ANNUAL REPORT & FINANCIAL STATEMENTS 2017

CELEBRATING 40 YEARS AS THE PRIDE OF AFRICA

Kenya Airways
The Pride of Africa

40 YEARS OF PRIDE

1977

Kenya Airways is established in January following the breakup of the East African Community and subsequent disbanding of the jointly-owned East African Airways.

1986

The Government makes the first move towards privatization by publishing the Sessional Paper No.1 of 1986 on `Economic Management for Renewed Growth'. The document for the first time, spells out the Government's intention to divest from corporations which could be run better by the private sector.

1991

A policy paper on Public Enterprise Reform and Privatization setting out policy objectives is issued in July. The policy paper gives high priority to the privatization of Kenya Airways.

1992

A new board is appointed at Kenya Airways in April under the chairmanship of Mr. Philip Ndegwa with a mandate to commercialize and prepare the airline for privatization.

CONTENTS

PERFORMANCE HIGHLIGHTS

Highlights of the Year

	Change	2016 - 2017	2015 - 2016
Turnover (KShs Million)	Down 8.5%	106,277	116,158
Operating Profit/(Loss) (KShs Million)	Up 121.9%	897	(4,093)
Loss Before Tax (KShs Million)	Up 60.9%	(10,202)	(26,099)
Net Loss (KShs Million)	Up 61.1%	(10,207)	(26,225)
Capital and Reserves (KShs Million)	Down 25.9%	(44,915)	(35,667)
Loss Per Share (KShs Million)	Up 61.1%	(6.82)	(17.53)

Key Financial Statistics

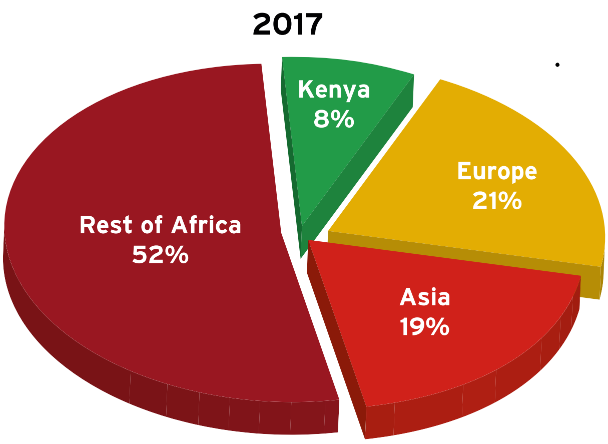
	Change	2016 - 2017	2015 - 2016
Net Debt/Equity Ratio	Up 23.2%	(2.96)	(3.86)
Operating Margins	Up 4.3Pts	0.8	(3.5)
Interest Cover	Up 2.3Pts	(0.4)	(2.7)
EBITDAR Margin (%)	Up 2.9Pts	13.1	10.2

Operating Statistics

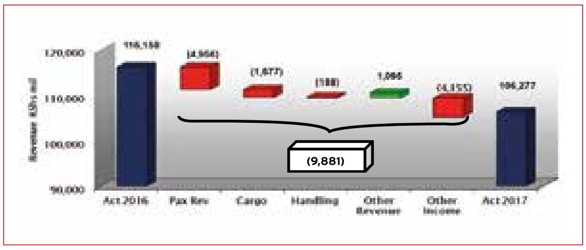
	Change	2016 - 2017	2015 - 2016
Passenger Carried	Up 5.4%	4,460,375	4,230,137
Available Seats KM (million)	Down 3.7%	14,194	14,744
Revenue Passenger KM (million)	Up 1.9%	10,261	10,066
Cabin Factor (%)	Up 4.0%	72.3	68.3
Cargo Uplifted (Tonnes)	Down 14.6%	56,825	66,557

PERFORMANCE HIGHLIGHTS
(CONTINUED)

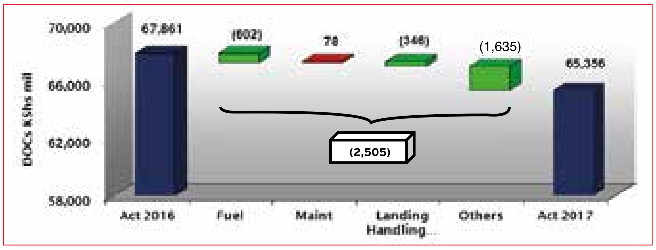
Turnover by Region



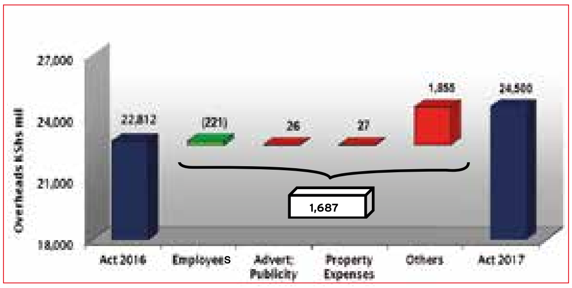
Turnover



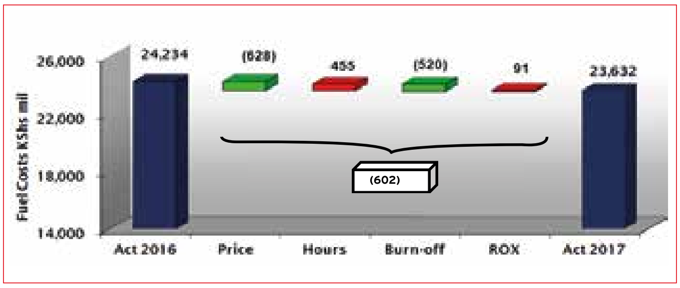
Direct Operating Costs



Overheads



Fuel Costs



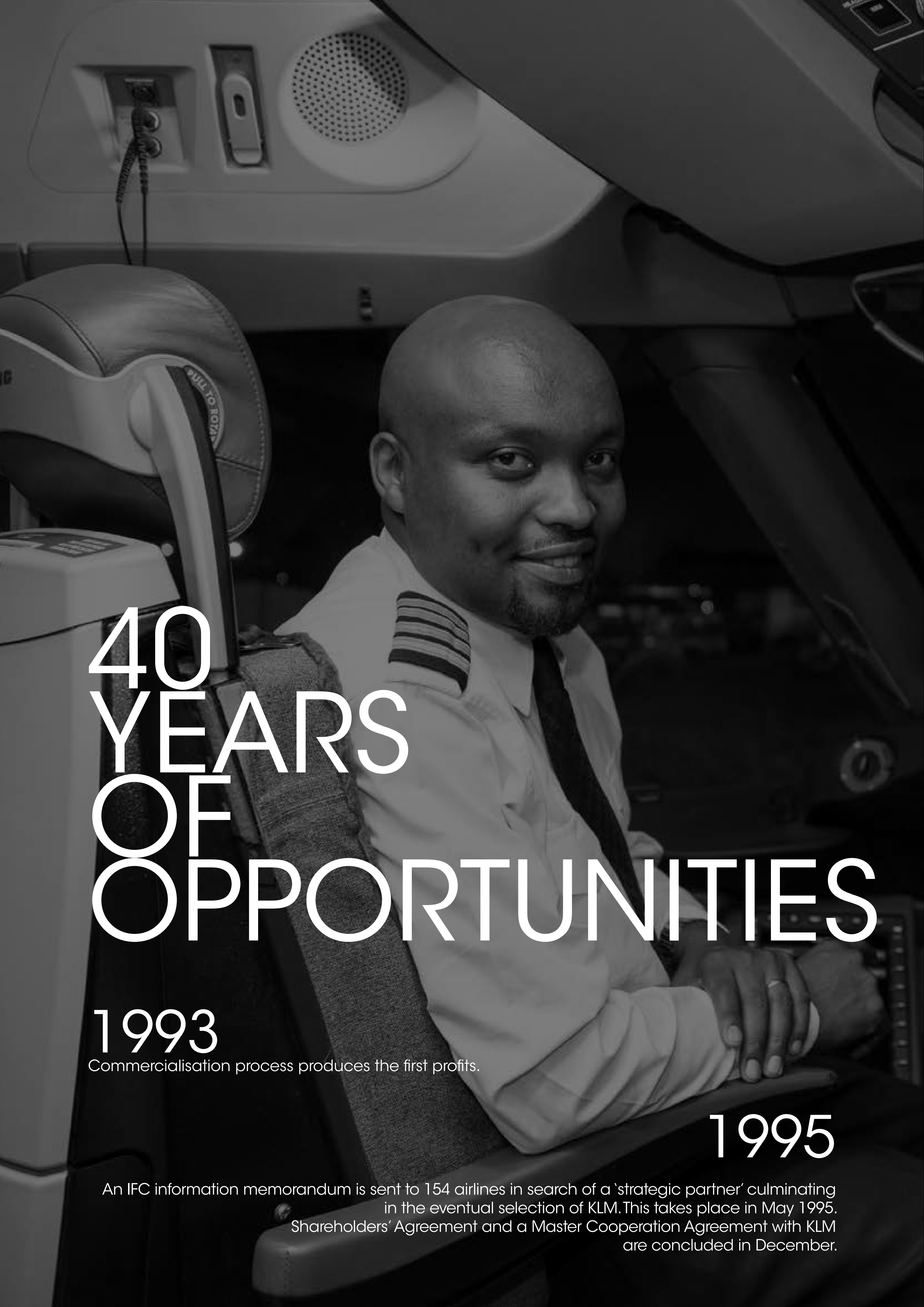
PERFORMANCE HIGHLIGHTS
(CONTINUED)

Three year summary of financial highlights

Financial highlights

	2017		2016		2015	
	KShs. Million	US$ Million	KShs. Million	US$ Million	KShs. Million	US$ Million
Turnover						
Passenger	89,845	890.5	94,801	943.1	90,408	1,015.3
Freight & mail	7,220	71.6	8,897	88.5	9,783	109.9
Handling	2,150	21.2	2,338	23.3	2,080	23.4
Other	7,062	70.0	10,122	100.7	7,890	88.6
Total	**106,277**	**1,053.3**	**116,158**	**1,155.6**	**110,161**	**1,237.1**
Direct expenditure	(65,356)	(647.7)	(67,861)	(675.1)	(76,059)	(854.1)
Fleet ownership costs	(15,524)	(153.9)	(29,578)	(294.3)	(25,932)	(291.2)
Overheads	(24,500)	(242.8)	(22,812)	(226.9)	(24,503)	(275.2)
Operating loss	**897**	**8.9**	**(4,093)**	**(40.7)**	**(16,333)**	**(183.4)**
Operating margin%	**0.8%**		**(3.5%)**		**(14.8%)**	
Net finance costs	(7,330)	(72.7)	(7,039)	(70.0)	(4,581)	(51.4)
Fuel hedge derivatives	312	3.1	(4,155)	(41.3)	(7,452)	(83.7)
Other costs	(4,081)	(40.4)	(10,812)	(107.6)	(1,346)	(15.1)
Loss before tax	**(10,202)**	**(101.1)**	**(26,099)**	**(259.6)**	**(29,712)**	**(333.7)**
Income tax (expense)/credit	**(5)**	**(0.1)**	(126)	(1.3)	3,969	44.6
Loss for the year	**(10,207)**	**(101.2)**	**(26,225)**	**(260.9)**	**(25,743)**	**(289.1)**
Loss after tax margin%	**(9.6%)**		**(22.6%)**		**(23.4%)**	

Operating statistics	**2017**	**2016**	**2015**
Passengers	4,460,375	4,230,137	4,179,046
RPK's (Million)	10,261	10,066	9,793
ASK's (Million)	14,194	14,744	15,406
Passenger load factor (%)	72.3	68.3	63.6
Cargo tonnes	56,825	66,557	73,693
Pax yield/RPK inc fuel surcharge (Usc)	8.68	9.37	9.55
Exchange rate	100.90	100.52	89.05
Employees			
Airline	3,027	3,349	3,463
Group	3,582	3,870	4,002
Aircraft at year end			
In service			
Boeing 787-800	7	9	6
Boeing 777-300	-	3	3
Boeing 767-300	-	-	5
Boeing 737-800	8	8	6
Boeing 737-700	2	2	4
Boeing 737-300	2	2	4
Embraer 190	15	15	15
B737-300 Freighter	2	2	2
Bombardier Dash 8-400	2	2	-
Dormant			
Embraer 170	-	2	3
Boeing 777-200	1	2	4
Total	**39**	**47**	**52**



40 YEARS OF OPPORTUNITIES

1993

Commercialisation process produces the first profits.

1995

An IFC information memorandum is sent to 154 airlines in search of a 'strategic partner' culminating in the eventual selection of KLM. This takes place in May 1995. Shareholders' Agreement and a Master Cooperation Agreement with KLM are concluded in December.

1996

An Initial Public Offer for shares is issued in March.

1997

Delivery of the first of four new Boeing 737-300 aircraft dedicated to domestic and African regional services.

Kenya Airways Msafiri frequent flier programme merges with KLM's Flying Dutchman frequent flier programme.

BOARD OF DIRECTORS


Michael Joseph


Sebastian Mikosz


Dr. Kamau Thugge


Ron Schipper


Prof Mwangi

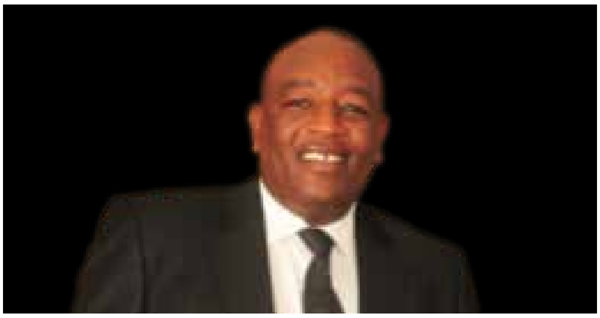
BOARD OF DIRECTORS
(CONTINUED)

Wanjiku Mugane

Jason Kap-kirwok

Joseph Veenstra

Caroline Armstrong



Festus Kingori

BOARD OF DIRECTORS' PROFILES

Michael Joseph
Non-Executive Chairman (71 Years)
Michael Joseph joined the Board of Kenya Airways on 29th September, 2016.

Michael serves as a Non-Executive Director on the Boards of Vodacom Group South Africa, Vodacom Tanzania, Vodacom Mozambique and Safaricom Limited. Michael is currently employed by Vodafone Group Services Limited as the Director of Mobile Money and is responsible for leading the strategic growth and development of the successful M-PESA proposition across the Vodafone footprint.

Michael was one of the first World Bank Fellows, appointed in March 2011 to advise Governments, Regulators and other institutions on Mobile Money and other ICT initiatives. Michael's most recent appointment in April 2017 is Non-Executive Director of MFS Africa, a leading Pan-African fintech company. Previously, Michael was the founding CEO of Safaricom Limited, steering the company from a subscriber base of less than 18,000 in 2000, to over 17 million subscribers at his retirement in November 2010, making it the most successful company in East Africa. This phenomenal growth straddling nearly a decade was notable for the launch of many innovative products and services and he was behind the launch of the highly successful and phenomenal growth of M-PESA and its related services. He has extensive international experience in company start-ups, the implementation and operation of large wireless and wire-line networks.

Sebastian Mikosz
Group Managing Director & CEO (44 Years)
Sebastian Mikosz joined the Board of Kenya Airways on 1st June, 2017. He replaces Mbuvi Ngunze who resigned on 31 May, 2017.

Sebastian is a graduate of the Institute of Political Studies (IEP Paris) in France with a Master's degree in economics and finance. He has over 20 years professional and international experience in executive management, both in the private and public sector. Sebastian has also held various non-executive roles as Supervisory Board member. Prior to joining Kenya Airways in June 2017, Sebastian was the CEO of eSky.pl, the leading Central European Online Travel Agent which is specialised in e-distribution of travel products, currently operating in 15 countries worldwide and owns a proprietary technology, including mobile distribution.

Sebastian is also the former President and Chief Executive Officer of LOT Polish Airlines. LOT as the national carrier of Poland has 88 years of history and is one of the oldest airlines in the world. He held the position of CEO of LOT twice and is credited with conducting an in depth turnaround of the company leading to it first positive results in many years. He was the Chairman of the Supervisory Board of LOT's regional operator EuroLOT, operating Bombardier Q400 aircrafts and he was member of the Supervisory Boards of LOT AMS (the MRO base), WRO-LOT (regional handling company) as well as Eurobank (retail bank, part of SG Group).

Sebastian started his career in 1997 with Arthur Andersen office in Paris, where he specialised in investments in emerging markets. After returning to Poland in 2000, he worked on establishing the first independent online brokerage house in Poland. A year later, he became the Managing Director of the French Chamber of Commerce and Industry in Poland (CCIFP). Between July 2003 – September 2006 he was Vice-President of the Polish Information and Foreign Investment Agency (PAIiIZ). As a governmental agency, PAIiIZ was in charge of attracting foreign investors to Poland and focus on the economic promotion of Poland. Between 2007 to 2009, he held the position of Director in Deloitte Business Consulting Warsaw Office. He was responsible for developing the business consulting for the public sector together with supporting the inflow and development of foreign investors in Poland.

Ron Kornelis Adriaan Schipper
Non-Executive Director (71 Years)
Ron Schipper started his career in aviation in 1969 by joining KLM as a cabin attendant. He flew for three years and was then transferred to cabin crew management where he worked in various management positions until 1979. He left the Netherlands in 1980 for his first posting as Manager Cabin Crew seconded to Nigeria Airways in Lagos. In 1982, he was appointed Sales Manager Kenya based in Nairobi after which he was transferred to the UK in 1984 as District Manager -Northern England based in Manchester.

In 1986, Ron was appointed as General Manager-Ghana and in 1989, he spent a brief period in France as interim General Manager-France based in Paris before returning to the Netherlands to take up the appointment of Executive Secretary of the Passenger Division. In 1991, he was seconded to Antillean Airlines in Curacao as Managing Director. In 1994, Ron was appointed as VP Africa based in Johannesburg and in 2004 the Near East was added to his area of responsibility.

Ron retired from KLM in 2008. During his period as VP-Africa, he has been instrumental in the process to link KLM to Kenya Airways which he considers as one of the milestone in his career. Ron has served as Chairman of the Board of the Chamber of Commerce South Africa and 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 (60 Years)
Dr. Kamau Thugge was the Principal Secretary, National Treasury, 2013. He previously worked as a Senior Economic Advisor in the Ministry of Finance from 2010 to 2013. Before that, he was the Deputy Division Chief, International Monetary Fund from 2008 to 2010 and the Economic Secretary and Head of Economic Affairs Department, Treasury (Kenya) from 2005 to 2008. He also previously held the positions of Head of Fiscal and Monetary Affairs Department, Treasury (Kenya) from 2004 to 2005 and Economist/Senior Economist, IMF from 1985 to 2004. He represents 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.

BOARD OF DIRECTORS' PROFILES (CONTINUED)

Caroline Armstrong Ogwapit
Non-Executive Director (42 Years)

Caroline Armstrong's career has spanned 19 years, two continents and four financial institutions, both multi-national and local. She started her career as a management trainee with ABN AMRO Bank and 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 were able to translate broad concepts into specific actions enabling her to perform her current role as the Director, Strategic Projects at the Housing Finance Group of Companies where she is responsible for the implementation of high impact projects that enable the achievement of business strategy.

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

Joseph Bernadus Veenstra
Non-Executive Director (50 Years)

Jos Veenstra is currently responsible for investments and corporate development at Air France-KLM. He has extensive experience in leading complex airline-related M&A projects and holds several board positions in a wide variety of companies that are closely related to the aviation industry. Among these companies include: Epcor in Amsterdam, SkyNRG in Amsterdam, KLM UK Engineering in Norwich, KLM E&M Malaysia and KLM Health Services. Jos is also responsible for managing KLM's innovation fund that invests in start-up companies with innovative products that support the aviation industry.

Jos holds an MA in Business Economics from the University of Groningen (Netherlands) and is a holder of a postgraduate degree as Chartered Accountant (CPA). Prior to his current position, Jos worked as an auditor for KPMG and was Vice President Finance & Control for KLM's Engineering & Maintenance division.

Wanjiku Mugane
Non-Executive Director (53 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 a co-founder of the First Africa Group, an Africa cross-border Corporate Finance Advisory firm which had a presence in Johannesburg, Nairobi and Lagos which she and her colleagues sold to Standard Chartered Bank in 2009. The firm was then rebranded as 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 blue print 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 & 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.

Jason Kap-kirwok
Non-Executive Director (57 Years)

Jason Kap-kirwok is the Senior Regional Director and Head of the EAC-TradeMark East Africa (TMEA) Partnership Programme based in Arusha, Tanzania. In this position, he is a member of the senior management team of TMEA.

