay provision	-	412	92	504
Other provisions	-	218	397	615
Tax losses	226	4,248	5,474	9,948
Unrealised exchange losses/(gains)	-	110	(340)	(230)
Hedge losses	-	747	3,819	4,566
Hedge gains	-	(320)	320	-
Accelerated capital allowances	(5)	(9,012)	1,674	(7,343)
<b>Net deferred tax (liability)/asset</b>	<b>221</b>	<b>(3,597)</b>	<b>11,436</b>	<b>8,060</b>

<b>GROUP: 2014</b>	<b>At 1 April 2013</b>	<b>Derecognised deferred tax</b>	<b>Movement in the year</b>	<b>At 31 March 2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
Tax losses	186	-	40	226
Accelerated capital allowances	-	-	(5)	(5)
<b>Net deferred tax (liability)/asset</b>	<b>186</b>	<b>-</b>	<b>35</b>	<b>221</b>

<b>COMPANY: 2015:</b>	<b>At 1 April 2014</b>	<b>Derecognised deferred tax</b>	<b>Movement in the year</b>	<b>At 31 March 2015</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
Leave pay provision	-	412	92	504
Other provisions	-	218	373	591
Tax losses	-	4,248	5,414	9,662
Unrealised exchange losses/(gains)	-	110	(340)	(230)
Hedge losses	-	747	3,819	4,566
Hedge gains	-	(320)	320	-
Accelerated capital allowances	-	(9,012)	1,676	(7,336)
<b>Net deferred tax (liability)/asset</b>	<b>-</b>	<b>(3,597)</b>	<b>11,354</b>	<b>7,757</b>

There was no unrecognised deferred tax in 2014.

# Notes to the financial statements

(CONTINUED)

## 31. DEFERRED INCOME TAX (CONTINUED)

### (b) Unrecognised deferred tax assets (continued)

The tax losses expire within five (5) years under the current tax legislation. The ageing of tax losses is as follows:

Year of origin	Group	Company
	KShs' Million	KShs' Million
2010	618	-
2013	10,106	10,087
2014	4,200	4,073
2015	18,272	18,047
	<b>33,196</b>	<b>32,207</b>

Management have applied for the extension of use of the Jambojet Limited tax losses incurred in the period 2009 - 2010.

## 32. DEFERRED INCOME - COMPENSATION FROM MANUFACTURER

	Group and Company	
	2015	2014
	KShs' Million	KShs' Million
<b>At start of year</b>	1,642	2,158
Released to income	(274)	(516)
Transferred to assets held for sale (note 25)	(1,368)	-
<b>At end of year</b>	<b>-</b>	<b>1,642</b>
<b>Deferred income comprises:</b>		
Amounts due within one year	-	174
Amounts due after one year	-	1,468
	<b>-</b>	<b>1,642</b>

The deferred income refers to a compensation from the manufacturer for the delivery of a different aircraft from what was originally ordered. The amount being amortised over the life of the aircraft. The un-amortised deferred income was transferred to profit or loss to offset the impairment on the related aircraft that are available for sale.

## 33. SALES IN ADVANCE OF CARRIAGE

	Group		Company	
	2015	2014	2015	2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
Passengers	11,140	10,619	11,028	10,545
Cargo	130	167	130	167
	<b>11,270</b>	<b>10,786</b>	<b>11,158</b>	<b>10,712</b>

# Notes to the financial statements

(CONTINUED)

## 34. FINANCE LEASE OBLIGATION

<b>GROUP AND COMPANY:</b>	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>
At start of year	852	1,055
Repaid in the year	(861)	(213)
Foreign exchange difference	9	10
<b>At end of year</b>	<b>-</b>	<b>852</b>
<b>Finance lease obligations comprise:</b>		
Amounts due within one year	-	852
Amounts due after one year	-	--
	<b>-</b>	<b>852</b>

During the year 2011, the Group acquired two Boeing 737 through finance lease. These leases were repayable over a period of four years ending in 2014

## 35. TRADE AND OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
Trade payables	12,894	8,560	12,391	8,255
Other payables and accruals	3,503	2,059	3,233	1,997
Leave accruals (Note 37)	1,691	1,375	1,682	1,372
Due to related parties (Note 39 (b))	47	47	9,445	7,422
Unclaimed dividends (Note 15)	109	109	109	109
	<b>18,244</b>	<b>12,150</b>	<b>26,860</b>	<b>19,155</b>

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

## 36. PROVISIONS FOR LIABILITIES AND CHARGES

<b>GROUP:</b>	<b>2015</b>			<b>2014</b>		
	<b>Redundancy provision</b>	<b>Other provisions</b>	<b>Total</b>	<b>Redundancy provision</b>	<b>Other provisions</b>	<b>Total</b>
	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
At start of year	832	70	902	421	46	467
Net movement charged to profit or loss	816	(46)	770	470	24	494
Utilised in the year	-	-	-	(59)	-	(59)
<b>At end of year</b>	<b>1,648</b>	<b>24</b>	<b>1,672</b>	<b>832</b>	<b>70</b>	<b>902</b>

# Notes to the financial statements

(CONTINUED)

## 36. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

### COMPANY:

	2015			2014		
	Redundancy provision	Other provisions	Total	Redundancy provision	Other provisions	Total
	KShs' Million	KShs' Million	KShs' Million	KShs' Million	KShs' Million	KShs' Million
At start of year	658	70	728	300	46	346
Net movement charged to profit or loss	622	(46)	576	417	24	441
Utilised in the year	-	-	-	(59)	-	(59)
<b>At end of year</b>	<b>1,280</b>	<b>24</b>	<b>1,304</b>	<b>658</b>	<b>70</b>	<b>728</b>

### Redundancy provision

The Company implemented a staff restructuring programme in year 2012 aimed at improving operational efficiency. The programme affected 599 employees and as at 31 March 2015, a provision of KShs 1,648 million was held to cover the redundancy payments. The unionisable staff moved to the Industrial Court to block the restructuring and the Court ruled in their favour, ordering the reinstatement of affected employees. The Company appealed against the ruling and on 11 July 2014, the court of appeal ruled that the Company was justified in declaring the redundancy but failed to meet the statutory threshold procedural fairness. The former employees have lodged an appeal on the supreme court and the matter awaits determination.

### Other provisions

Other provisions relate to claims for breach of contracts, including one relating to termination of baggage handling and security services contract in Douala and Yaounde. The Judge verbally pronounced judgment against KQ but did not issue a written judgment. The Airline has appealed against the amounts awarded.

## 37. LEAVE ACCRUAL

	Group		Company	
	2015	2014	2015	2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
At start of year	1,375	694	1,372	694
Leave entitlement for the year	1,335	1,047	1,240	993
Amounts utilised during the year	(1,019)	(366)	(930)	(315)
<b>At end of year</b>	<b>1,691</b>	<b>1,375</b>	<b>1,682</b>	<b>1,372</b>

# Notes to the financial statements

(CONTINUED)

## 38. CASH GENERATED FROM OPERATIONS

	Group	
	2015	2014
<b>(a) Cash generated from operations</b>	<b>KShs' Million</b>	<b>KShs' Million</b>
Loss before income tax	(29,712)	(4,861)
<b>Adjustments for:</b>		
Depreciation (Note 16)	11,539	6,246
Impairment of non-current assets held for sale (Note 25)	5,583	-
Amortisation of intangible assets (Note 17)	540	640
Amortisation of prepaid operating lease rentals (Note 18)	1	1
Aircraft purchase subsidy released to income (Note 32)	( 274)	(516)
Loss on disposal/write off of property, plant and equipment (Note 12)	31	19
Amortisation of deferred expenditure (Note 20)	208	-
Provision of taxes (Note 13(c))	20	-
Amortisation of aircraft deposits (Note 21)	(182)	33
Unrealised exchange differences	994	664
Unrealised loss on fuel derivatives (Note 10(b))	5,776	-
Interest income (Note 9)	(153)	(823)
<b>Working capital changes</b>		
Decrease in inventories	564	71
Increase in trade and other receivables	(1,113)	(3,293)
Increase in sales in advance of carriage	484	1,699
Increase in trade and other payables	6,094	1,793
Increase in provision for liabilities and charges	770	435
<b>Cash generated from operations</b>	<b>5,904</b>	<b>4,532</b>