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

Kap-kirwok has also previously worked for the Kenya Airways Group as the Group Director for Corporate Strategy and Industry Affairs, and the Chief of Strategic Planning and Research for the 20 member Common Market for East And Southern Africa, COMESA. He has served in boards of many organisations including in the strategy committee of the Nairobi Securities Exchange and KenCargo Airlines Limited. He has taught air transport management as a visiting lecturer for the City University of London and financial management

BOARD OF DIRECTORS' PROFILES (CONTINUED)

and creative writing at Daystar University as a part-time lecturer. Besides being an author (he has published five books), he is passionate about social justice and comments on economics and politics in his capacity as a newspaper columnist – currently for the Star Newspaper and previously as Sunday Standard columnist. His book, 'I Blame the Sky', won the 2013 Jomo Kenyatta Prize for Literature, Children's English Category. He has also published two poetry collections (Heartbeats of the Mind and Loud Monologues, Silent Dialogues), a novella for young adults (The Heart is a Reluctant Nomad), and a collection of opinion articles (Telling it to the Birds). He has a forthcoming novel – The Speed of Sin – published in early 2016.

Kap-kirwok, with the help of friends, helped build the first modern school library for Chemoge Secondary School in Mt. Elgon sub-county. For this and other contributions in the education sector, he was nominated by Bungoma County and honoured during the 2014 National Heroes Day (Mashujaa Day) in October 2014.

Kap-kirwok is a graduate of the University of Nairobi (BSc), Eastern University (MBA), Wharton Business School (Certificate in Strategy) and University of Cape Town (Certificate in Leadership).

Festus W. King'ori
(Alternate to Dr. Kamau Thugge) (54 Years)

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

Mr. Nicholas Bodo
(Alternate to Prof. Paul Mwangi) (49 Years)

Mr. Bodo holds a Bachelor of Arts degree from Osmania University, India. He is a Certified Public Secretary (K) and holds a Graduate Diploma in Aviation Management from the National University of Singapore & the Singapore Aviation Academy and a Certificate in Air Law from the Egyptian Aviation Academy. He is currently pursuing a Masters of Business Administration from Laikipia University. He started his career in the Ministry of Transport as an Administrator in the position of Assistant Secretary III and rose through the ranks to Senior Assistant Secretary before being elevated to Chief Air Transport Officer. He was also the Acting Director General, Kenya Civil Aviation Authority from December, 2008 to July, 2009 and Acting Managing Director, Kenya Airports Authority from July 2016 to November 2016. He is currently the Deputy Director and Heads the Air Transport Division in the Ministry of Transport, Infrastructure, Housing and Urban Development.

Professor Paul Mwangi Maringa
(PHD), MAAK: Non-Executive Director (58 Years)

Professor Paul Mwangi Maringa is the Principal Secretary for the State Department of Transport in the Ministry of Transport and Infrastructure, Housing and Urban Development 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 Strategic Advisor for Planning and Project Management of Workforce Development Authority (WDA), Kigali, Rwanda. Prior to this he was the Vice-Chancellor of Kigali Institute of Science and Technology (KIST), Kigali, Rwanda.

Professor Maringa is credited with having pioneered the School of Architecture and Building Sciences (SABS) at Jomo Kenyatta University of Agriculture and Technology (JKUAT) and the Faculty of Architecture and Environmental Design (FAED) at KIST in Rwanda.

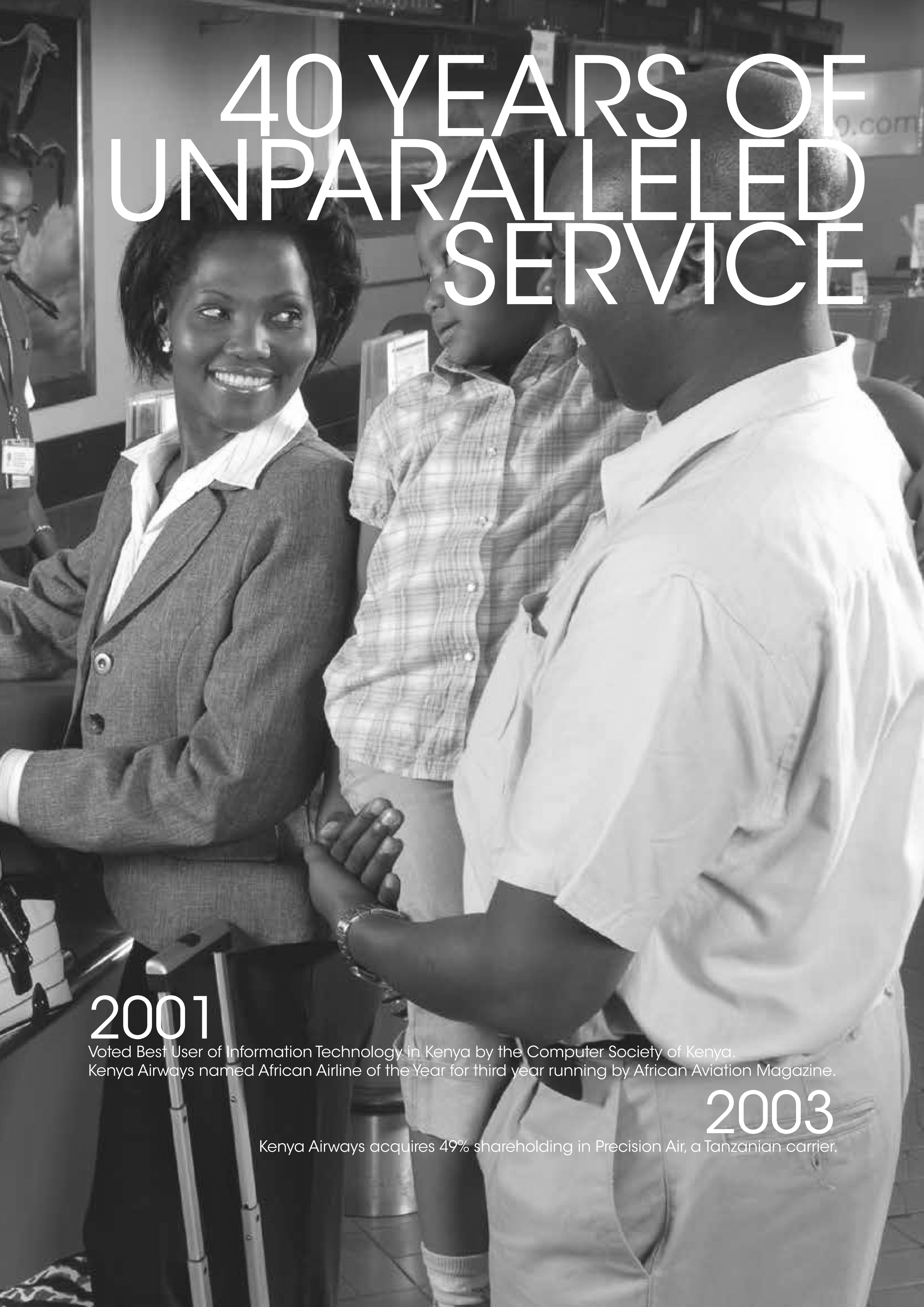
Professor Maringa holds a Bachelor's degree of Architecture from the University of Nairobi, a Masters of Arts in Planning (Urban & Regional Planning) from the University of Nairobi and a Doctor of Philosophy in Environmental Planning (PHD) from JKUAT.

1999

Voted African Airline of the Year by African Aviation Magazine (UK based publication).
Voted Best Regional Airline in Eastern Africa by Travel News (a Kenyan publication).

2000

Named African Airline of the Year for the second year running by African Aviation Magazine.
Voted runner-up in the award for the Most Respected Company in East Africa by business leaders.
Surveyed by PricewaterhouseCoopers and Nation Media Group.



40 YEARS OF UNPARALLELED SERVICE

2001

Voted Best User of Information Technology in Kenya by the Computer Society of Kenya.
Kenya Airways named African Airline of the Year for third year running by African Aviation Magazine.

2003

Kenya Airways acquires 49% shareholding in Precision Air, a Tanzanian carrier.

MANAGEMENT TEAM PROFILES

Sebastian Mikosz
Group Managing Director & CEO (44 Years)

Sebastian Mikosz joined Kenya Airways as the Group Managing Director & CEO on 1st June, 2017. He replaces Mbuvi Ngunze who resigned on 31 May, 2017.

Sebastian is a graduate of the Institute of Political Studies (IEP Paris) in France with a master's degree in economics and finance. He has over twenty years professional and international experience in executive management, both in the private and public sector. Sebastian has also held various non-executive roles as Supervisory Board member. Prior to joining Kenya Airways in June 2017, Sebastian was the CEO of eSky.pl, the leading Central European Online Travel Agent which is specialised in e-distribution of travel products, currently operating in 15 countries worldwide and owns a proprietary technology, including mobile distribution.

Sebastian is also the former President and Chief Executive Officer of LOT Polish Airlines. LOT as the national carrier of Poland has eighty eight years of history and is one of the oldest airlines in the world. He held the position of CEO of LOT twice and is credited with conducting an in depth turnaround of the company leading to its first positive results in many years. He was the Chairman of the Supervisory Board of LOT's regional operator EuroLOT, operating Bombardier Q400 aircrafts and he was member of the Supervisory Boards of LOT AMS (the MRO base), WRO-LOT (regional handling company) as well as Eurobank (retail bank, part of SG Group).

Sebastian started his career in 1997 with Arthur Andersen office in Paris, where he specialised in investments in the emerging markets. After returning to Poland in 2000 he worked on establishing the first independent online brokerage house in Poland. A year later he became the Managing Director of the French Chamber of Commerce and Industry in Poland (CCIFP). Between July 2003 – September 2006 he was Vice-President of the Polish Information and Foreign Investment Agency (PAIiIZ). As a governmental agency PAIiIZ was in charge of attracting foreign investors to Poland and focus on the economic promotion of Poland. Between 2007 to 2009 he held the position of Director in Deloitte Business Consulting Warsaw Office. He was responsible for developing the business consulting for the public sector together with supporting the inflow and development of foreign investors in Poland.

Dick Murianki
Acting Group Finance Director (49 Years)

Dick Murianki has over fifteen years' experience in the airline industry and over twenty years in accountancy and general management. Prior to his current acting appointment, Dick was the General Manager, Kenya Airways Cargo. He has served Kenya Airways in various managerial roles since joining the Company as a Cost Accountant in 2001. He was Finance Manager, Kencargo, a subsidiary of Kenya Airways and later the Business Performance Manager for the Passenger Business Unit. In 2005, Dick was appointed to Head the Internal Audit function and in 2008, Head of Financial Control, a role he held till 2013 when he took over as the General Manager for KQ Cargo.

Prior to joining Kenya Airways, he worked with Ernst and Young Public Accountants for eight years as an Accountant and Business Consultant. Dick is a Certified Public Accountant (CPA-K) and a Certified Internal Auditor (CIA). He holds an MBA from Moi University–Kenya, and a Bachelor of Commerce degree from the University of Nairobi-Kenya.

MANAGEMENT TEAM PROFILES (CONTINUED)

Jan de Vegt
Chief Operating Officer (58 Years)
Jan joined Kenya Airways on 1st August, 2016 as Chief Operation Officer from Cobalt Ground Solutions in the UK where he was the Managing Director. He has been at Senior Managerial level for the last twenty two years.

Jan started his career with KLM in 1978 in accounting, from which he moved to IT.

In 1988, he got his master's degree in Dutch Law, having specialised in Air and Space Law.

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

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

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

In 2012, he moved to the UK to manage Cobalt Ground Solution, a handling company jointly owned by KLM and Air France.

Vincent Coste
Commercial Director (47 years)
Vincent Coste is an international senior airline executive with extensive experience in delivering profitable growth and improving performance in the Aviation Industry. Vincent has worked in various commercial roles across seven countries in North and South America, Europe and the Middle East before joining KQ as Commercial Director in November 2016.

During these professional experiences, Vincent led large teams in both commercial and general management positions in large multinational groups including, Air France-KLM and Qatar Airways and worked closely with a number of partner airlines, including top US and Asian carriers. His main focus is to achieve ambitious revenue and cost targets in highly competitive environments by creating effective and motivated teams dedicated to revenue growth across all channels. He has driven innovation and change in most of his roles by successfully involving all the key players around key goals.

Vincent's core experience consists of building, implementing and following up efficient marketing and sales plans in multi-channel environments i.e. E-commerce and internet enabled distribution, corporate segment, agents and brokers. He has also been involved in the negotiation of complex deals - multi-million corporate contracts (in France, Europe, USA, Latin America and Asia) and strategic incentive contracts with key distributors.

Vincent holds a Bachelor of Arts in Political Science (Political Sciences Institute, Bordeaux, 1992) and an MBA (INSEAD, Fontainebleau, 2003).

MANAGEMENT TEAM PROFILES (CONTINUED)

Kevin Kinyanjui
Information Systems Director (50 Years)

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

As an IT management consultant, he has carried out numerous management consultancy assignments in the finance, hospitality, manufacturing and service industries in both private and public sectors, spread out beyond Kenya and in other African countries including Uganda, Tanzania, Malawi and Ethiopia. As Group IS Manager at Bamburi Cement, in Kenya and Uganda he was instrumental in strategy formulation, shifting the group to an end user computing environment; implementing integrated ERP and manufacturing systems and putting in place a complete IT organisation. Kevin was the first IT Director at Housing Finance where he oversaw similar planning and implementation activities for banking business systems. This included the evaluation and selection of a completely new banking system platform.

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

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

Martyn Haines
Technical Director (55 Years)

Martyn joined Kenya Airways in August 2015. An experienced leader with thirty seven years in various Maintenance and Engineering roles, he joined from Virgin Atlantic where he had served for 25 years, and most recently as General Manager Engineering Services and EASA Part M Post holder. Some of his time included a secondment between 2006 and 2007 in Lagos as Head of Technical Services whilst setting up Virgin Nigeria. Starting his career in aviation as an apprentice engineer in 1978 with British Caledonian and then British Airways, he moved into Technical Services & Planning and Fleet Management roles, where he is experienced in safety management, delivery of cabin product innovations, new fleet introductions and change programmes. Having participated and led industry steering committees in Maintenance Programme Development, he is a Licensed Engineer by trade, and most recently studied at the Cranfield University School of Management in 2010.

MANAGEMENT TEAM PROFILES (CONTINUED)

Thomas Omondi-Achola
Director Strategy & Performance Management (45)
Thomas joined Kenya Airways in 2005 and is currently the Director Strategy and Performance Management, responsible for strategy development, execution and performance management, with over twenty one years' experience at Senior Management level. Prior to that, he was Head of Human Resources Relationship Management, from April 2014 to October 2015 and Head of Operations Control at Kenya Airways, a position he held since January 2008 to March 2014.

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

Thomas attended the University of Nairobi and graduated with a Bsc. degree in 1995 in Mathematics and an MBA degree majoring in Accounting and Finance in the Year 2000. He also holds an MBA in General Management from IESE Business School, Spain where he was on a 'Global leader' Part-Scholarship awarded by the IESE Alumni. Thomas has Part I, II, and III (Information Management, Audit and Assurance Services) Qualifications attained from the Association of Chartered Certified Accountants (ACCA-UK). He also passed the examination for Certified Information Systems Auditors (CISA) in 2001.

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

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

Francis Musila
Ground Services Director (47 Years)
Francis Musila has been in the airline industry for over nine years. He is currently the Director for Ground Services; where he looks after airport operations in all the countries the airline flies to. He is based at the hub, Jomo Kenyatta International Airport in Nairobi, Kenya. Francis is an energetic and self-driven individual with over 20 years work experience in banking and aviation, and has a tremendous capacity for efficiency and goal achievement.

Prior to his current Ground Services role, Francis held the position of Head of Operations Control where he coordinated the network wide operations of the airline, including driving On Time Performance. He also took a Flight Dispatch course to better understand the Flight Operations environment. As Head of Fleet Development, he presided over a fleet renewal and growth programme that doubled the aircraft fleet size to meet the airlines network growth requirements. He also ably led the introduction of the new aircrafts into the airline.

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

MANAGEMENT TEAM PROFILES (CONTINUED)

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

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

Captain Noel Malinda
Director Flight Operations (59 Years)

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

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

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

MANAGEMENT TEAM PROFILES (CONTINUED)

Sammy Chepkwony
Director Human Resources (52 Years)

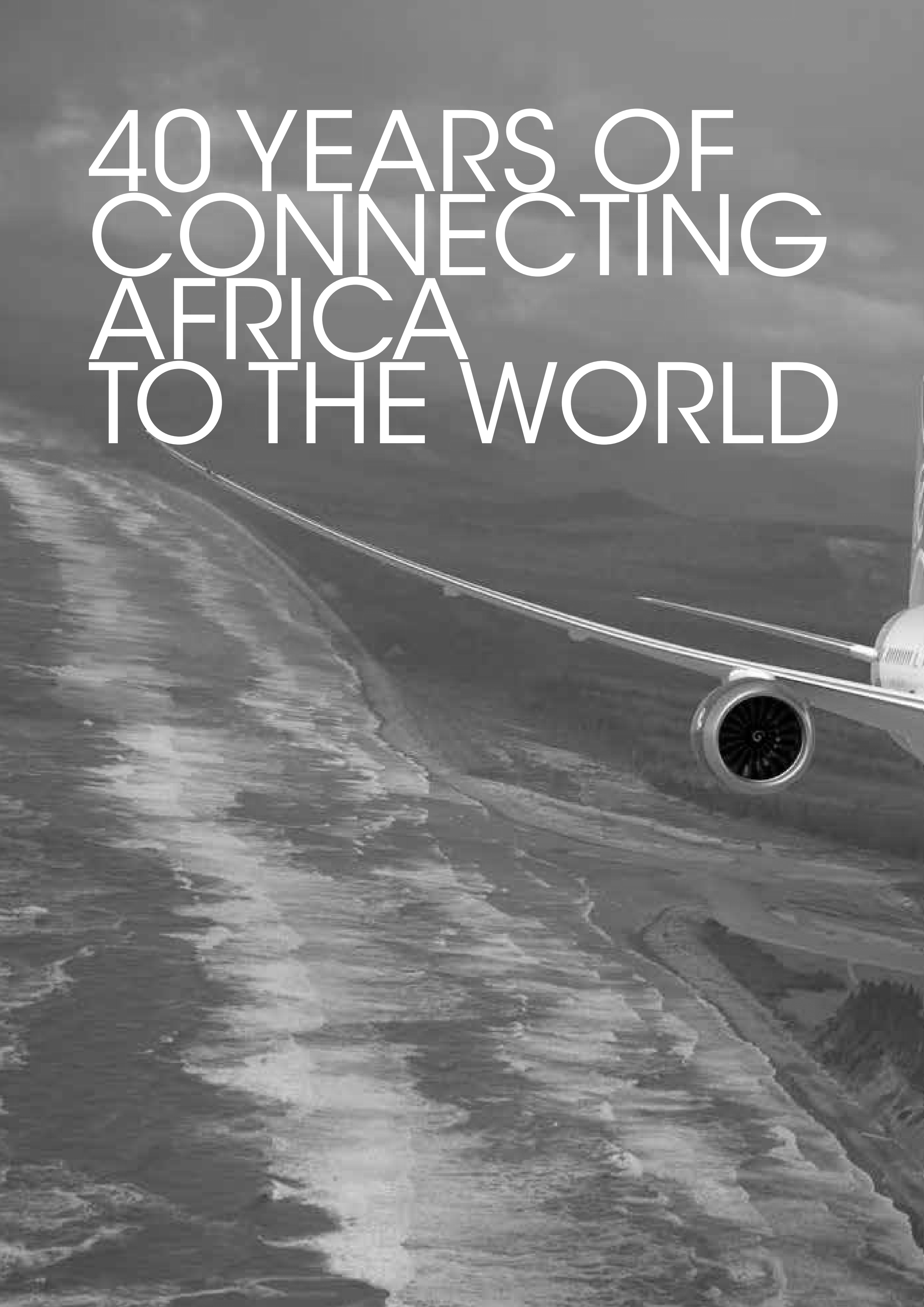
Sammy Chepkwony has more than twenty years' senior management experience gained in various sectors. He started his career as a Human Resources Consultant where he served clients in both public and private sectors across East Africa for PricewaterhouseCoopers. He advised clients in all areas of human resources including, recruitment, training, job evaluation, reward management, business process improvement, policy development and public sector reform.

Sammy holds a Bachelor of Commerce degree and an MBA from the University of Nairobi, is a fellow of the Institute of Human Resources Management of Kenya as well as a member of the Institute of Directors. He has attended numerous courses locally and overseas on leadership, human resources and business management.

In 1999, he joined Nairobi Bottlers Ltd., one of Africa's largest Coca Cola bottling operations. As Human Resources Manager providing the full range of human resource services to the business, he was also involved in business improvement efforts that included the consolidation of Coca Cola SABCO's Kenyan operations.