### (b) Cash and cash equivalents

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

	Group	
	2015	2014
	KShs' Million	KShs' Million
Cash in hand and at bank	3,267	7,136
Short term deposits maturing within 90 days	-	4,082
	<b>3,267</b>	<b>11,218</b>

## 39. RELATED PARTY TRANSACTIONS

### a) Nature of related party transactions

During the year, companies within the Group entered into transactions with related parties who are not members of the Group. Details of those transactions are presented below

#### KLM Royal Dutch Airlines (KLM)

KLM holds 26.73% equity interest in Kenya Airways Limited, and has a joint operations agreement with Kenya Airways Limited which commenced in November 1997. The agreement allows the two airlines to co-operate in developing schedules and fares and to share generated revenue benefits and costs for the core routes between Nairobi and Amsterdam.

#### Precision Air Services Limited

Kenya Airways Limited holds 41.23% (2014: 41.23%) equity interest in Precision Air Services Limited with code share on the route between Nairobi and Dar es Salaam.

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

The following transactions were carried out with related parties during the year:

	Company	
	2015 KShs' Million	2014 KShs' Million
(i) Transactions involving outflows or depletion of assets of assets or incurrence of liabilities		
African Cargo Handling Limited	133	128
Transactions involving inflows or enhancement of assets or decreases of liabilities		
African Cargo Handling Limited	816	608

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

### (b) Related companies balances

	Group		Company	
	2015 KShs' Million	2014 KShs' Million	2015 KShs' Million	2014 KShs' Million
(i) Due from related companies				
Precision Air Services Limited	252	156	252	156
Stamina Group B.V	7	5	-	-
Kenya Airfreight Handling Limited	-	-	122	116
African Cargo Handling Limited	-	-	6,217	4,509
Jambojet Limited	-	-	167	206
	<b>259</b>	<b>161</b>	<b>6,758</b>	<b>4,987</b>

# Notes to the financial statements

(CONTINUED)

## 39. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
(ii) Due to related companies	KShs' Million	KShs' Million	KShs' Million	KShs' Million
KLM	5	5	-	-
Stamina Group B.V	42	42	-	-
Kenya Airfreight Handling Limited	-	-	48	48
African Cargo Handling Limited	-	-	9,397	7,374
	<b>47</b>	<b>47</b>	<b>9,445</b>	<b>7,422</b>

Amounts due from and due to Kenya Airfreight Handling Limited (KAHL) arise from payments of expenses by Kenya Airways on behalf of KAHL, net of costs apportioned by KAHL for services rendered to Kenya Airways Limited. It also includes an amount of KShs 19.6 million loan secured by KAHL from Kenya Airways Limited. The amounts due to African Cargo Handling Limited represent funds transferred to the parent company for investment.

The amounts due from African Cargo Handling Limited (ACHL) relate to cargo freight collected by ACHL on behalf of Kenya Airways (KQ) and the expenses paid by KQ on behalf of ACHL.

The amounts due to ACHL relate to cash transfers from ACHL to KQ and the ACHL IATA billings.

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

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

	Group		Company	
	2015	2014	2015	2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
Salaries and other benefits	313	277	300	268
Non-monetary benefits	7	8	7	7
	<b>320</b>	<b>285</b>	<b>307</b>	<b>275</b>

Directors' remuneration (included in key management compensation above):

	Group		Company	
	2015	2014	2015	2014
	KShs' Million	KShs' Million	KShs' Million	KShs' Million
As executives	95	103	95	103
As non-executives	14	14	14	14
	109	117	109	117
Non - monetary benefits	5	4	5	4
	<b>114</b>	<b>121</b>	<b>114</b>	<b>121</b>

# Notes to the financial statements

(CONTINUED)

## 40. COMMITMENTS

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

	Group	
	2015	2014
	KShs' Million	KShs' Million
Authorised and contracted for	-	118,211
Authorised but not contracted for	2,564	6,559
	<b>2,564</b>	<b>124,770</b>

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

## 41. OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	KShs' Million	KShs' Million
Not later than 1 year	8,762	7,105
Later than 1 year but not later than 5 years	25,500	15,862
Later than 5 years	28,169	10,944
	<b>62,431</b>	<b>33,911</b>

During the year, KShs 9,919 million (2014 - KShs 7,656 million) was recognised as an expense in profit or loss in respect of operating leases.

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

## 42. CONTINGENT LIABILITIES

### a) Contingent liabilities

	Group	
	2015	2014
	KShs' Million	KShs' Million
Guarantees	6,623	27,808
Litigation	428	591
	<b>7,051</b>	<b>28,399</b>

### b) Guarantees

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

### c) Litigation

#### i) Douala crash - KQ507

A leased aircraft, Boeing 737-800 (registration mark 5Y-KYA) operating as flight number KQ507 crashed shortly after take-off from Douala airport in Cameroon on 5 May 2007. All the 105 passengers and 9 crew members on board perished in the accident. The investigation of the accident carried out under the auspices of the Cameroon civil aviation authorities is now complete. Kenya Airways Limited is fully insured for any legal obligations arising out of the accident. The case was finalised and closed.

# Notes to the financial statements

(CONTINUED)

## 42. CONTINGENT LIABILITIES (CONTINUED)

### Claims

The claim in connection with the hull of the aircraft was concluded within three weeks of the accident with a direct payment to the aircraft lessor.

Kenya Airways Limited is fully conversant with its legal obligations with regard to compensation to the families. There remains litigation concerning one passenger.

### Site clear up

After the accident there had been concerns locally that the accident site had not been made sufficiently safe and secure. On 30 December 2008, the Cameroon Prime Minister appointed a local committee to oversee a clean-up and restoration of the site of the accident. Kenya Airways was asked to nominate a representative and did so. To our knowledge, there have been no further developments since this date regarding the site clear up. We suspect that given the site is located in a tidal mangrove swamp, is difficult to access and the nearest habitation is some distance from the site, it will be very difficult for the committee to achieve its aims in any event.

### Criminal action in Cameroon

A criminal investigation into the accident was opened in the Court of First Instance in Ndokoti, Douala, Cameroon in November 2009. This is separate and distinct from the investigation undertaken by the Official Accident Investigation Commission in accordance with Annex 13 Chicago Convention. The purpose of the criminal process is to establish whether there has been any criminal wrongdoing.

A number of hearings took place. Notwithstanding subsequent publication of the official accident report, the Magistrate has indicated that he wishes to continue with his investigations. It is unclear when the next hearing may be and there have been no recent developments.

### ii) Abidjan crash - KQ 431

On 30 January 2000, a Kenya Airways Airbus 310 aircraft registration 5Y-BEN on flight KQ431 from Abidjan (Ivory Coast) to Nairobi crashed into the sea. A total of 169 passengers perished in the crash. KQ negotiated and reached agreement in majority of the claims.

A criminal investigation was initiated to establish if there was evidence of wrong doing on the part of the Company that led to the fatal accident. The investigating Magistrate put KQ under investigation on 29 September 2010. Insurers have agreed to meet the cost of any defence (i.e. the cost of legal representation in the process). The Court of Appeal in Versailles has said there is no competence for the criminal process in France and that releases/waivers of interest signed to settle claims of those in the process were "final". The process requires formal closure by the magistrate which we believe is a formality.

### iii) Other Material Litigation

Nairobi Industrial Court Cause No. 539 of 2011 (Kenya) - action against the Company by a former employee.

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

## 43. SUBSEQUENT EVENTS

The following events occurred subsequent to 31 March 2015 and before the date of approval and signing of these financial statements:

- a) The group's main shareholder (the Government of Kenya) approved and advanced to the group a sum of KShs 4.2 billion.
- b) The group sold one of the aircraft (B767 - KYX) classified as assets held for sale under Note 25 and received KShs 322 million on the sale.
- c) The Airline took delivery of one of the B787 aircraft under sale and lease back arrangements.