In 2003, Sammy joined Magadi Soda Company Ltd., Africa's top producer and exporter of soda ash as the Director of Human Resources and was responsible for both the human resources function and the award winning corporate social responsibility programme. Between 2004 and 2006, he led the human resources aspects of the Company's multi-million dollar expansion programme. After being away for 4 years, he re-joined the Company (now rebranded Tata Chemicals Magadi) where he was until June 2017, when he joined Kenya Airways as Director Human Resources.

40 YEARS OF CONNECTING AFRICA TO THE WORLD



2004

Kenya Airways scoops a triple win as Best Domestic Airline 2003, Best Regional Airline 2002 and 2003 and Best In-flight Magazine 2002 and 2003 by Travel News Lifestyle Magazine.
Kenya Airways delivers the first state-of-the-art Boeing 777 as part of the airline's fleet expansion and the 6th Boeing 767 aircraft.

2005

October 2005 – KQ achieves IOSA (IATA Operational Safety Audit) becoming the 1st carrier in Sub-Saharan to get this rigorous safety certification.
Kenya Airways voted East Africa 's Most Respected Company.

2006

Kenya Airways voted East Africa's Most Respected Company for the second year running.
Kenya Airways announces another record profit after tax of KShs. 4,829 million for the year ended March 31st 2006, being 24% above the previous year's result of KShs. 3,882 million.

2006

Kenya Airways awarded a 2-year renewal on its IOSA (IATA Operational Safety Audit) registration.
Kenya Airways joins SkyTeam as an Associate Airline.
Kenya Airways opens a Leadership Center - Pride Center.

CHAIRMAN'S STATEMENT

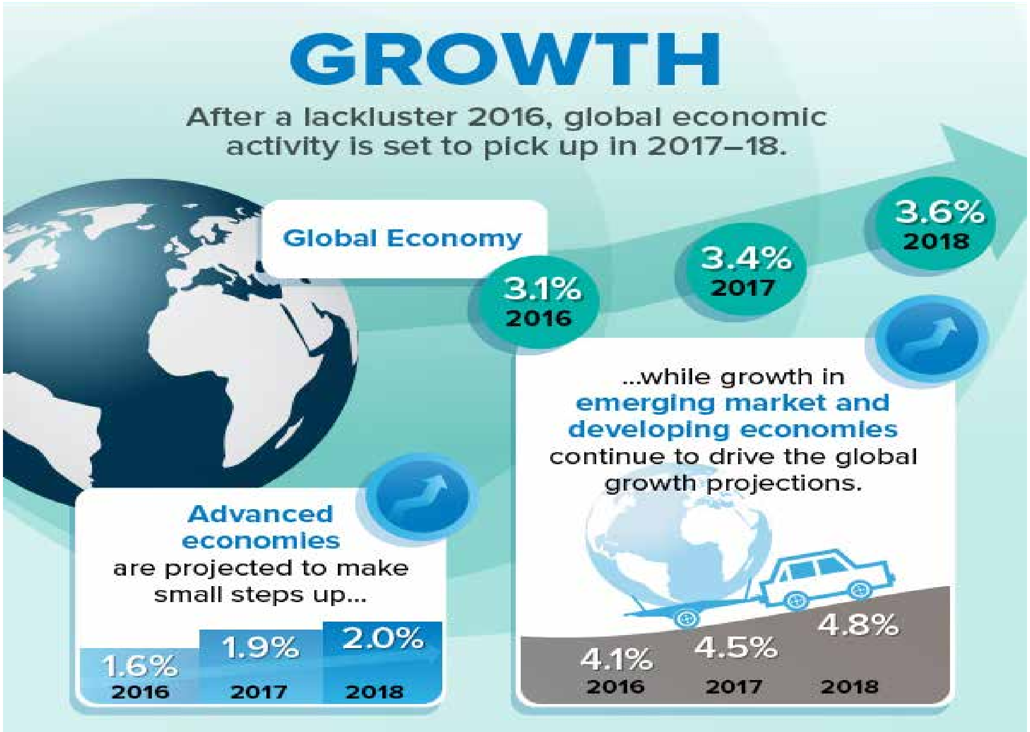
Kenya Airways continued to face strong headwinds during the financial year with intense competition in our home market as well as in key markets, alongside geopolitical and economic uncertainty, which continue to exert pressure on yields.

Despite the significant challenges faced by the Company during this period, the airline is on the right track. The Board and the management remain focused on putting in place measures that in the long term will enable the airline strengthen its balance sheet and resume shareholder returns. The Company's turnaround strategy under Operation Pride, together with the ongoing comprehensive recapitalisation and restructuring plan dubbed "Project Safari" will no doubt better position the airline for long-term sustainable growth across its business. Both initiatives are aimed at reshaping the business to one that continues to deliver high quality service to its guests with a significantly improved cost base and higher levels of efficiency. On behalf of the Board, I call upon all employees, customers, investors and all stakeholders to continue working with us in transforming and turning around the Company's business performance and laying the foundations for future growth. I have no doubt that the "Pride of Africa" is poised to regain its altitude and that indeed Kenya Airways will continue flying the nation's flag with pride.

Industry Overview

Global growth is projected to rise from 3.4% in 2017 to 3.6% in 2018 up from 3.1% in 2016 according to World Bank. The expected growth improvements in 2017 and 2018 are broadly based, although growth remains tepid in many advanced economies and commodity exporters continue to struggle. Activity is projected to pick up markedly in emerging markets and developing economies because conditions in commodity exporting countries experiencing macroeconomic strains are gradually expected to improve, supported by the partial recovery in commodity prices, while growth is projected to remain strong in China and many other commodity importers. In advanced economies, the pick up is primarily driven by higher projected growth in the United States, where activity was held back in 2016 by inventory adjustment and weak investment.

CHAIRMAN'S STATEMENT
(CONTINUED)



Source: World Economic Outlook - Jan 2017

CHAIRMAN'S STATEMENT
(CONTINUED)

Risks remain skewed to the downside however, especially over the medium term, with pervasive uncertainty surrounding policies. Risks to medium-term growth appear more clearly negative, also because policy support in the United States and China will have to be unwound or reversed down the road to avoid unsustainable fiscal dynamics. More generally, downside risks stem from several potential factors:

- An inward shift in policies, including toward protectionism, with lower global growth caused by reduced trade and cross-border investment flows;
- A faster-than-expected pace of interest rate hikes in the United States, which could trigger a more rapid tightening in global financial conditions and a sharp dollar appreciation, with adverse repercussions for vulnerable economies;
- An aggressive rollback of financial regulation, which could spur excessive risk taking and increase the likelihood of future financial crises;
- Financial tightening in emerging market economies, made more likely by mounting vulnerabilities in China's financial system associated with fast credit growth and continued balance sheet weaknesses in other emerging market economies;
- Adverse feedback loops among weak demand, low inflation, weak balance sheets, anemic productivity growth in some advanced economies operating with high levels of excess capacity; and
- Non-economic factors, including geopolitical tensions, domestic political discord, risks from weak governance and corruption, extreme weather events and terrorism and security concerns.

According to the International Air Transport Association ("**IATA**") Airline industry profitability outlook forecast for 2017 is expected to be US$ 29.8 billion which sees an average net profit margin of 4.1%. This expected performance is a deterioration from 2016 where the net profit was forecast at US$ 35.6 billion with a 5.1% net profit margin. The weakening industry performance is being driven by a combination of factors including:

- Expected higher oil prices will have the biggest impact on the outlook for 2017. In 2016, oil prices averaged US$ 44.6/barrel (Brent) and this is forecast to increase to US$ 55.0 in 2017. This will push jet fuel prices from US$ 52.1/barrel (2016) to US$ 64.9/barrel (2017). Fuel is expected to account for 18.7% of the industry's cost structure in 2017, which is significantly below the recent peak of 33.2% in 2012-2013
- The demand stimulus from lower oil prices will taper off in 2017, slowing traffic growth to 5.1% (from 5.9% in 2016). Industry capacity expansion is also expected to slow down to 5.6% (down from 6.2% in 2016). Capacity growth will still outstrip the increase in demand, thus lowering the global passenger load factor to 79.8% from 80.2% in 2016. This will continue to put downward pressure on yields
- The negative impact of a lower load factor is expected to be offset somewhat by the strengthening of global economic growth. World GDP is projected to expand by 2.5% in 2017 up from 2.2% in 2016. Along with structural changes in the industry, this is expected to help stabilise yields for both the cargo and passenger businesses. This is a welcome development as yields (calculated in dollar terms) have fallen each year since 2012
- There is some optimism over the prospects for the cargo business in 2017. The break in falling yields and a moderate uptake in demand at 3.5% will see cargo industry volumes reach a record high of 55.7 million tonnes which is up from 53.9 million tonnes in 2016. Industry revenues are expected to rise slightly to US$ 49.4 billion, which is still well below the US$ 60 billion level of annual revenues experienced in 2010-2014. Trading conditions remain challenging

In 2017, the total passenger numbers are expected to rise to US$ 4.0 billion with revenues expected at US$ 736 billion which is almost 1% of global GDP.

Key indicators of the strength of global connectivity include:

- The average return airfare in 2017 is expected to be US$ 351 which is 63% below 1995 levels
- Average air freight rates in 2017 are expected to be US$ 1.48/kg (2015 dollars) which is a 68% fall on 1995 levels
- The number of unique city pairs served by aviation grew to 18,429 in 2016, a 92% increase from 1995
- The global spend on tourism enabled by air transport is expected to grow by 5.1% in 2017 to US$ 681 billion
- Airlines are expected to take delivery of some 1,700 new aircraft in 2017, around half of which will replace older and less fuel-efficient aircraft. This will expand the global commercial fleet by 3.6% to 28,700
- Airlines are expected to operate 38.4 million flights in 2017, up by 4.9% from 2016
- The value of trade carried by air transport in 2017 is expected to be US$ 5.7 trillion, a 4.9% increase on 2015. Air cargo accounts for around 35% of the total value of goods traded globally
- Supply chain jobs supported by aviation are expected to grow by 3.4% in 2017 to some 69.7 million worldwide

According to the IATA - *Economic Performance of the Airline Industry Report* published in December 2016, airline actual and forecast performance per region was as detailed below:

CHAIRMAN'S STATEMENT (CONTINUED)

REGIONS	Net Profit, $ Billions		Profit/Passenger $	
	2016	2017F	2016	2017F
Global	35.6	29.8	9.4	7.5
North America	20.3	18.1	22.4	19.6
Europe	7.5	5.6	7.8	5.7
Asia Pacific	7.3	6.3	5.5	4.4
Middle East	0.9	0.3	4.4	1.6
Latin America	0.3	0.2	1.1	0.8
Africa	(0.8)	(0.8)	(9.6)	(10.0)

Source: IATA Economic Performance of the Airline Industry (Dec-16)

The strongest financial performance was delivered by airlines in North America. Net post-tax profits are expected to be the highest at US$ 18.1 billion in 2017. This represents a net profit of US$ 19.58 per passenger, which is a marked improvement from just four years earlier. Net margins, forecast at 8.5%, are down from the previous two years, though not by much. The limited downside has been underpinned by consolidation, helping to sustain load factors (passenger + cargo) above 64% and ancillaries, which limits the impact of higher fuel costs, keeping breakeven load factors close to 56% in 2017.

In 2016, the breakeven load factors were highest in Europe, caused by low yields due to the competitive open aviation area and high regulatory costs. Growth in this region was damaged by terrorist attacks, but a modest rebound is anticipated in 2017. Net profits are forecast to fall to US$ 5.6 billion in 2017 representing US$ 5.65 per passenger and a margin of 2.9%.

Airlines in the Asia-Pacific had very diverse performances. Average profit per passenger in 2017 is forecast at US$ 4.44 as higher fuel costs are partly offset by improved cargo markets, particularly important in this manufacturing region, helping to limit the fall in net margins to 2.9% and net profits to US$ 6.3 billion. The expansion of new model airlines and progressive liberalisation in the region is intensifying already strong competition.

Middle Eastern airlines had one of the lower breakeven load factors. Average yields were low but unit costs were even lower, partly driven by the strength of capacity growth; forecast at 10.1% in 2017. Post-tax profits are expected to slip to US$ 0.3 billion in 2017, representing a profit of US$ 1.56 per passenger and a net margin of 0.5%. Threats are however emerging to the success story of the Gulf carriers, including increas in airports.

Latin American airlines during the year 2016 faced a harsh environment, with weak home markets and currencies, but that is starting to turn around and some recovery is expected in 2017. A net profit of US$ 0.2 billion is forecast in 2017, following losses of US$ 1.7 billion in 2015 and profits of US$ 0.3 billion in 2016.

Africa was the weakest region in 2016, as has been in the past three years. Losses have emerged again due to regional conflict and the impact of low commodity prices. Breakeven load factors are relatively low, as yields are a little higher than average and costs are lower. However, few airlines in the region are able to achieve adequate load factors, which is expected to average the lowest globally at 50.8% in 2017. Carriers in Africa are expected to deliver the weakest financial performance with a net loss of US$ 800 million which is broadly unchanged from 2016. For each passenger flown, this amounts to an average loss of US$ 9.97. Capacity in 2017 is expected to grow by 4.7%, ahead of 4.5% demand growth. Notwithstanding the foregoing, performance is improving, but slowly.

Africa

During the period under review, Africa's economic picture was mixed. Insecurity and political instability afflicted the North, while growth slowed in sub-Saharan oil-producing nations like Nigeria and Angola. However, despite the foregoing, solid growth continues in much of the rest of the continent and that means travel demand in most countries is firmly on the rise.

Demand from China, the region's largest investor, weakened slightly; its slowdown has not hit Africa as hard as other parts of the world. The continent's airlines are expanding their networks in response to the intensifying demand.

Flying within Africa remains expensive due to limited services and challenges such as high operating costs and over-regulation. The prospect of low regional fares seems to have faded, as Intercontinental fares on the other hand have stabilised thanks to rising capacity.

In spite of some recent capacity growth, it is anticipated that Africa's route network will remain small and fragmented, with limited schedules and connections. Fares will therefore stay high, especially for business class travel. However, continuing high oil prices means that the fares are unlikely to increase much. In 2017, we expect economy fares to range between -1% to +1% for intercontinental routes, while regional fares will remain the same. Business class fares will increase by just 1% on flights to all regions except Asia, where they are expected to be flat.

The region's weak performance is being driven by regional conflict and the impact of low commodity prices.

Kenya

Kenya's GDP growth is projected to decelerate to 5.5% in 2017, a 0.5% down from the 2016 forecast largely due to a slowdown in investments as the country heads towards the general elections. Other factors contributing to this include:

CHAIRMAN'S STATEMENT (CONTINUED)

- The ongoing drought which has led to crop failure, dying herds of livestock and increased food insecurity. Further, with hydropower being the cheapest source of energy in Kenya, poor rains increase energy costs, their effects spilling over to other sectors. The increase in food and energy prices drove inflation to a five-year high of 10.3% in March 2017
- Kenya faces a marked slowdown in credit growth to the private sector. At 4.3%, this remains well below the ten-year average of 19% and is weighing on private investment and household consumption
- As a net oil importer, the rise in global oil prices compared to the lows of 2016 has a dampening effect on economic activity. However, in the medium term, economic growth is projected to rebound to 5.8% in 2018 and 6.1% in 2019, consistent with Kenya's underlying growth potential
- Reduced lending to the private sector, the result of the enactment of the Banking (Amendment) Act that caps lending rates

Passenger numbers at Jomo Kenyatta International Airport ("**JKIA**") and Moi International Airport ("**MIA**") have improved significantly and this is attributed to the downgrading of travel advisories and Government measures including:

- The launching of a multimillion-dollar promotional campaign in India targeted towards promoting the country as an ideal tourist destination;
- Removal of Value Added Tax ("**VAT"**) charges on National Park fees and capping Kenya Wildlife Service (KWS) Park fees at US$ 60 (down from US$ 90) for the 2016/17 financial year;
- Establishment of the Kenya Convention Bureau ("**KCB**") in 2016, to cater for business tourists. Mandated with promoting meetings, incentive travel, conferences and exhibitions business ("**MICE**"), the KCB will address a tourism niche that has become the fastest growing segment in tourism in recent years;
- The US$ 11.7 million Charter Incentive Scheme that waives landing fees at Mombasa and Malindi airports for all Charter Aircraft. It provides a US$ 30 rebate for all disembarking tourists up to June 2018; and
- Scrapping of visa fees for children under 16 indefinitely from February 2016.

In February 2017, the US Federal Aviation Authority's ("**FAA**") granted JKIA Category 1 status. This allows Kenya to enjoy direct flights to the USA, which has elevated the country's profile as the regional hub. Flights from Nairobi to New York's John F. Kennedy Airport will be launched in 2018, following a formal request by Kenya Airways to the US FAA for authority to fly directly to the USA.

Aero Politics and Market Access

Kenya Airways appreciates the Government of Kenya (**"GoK"**) for its support to enact policies and regulations that support the growth of the aviation industry in the country. During the year under review, the Ministry of Transport in collaboration with the National Treasury and the Public Procurement and Oversight Authority, fast tracked the *Fly Kenya Act Policy* and facilitated the amendment of the Civil Aviation Act, No. 42 of 2016 which was assented to on 13th September, 2016 and came into effect on 4th October, 2016. Other areas of GoK support included the infrastructural and institutional changes that enabled Kenya and JKIA attain the much awaited FAA Category 1 status.

During the period under review, Kenya initialed ten (10) Bilateral Air Service Agreements and MOUs in Nassau-Bahamas during the International Civil Aviation Organization ("**ICAO**") negotiations conference (ICAN) 2016, with several countries that included Greece and several Caribbean countries. In addition, Liberia and Vietnam Air Service Agreements were approved by the Kenyan Parliament paving the way for their ratification which will no doubt translate to increased market access.

On the continental front, the African Union as part of its wider AU Vision 2063 has initiated another effort to operationalise the Yamoussoukro Decision of 1999. A total of 20 African States have made a solemn commitment to fully open the African Skies by 2017. Similar efforts have been championed in the region by the East African Community ("**EAC**") and the Northern Corridor Initiative grouping which Kenya Airways continues to give its support and recommendation. Kenya Airways believes in open skies for Africa based on fair competition and market access without restrictions either directly or indirectly and also supports the need for growth of other African airlines as part of this process. Our commitment to contribute towards the sustainable development of Africa continues with the increase in frequencies to existing destinations and creation of unique flows including linking of both Livingstone and Victoria Falls to Cape Town and Entebbe to Bangui to name a few.

In regards to infrastructure, access to both JKIA Nairobi and MIA Mombasa, continues to improve thereby positively impacting travellers' experiences and the airport staff.

Finally, on matters relating to the environment, the debate over global Market Based Measures ("MBM") to mitigate carbon dioxide gas emissions from international aviation continues to be of interest. The *EUTS* scheme as proposed by the *EU* was deferred by international aviation as they wait for ICAO to come up with a universal scheme. Kenya Airways through the Kenya Civil Aviation Authority ("KCAA") and Kenya's ICAO office in Montreal continues to participate in such discussions to ensure that it's interests are adequately protected under such a scheme and is fully supportive of MBM as proposed by IATA.

CHAIRMAN'S STATEMENT (CONTINUED)

Company Performance

We are pleased to report that in the year ended 31st March, 2017, the Company recorded an operating profit of KShs. 897 million which is a remarkable improvement of KShs. 5 billion over last year. This performance was achieved on the back of improved operations and is a clear indication that the recovery strategy is bearing fruit.

Full year results for the period under review were as detailed below:

Operating Highlights:

- Passenger numbers grew 5.4% to 4.46 million
- Cabin factor up 4% to 72.3%
- An increase of 5.3% in hours flown despite a 3.7% reduction in Available Seat Kilometres (ASKs)
- Yield down 7.4% driven by market capacity pressure, fuel and currency

Financial Highlights:

- Turnover lower by 8.5%, mix impact of higher passenger numbers, capacity reduction on cargo and lower yield
- Direct operating costs lower
- Fleet costs lower by 47.5% with fleet rationalisation
- Overheads up due to one-off impact of restructuring costs
- Gross profit up 35.7%
- Operating profit of KShs. 0.9 billion, a 122% swing from an operating loss of KShs. 4.1 billion
- Loss after tax reduced by 61% to KShs. 10.2 billion, from KShs. 26.1 billion

Clearly, Kenya Airways reaffirmed its progress towards returning to profitability after it recorded a KShs. 0.9 billion operating profit for the year 2016/17 compared to an operating loss of KShs. 4.1 billion in the prior period which translates to a 122% swing.

The improvement in operating performance was underpinned by growth in cabin factor of 4% during the year, with an increase in passenger numbers and lower operating costs in line with the recovery strategy *'Operation Pride'.*

The Group reported a loss after tax of KShs. 10.2 billion compared to a loss of KShs. 26.1 billion reported prior year, an improvement of KShs. 16 billion.

Outlook

Going forward, the Group will continue building on the gains made in the airline's turnaround strategy, Operation Pride. Along with this, in the near term, the focus is on completing the capital restructuring plan whose main objectives are to reduce the Group's financial leverage and increase liquidity to ensure the Company can operate at normalised levels. The aim is to place Kenya Airways on a stronger footing and provide a stable base for long-term growth. The Company will continue its focus on improving service quality.

The Government of Kenya and KLM, in their capacity as major investors in Kenya Airways have indicated their continued strong support for the Company's operational and capital structure optimisation process, are closely involved throughout the transaction process and intend to remain major stakeholders in the Company over the long term. The Board considers that the achievement of the above measures will further safeguard, complete the turnaround and improve the long term prospects of the airline.

A further detailed view on the Company performance and outlook can be found on page 72 under the Report of the Directors.

Shareholding

The number of shareholding on the Register of Members as at 31st March, 2017 was 79,753. Out of these, 40,473 shareholders have immobilised their shareholding in favour of CDSC Nominees Limited and opened accounts on the Central Depository System. The shareholder profiles as at 31st March, 2017 is on page 164.

Dividends

The Directors do not recommend payment of dividends.

Appreciation

On behalf of the Board of Directors, I take this opportunity to express my sincere appreciation to our customers, the Government of Kenya, shareholders, management, staff, suppliers and other stakeholders for their continued support to Kenya Airways.

Directors

The members of the Board who have served during the year are shown under the Directors and Statutory information on page 70.

Michael Joseph
Chairman

TAARIFA YA MWENYEKITI

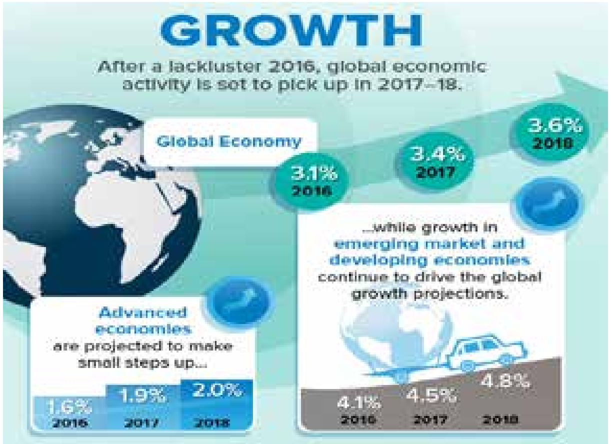
TAARIFA YA MWENYEKITI

Kenya Airways ililendelea kupata shinikizo kubwa la vizuizi katika kipindi cha mwaka wa kifedha tunaoukariria kukiwa na ushindani mkubwa katika soko la humu nchini na pia katika masoko muhimu, pamoja na kuweko kwa hali isiotabirika ya kisiasa na ya kiuchumi, ambayo bado inaendelea kushinikiza kutopatikana kwa faida.

Licha ya changamoto tele zilizokabili shirika hili katika kipindi hicho, kampuni hii ya ndege iko katika mwelekeo sahihi. Halmashauri ya Wakurugenzi na Wasimamizi wanagali na mtazamo imara wa kuweka hatua ambazo katika kipindi cha muda mrefu zitawezesha shirika hili la ndege kuimarisha mizania yake ya hesabu na kurudi tena katika kuleta faida kwa wamiliki hisa wake. Mkakati wa Kampuni wa kubadili hali chini ya mpango wa mtazamo kamili wa mtaji na mpango wa marekebisho - unaoitwa "Project Safari" bila shaka utaweka hali ya shirika hili katika msimamo wa ukuaji wa kudumu kwa muda mrefu kote katika biashara yake. Jitihada zote mbili zinalenga katika kuunda upya biashara iwe ambayo inaendelea kuwasilisha huduma bora kwa wateja wake kukiwa na uboreshaji wa kuthibiti msingi wa gharama na kiwango cha juu cha ufanisi. Kwa niaba ya Bodi, ninawaomba wafanyakazi wote, wateja, wawekezaji na wadau wote kuendelea kufanya kazi na sisi katika kubadilisha na kugeuza utendaji wa biashara ya Kampuni hii na kuweka msingi thabiti wa ukuaji hadi katika siku zijazo. Sina shaka kwamba "Pride of Africa" imejiandaa vya kutosha kuwania tena ukubwa wake na bila shaka Kenya Airways itaendelea kupeperusha bendera ya taifa hili kwa majivuno.

Mtazamo katika Sekta

Ukuaji wa kimataifa unatarajiwa kuongezeka kutoka 3.4% katika 2017 hadi 3.6% ifikapo 2018 ikiwa ni ongezeko kutoka 3.1% katika mwaka wa 2016 kwa mujibu wa Benki Kuu ya Dunia. Maboresho ya ukuaji yanayotarajiwa mwaka 2017 na 2018 yanatokana na mtazamo mpana, licha ya kuwa ukuaji unabaki mkali katika chumi zilizoendelea, na wauzaji bidhaa nje wangali wanaendelea kujitahidi. Shughuli zinatarajiwa kuongezeka zaidi katika masoko ibuka na chumi zinazoanza kustawi kutokana na hali katika bidhaa za kuuza nje katika nchi zilizo na matatizo ya kiuchumi inatarajiwa kuanza kuimarika hatua kwa hatua, zimesaidiwa na ufufuzi, japo wa sehemu, wa bei za bidhaa, huku ukuaji ukikadiriwa kuwa imara nchini China na waingizaji wengine wengi wa bidhaa toka nje. Katika chumi zilizostawi, kuongezeka huko zaidi kutachochewa na ukuaji wa juu unaotarajiwa wa Marekani, ambapo shughuli zilizuiwa nyuma katika mwaka 2016 kutokana na marekebisho ya hesabu na uwekezaji dhaifu.



Source: World Economic Outlook - Jan 2017

Mashaka yangali katika hali ya kwenda chini, hata hivyo, hasa zaidi kwenye muda wa kati, kukiwa na sera zisizokuwa na uhakika zinazotukabili. Mashaka ya ukuaji wa muda wa kati yaonekana wazi kuwa yasio na matumaini, pia kwa sababu usaidizi wa sera nchini Marekani na China utahitaji kufunguliwa au kurudishwa kwenda chini ili kuepuka mienendo isiyostahili ya kifedha. Kwa ujumla, hatari za kufifia zinatokana na mambo kadhaa ya kiuwezo:

- Mageuzo ya ndani ya sera; ikiwa ni pamoja na kuelekea kwa msimamo wa kulinda soko, ukuaji duni kote duniani unaosababishwa na biashara iliyopunguzwa na mtiririko wa uwekezaji kutoka nje ya nchi;
- Kasi zaidi-ya-ilivyotarajiwa ya kuongezeka kwa viwango vya riba nchini Marekani, jambo ambalo linaweza kusababisha kuimarika zaidi kwa hali ya kifedha duniani na kupanda sana kwa thamani ya dola, na matokeo mabaya kwa chumi zilizo katika hali ngumu;
- Utoaji wa vigezo vikali vya kuthibiti usimamizi wa kifedha, ambao unaweza kusababisha hatari kubwa ya kujasiria dhima na hivyo basi kuongeza uwezekano wa migogoro ya kifedha katika siku zijazo;

TAARIFA YA MWENYEKITI
(INAENDELEA)

- Ufinyu wa Fedha katika soko za chumi ibuka, uliosababishwa zaidi na kuongezeka kwa udhaifu katika mfumo wa kifedha wa China unaohusishwa na ongezeko la haraka la utoaji mikopo na udhaifu wa mizania ya hesabu katika baadhi ya masoko ya chumi ibuka;

- Kitanzi cha maoni yaliyotofautiana ni miongoni mwa sababu za kudhoofika kwa mahitaji, mfumko wa bei, mizania dhaifu ya hesabu, na mizigo mbaya ya maoni kati ya mahitaji dhaifu, mfumuko wa bei ya chini, karatasi za usawa dhaifu, naupungufu wa ukuaji katika uzalishaji katika baadhi ya chumi zilizostawi zinazoendesha shughuli zake kwa kiwango ziada cha juu cha uwezo, na

- Sababu zisizo za kiuchumi, ikiwa ni pamoja na siasa za mvutano wa mipaka, ushindani wa ndani wa kisiasa, hatari kutokana na utawala dhaifu na ufisadi, madhara ya hali mbaya ya hewa, na ugaidi na masuala ya utovu wa usalama

Kulingana na Shirika la Kimataifa la Usafiri wa Anga ("IATA") mtazamo wa faida kutokana na uwekezaji kwa sekta katika 2017 unatarajiwa kuwa Dola Bilioni US$ 29.8 ambayo inapelekea wastani wa faida ya asilimia 4.1%. Utendaji huu uliotarajiwa umepungua kutoka 2016 ambapo faida halisi ilitabirwai kuwa Dola Bilioni US$ 35.6 ikiwa ni 5.1% ya faida. Utendaji wa kudhoofika kwa sekta unaletwa na mchanganyiko wa mambo ikiwa ni pamoja na:

- Inatarajiwa bei ya juu ya mafuta itakuwa na athari kubwa kwa mtazamo wa 2017. Katika 2016 bei ya mafuta ilikuwa ya wastani wa dola za Marekani US$ 44.6 kwa pipa (Brent) na hii inatarajiwa kuongezeka hadi dola US$ 55.0 za Marekani katika 2017. Hii itasukuma juu bei ya mafuta ya ndege kutoka Dola za Marekani US$ 52.1 kwa pipa (2016) hadi dola US$ 64.9 kwa pipa (2017). Mafuta yanatarajiwa kuchukua sehemu ya gharama ya sekta kwa asilimia 18.7 katika 2017, ambayo ni chini zaidi ya kilele cha hivi karibuni cha asilimia 33.2 katika mwaka wa 2012-2013.

- Kichocheo cha mahitaji kutoka kwa bei ya chini ya mafuta kitapungua katika 2017, kupunguza kasi ya ukuaji wa idadi ya safari hadi 5.1% (kutoka 5.9% katika 2016). Upanuzi wa uwezo wa sekta pia unatarajiwa kupungua kwa asilimia 5.6 (chini ya asilimia 6.2 mwaka 2016). Ustawi wa uwezo utaendelea kuongezeka hadi kuzidi ongezeko la mahitaji, na hivyo basi kupunguza kiwango cha idadi ya abiria hadi 79.8% kutoka 80.2% katika mwaka wa 2016. Hii itaendelea kuweka shinikizo la faida kwenda chini.

- Athari mbaya inayosababisha kupungua kwa uchukuzi inatarajiwa kugeuzwa kwa kiasi fulani kutokana na kuimarika kwa ukuaji wa uchumi duniani. Pato la Kitaifa la Duniani linatarajiwa kupanuka kwa asilimia 2.5 katika 2017 kutoka 2.2% za mwaka wa 2016. Pamoja na mabadiliko ya miundo katika sekta hii, jambo hili linatarajiwa kusaidia kuimarisha mapato ya biashara zote za uchukuzi mizigo na za abiria. Haya ni maendeleo yanayokaribishwa kwa vile mapato ya faida (yaliyohesabiwa kwa kigezo cha dola) yanazidi kuanguka kila mwaka tangu 2012.

- Kuna matumaini kidogo juu ya matarajio ya biashara ya uchukuzi wa mizigo katika 2017. Kusita kwa mwenendo wa upunguaji wa mapato na kuongezeka kwa wastani kwa mahitaji kwa 3.5% kutapelekea sekta ya mizigo kufikia rekodi ya juu ya tani milioni 55.7 ambayo ni juu kutoka tani milioni 53.9 katika 2016. Mapato katika sekta hii yanatarajiwa kuongezeka kwa dola za Marekani bilioni 49.4, ambayo bado iko chini ya kiwango cha dola bilioni 60 za mapato ya kila mwaka ya 2010-2014. Hali ya biashara ingali ina changamoto tele.

Katika mwaka wa 2017 jumla ya idadi ya abiria inatarajiwa kuongezeka hadi kufikia bilioni 4.0 na mapato yaliyotarajiwa katika dola za Kimarekani 736,000,000 ambayo ni karibu 1% ya Pato la Kitaifa la dunia.

Viashiria muhimu vya uwezo wa muunganisho wa duniani kote ni pamoja na:

- Tikiti ya wastani ya ndege ya kurudi katika 2017 inatarajiwa kuwa Dola US$ 351, ambayo ni 63% chini ya viwango vya 1995

- Wastani wa ada ya uchukuzi mizigo ndegeni katika mwaka wa 2017 unatarajiwa kuwa dola za Marekani 1.48 kwa kilo (US$ dola 2015) ambayo ni kuanguka kwa 68% kutoka viwango vya 1995.

- Idadi ya jozi ya jiji la kipekee iliyotumiwa na usafiri wa anga iliongezeka hadi 18,429 katika 2016, ikiwa ni ongezeko la 92% kutoka 1995.

- Matumizi katika sekta ya utalii kote ulimwenguni yaliyowezeshwa na usafiri wa anga yanatarajiwa kukua kwa 5.1% katika mwaka wa 2017 hadi Dola Bilioni $ 681.

- Mashirika ya Ndege yanatarajiwa kutwaa umiliki wa ndege mpya 1,700 katika 2017, takriban nusu ya hizi zikichukua nafasi za ndege zilizozeeka na zisizotumia mafuta kwa njia bora. Hii itakuza mkusanyiko wa ndege za kibiashara duniani kwa 3.6% hadi kufikia 28,700.

- Mashirika ya ndege yanatarajiwa kushughulikia safari za ndege milioni 38.4 katika mwaka wa 2017, ikiwa imepanda kwa 4.9% kutoka 2016.

- Thamani ya biashara iliyofanywa na usafiri wa anga mwaka wa 2017 inatarajiwa kuwa dola bilioni 5.7, ikiwa ni ongezeko la 4.9% kutoka 2015. Uchukuzi wa Mizigo kwa ndege ulichangia takriban 35% ya jumla ya thamani ya bidhaa zinazouzwa duniani kote.

- Ajira ya kitengo cha ugavi inayotumiwa na usafiri wa ndege inatarajiwa kukua kwa asilimia 3.4 katika 2017 hadi milioni 69.7 duniani kote.

Kwa mujibu wa IATA – *Ripoti ya Utendaji wa Kiuchumi kwa Sekta ya Ndege* iliyochapishwa mnamo Disemba 2016, utendaji halisi wa usafiri ndege na utabiri kwa kila eneo ulikuwa kama inavyoonyeshwa hapa chini:

TAARIFA YA MWENYEKITI
(INAENDELEA)

MAENEO	Faida halisi, Dola Bilioni		Faida/ Abiria, Dola	
	2016	2017	2016	2017
Duniani	35.6	29.8	9.4	7.5
Amerika Kazkazini	20.3	18.1	22.4	19.6
Ulaya	7.5	5.6	7.8	5.7
Muungano wa Nchi za Asia	7.3	6.3	5.5	4.4
Mashariki ya Kati	0.9	0.3	4.4	1.6
Amerika ya Kusini	0.3	0.2	1.1	0.8
Afrika	(0.8)	(0.8)	(9.6)	(10.0)

Source: IATA Economic Performance of the Airline Industry (Dec-16)

Utendaji thabiti zaidi wa kifedha uliwasilishwa na mashirika ya ndege ya Amerika Kaskazini. Faida kamili baada ya kodi inatarajiwa kuwa ya juu zaidi ya Dola bilioni $ 18.1 katika 2017. Hii inawakilisha faida halisi ya Dola za Marekani $ 19.58 kwa kila abiria, ambako ni kuimarika kwa miaka minne tu iliyopita. Viwango kamili vya faida, utabiri wa asilimia 8.5, ni chini ikilinganishwa na miaka 2 iliyopita, ingawa si kwa kiasi kikubwa. Upungufu huu wa kiwango kidogo umesisitizwa na kuimarika, na kusaidia kuendeleza hali ya uchukuzi (abiria + mizigo) juu ya 64%, na vikwazo, vinavyopunguza athari za gharama kubwa za mafuta, na kuweka hali ya uchukuzi karibu na 56% katika mwaka wa 2017.

Katika 2016, vichangia ufikiwaji wa faida vilikuwa wa juu zaidi katika Ulaya, ikisababishwa na faida ya chini kutokana na eneo la ushindani usafiri wa anga, na gharama za juu za udhibiti kanuni. Ukuaji katika eneo hili uliharibiwa na mashambulizi ya kigaidi, lakini kurudi kwa hali ya kawaida kunatarajia katika 2017. Faida kamili zinatarajiwa kuanguka kwa dola bilioni 5.6 katika mwaka wa 2017 zinazowakilisha Dola za Marekani $ 5.65 kwa kila abiria na faida ya asilimia 2.9%.

Mashirika ya ndege za Asia-Pacific (muungano wa nchi za Asia) yalikuwa na mchanganyiko wa utendaji. Faida wastani kwa abiria katika 2017 inatabiriwa kuwa Dola US $ 4.44 za Marekani wakati ambapo gharama kubwa za mafuta zinahafifishwa na utendaji uliyoimarika wa masoko ya uchukuzi wa mizigo, hasa muhimu zaidi kwenye sekta ya viwanda, kusaidia kupunguza kuanguka kwa viwango kamili vya faida hadi 2.9% na faida halisi Dola bilioni US$ 6.3. Upanuzi wa kuleta ndege mpya na maendeleo ya kuweka huru katika kanda hii tayari kukabiliana na ushindani.

Mashirika ya ndege za Mashariki ya Kati yailikuwa na moja ya hali ya chini zaidi ya ufikiaji faida. Faida wastani zilikuwa za chini lakini gharama pia zilikuwa za chini, upande mmoja ikitokana na nguvu za uwezo wa ukuaji; utabiri wa asilimia 10.1 katika 2017. Faida za baada ya kodi zinatarajiwa kudorora hadi Dola bilioni $ 0.3 katika mwaka wa 2017, ikiwakilisha faida ya Dola za Marekani $ 1.56 kwa kila abiria na faida ya kima cha 0.5%. Hata hivyo kuna vitisho vinavyojitokeza kuathiri hadithi ya mafanikio ya Mashirika ya ndege ya Ghuba la Uarabuni, ikiwa ni pamoja na ongezeko la viwanja vya ndege.

Mashirika ya ndege ya Amerika ya Kusini katika mwaka wa 2016 yalikabiliwa na hali mbaya, kukiwa na masoko na sarafu dhaifu nyumbani, lakini hali hiyo inaanza kugeuka na kurudi kawaida na inatarajiwa kupata afueni katika mwaka wa 2017. Faida halisi ya dola bilioni 0.2 za Marekani inatabiriwa katika 2017, baada ya kupata hasara ya Dola bilioni $ 1.7 katika 2015 na faida ya Dola bilioni $ 0.3 katika mwaka wa 2016.

Afrika ndiyo kanda iliyokuwa dhaifu zaidi katika 2016, katika kipindi cha miaka 3 iliyopita. Hasara zimeanza kuibuka tena kutokana na migogoro ya kikanda na athari za bei ya chini za bidhaa. Mambo yanayokinza ufikiwaji wa faida yanapungua, wakati mapato yakiwa kidogo juu kuliko wastani na gharama ziko chini. Hata hivyo, mashirika machache katika eneo hili yanaweza kufikia hali ya usawa ya kupata faida, ambayo inatarajiwa kuwa kwa wastani wa chini kabisa kwa asilimia 50.8 katika 2017. Mashirika ya ndege barani Afrika, yanatarajiwa kuwasilisha utendaji duni zaidi wa kifedha kukiwa na hasara kamili ya dola milioni 800 ambayo ni kwa kiasi kikubwa hazibadiliki tangu 2016. Kwa kila abiria anayesafiri hii ni sawa na hasara ya dola 9.97. Ujazo katika 2017 unatarajiwa kukua kwa asilimia 4.7, mbele ya asilimia 4.5 ya ukuaji unaohitajiwa. Licha ya yanayoendelea hapo juu, utendaji unaendelea kuimarika, japo kwa pole pole.

Afrika

Katika kipindi kinachochunguzwa, uchumi wa Afrika ulikuwa na matokeo mchanganyiko. Utovu wa usalama na mchafuko ya kisiasa yalikumba upande wa Kaskazini, huku ukuaji ukipungua katika mataifa Kusini mwa jangwa la Sahara yanayotoa mafuta kama vile Nigeria na Angola. Hata hivyo, licha ya mambo hayo yanayoendelea, ukuaji thabiti unaendelea katika maeneo mengine ya bara hili, na hiyo inamaanisha kuhitajika kwa usafiri anga katika mengi ya mataifa kunazidi kuimarika.

Mahitaji kutoka Uchina, ambayo ni mwekezaji mkubwa wa eneo hili, yameshuka kidogo, kushuka huko hakujaathiri Afrika kama kulivyoathiri sehemu nyingine duniani. Mashirika ya ndege ya bara hili yanazidi kupanua mitandao yao kwa kukakidhi mahitaji yanayozidi kuimarika.