# Proxy form

## Notes 1, 4

I / We \_\_\_\_\_ of \_\_\_\_\_

Being a \* Member / Members of the above named Company, hereby appoint:

\_\_\_\_\_ of \_\_\_\_\_

Or failing him \_\_\_\_\_ of \_\_\_\_\_

as \*my / our proxy to vote for \*me / us on \*my / our behalf at the Annual General Meeting of the Company to be held on Friday 9<sup>th</sup> October, 2015 and at any adjournment thereof.

*\*Strike out as appropriate*

Signature(s) \_\_\_\_\_

## Note 2, 3, 4

Signed this

\_\_\_\_\_ day \_\_\_\_\_ 2015

This form is to be used \*in favour of / against the resolution. Unless otherwise instructed, the proxy will vote as he thinks fit.

*\*Strike out as appropriate*

## Notes

1. *The address should be that shown in the register of members.*
2. *In the case of a member being a corporation, this form of proxy must be executed either under its common seal or signed on its behalf by an attorney or officer of the corporation duly authorized.*
3. *A person appointed to act as a proxy need not be a member of the Company.*
4. *In case of joint holders, the signature of any holder will be sufficient but the names of all joint holders should be stated.*

## Shareholders admission letter

Please complete this letter and note that this admission letter must be produced at the Annual General Meeting by you or your proxy in order to record attendance. Kindly note that only the registered shareholders or their proxy notified to the Company at least 24 hours before the meeting will be admitted to the meeting.

Name \_\_\_\_\_

Signature \_\_\_\_\_

Share account number \_\_\_\_\_

Annual General Meeting of Kenya Airways Limited to be held at KQ Pride Centre, off Airport North Road, Embakasi on Friday 9<sup>th</sup> October, 2015 at 11:00am.

# Fomu ya Uwakilishi

## Sehemu ya kwanza, nne

Mimi/Sisi \_\_\_\_\_ wa \_\_\_\_\_

Kama \*mwanachama/wanachama wa shirika lilotajwa hapo juu, \*nateuwa.tunateuwa

\_\_\_\_\_ wa \_\_\_\_\_

Na akikosa yeye \_\_\_\_\_ wa \_\_\_\_\_

Kama mwakilishi \*wangu/wetu kunipigia \*kura/kutupigia kura katika mkutano mkuu wa kila mwaka wa kampuni utakaofanywa mnamo Ijumaa tarehe 9 Oktoba 2015 na wakati wa ahirisho lolote litakalotokea baadaye.

*\*weka inavyostahili*

Sahihi \_\_\_\_\_

## Sehemu ya pili, tatu, nne

Kama shahidi siku hii

\_\_\_\_\_ ya \_\_\_\_\_ 2015

Fomu ni ya kutumia \*kuunga mkono/kupinga maazimio. Kama haikuelezewa vingine, inachukuliwa kuwa mwakilishi atapiga kura kama anavyopendelea.

*\*weka inavyostahili*

## Maelezo

1. Sanduku la posta sharti liwe ni kama ilivyo katika rejista ya wanachama.
2. Kama mwanachama ni shirika, fomu ya uwakilishi sharti iwe na muhuri au sahihi ya wakili au ya afisa wa shirika aliyeruhusiwa.
3. Mwakilishi siyo lazima awe mwanachama wa shirika la Kenya Airways.
4. Ikiwa wanachama ni wengi, sahihi ya mmoja wao inatosha lakini majina ya wanachama hao sharti yaandikwe.

## Barua ya ualishi ya wenyehisa

Tafadhali jaza barua hii na fahamu kuwa ni sharti itolewe, ni wewe au mwakilishi wako, katika mkutanomkutano mkuu wa kila mwaka ili kutengeneza ratiba ya walioyohudhuria. Tunakujulisha kuwa ni waliosajiliwa pekee au wawakilishi waliyojulishwa kwa shirika saa 24 kabla ya kuanza mkutano watakaoruhusiwa kuingia mkutanoni.

Jina \_\_\_\_\_

Sahihi \_\_\_\_\_

Nambari ya hisa \_\_\_\_\_

Mkutano mkuu wa kila mwaka wa Kenya Airways Limited utakaofanyika KQ Pride Centre, Airport North Road, Embakasi, Ijumaa tarehe 9 Oktoba 2015 saa tano asubuhi.



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