Usafiri wa ndege ndani ya Afrika ungali ghali kutokana na uchache wa huduma na chanagamoto kama vile gharama za juu za kuendesha shughuli na kanuni nyingi kupita kiasi. Tarajio la kuweko kwa bei za chini katika eneo limefifia, wakati ambapo nauli za kusafiri ndani ya bara zimetuwama kutokana na kuimarika kwa uwezo.

Licha ya ukuaji wa uwezo wa hivi karibuni, inatarajiwa kwamba mtandao wa uasafiri wa Afrika utadumu kuwa mdogo na uliyo gawanyika, ukiwa na ratiba ndogo na miunganisho. Kwa hiyo, nauli zitazidi kuwa juu, hasa kwa usafiri wa daraja la business. Hata hivyo, kuendelea kwenda juu kwa bei ya mafuta kunamaanisha kwamba nauli hizo haziwezi kuongezeka sana. Katika 2017, tunatarajia nauli za daraja la economy kuwa baina ya -1% hadi +1% kwa safari za kimataifa, wakati bei za kikanda zitaendelea kuwa pale zilipo. Nauli za daraja la Business zitaongezeka kwa 1% pekee kwa usafiri wa ndege kwenye maeneo yote isipokuwa Asia, ambapo zinatarajiwa kuwa sawasawa.

TAARIFA YA MWENYEKITI
(INAENDELEA)

Utendaji dhaifu wa eneo hili unatokana na migogoro ya kikanda na athari za bei za chini za bidhaa.

Kenya

Ukuaji wa pato la kitaifa (GDP) la Kenya unatarajiwa kupungua kasi hadi 5.5% katika 2017, ikiwa ni punguo la 0.5% chini kutoka ilivyokuwa katika matarijio ya 2016 hasa zaidi kutokana na kufifia kwa uwekezaji pale taifa hili linapojitayarisha kwa uchaguzi mkuu. Mengine yanayochangia ni pamoja na:

- Hali ya ukame unaoendelea ambao umesababisha uharibifu wa mazao, kufa kwa mifugo wengi, na kuongezeka kwa utovu wa usalama wa chakula. Zaidi ya hayo, huku umeme wa maji ukiwa njia nafuu zaidi ya nishati nchini Kenya, mvua isiponyesha vizuri huongeza gharama za nishati, madhara yake husambaa hadi sekta nyingine zote. Ongezeko la bei za chakula na nishati zilisababisha mfumko wa bei kwa kiwango cha juu zaidi katika kipindi cha miaka mitano cha 10.3% mnamo mwezi Machi 2017.

- Kenya inakabiliwa na kushuka kwa kasi kwa ukuaji wa mikopo katika sekta ya kibinafsi. Katika asilimia 4.3, hii inabakia kuwa ya chini ya wastani wa miaka kumi ya 19% na inaegemea juu ya uwekezaji wa kibinafsi na matumizi ya nyumbani.

- Kama muagiza kamili wa mafuta kutoka nje, kupanda kwa bei za mafuta duniani ikilinganishwa na upungufu wa 2016 kunaathiri vibaya shughuli za kiuchumi. Hata hivyo, katika kipindi cha muda wa kati, ukuaji wa uchumi unatarajiwa kurudi hadi asilimia 5.8 katika 2018 na 6.1% ifikapo 2019, hii ikiwa sawa na uwezo wa ukuaji wa Kenya unaozingatiwa.

- Kupungua ukopeshaji kwa sekta kibinafsi, ikiwa inatokana na utekelezaji wa Sheria ya Mabenki (Marekebisho) ambayo inapunguza viwango vya riba.

Idadi ya abiria wanaoingia kupitia Uwanja wa Kimatifa wa Jomo Kenyatta International Airport ("JKIA") na Uwanja wa Ndege wa Kimataifa wa Moi ("MIA") imeboreshwa kwa kiasi kikubwa na hii inahusishwa na kupunguzwa kwa ushauri wa kutosafiri kuja humu pamoja na hatua za Serikali ambazo ni pamoja na:

- Uzinduzi wa kampeni ya hamasisho la mauzo la mamilioni ya dola nchini India likilenga kukuza sifa ya nchi kama sehemu bora ya kuja kutalii;

- Kuondolewa kwa malipo ya Ushuru wa Thamani ziada ("VAT") kwenye ada ya kuingia katika Hifadhi za Kitaifa za Wanyapori na kupunguza ada za Kenya Wildlife Service (KWS) kubakia katika Dola za Marekani $ 60 (chini kutoka Dola $ 90) katika mwaka wa fedha wa 2016/17;

- Uanzishwaji wa Ofisi ya Mikutano ya Kenya yaani Kenya Convention Bureau ("KCB") katika 2016, ili kushughulikia watalii wafanyibiashara. Ilipewa jukumu la kukuza uandalizi wa mikutano, motisha za kusafiri, kongamano na maonyesho ya kibiashara ("MICE"), hii KCB ni ya kushughulikia utalii bora ambao umekuwa kitengo kinachostawi haraka zaidi katika sekta ya utalii katika miaka ya hivi karibuni;

- Mpango wa Msaada wa kukuza ukodishaji ndege yaani Charter Incentive Scheme wa Dola za Marekani milioni $ 11.7 ambao unaondoa ada za kutua katika viwanja vya ndege vya Mombasa na Malindi kwa Ndege zote za kukodishwa. Unatoa mkato wa bei wa dola 30 kwa watalii wote wanaowasili hadi Juni 2018, na

- Kufutwa kwa ada za Visa kwa watoto wa chini ya miaka 16 kabisa kuanzia Februari 2016.

Mnamo mwezi wa Februari 2017, Mamlaka ya Kitaifa ya Usafiri wa Angani ya Marekani ("FAA") ilitoa nafasi ya kiwango cha 1 kwa JKIA. Hii inaruhusu Kenya kufaidi ndege za kuruka moja kwa moja kwenda Marekani, jambo ambalo limeinua sifa ya nchi hii kama kitovu kanda hii. Safari za ndege kutoka Nairobi hadi kwenye uwanja wa ndege wa New York wa John F. Kennedy zitazinduliwa katika 2018, kufuatia ombi rasmi la Kenya Airways Mamlaka ya Marekani ya FAA kuidhinishwa kupaa moja kwa moja kwenda Marekani.

Sera za Usafiri wa Anga na Ufikiwaji wa Soko

Kenya Airways inaishukuru Serikali ya Kenya ("GoK") kwa msaada wake katika kuanzisha sera na kanuni zinazounga mkono ukuaji wa sekta ya usafiri wa angani hapa nchini. Katika mwaka unaopitiwa, Wizara ya Usafiri kwa ushirikiano na Hazina ya Kitaifa na Mamlaka ya Ununuzi na Usimamizi wa Umma, walifuatilia kwa upesi Sera ya Sheria ya Fly Kenya Act Policy na kuwezesha marekebisho ya Sheria ya Usafiri wa Anga ya Aviation Civil, kifungu namba. 42 ya 2016 ambayo iliidhinishwa tarehe 13 Septemba 2016 na kuanza kutumika tarehe 4 Oktoba 2016. Sehemu nyingine za msaada kutoka kwa GoK zilijumuisha mabadiliko ya miundombinu na taasisi yaliyowezesha Kenya na JKIA kufikia haadhi iliyokuwa ikisubiriwa mno yya FAA ya Kiwango cha 1.

Katika kipindi hicho cha ukaguzi, Kenya ilianzisha mikataba 10 (kumi) ya Makubaliano ya Pande zote mbili ya Huduma za Usafiri wa Anga *MOU) kule Nassau - Bahamas wakati kulipokuwa na kongamano la Shirika Kuu la Usafiri wa Ndege la kimataifa ("ICAO") mkutano wa makubaliano ulifanyika katika 2016, na nchi kadhaa ambazo zilijumuisha Ugiriki na nchi kadhaa za Caribbean. Kwa kuongeza, Makubaliano ya Huduma na Liberia na Vietnam yaliidhinishwa na Bunge la Kenya na kutoa ufumbuzi wa kuthibitishwa ambayo bila shaka kutaleta kuongezeka ufikiwaji wa soko.

Katika upande wa bara hili, Umoja wa Afrika (AU) kama sehemu ya riwaza yake pana ya Umoja wa Mataifa ya 2063 imeanzisha jitihada nyingine kutekeleza Maamuzi ya Yamoussoukro ya mwaka wa1999. Jumla ya Mataifa 20 ya Afrika yamejitolea kabisa kufungua Anga za Afrika katika 2017. Jitihada nyingine kama hizi zimekuwa zikiendelezwa na Jumuiya ya Afrika Mashariki ("EAC") na kundi la nchi za ukanda wa Kaskazini na Kenya Airways inaendelea kutoa msaada na mapendekezo kwa mpango huu. Kenya Airways inaamini katika ufunguaji wa anga ya Afrika kulingana na ushindani wa haki na ufikiaji wa soko bila vikwazo ama moja kwa moja au kinyume na hivi, na pia inasaidia

TAARIFA YA MWENYEKITI
(INAENDELEA)

katika umuhimu wa kukuza Mashirika mengine ya ndege Afrika kama sehemu ya mchakato huu. Dhamira yetu ya kuchangia katika maendeleo endelevu ya Afrika inaendelea kutokana na kuongezeka kwa mzunguko wa maeneo yaliyopo, na kuundwa kwa mtiririko wa kipekee ikiwa ni pamoja na kuunganisha kwa Livingstone na Victoria Falls hadi Cape Town, na Entebbe kwa Bangui tukitaja kwa uchache tu.

Kwa upande wa miundombinu, ufikiwaji wa viwanja vyote viwili vya JKIA Nairobi na MIA Mombasa, unaendelea kustwaishwa na hivyo kuathiri vema uzoefu wa wasafiri na wafanyakazi wa uwanja wa ndege.

Kutamatisha, juu ya masuala yanayohusiana na mazingira, mjadala juu ya Hatua zinazotegemea Masoko ya Kimataifa ("MBM") ili kupunguza uzalishaji wa gesi ya dioksidi kutoka usafiri wa anga ya kimataifa unaendelea kuvutia hisia. Mpango wa EUTS kama ulivyopendekezwa na Umoja wa Jumuiya ya Nchi za Ulaya (EU) uliahirishwa na umoja wa anga wa kimataifa wakati wanaposubiri shirika la ICAO kuja na mpango muafaka wa ulimwengu wote. Kenya Airways kupitia Mamlaka ya Usafiri wa Anga ya Kenya ("KCAA") na ofisi ya ICAO ya Kenya huko Montreal inaendelea kushiriki katika majadiliano kama hayo ili kuhakikisha kuwa maslahi yanahifadhiwa kikamilifu katika mpango huo na inaunga mkono kikamilifu MBM kama ilivyopendekezwa na IATA.

Matokeo ya Utendaji wa Kampuni

Tuna furaha kuwaripotia kuwa katika mwaka unaomalizikia tarehe 31 Machi 2017, Kampuni hii ilirekodi faida kutokana na shughuli zake ya KShs milioni 897 ambako ni kuboreka kwa thamani ya shilingi bilioni 5 kuliko mwaka jana. Utendaji huu ulipatikana kutokana na shughuli bora na ni dalili wazi kwamba mkakati wa kurejesha uzalishaji faida unaanza kuzaa matunda

Matokeo ya mwaka mzima kwa kipindi tunachokiangazia yalikuwa kama inavyoonyeshwa hapa chini:

Mambo muhimu ya utendaji:

- Idadi ya abiria iliongezeka kwa asilimia 5.4 hadi 4.46 million
- Shughuli za ndani ya ndege zikapanda kwa asilimia 4 hadi kufikia asilimia 72.3
- Ongezeko la 5.3% la masaa ya kupaa licha ya upungufu wa 3.7% wa Nafasi za Viti kwa Kilomita (ASKs)
- Mapato kudorora kwa 7.4% kutokana na shinikizo la uwezo wa soko, nishati na sarafu.

Mambo Muhimu ya Kifedha:

- Kiasi cha fedha kupungua kwa asilimia 8.5, athari mchanganyiko, idadi ya juu ya abiria, kupungua kwa uwezo wa uchukuzi wa mizigo na mapato ya chini.
- Kupungua kwa gharama za moja kwa moja za uendeshaji
- Kupungua kwa gharama za msururu wa ndege zetu kwa asilimia 47.5 kwa ajili ya usawazishaji wa ndege hizo
- Gharama za matumizi ya kawaida kupanda kutokana na athari ya mara moja ya gharama za urekebishaji
- Pato la jumla kupanda kwa asilimia 35.7
- Faida kutokana na uendeshaji shughuli ya KShs bilioni 0.9, muondoko wa asilimia 122 kutoka hasara ya uendeshaji shughuli ya KShs bilioni 4.1; na
- Hasara baada ya kodi kupungua kwa asilimia 61 hadi KShs bilioni 10.2, kutoka KShs bilioni 26.1.

Ni wazi, Kenya Airways imethibitisha maendeleo yake ya kurudi kwa hali ya upataji faida baada ya kurekodi faida ya KShs bilioni 0.9 katika mwaka wa 2016/17 ikilinganishwa na hasara ya uendeshaji shughuli ya KShs bilioni 4.1 katika kipindi cha awali ambacho kinaashiria mzunguko wa 122%.

Uboreshaji huu wa matokeo ya uendeshaji shughuli ulitiliwa nguvu na kukua huduma za ndani ya ndege kwa 4% mwakani, na ongezeko la idadi ya abiria na kupungua kwa gharama za uendeshaji shughuli kuambatana na mkakati wetu wa kurejesha upataji faida wa *'Operation Pride'.*

Kundi liliripoti hasara kabla ya kodi ya KShs bilioni 10.2 ikilinganishwa na hasara kwa shilingi bilioni 26.1 iliyoripotiwa katika mwaka uliopita, hii ikiwa ni kuimarika kwa kiasi cha shilingi bilioni 16.

Mtazamo

Katika kuendelea mbele, Kundi litazidi kujistawisha juu ya faida zilizopatikana katika mkakati wa shirika hili la ndege wa kurudi katika upataji faida, Operation Pride. Pamoja na hilo, kwa muda wa karibu, lengo ni kukamilisha mpango wa marekebisho ya mtaji ambao malengo yake makuu ni kupunguza uwezo wa fedha wa Kundi, na kuongeza ukwasi ili kuhakikisha kampuni inaweza kufanya kazi katika viwango vya kawaida. Lengo ni kuweka Kenya Airways kuwa na msimamo wenye nguvu zaidi na kutoa msingi thabiti wa ukuaji wa kipindi cha muda mrefu. Kampuni hii itaendelea kuzingatia uboreshaji wa huduma inazotoa.

Serikali ya Kenya na shirika la KLM, kwa uwezo wao kama wawekezaji wakuu katika Kenya Airways wameonyesha kujitolea kwao kuendelea kutoa msaada wa mchakato wa ufanisi wa utendaji wa Kampuni, na wanahusika sana katika mchakato wa shughuli na wanatarajia kubaki wadau wakuu katika Kampuni kwa muda mrefu. Bodi inatambua kuwa mafanikio ya hatua zilizo hapo juu yatazidi kuhifadhi na kukamilisha mabadiliko pamoja na kuboresha matarajio ya muda mrefu ya shirika hili la ndege.

Maelezo zaidi ya utendaji wa Kampuni na mtazamo yanaweza kupatikana kwenye ukurasa wa 72 chini ya Ripoti ya Wakurugenzi.

TAARIFA YA MWENYEKITI (INAENDELEA)

Umiliki hisa

Idadi ya umiliki hisa kwenye Daftari la Wanachama mnamo tarehe 31 Machi 2017 ilikuwa 79,753. Miongoni mwa hawa, wanahisa 40,473 wameimarisha umiliki hisa zao kwa shirika la CDSC Nominees Limited na kufungua akaunti kwenye Mfumo wa Hifadhi ya Kati wa Central Depository System. Maelezo ya Mmiliki hisa yanafafanuliwa tarehe 31 Machi 2017 na yamo katika ukurasa wa 164.

Mgao

Wakurugenzi hawapendekezi malipo ya mgao.

Shukrani

Kwa niaba ya Bodi ya Wakurugenzi, ninachukua fursa hii adhima kutoa shukrani zangu za dhati kwa wateja wetu, Serikali ya Kenya, wanahisa, usimamizi, wafanyakazi, wasambazaji na wadau wengine kwa kuendelea kuunga mkono Kenya Airways

Wakurugenzi

Wanachama wa Bodi ambao wamehudumu katika mwaka tunaotathmini wanaonyeshwa katika taarifa ya Wakurugenzi kwenye ukurasa 70.

Michael Joseph
Mwenyekiti

CHIEF EXECUTIVE OFFICER'S STATEMENT

During the financial year 2016/17, Kenya Airways continued to grow despite reducing its fleet size and experiencing intense competition in its main markets, leading to pressure on yields, amidst persistent cost pressures.

We are pleased, to note that having clearly articulated and implemented Operation Pride, the foundation for future growth is taking shape. At its core, Operation Pride aims at bringing the Company back to profitability, ensuring an agile and responsive business model, and having the right financing structure both for the short and long term. With the launch of next phase of the airline's recapitalisation and financial restructuring plan dubbed "Project Safari", in tandem with the ongoing Operation Pride initiatives, the airline continues to identify new revenue-generation opportunities and significantly improve its cost base.

The major activity in 2016/17 was starting and delivering the over 400+ initiatives identified under Operation Pride, covering all aspects of the business. This involved over 500 staff engaged in various stages of execution. It is gratifying to see the level of achievement and focus that has been the bedrock of the results delivered in the year which is the turnaround we are seeing.

Given the foregoing actions, we are confident that the business will grow stronger, more efficient, more customer focused as a result and is positioned well for the future. Indeed, KQ's financial performance this past year is a clear reflection of a remarkable turnaround, built on the safety standards, operational excellence and guest satisfaction delivered by our people.

SAFETY, SECURITY AND QUALITY

Kenya Airways has maintained a high standard in Quality, Safety, Security and Environmental issues, with a movement beyond mere compliance with regulatory requirements, to becoming a good example of aviation safety in the continent and worldwide. Kenya Airways completed its long awaited recertification programme by the Kenya Civil Aviation Authority, becoming the first company to be recertified under the new regime. In addition, JamboJet, our wholly owned subsidiary obtained its AOC and was able to commence operations as an airline in its own right.

Flight Safety

During the financial year 2016/17, the flight safety team continued to build on gains made through good communication on safety awareness, safety bulletins and safety awareness classes across the organisation, attendance and participation in regulatory classes and crew forums.

Incident Reporting

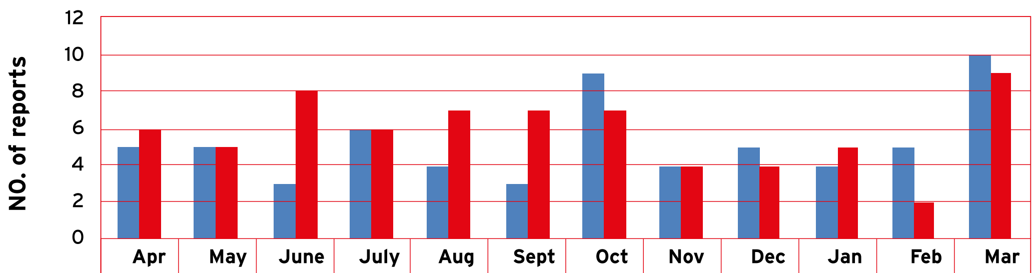
There was notable consistency in the number of Air Safety Reports (ASRs) with a decline in Cabin Safety Reports (CSRs) received over the past three financial years. The decline in CSRs in 2016/17 is attributed to the strategic decision to record near misses in a separate hazard register. Of the 122 near misses recorded, 92 were flight safety related.

The continued good reporting of air and cabin safety occurrences in 2016/17 financial year can be attributed to confidence in the reporting system, through provision of timely and credible feedback to incident reports as part of implementation of the corporate safety management system.

Bird Strikes

A total of 70 bird strikes were reported during the period under review compared to 63 cases in the prior year. Most of the reported bird strikes caused minimal damage to our aircraft, but several resulted in costly maintenance, parts replacement, and operational delays. These include two reported air turn back incidents and two rejected take-offs due to bird strikes.

Graph 2: FY16-17 Bird strike incidents compared to same period FY 15-16



	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2015/16	5	5	3	6	4	3	9	4	5	4	5	10
2016/17	6	5	8	6	7	7	7	4	4	5	2	9

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

Bird strike incidents continue to be an industry hazard to flight operations and Kenya Airways' flight safety office continues to work with airport authorities and other aviation stakeholders in all its destinations to control the hazard by monitoring birds and wildlife activity closely.

Other Safety Incidents

1. There was a general reduction in medium to high level incidents by 18% compared to a target of 10% as a safety goal.

2. There was a notable reduction in Level One incidents as captured in our Flight Data Monitoring program by 22% during the 2016/17 financial year. This is compared to a projected target reduction by 10% as the safety goal for the year.

13 incidents related to disruptive passengers/inappropriate behaviour were reported in 2016/17 financial year compared to 21 incidents reported in the prior year.

Industrial Safety and Environment

Efforts put in place to manage risks included a dedicated analysis of the operational hazards by mitigation teams and an increase in the number of inspections and audits conducted. This is a continuation of the programme of recording all incidents/hazards in a register to ensure proper tracking and analysis. Additionally, for the fourth year running, Kenya Airways won an International Safety Award from the British Safety Council in recognition of its commitment to keeping its workers and workplaces healthy and safe during the 2016 calendar year. The award was on merit.

Corporate Risk Management

During the period under review, there was a 30% reduction in the number of incidents reported. This reduction also extended to the medium to high risk incidents where a 37% reduction was recorded compared to the previous financial year. The focus for the year was to manage the risks by reducing them to as low as reasonably practicable and in the long run reduce the chances of accidents occurring and if they occur, their risks will be low to the business.

The teams in each department met every week to assess hazards or near misses reported. Corrective actions were generated from the analysis which was followed up to closure. The closure of the actions is enabled through the robust departmental and corporate Safety Action Groups (SAGs). The SAGs have also been extended to eleven out-stations which were selected on risk basis considering the frequency of flights to the stations and the number or severity of incidents recorded in the station. This will gradually be rolled out to other stations.

COMMERCIAL HIGHLIGHTS

During the financial year 2016/17, the Kenya Airways carried a total of 4.46 million passengers compared to 4.23 million in the previous year. This was a 5.4% growth versus the previous year and against the backdrop of a 3.9% capacity decline. The growth in traffic compares favourably with global industry-wide growth in revenue passenger Kilometers of 6.3% during 2016. On the other hand, JamboJet carried a total of 596,970 passengers, an increase of 4.4% compared to the prior year and achieved passenger revenues of KShs. 3.8 billion.

Kenya Airways passenger revenues including fuel surcharge stood at KShs. 81.7 billion compared to KShs. 85.9 billion in the previous year, representing a 4.8% decline. This performance was driven by continuing decline in global yields linked to growing competition and exchange rates. As stated previously, global yields declined 9% year on year according to IATA, while our decline was 7%.

However, the increasing status of Nairobi as a major hub for businesses in Africa has boosted traffic demand into Kenya. This situation was supported by recovery in the tourism sector following prior long periods of insecurity and more international meetings being hosted in Kenya in 2016 (UNCTAD in July 2016 and TICAD in August 2016). We expect this trend to continue in the next financial year.

Network and Alliances

The re-opening of the Jomo Kenyatta International Airport **("JKIA")** runway between 12:00 midnight and 06:00 am during the period under review allowed the Company to extend its operations and enable flights to be operated past midnight and the commencement of some arrivals from 4:00 am. This has reinforced the five bank structure at the Nairobi hub, and further increased the airline's connections by 8%. On the operations side, during the period, crew pairing possibilities improved, thereby allowing better utilisation of crew. Two 787-800 Dreamliners were removed from the network as part of the fleet sub-lease strategy, resulting in a reduction of the total wide body aircrafts from nine to seven. During the period, the operations to London Heathrow (LHR) moved from a "night-night" operation to a "day-night" operation and Mumbai (BOM) frequencies increased from 1 to 2 dailies on an B737-800 aircraft.

In order to maximise our network efficiency, operations to Gaborone (GBE) in Botswana and Abuja (ABV) in Nigeria were suspended in November 2016. Kenya Airways further resumed operations to Capetown (suspended in 2005) via Livingstone in July 2016 with 5th freedom rights between the two cities, as part of its "Winning in Africa" strategy.

KQ airline alliances grew during the financial year 2016/17, having signed up with Royal Air Maroc (AT) – between Nairobi and Casablanca, Jambojet (JX) on domestic Kenya routes (Ukunda, Malindi, Lamu) and Air Cote D'Ivoire (HF) with the implementation of a Special Prorate Agreement (SPA).

The implementation of the SPA greatly improved KQ access

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

to West Africa routes which were previously not being served (Conakry, Ouagadougou, Lome and Niamey). KQ during the period under review entered into codeshares with China Southern (CZ) after the start of its Nairobi operations and Jet Airways (9W) with domestic codeshares into India (Hyderabad, Delhi and Ahmadabad). Vietnam Airlines and KQ added additional codeshare flights to Nairobi and Kuala Lumpar whilst KQ/Hong Kong Airlines (HX) codeshare flights between Bangkok and Hong Kong increased KQ access from three times a week to dailies via Bangkok.

Revenue Management

As a follow-up to the Revenue Management optimisation process started last financial year following the commercial diagnostics, the focus was on identifying opportunities which could be leveraged upon to improve the revenue generating potential of the airline as part of Operation Pride.

The Pricing team re-evaluated the pricing strategies applicable to KQ's top 100 traffic flows identified as "Origins & Destinations" (O&Ds). These O&Ds account for a significant part of the Company's total passenger revenues. The aim of the evaluation was to achieve a better approach to each traffic flow in line with the competitive positioning of KQ, thereby allowing more competitive prices on O&Ds facing high competition.

On the Inventory side, the Route Focus Initiative and/or strategy under Operation Pride has contributed to a more efficient inventory steering strategy in the economy cabin. As a result, KQ has been able to distinguish high demand and low demand flights, thereby allowing a better allocation of promotional seats across the network.

The foregoing Route Focus Strategy during the period enabled better utilisation of the inventory. This granular management of flights based on season, day of week and time of day allowed the team to capture every opportunity in the market place. This strategy is expected to improve the performance of the Company's RASK (Revenue per Available Seat Kilometer) in the long term.

Infare

The infare tool was implemented on 5th December, 2016. The main objective of this tool is to assist the commercial teams in Sales and Revenue Management Demand and Pricing Analysts get visibility of competitor fares and inventory availability and adjust their strategies accordingly. Field Pricers, Demand Flight Analysts and Pricing Managers are the main users of this tool which allows better competitiveness for KQ.

Revenue Integrity

A new section was set up in Revenue Management to focus on revenue integrity which is a top priority for KQ. Its main objective is to implement processes and policies that fully protect KQ commercial revenues from internal and external violations. Major achievements so far has been implementation of new ADM policy which has increased the number (categories) of violations from 17 to 34 and the setting up of a process to ensure 100% detection, billing and collection of all identified violations. KQ is now aligned with the major international airlines in terms of revenue integrity.

Plus grade

The plus grade ("Plus Grade") is a product where guests who are already ticketed in economy are invited to make bids which if successful would allow them to travel in business class. Guests are only notified of the success or otherwise of their bid 48 hours before departure. The success of a bid depends on the amount of the bid as well as seat availability in business class.

The Plus Grade product was launched in February 2016. During 2016/17 Financial Year, the target revenue for Plus Grade was US$ 1.18 million but airline achieved revenue of US$ 1.64 million which translates to 39% higher than targeted.

E-Commerce

E-Commerce is KQ's direct online sales channel. Over the last few years, E-Commerce has experienced significant revenue growth.

These are exciting times as commerce continue to take a different shape, more towards E-Commerce and Mobile Commerce. The new commercial strategic plan will give us important guidance on the different initiatives that need to be undertaken for KQ to venture more in this spectrum and take the opportunities E-Commerce has to offer.

A number of strategic moves were undertaken during the period under review to position E-Commerce competitively and this has resulted in, among other things, additional revenue being realised and included the following initiatives:

- Release of a new website
- Release of a new Mobile site user interface design
- Optimised Credit Cards Payment (Visa, MasterCard, Amex and UATP)
- Alternative Payment methods (Paypal, AliPay)
- Partnership with Google

Our customers can now book and manage their travel anywhere and at anytime using the Kenya Airways Mobile App. The mobile application is designed with the customers' needs in mind and it has different options available to our customers, with the capability of simplifying their travel arrangements and management. It also includes new service offerings.

Sales Force Effectiveness

In line with our sales teams' efforts to be part of a world class sales organisation, Kenya Airways has invested in specific tools to increase the effectiveness of its sales force, to facilitate the following:

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

- Enhanced customer relationships
- Improved sales team efficiencies in relation to time management, administration & communication
- Improved sales team effectiveness through good use of available information & seamless sales processes
- Increased revenue through increased and focused sales

Our flagship tool for Sales is ***Oracle Sales Cloud (Fusion).*** The strong focus on our sales force effectiveness has allowed KQ to almost triple the number of sales calls carried out by our teams across the network and has also drastically increased the quality of our interaction with trade and corporate partners.

Meetings, Incentives, Conferences & Events (MICE)

The MICE segment is arguably the fastest growing global segment of the Kenyan tourism market, growing at the rate of 8% - 10% per annum. Conference tourism is emerging as Kenya's new growth frontier, earning the country second position after South Africa last year, as regards to the number of conferences held in the African continent. With the rapid development of the MICE traveller markets globally, the development, marketing and promotion of MICE business in Kenya Airways needs to be equally enhanced to bridge the gap in revenue generation. For the 2016/17 financial year, the targeted growth was 30% over prior year in MICE revenues to the tune of US$ 650,000. Our renewed focus on the segment saw our revenues grow by over 100% aided by a number of high profile events that took place in Kenya during the year and in which KQ partnered with organisers to ensure success. During the period, such events included:

- United Nations Conference on Trade & Development (UNCTAD)
- Tokyo International Conference on African Development (TICAD VI)
- Africa Green Revolution Forum (AGRF)

The above revenue target was achieved by boosting existing partnerships and developing new and exciting opportunities with the Government of Kenya (GoK), NGO & private sector players.

The airline also launched a booking portal embedded within our revamped KQ website to make it easier for both conference organisers and delegates to make enquiries directly with the MICE team and book flights and accommodation through the airline.

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

CARGO AND MAIL

Cargo Revenue

As at the end of the period under review, freight sales revenue stood at US$ 71.6 million whilst warehouse revenues stood at US$ 11.5 million. Whereas available capacity measured in Available Ton Kilometer (ATK) declined by 4.7% year on year, revenues reflected in Revenue Ton Kilometer (RTK) only declined by 2.8%.This was largely driven by a combination of a load factor growth of 1.3% year on year and improved product mix with the growth of niche valuables and Pharma segments.

The resultant yield declined by 5% year on year largely due to market overcapacities with Africa recording the largest year on year capacity growth of 25.5% on the back of long haul expansion of other airlines. The yield decline was further exacerbated by the dilution of the British Pound due to Brexit given that revenues are reported in US Dollars. The Brexit impact reflected a 12% dilution of UK total sales from July 2016.

The above notwithstanding, the overall impact was however greatly cushioned by the positive developments into new market segments, notably the flower traffic to Australia and China and the development of Pharma and valuable cargo segment. During 2016, the airline witnessed the addition of five new routes namely: Lilongwe, Lubumbashi, Dakar, Entebbe and Cotonou, to the valuable cargo route network.

Cargo Tonnage

The Cargo ATKs declined by 4.7% compared to prior year. Total uplift for the financial year was 51,668 tonnes compared to 60,457 tonnes in 2016 - down by 14.5%. The reduction in capacity was driven by the reduction in the number of wide-body aircraft in operation.

Capacity shrink and deployment of narrow bodies to cargo rich destinations contributed to the decline in volume. The load factor improved from 65.2% in 2016 to 66.7% in 2017.

STRATEGY AND PERFORMANCE MANAGEMENT

During the financial year 2016/17, the airline implemented a revised and revamped Company Strategy formulation and Performance Management System, which resulted in a four tiered performance management process; at team, section, departmental and corporate levels.

Towards the end of the financial year, the transition from Mckinsey Consultancy Company led transformation process dubbed, 'Operation Pride' began, with identifying and developing capability within the organisation to sustain the performance management rigour and a schedule was created.

The Transformation Office (**"TO"**) was duly incorporated into the Strategy and Performance Management section at KQ, with a clear set up structure for running the transformation, complete with an in-built change management plan.

The team spent the last quarter of the 2016/17 financial year developing its plan for 2017/18, focusing on the same Strategic

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

Imperatives as prior year namely:

- How do we get back to profitability?;
- How do we finance this business?;
- How do we improve the business model?; and
- How do we keep our License to Operate? In which eleven (11) key Results Indicators ("KRIs" and forty three (43) key objectives/initiatives were zeroed in.

Additionally during the period under review, the section was involved in identifying all potential risks and developing appropriate control measures, giving rise to a control framework that aimed at strengthening the Company risk control environment.

OPERATIONS

On the operational side, the On Time Performance ("**OTP**") is the key indicator for the airline. The OTP for financial year 2016/17 was consistently under target.

The top delays contributors were:

1) Aircraft serviceability and availability;
2) ATC restrictions and weather;
3) Passenger and ramp handling;
4) Crew shortage; and
5) Connectivity due to new schedules with more efficient use of aircraft.

In general, the poaching of staff by Middle Eastern airlines influenced both items 1 and 4 above.

As for airport restrictions (ATC), the runway blockage at JKIA, as well as maintenance issues at the airport has had a negative influence on the OTP.

As a preventive measure the airline has put in place a team of professionals with the key task of investigating root causes and solutions.

The following includes some of the main efforts the operations department put in place and such efforts started bearing fruit during the last quarter of the period under review:

1) Review of salaries for the technical staff to stem attrition;
2) High focus on AOG situations which resulted in a reduction by almost 50%;
3) Increased focus on timely start and end of boarding into our aircraft by further streamlining and coordinating processes;
4) Clear focus on OTP in all operational processes; and
5) Approval of CAT II operations for our B787s which will greatly reduce delays due to low visibility on our long haul destinations.

The foregoing actions lead to an improvement of the OTP during the last quarter with the result of the airline closing the financial year close to its target of 85% at 15 min. The improved reliability was clearly reflected in our passenger feedback.

The operations department is currently working on several initiatives and it is anticipated that the next financial year will further witness improvement in OTP to the required levels. On the crew side, we have initiatives to stem attrition and get training up to the required levels. Additional work is being carried out to support improvement in timely availability of parts.

The planned actions should bring us to our targets of 85% performance on maximum 15 minutes delay as well as 80% performance on on-time arrival (0 minutes delay) at our JKIA hub to further improve our connectivity.

We aim to achieve our promise of "Bringing Africa to the World and the World to Africa" and improving our guest experience throughout our network.

GROUND SERVICES

During the year under review, the Ground Services department completed a full financial year utilising Terminal 1A departure and arrival facilities at Jomo Kenyatta International Airport (**"JKIA"**). The airline was able to take advantage of the dedicated Terminal 1A to improve the hub function of JKIA. With 65% of our guests (and their bags) transiting through JKIA, we are now able to offer good and smooth connections onto onward flights. For guests departing from or arriving into Nairobi, the departure and arrival concourses offer a world class airport feel. With Terminal 1A fully allocated to KQ and its partners, we are able to assign gates and bays to facilitate transfers in a seamless and timely manner as possible. We continue to receive positive feedback on our Pride lounge and are very proud of this facility. Our challenge is to keep and/or maintain the service and guest experience at a similarly high standard.

Kenya Airways acknowledges the efforts of Kenya Airports Authority (**"KAA"**) to provide the enabling infrastructure and service. We also congratulate them on achieving Category 1 status.

Our customer service scores take a dip whenever we have disruptions to flights or when things don't go according to plan. While this is a common thing in this industry, how we communicate to the guest makes all the difference. The most common feedback is on missing or damaged baggage, closely followed by our (lack of sufficient) communication during flight disruptions. We are working on improving our response in these two areas so that we don't take away the joy of flying.

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

The ground handling department continues to remain an important revenue stream for the airline. As an IATA Safety Audit of Ground Operations ("ISAGO") certified Ground Handler, we are able to offer competitive Ground Handling services to other international airlines – both passenger and cargo – flying into JKIA and Mombasa International Airport (MIA). While Ground Handling faces stiff competition in JKIA we are committed to maintaining the highest safety and service standards in the region.

During the financial year 2016/17, the Ground Services family contributed a recurring value of US$ 7 million of the expected US$ 6 million towards Operation Pride. We have a value target of US$ 10.2 million by December 2017 and we remain cautiously optimistic that we will achieve this. The Ground Services teams remain focused on thoroughly scrutinising all cost expenditures, reviewing contracts and improving ancillary revenue collections. A case in point is that rather than give a free upgrade, we have been able to sell 'last minute upgrades' to our award winning business class cabin, thereby generating further revenue for the airline.

TECHNICAL DEPARTMENT

Risk mitigation, safety, quality & compliance, technical dispatch reliability, cost control, guest satisfaction and staff engagement were focused priority areas for the financial year 2016/17.

A specific priority was to improve maintenance error reporting, to allow the department to become an improved learning organisation from reported and investigated incidents and near misses. This objective was successful with a 142% increase in reported events. Risk management was also high on the agenda, with particular focus on managing high risk areas effectively in line with leading industry techniques.

As the Technical department embraced the challenge of cost control through Operation Pride, some significant improvements were delivered in areas of high cost maintenance events such as engine repair, overhaul contracts and some outsourcing of airframe maintenance. Decisions were influenced by a high level of staff attrition to Middle Eastern carriers, whilst mitigation actions were also introduced to manage this increasing risk. Total cost reductions delivered through the year exceeded 10% in recurring value.

Fleet technical dispatch reliability was slightly impacted by our loss of workforce experience with a slight reduction compared to the previous year. Our B787 performance nevertheless compares to the best performers at industry level.

In the difficult but improving trading circumstances, we had focus on our own staff engagement, whilst also managing key stakeholders such as suppliers to account and with effective relationship management. Our young fleet helps support our guest experience performance and we generally supported the guest facing products serviceability ahead of Cabin Factor performance. This becomes more challenging as our fleet ages, but effective internal and supplier solutions are planned to address this.

FLEET DEVELOPMENT

Year in Review

The primary focus for the fiscal year in review was right sizing our fleet in accordance with the five year fleet plan and Operation Pride. The Company sub-leased two (2) B787-8 Dreamliners to Oman Air, sub-leased three B777-300ERs to Turkish Airlines, sold one B777-200ER and returned two leased E170 aircraft to their owners following an agreement to terminate the leases early.

Fleet - In Service

Aircraft Type	31-Mar-17	1-Apr-16
B777-300ER	-	3
B777-200ER	1	2
B787-800	7	9
B737-800	8	8
B737-700	2	2
B737-300	2	2
B737-300F	2	2
E190	15	15
E170	-	2
Dash 8-400	2	2
TOTAL	**39**	**47**

The Year Ahead

The coming year will see a more stable fleet with only one change planned – the sale of one B777-200ER. The focus will be on ensuring the cabin product offered to our guests across the fleet is consistent and of a high standard.

MARKETING

Kenya Airways Turns 40

During the period under review, on 22nd January, 2017 Kenya Airways turned 40 years. This journey started on 22nd January, 1977 when the Government of Kenya authorised the incorporation of Kenya Airways Limited and KQ's first flight took to the skies on 4th February, 1977.

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

On the 22nd January, 2017, Captain Peter Kinyanzui took charge of flight KQ762 on a B787-8 aircraft which left Jomo Kenyatta International Airport ("JKIA") for Johannesburg, South Africa, at 1 pm. It was the commemorative flight to mark the airline's 40 year anniversary and there was no better way to celebrate it than with the longest serving pilot flying it himself and celebrate with our guests.

KQ@40 Lets Fly Campaign

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

To mark this special occasion, Kenya Airways also run a campaign dubbed "KQ@40 Let's Fly". This gave the organisation an opportunity to thank and appreciate its customers through commercial offerings. In partnership with media houses, we celebrated Kenyans, our guests, our staff and aired stories and documentaries on our journey so far. The integrated approach sought to also showcase the contribution of Kenya Airways to the Kenyan economy and the larger African economy.

Intra-Africa Traffic push

Through various marketing partnerships, Kenya Airways continued to explore opportunities to tap in different market segments to grow Intra-Africa traffic, through showcasing what Africa has to offer. The partnership with Coke Studio enabled us to showcase travel and business opportunities to the youth, while Kenya Tourism Board, Madagascar and Seychelles Tourism Board partnerships enabled us to encourage leisure travel within Africa.

Coke Studio

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

KTB Partnership

CSR

During the year under review, Kenya Airways also partnered with the United Nations Environmental Programme in addition to the existing initiatives such as United for Wildlife and Born Free to effectively cut off one of the main transport routes used by criminals to smuggle wildlife, dead or alive, from Africa to the Middle East and East Asia and to encourage conservation. The partnership comes in the wake of a poaching crisis across Africa that is wreaking havoc on creatures, great and small, from elephants and rhinos to pangolins and African Gray Parrots.

OTHER KQ PRODUCTS

KQ Cargo:

Kenya Airways Cargo cemented its position as a leading global player in air cargo industry by winning the African Cargo Airline of the Year Award 2017.

For more information, visit: www.kqcargo.com

KQ Pride Centre: KQ pride centre continues to offer training for various courses in the sector as we continue to play our role in sustainable development of Africa through up scaling the human capital in the sector.

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

KQ Holidays: our leisure continues to package dream holidays for guests:

HUMAN CAPITAL

As at 31 March, 2017, Kenya Airways' headcount stood at 3,582 staff, representing a reduction of 289 (7.5%) compared to prior year. This reduction was because of the staff rationalisation exercise conducted during the year as well as natural attrition. The number of contracted staff on the other hand increased by 148 (20%) to stand at 739. JamboJet headcount increased from 35 to 54. These changes represent an overall decrease of 3.7% in staff numbers. To control escalating employee costs, the Company continues to strictly evaluate any additional headcount requirements, and where possible reorganise roles in order to avoid increase in headcount. Similar to the prior year, vacancies have by and large been filled internally, through re-organisation, or through the utilisation of contracted labour.

Talent Management

In managing our talent, our key focus for the year was to improve the quality of our leadership capability. This was carried out through the roll out of the Kenya Airways Leadership Competency Framework (KQ LCF). Going forward, we will utilise the KQ LCF in managing our performance (appraisal process), in making recruitment decisions and general staff development.

Our Partnership with Technical University of Kenya (TU-K) continues to grow stronger by the day. We continue to work together with them to improve on the quality of their training by supporting them to acquire learning materials, providing internship opportunities to their students and holding an annual career fair.

To address the high attrition rate for technical staff, we adopted a two-pronged approach. The first was to review and adjust remuneration for equity within the department. The second will entail adoption of a structured tier pay system across the department where staff will be rewarded based on a balance of qualifications, seniority/experience and skills/competencies/ performance. We have also commenced specific targeted recruitment drives in the UAE aimed at getting back our Kenya engineers and technicians.

Learning and Development

During the year 2016/17, the team's focus was on implementation of the E-Learning content across the network and capacity building amongst our staff. The Learning and Development (L&D) teams' primary activity continues to be mandatory training for recurrent needs of the business, but it has worked to develop programmes based on business needs as they evolve.

Capability Building Programs

We conducted two capability building programmes as part of the turnaround strategy:

- Planning for the Future:

  This one day programme empowered our staff to plan for the future and embrace the power of positive change to help navigate through life. A total of 1,676 staff were trained.

- Execution Leadership Fundamentals Programme:

  The one day programme focused on impact, getting the best of people and sharpening communication skills. A total of 603 staff were trained during the year. The content was delivered by our internal trainers though the curriculum that was sourced from Mckinsey RTS.

E- Learning

During the period under review, we launched the following recurrent courses on E-Learning:

- Electrical Wiring Interconnecting Systems (EWIS);
- Human Factors;
- Aviation Security;
- Dangerous Goods Regulations CAT 10 (Load Controllers & Outstation Ground Services Staff);
- Airside Safety; and
- Fatigue Risk Management Systems – Recurrent.

A total of 907 staff have completed E-learning content during the first year of implementation.

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

Operational Training

For other operational areas, we conducted other programmes for private candidates including certificate programmes in Airline and Passenger Services, Cabin Crew and Flight Dispatch, as well as IATA Diplomas in Air Cargo, Foundation and Consultant levels:

During the year we launched a new training course in Certificate in Flight Dispatch.

We offered internships opportunities to 109 of our students studying various courses.

Technical Training

During the year under review, the school trained 2,275 technical staff among them including:

- 3 aircraft type courses with 58 staff being trained;
- 40 continuation courses with 301 staff being trained;
- EASA and KCAA mandatory courses with 127 staff being trained;
- 9 A-rating courses with 149 technicians being trained; and
- Several other courses including cabin and IFE, All Weather Operations, ETOPS and predictive maintenance related courses saw the school train 173 staff.

A key highlight for this financial year was the introduction of E-learning for three major mandatory refresher courses. This reduced travelling by staff as they do the courses online. The school also conducted the first in-house B787 systems course.

Industrial Relations

The year 2016/17 experienced heightened engagement with the unions, with the key focus being discussions on Operation Pride turnaround initiatives, including staff rationalisation/ redundancy exercise. There was also increased dialogue with staff in general through direct engagement forums including departmental and corporate town halls with the aim of explaining and elaborating on the various management decisions affecting the Company and/or the staff as well as deliberating on the Company's performance.

Kenya Airline Pilots Association (KALPA)

The Company engaged with the Association's leadership through monthly management/union meetings and Collective Bargaining Agreement (CBA) negotiation meetings. The majority of the meetings centered on pilot productivity proposals presented by management. The thrust of the negotiations was to drive greater productivity from the pilot community, whilst achieving optimal pilot numbers for the current fleet size, network plan and stemming the high rate of pilot attrition.

Aviation and Airport Services Workers Union (AASWU)

The case filed in the Supreme Court by this Union over the redundancies that had been effected in the 2012/2013 financial year under the staff rationalisation programme is still pending determination.

Kenya Aviation Workers Union (KAWU)

The Company and the Union engaged through regular Management/Union meetings aimed at appraising the Union leadership on business performance and the turnaround initiatives, including the staff rationalisation exercise. Whilst the engagements with the Union were temporarily interrupted in December 2016 owing to a legal tussle between AASWU and KAWU, normal relations resumed in February 2017 with parties engaging in consultations focusing mainly on the issue of outsourced staff and the realisation of the Operation Pride initiatives after conclusion of the redundancy exercise.

National Union of Air Transport Union (NUATE, Nigeria)

Deliberations with the union mainly centered on the staff rationalisation exercise as well as on the closure of Abuja Station. The Union was supportive of management's decision to redeploy the Abuja staff to other stations in lieu of declaring them redundant. As at the closure of the year, parties were still engaging on review of the Collective Bargaining Agreement.

Amalgated Transport and General Workers Union (ATGWU, Uganda)

The Company continued with negotiations with the Union on review of the monetary clauses of the CBA which, due to the prevailing financial position of the Company, could not be concluded. Deliberations are still ongoing.

General Transport, Petroleum & Chemical Workers' Union of Ghana Trade Union Congress (GHANA)

Talks have commenced with this Union in accordance with the labour laws of Ghana. The inaugural meeting was held on 9th March, 2017 when the Company and the Union agreed to formalise their relationship in accordance with the law. After the inaugural meeting, parties signed a Memorandum of Agreement spelling out the scope of membership for the staff. The Union has since obtained a Collective Bargaining Certificate from the Ministry of Labour which now sets the stage for formal collective bargaining with management.

Staff Rationalisation

In March 2016, the business announced its intention to carry out right sizing exercise in line with the Operation Pride turnaround exercise aimed at delivering US$ 200 million in value from different initiatives. This exercise was anticipated to result in approximately 600 members of staff either being declared redundant or being deployed elsewhere within the business, should their terms allow.

After consultation with all relevant parties, and stress testing the accuracy of the right sizing estimates to ensure all possible ways of retaining staff taking into account the attrition levels, as well as securing the airlines long term operational efficiency, the exercise was carried out in two phases-July, 2016 and January 2017 with a total of 101 staff separating from the business. The process was done in full compliance of the applicable law, the Collective Bargaining Agreements and individual contracts.

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

INFORMATION SYSTEMS

Kenya Airways Website Improvements

During the period under review, the Kenya Airways corporate website continued to be improved in terms of reliability and ease of use. It now has abundant web servers, firewalls, database and application servers, as well as a new Ektron Content Management System.

In addition, the website has been completely redesigned, and it went live in January 2017. As part of the redesign, the new site was made more responsive, thus able to load on PC and mobile environments at much faster speeds. The new site was further integrated with the CRM, Business Class Upgrade offer and FlightPass solution. In addition, the Flight Time Table on the website was migrated from OAG to Amadeus and Campaign management (hot deals) features were greatly improved. The website now has an inbuilt automatic feedback button which allows customers to give feedback to errors, site navigation challenges and comments on the look and feel.

Ground Handling and General Service Agents Extranet

During the year, a new extranet was delivered to the Ground Handling Agents (GHA). The extranet was initially intended to help the Ground Services Department reduce the cost and time for distributing standards and procedures manuals to GHAs globally. This has involved digitising the manuals and distributing them via an extranet. The project was later extended to include General Service Agents (GSAs) documentation and Tariff notices.

Online Payment Gateway

The airline continued to integrate a number of online payment providers during the year. In addition to M-PESA, Zenith Bank Nigeria and DT Bank Nigeria, we have implemented a consolidated payment gateway for banks and mobile companies. This will allow providers like KCB and Equity and mobile payment companies like Airtel, Vodacom, MTN and Tigo to integrate with KQ.

Travel and Corporate Solutions

During the year, we developed and implemented a Trader Referral System. The system is currently used to register and incentivise traders who refer other traders to KQ based on business rules and rates defined in the system.

We also implemented a Commercial Flexibility Tool. The system is used to capture and cascade travel agents and corporate incentives budgets from the Commercial Director down to the country sales managers in all the KQ offices globally. The system is used to track how trade and travel incentives are being used by each member of commercial sales management team while tracking benefits accrued from the used incentives.

Automated Compensation Management

During the year, The Altea Compensation Manager was implemented at the JKIA hub in 2016. The objective of the system was to introduce automation, flexibility and standards for customer compensation during disruptions. In the past, whenever there was a disruption, customers would be given manual vouchers for meals, taxis and cash. With the Altea Compensation Manager, compensation rates and vouchers are pre-defined in the system based on the nature of cause or need for compensation. Vouchers can be generated from any Altea system point, whether at check-in counters, transit gates or at kiosks. Since the rate and format is pre-configured in the system, no manual approval or validation is required and reports can be generated to show the amount and types of compensations granted to guests at any time.

Forex Management Solution

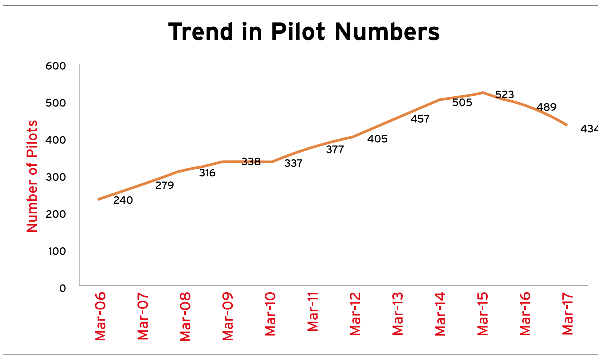
During the year, a forex management solution was also implemented. The Bloomberg FXGO solution was integrated with Oracle ERP system and is able to keep track of global currency exchanges as required in Finance, thus reducing transactional forex losses.

FLIGHT OPERATIONS

Recruitment and training of crew remains a key objective of the Flight Operations Department. During the period under review, we witnessed the highest number of pilot exit in the last five years of 55 and a cumulative exit of 89 for the last two years to close at 434 pilots against a requirement of 444. A total of 32 Captains and 19 First Officers checked out across the fleets.

Additionally, we had 19 out of 22 Ab-initio cadets training as Second Officers following successful graduation from aviation schools in South Africa. The Company plans to narrow the gap in pilot's strength by recruiting qualified direct entry pilots from the Kenyan market. Our cabin crew staff compliment is at 776 with an additional recruitment of 32 contracted staff. The graph below shows the trend in pilot numbers for over the last ten years:

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)



On the commercial front, we managed to generate revenues of US$ 61 million by hiring out our simulator to third party airlines for training purposes. We also managed to get our simulator re-certified for the second time running by the European Aviation Safety Agency (EASA) as a Level D device for training which is the highest qualification level for a Full Flight Simulator (FFS) currently available. We are continually improving our on board duty free product by making our prices competitive and increasing the variety of products contained in our duty free "Karibu" magazine. Finally, we continue improving our online duty free store www.kqdutyfree.com so that guests can have additional payment methods such as M-PESA and receive e-mail alerts on various promotional campaigns.

In conclusion, we are constantly adhering to our crew training standards and boosting our channels of communication within the department by conducting the following scheduled meetings:

- **Monthly Seniority and Qualifications meeting** to review pilots' fleet strength in line with network requirements and assess qualifications of pilots earmarked for promotion in accordance to stipulated standards and procedures;
- **Monthly Training Review Board** to ensure that crew training standards and procedures are adhered to;
- **Monthly KALPA and management meetings** to address any operational and human resources issues;
- **Quarterly KALPA and Group CEO Meetings** to share company strategic goals and implementation;
- **Weekly Class interaction sessions** where senior managers in the department listen and respond to issues raised by crew; and
- **Departmental Bi-annual Mini-Forums and annual Main Forums** where staff and especially crew are sensitised on what is going on in the business, enhance teamwork, assess performance and areas of opportunities to improve.

Mbuvi Ngunze
Outgoing Group Managing Director & CEO

TAARIFA YA AFISA MKUU MTENDAJI

Katika kipindi cha mwaka wa kifedha wa 2016/17, Kenya Airways iliendelea kukua licha ya kupunguza ukubwa wa ndege zake na kukabiliana na ushindani mkubwa wa kibiashara katika masoko yake makuu na kuweko kwa shinikizo la kutafuta faida, na wakati huo huo kukiwa na shinikizo la gharama.

Hata hivyo tuna furaha, kuona kuwa tumefanya ufafanuzi uliyo wazi na utekelezaji maridhawa wa mpango wa Operation Pride, msingi wa ukuaji wetu umeanza kufanyika. Kwenye kiini chake, Operation Pride inadhamiria kulirudisha tena shirika hili katika upataji faida, kuhakikisha kuna mfumo mnyumbufu na msikivu wa biashara, na muundo sahihi wa kifedha kote katika muhula mfupi na mrefu. Huku kukizinduliwa awamu inayofautia ya utafutaji mtaji mpya na marekebisho ya kifedha uitwao "Project Safari", hii sambamba na mipango ile inayoendelea ya Operation Pride, shirika hili la ndege linazidi kutafuta fursa mpya za uzalishaji mapato na kuboresha kwa kiasi kikubwa msingi wa gharama

Shughuli kubwa ya mwaka wa 2016/17 ilikwa katika kuanzisha na kuwasilisha mipango zaidi ya 400 iliyotambuliwa chini ya mpango wa Operation Pride, kuenea katika nyanja zote za biashara hii. Hii ilihusisha zaidi ya wafanyikazi 500 walioshughulika katika hatua mbali mbali za utekelezaji. Kwa kweli inaridhisha kushuhudia kiwango cha mafanikio na mwelekeo ambao umekuwa ni kiini cha matokeo mazuri yaliyopatikana mwakani, haya ni mabadiliko ambayo tunayaona.

Kutokana na hatua hizi zilizotangulia, tuna hakika kwamba biashara hii itakua imara, yenye ufanisi zaidi na uzingatiaji wa wateja zaidi ikiwa ndio matokeo yake - na imewekwa katika nafasi nzuri ya ukuaji katika siku zijazo. Bila shaka, matokeo ya kifedha ya KQ katika mwaka huu uliyopita ni dhihirisho wazi la mabadiliko ya ajabu, yaliyojengwa juu ya viwango vya usalama, ubora wa uendeshaji na kuridhika kwa wateja kulikotekelezwa na watu wetu.

USALAMA, ULINZI NA UBORA

Leseni yetu ya kuendesha shughuli inazingatia usalama. Kenya Airways imedumisha viwango vya juu vya masuala ya ubora, usalama na mazingira, kukiwa na harakati zaidi ya kufuata tu mahitaji ya udhibiti kanuni, kuwa mfano mzuri wa usalama katika anga katika bara na duniani kote. Kenya Airways ilikamilisha mpango wake uliyosubiriwa kwa muda mrefu wa uhakikishiwaji upya wa cheti na Mamlaka ya Usafiri wa Anga ya Kenya na hapo kuwa shirika la kwanza kuidhinishwa kupata upya cheti chini ya utawala huo mpya. Zaidi ya hayo, Jambojet, shirika letu tanzu tunalomiliki 100% lilipata chet cha AOC na hivyo basi kuweza kuanzisha shughuli za usafiri wa ndege kama shirika binafsi linalojisimamia.

Usalama wa ndege

Katika kipindi cha mwaka wa kifedha wa 2016/17, timu ya kushughulikia usalama wa ndege iliendelea kuzidisha juhudi katika mafanikio yaliyopatikana kupitia mawasiliano mazuri kuhusu ufahamu wa usalama, taarifa za usalama, mafunzo ya ufahamu wa usalama kote katika shirika hili, mahudhurio na ushiriki katika mafunzo ya udhibiti kanuni, na vikao vya wafanyakazi

Kuripoti tukio

Kulikuwa na uwiano mkubwa katika idadi ya ripoti za usalama wa anga (za ASRs) na kushuka kwa ripoti za usalama wa ndani ya ndege (za CSRs) zilizopokewa katika miaka mitatu ya kifedha iliyopita. Upunguaji katika CSRs mwaka wa 2016/17 unahusishwa na azimio la kimkakati la kuweka rejista tofauti ya kumbukumbu ya matukio yanayokaribia hatari. Baadhi ya matukio hayo 122 ya kukaribia hatari yaliyorekodiwa, 92 yalihusu usalama wa angani.

Kuendelea huku kwa utoaji mzuri wa ripoti za matukio ya usalama wa angani na wa ndani ya ndege katika mwaka wa kifedha wa 2016/17 kunaweza kunasibishwa na kuaminika kwa mfumo wa kuripoti, kupitia utoaji wa maoni yafaayo katika wakati muafaka kwa wapokeaji wa habari kama sehemu ya utekelezaji wa mfumo wa usimamizi wa usalama wa ushirika.

Migongano na ndege wanaopuruka

Kulikuwa na idadi ya migongano 70 ya ndege wanaopuruka kulikoripotiwa katika kipindi cha mwaka tunaoukaririа ikilinganishwa na visa 63 katika mwaka uliotangulia. Mingi ya migongano hiyo iliyoripotiwa ilisababisha uharibifu mdogo kwa ndege zetu, lakini kadhaa ilisababisha matengenezo ya gharama kubwa, ubadilishaji vipuri, na ucheleweshaji wa kazi. Hii ni pamoja kurudi tena kutua kwa ndege baada ya matukio na matukio mawili ya ndege kuzuiwa kupaa kutokana na migongano na ndege wanaopuruka.

Visa vya migongano na ndege wanaopuruka vinaendelea kuwa hatari kubwa kwa sekta hii katika shughuli za usafiri wa angani na ofisi ya Kenya Airways ya usalama wa angani inaendelea kushirikiana na mamlaka ya uwanja wa ndege na wadau wengine katika maeneo yake yote inakosafiri ili kudhibiti hatari hii kwa kufuatilia kwa umakini ndege wanaopuruka na wanyama pori wengine.

Visa vingine vya Kiusalama

1. Kulikuwa na upungufu kwa ujumla katika matukio ya kati hadi ya juu kwa 18% ikilinganishwa na kiwango lengwa cha 10% kama lengo la usalama.

2. Kulikuwa na kupungua dhahiri katika matukio ya kiwango cha kwanza kama ilivyopatikana katika mpango wa ufuatiliaji wa takwimu za usafiri wa ndege kwa 22% katika mwaka wa fedha wa 2016/17. Hii inalinganishwa na kupungua kulikolengwa kwa kima cha 10% kama lengo la usalama kwa mwaka huo.

Visa kumi na tatu (13) vilivyosababishwa na abiria wasumbufu au wenye tabia ziisizofaa viliripotiwa katika mwaka wa fedha 2016/17 ikilinganishwa na matukio ishirini na moja (21) yaliyoripotiwa katika mwaka uliopita

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

Usalama wa mahala pa kazi na wa Mazingira

Jitihada zilizowekwa kusimamia mashaka yanayojumuisha uchambuzi uliowekwa maalum wa hatari za uendeshaji na timu za kupunguza mashaka, na ongezeko la idadi ya uchunguzi na ukaguzi uliofanywa. Hii ikiwa ni kuendelea kwa ule mpango wa kurekodi matukio yote / visa vya hatari katika rejista ili kuhakikisha ufuatiliaji na uchambuzi sahihi unatekelezwa. .Zaidi ya hayo, kwa mwaka wa nne (4) mfululizo, Kenya Airways imeshinda tuzo la kimataifa la usalama (International Safety Award) kutoka kwa Halmashauri ya Usalama ya Uingereza (British Safety Council) kwa kutambua kujitolea kwetu katika kuweka wafanyakazi wetu na mahali pao pa kazi kuwa safi kiafya na salama katika kipindi cha mwaka wa 2016. Tuzo ilitokana na ustahilifu.

Usimamizi wa Dhima za Kampuni

Katika muda wa kipindi tunachokaririia, kulikuwa na kupungua kwa 30% ya visa vilivyoripotiwa. Kupungua huku pia kulienea hadi visa vya mashaka ya kati makubwa ambapo yalipungua kwa 37% ikilinganishwa na mwaka uliopita wa kifedha. Kipaumbele katika mwaka huu ilikuwa kusimamia dhima kwa kupunguza matukio hayo hadi chini iwezekanavyo na hatimaye kupunguza uwezekano wa kutokea kwa visa vya ajali na vinapotokea, madhara yake kwa biashara ya kampuni iwe ni kidogo.

Timu katika kila idara hukutana kila wiki kutathmini ajali au ajali zilizokuwa karibu kutokea zilizoripotiwa. Hatua za kurekebisha zilitekelezwa kutokana na uchambuzi ambao ulifuatiliwa hadi kufungwa. Kufungwa huko kwa matukio huwezeshwa kupitia makundi imara ndani ya idara ya Usalama wa Shirika (SAGs). SAGs pia zimeongezwa na kuenezwa hadi vituo kumi na moja (11) vilivyo nje vilivyochaguliwa kwa msingi wa hatari kwa kuzingatia marudio ya usafiri wa ndege kwenye vituo hivyo na idadi au ukali wa matukio ya ajali yaliyorekodiwa kwenye kituo hicho. Hatimaye hatua hizi zitawekwa katika vituo vingine pia.

MATUKIO MUHIMU YA BIASHARA

Kwenye mwaka huo wa kifedha wa 2016/17, shirika la Kenya Airways lilibeba jumla ya abiria milioni 4.46 ikilinganishwa na milioni 4.23 waliobebwa katika mwaka uliopita. Hii ikiwa ni ukuaji wa kima cha 5.4% dhidi ya ule wa mwaka uliopita wa 3.9% huku kukiwa na udororaji wa ujazo. Ukuaji huu wa uchukuzi unalingana vizuri na ukuaji sekta hii yote ulimwenguni katika mapato ya abiria ikilinganishwa na masafa ya kilomita ya 6.3% katika 2016. Upande mwingine, JamboJet ilichukua jumla ya abiria 596,970 na ikiwa ni ongezeko la 4.4% ikilinganishwa na tathmini ya mwaka uliopita na kuweza kuleta mapato ya Kshs bilioni 3.8.

Mapato ya Kenya Airways kutokana na abiria ikijumuisha malipo ya mafuta yalituwama kwa Kshs bilioni 81.7 ikilinganishwa na Shillingi bilioni 85.9 katika mwaka uliopita, ikiwakilisha kupungua kwa kima cha 4.8%. Utendaji huu ulisababishwa na kuendelea kupungua kwa mapato ya kimataifa yaliyohusishwa na viwango vya ushindani na ubadilishaji fedha. Kama ilivyoelezwa hapo awali, mapato ya kimataifa yalipungua kwa kima cha 9% mwaka kwa mwaka kulingana na IATA, ambapo kushuka kwetu kulikuwa kwa 7%.

Hata hivyo, hali ya kuongezeka ya Nairobi kama kitovu kubwa cha biashara barani Afrika imeongeza mahitaji ya uchukuzi kuja nchini Kenya. Hali hii ilisaidiwa na kufufuka kwa sekta ya utalii baada ya kipindi kirefu cha utovu wa usalama na mikutano zaidi ya kimataifa kuandaliwa hapa nchini Kenya katika mwaka wa 2016 (UNCTAD mwezi wa Julai 2016 na TICAD mwezi wa Agosti 2016). Tunatarajia mwenendo huu kuendelea hadi katika mwaka ujao wa kifedha.

Mtandao na Ushirikiano

Kule kufunguliwa tena kwa njia ya kupaa ndege katika Uwanja wa Ndege wa Kimataifa wa Jomo Kenyatta **("JKIA")** kati ya saa sita usiku hadi saa kumi na mbili asubuhi katika muda huu tunaoutathmini kulipatia fursa shirika hili ya kuongeza shughuli zake na kuwezesha kuendelea kuondoka kwa ndege hadi baada ya saa sita usiku na baadhi ya ndege kuingia na kutua kuanzia saa kumi za usiku. Hii imeimarisha muundo wa benki tano (5) kwenye kitovu hiki cha Nairobi, na kuweza kuongeza miunganisho ya safari za ndege kwa 8%. Tukitazama upande wa uendeshaji, katika kipindi hicho hicho, uwezekano wa kuunganisha wafanyakazi uliboreshwa na hivyo basi kuruhusu matumizi bora ya ujuzi wa wafanyakazi. Ndege mbili aina ya 787-8 Dreamliners ziliondelewa mtandaoni kama sehemu ya mkakati wa kukodisha ndege, hii ikisababisha kupungua idadi ya ndege zenye umbo mpana kutoka tisa (9) hadi saba (7). Katika kipindi hicho, shughuli katika uwanja wa ndege wa London Heathrow (LHR) zilibadilishwa kutoka kuwa za "usiku-usiku" na kuwa za "mchana-usiku" na marudio ya safari kule Mumbai (BOM) yaliongezeka kutoka 1 hadi 2 kila siku kwa ndege aina ya B737-800.

Ili kuongeza zaidi ufanisi wa mtandao wetu, shughuli zetu za Gaborone (GBE) nchini Botswana na Abuja (ABV) nchini Nigeria zilisimamishwa mwezi wa Novemba 2016. Kenya Airways ilianzisha tena shughuli zake mjini Capetown (zilizosimamishwa tangu mwaka wa 2005) kupitia Livingstone katika mwezi wa Julai 2016 kukiwa na haki za uhuru wa 5 kati ya miji hii miwili, kama sehemu ya mkakati wake wa "winning in Africa".

Ushirikiano wa kampuni ya KQ uliongezeka katika kipindi cha mwaka huu wa kifedha wa 2016/17, baada ya kutia saini ya ushirikiano na Royal Air Maroc (AT) – safari za kati ya Nairobi na Casablanca, Jambojet (JX) kwenye safari za humu nchini Kenya (Ukunda, Malindi, Lamu) na shirika la ndege la Air Cote D'Ivoire (HF) na utekelezaji wa makubaliano maalum ya maridhiano ya ugawanyaji bonasi (SPA). Utekelezaji wa makubaliano haya ya SPA umeimarisha mno juhudi za KQ za kufikia mataifa ya Afrika Magharibi ambapo awali hazikuwa zinahudumiwa (Conakry, Ouagadougou, Lome, Niamey). Katika kipindi cha muda tunaoukariria KQ iliingia katika makubaliano ya kujumuisha safari zao za ndege na China Southern (CZ) baada ya shirika hilo kuanzisha shughuli zake hapa Nairobi, Jet Airways (9W) kukiwa na kujumuisha kwa safari za ndani ya nchi ya India (Hyderabad, Delhi na Ahmadabad). Vietnam Airlines na KQ waliongezea idadi ya safari za kujumuisha kuingia Nairobi na Kuala Lumpar huku KQ na shirika la ndege la Hong Kong (HX) makubaliano baina yao kati ya Bangkok na Hong Kong yakiongeza safari za KQ kutoka mara 3 kwa wiki na kuwa za kila siku kupitia Bangkok.

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

Usimamizi wa Mapato

Kama moja ya hatua ya kufuatilia mchakato wa ufanisi wa usimamizi wa mapato ulioanzishwaa mwaka jana baada ya uchunguzi wa Kibiashara, lengo kuu lilikuwa ni kutambua fursa ambazo zinaweza kutumika kama nyenzo ya kuboresha uzalishaji mapato ya shirika hili la ndege kama sehemu ya mkakati wake wa *Operation Pride*.

Timu ya kupanga bei ilitathmini upya mipango ya kuweka bei zinazostahili kwa safari 100 bora za KQ zilizotambulika kama ***"Origins & Destinations"*** (O&Ds). Hizi O&D zinahusisjhwa na sehemu kubwa na mapato kutokana na uchukuzi wa abiria. Madhumuni ya tathmini hii yalikuwa kutekeleza mtazamo bora kwa kila mtiriko wa safari za ndege hii ikiwa sambamba na mpango wa KQ wa kukabili ushindani, hivyo basi kuruhusu kuweko kwa bei nafuu zaidi kwa O&Ds wakati kukabiliana na ushindani mkubwa.

Upande wa orodha ya vitu, ule mpango wa kuangazia njia za safari wa Route Focus Initiative na/au chini ya mkakati wa Operation Pride imechangia kuwepo kwa orodha tekelevu ya vitu kufanikisha mpango huu ndani ya ndege. Kutokana na haya, KQ imeweza kubainisha kati ya mahitaji makubwa na mahitaji madogo ya usafiri wa anga, hivyo basi kuwezesha ugawanyaji bora wa viti vinavyotolewa kuhamasisha mauzo kote katika mtandao.

Mtazamo huu uliyotangulia wa mkakati wa maeneo ya kusafiria katika kipindi hiki uliwezesha kuwepo kwa matumizi bora ya vitu vilivyomo. Usimamizi huu wa mpango punjepunje wa hali ya juu wa safari za ndege kulingana na msimu, siku ya wiki na wakati wa siku uliwezesha timu husika kushika kila nafasi zilizoko katika soko. Mkakati huu unatarajiwa kuboresha zaidi utendaji wa mpango wa kampuni wa RASK (Mapato kwa Kiti kilichopo na Kilomita) katika kipindi cha muda mrefu.

Infare - Kifaa cha kufuatilia mienendo ya uwekaji bei ya washindani

Kifaa cha infare kilianza kutekelezwa mnamo tarehe 5 Disemba 2016. Lengo kuu la chombo hiki ni kusaidia timu za biashara katika mahitaji ya mauzo na uwekezaji wa mapato na wachambuzi wa bei kupata uonekano wa bei za ushindani na upatikanaji wa hesabu na kurekebisha mikakati yao ipasavyo. Wawekaji bei uwanjani, mahitaji ya wachambuzi wa ndege na wasimamizi wa bei ni watumiaji wakuu wa kifaa hiki na kinaruhusu KQ kuwa katika nafasi bora ya ushindani.

Uadilifu wa Mapato

Kitengo kipya kilibuniwa na wasimamizi wa mapato kuzingatia uaminifu wa mapato ambayo ndio kipaumbele cha juu kwa shirika la KQ. Madhumuni yake makuu ikiwa ni utekelezaji wa mifumo na sera zinazolinda kikamilifu mapato ya Biashara ya KQ dhidi ya ukiukaji wa ndani na wa nje. KQ sasa iko katika kiwango sawa na mashirika mengine makubwa ya ndege ya kimataifa katika uadilifu wa mapato. Mafanikio makuu hadi kufikia sasa imekuwa utekelezaji wa sera mpya ya ADM ambayo imeongeza idadi ya vipengee (vitengo) vya ukiukwaji kutoka 17 hadi 34 na kule kuanzishwa kwa mchakato wa kuhakikisha utambuzi 100%, kulipia na kukusanya gharama za ukiukwaji wote uliotambuliwa. KQ sasa imejiunga na ndege kuu za kimataifa katika suala la uadilifu wa mapato.

Plusgrade

Mpango wa plusgrade ("Plus Grade") hii ni huduma ambapo wateja wasafiri ambao tayari wameagiza tikiti za kiwango cha economy hualikwa kuweka zabuni ya kupata na wakifaulu kuhurusiwa kusafiri katika kiwango cha business class. Wasafiri huarifiwa kuhusu kufaulu au kutofaulu kwa ombi lao saa 48 kabla ya kuondoka. Kufaulu kwa zabuni hiyo hutegemea kiasi cha pesa kilichotolewa na pia kuweko kwa nafasi katika kiwango cha business class.

Huduma hii ya Plus Grade ilizinduliwa katika mwezi wa Februari 2016. Katika kipindi cha mwaka wa kifedha wa 2016/17, mapato yaliyiodhamiriwa kutoka huduma hii ya Plus Grade yalikuwa US$1.18M lakini shirika hili lifanikiwa kupata US $1.64M – hii ikiwa ni kama kima cha 39% juu zaidi kuliko ilivyodhamiriwa.

Biashara kupitia Internet yaani E-Commerce

E-Commerce ni njia ya KQ ya mauzo ya moja kwa moja kupitia mtandao wa internet. Katika kipindi cha miaka michache iliyopita E-Commerce imeweza kuleta mapato makubwa.

Huu ni muda wenye msisimko mkubwa wakati ambapo biashara inazidi kubadilika mfumo na kuelekea kwa E-Commerce na biashara kupitia simu za mkononi. Mkakati huu mpya wa kibiashara utatupatia mwongozo muhimu juu ya mipango tofauti inayofaa kutekelezwa na ili kuendeleza zaidi katika wigo huu na kuwania fursa ambazo E-Commerce inazotoa.

Hatua kadhaa za kimkakati zilifanyika wakati wa kipindi kinachochunguzwa ili kuiweka E-Commerce katika nafasi bora ya ushindani na hii imesababisha, kati ya mambo mengine, mapato ya ziada kupatikana na inajumuisha mipango ifuatayo:

- Kuzindua tovuti mpya
- Kutoa eneo jipya la programu za Simu za mkono zilizobuniwa kwa watumiaji
- Kuboresha zaidi malipo kupitia Kadi za Mkopo (Visa, Master card, Amex, UATP)
- Njia mbadala za Malipo (Paypal, Ali Pay)
- Ushirikiano na Google

Wateja wetu sasa wanaweza kuagiza tikiti na kusimamia mipango yao ya usafiri wao popote na wakati wowote kwa kutumia Programu ya simu za mkono ya Kenya Airways. Programu hii ya simu za mkono imeundwa ikizingatiwa hasa mahitaji ya mteja na inatoa chaguzi mbali mbali kwa wateja wetu, zenye uwezo wa kurahisisha mipango na usimamizi wa safari zao. Vile vile iko pamoja na toleo za safari mpya zilizoko.

Ufanisi wa Kundi la Mauzo

Kutokona na juhudi za kundi letu la mauzo na nia ya kuwa sehemu ya shirika la mauzo la daraja la kimataifa, Kenya

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

Airways imewekeza katika zana maalum ili kuongeza ufanisi wa nguvu kundi lake la mauzo, ili kuwezesha zifuatazo:

- Kuimarisha uhusiano mwema na wateja
- Kuboresha ufanisi wa timu ya mauzo kwenye usimamizi mzuri wa wakati, uongozi na mawasiliano
- Kuboresha ufanisi wa timu ya mauzo kupitia utumiaji bora wa habari na mfumo wa mchakato wa mauzo
- Kuzidisha mapato kupitia mauzo hasa yaliyodhamiriwa.

Chombo chetu maarufu cha Mauzo ni *Oracle Sales Cloud (Fusion).* Uzingatiaji wetu imara kwenye ufanisi wa mauzo umewezesha KQ kuongeza takriban mara tatu zaidi idadi ya miito ya Mauzo iliyotekelezwa na timu za mauzo kote katika mtandao wetu na pia imeongeza ubora wa ushirikiano wetu na washirika wetu wa kibiashara na makampuni wenza.

Mikutano, Marupurupu, Kongamano na Matukio (MICE)
Kitengo hiki cha MICE kwa hakika ni kitengo cha haadhi ya kimataifa kinachostawi kwa kasi zaidi cha sekta ya utalii wa Kenya, kinachostawi kwa kima cha 8% - 10% kwa mwaka. Utalii wa Mikutano ndio njia mpya inayochipuka ya ukanda wa ukuaji, kwa kuletea taifa hili nafasi ya pili baada ya Afrika Kusini mwaka jana kwa idadi ya mikutano iliyoandaliwa barani Afrika. Kutokana na ustawi wa kasi masoko ya wasafiri wa MICE ulimwenguni, maendeleo, mauzo na hamasisho za mauzo ya shughuli za MICE katika Kenya Airways yanahitaji kuimarishwa sawa pia ili kuziba mwanya wa uzalishaji faida. Kwa mwaka huu wa kifedha wa 2016/17, ustawi uliolengwa ulikuwa 30% zaidi ya mwaka wa awali kwa mapato ya MICE kwa kiasi cha US$ 650,000. Mtazamo wetu mpya juu ya kitengo hiki ulipelekea kuimarika kwa mapato yetu kwa zaidi ya 100% ikisaidiwa na matukio kadhaa muhimu yalifanyika hapa Kenya katika kipindi cha mwaka tunaoukaririra na ambapo KQ ilishirikiana na waandalizi ili kuhakikisha kunapatikana mafanikio. Katika kipindi hicho matukio hayo yalijumuisha:

- Mkutano wa Umoja wa Mataifa juu ya Biashara na Maendeleo (UNCTAD)
- Mkutano wa Kimataifa wa Tokyo kuhusu Maendeleo ya Afrika (TICAD VI)
- Kongamano la Africa Green Revolution Forum (AGRF)

Lengo hilo hapo juu la mapato lilifikiwa kwa kuimarisha ushirikiano uliopo na kuendeleza fursa mpya na za kusisimua na serikali ya Kenya (GoK), mashirika ya umma yasiyo ya kiserikali (NGO) na wadau wa sekta ya kibinafsi.

Shirika hili la ndege pia lilizindua lango la usajili mtandaoni ndani ya tovuti yetu ya KQ iliyopangwa upya ili kuifanya iwe rahisi kwa waandalizi wa mikutano pamoja na wajumbe kuiweza kuuliza maswali moja kwa moja na timu ya MICE na kuagiza tikiti za ndege pamoja na malazi kupitia shirika hili la ndege

Huku utalii wa mikutano ukizidi kuimarika hapa Kenya, KQ inadhamiria kuwa katika mstari wa mbele wa ukuwaji huu na kuwa mshirika maridhia wa waandalizi wa mikutano.

SHEHENA NA BARUA

Faida kutokana na Shehena

Katika mwisho wa kipindi tunachoangazia, mapato ya mauzo ya uchukuzi wa mizigo yalikuwa dola USD Milioni 71.6 ilihali mapato ya ghala yalikuwa dola USD Milioni 11.5 huku nafasi ya ujazo ikipimwa Kilomita kwa tani inayopatikana (ATK) ilipungua kwa 4.7% mwaka kwa mwaka, mapato yalidhihirika katika Kilomita kwa tani (RTK) yalipungua kwa 2.8%. Hii kwa kiasi kikubwa hii ilisababishwa na mchanganyiko wa ukuaji wa shehena wa 1.3% mwaka kwa mwaka na kuboreshwa kwa mchanganyiko wa huduma kukua kwa thamani iliyo bora na kitengo cha Dawa (Pharma).

Mapato yaliyopatikana yalidorora kwa asilimia 5 mwaka kwa mwaka kwa kiasi kikubwa hasa zaidi kutokana na ujazo wa kupita kiasi wa soko huku Afrika ikirekodi mwaka wa ukuaji mkubwa zaidi wa mwaka kwa mwaka wa ukuaji wa ujazo wa 25.5% kukiwa na upanuzi wa muda mrefu wa kampuni nyingine za ndege. Kupungua zaidi kwa faida kulichangiwa na Brexit (Kuondoka kwa Uingereza kutoka Umoja wa Ulaya) ikifahamika ya kwamba mapato uripotiwa kwa Dola za Marekani. Athari ya hii Brexit iliakisia upungufu wa thamani wa 12% wa jumla ya mauzo kutoka Uingereza kuanzia Julai 2016.

Hata hivyo bila kuzingatia hayo, kwa ujumla athari yake ilihafifishwa na matukio mazuri katika kitengo cha masoko mapya, hususan, uchukuzi wa maua kwenda Australia na China na maendeleo ya Pharma (Dawa) na kitengo cha shehena za thamani. Katika mwaka wa 2016 shirika hili la ndege lilishuhudia ongezeka la sehemu tano (5) mpya za kusafiria yaani; Lilongwe, Lubumbashi, Dakar, Entebbe na Cotonou, kwa mtandao wenye thamani wa uchukuzi shehena.

Tani za Mizigo
Tani za Mizigo (ATKs) zilipungua kwa 4.7% ikilinganishwa na mwaka uliopita. Jumla ya shehena iliyochukuliwa katika mwaka huu wa kifedha ilikuwa tani 51,668 ikilinganishwa na tani to 60,457 katika 2016 – ikiwa ni upungufu wa 14.5%. Kupungua huku kwa ujazo kulichangiwa zaidi na kupungua kwa idadi ya ndege kubwa katika shughuli zetu

Kushuka huku kwa uwezo na kutolewa kwa ndege ndogo kwenda maeneo ya thamani kubwa kwa uchukuzi wa mizigo kumechangia kupungua huko kwa ujazo. Sababu shehena iliongezeka kutoka 65.2% katika mwaka wa 2016 hadi kufikia 66.7% katika 2017.

MKAKATI NA USIMAMIZI WA UTENDAKAZI

Katika kipindi cha mwka wa kifedha wa 2016/17 shirika hili la ndege lilitekekeza mkakati wa kampuni uliorekebishwa na kuimarishwa upya pamoja mfumo wa usimamizi wa utendakazi, ambayo ilisababisha mchakato wa usimamizi wa utendaji wa

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

viwango vinne; katika timu, kitengo, ndani ya Idara na viwango vya shirika.

Mwishoni mwa mwaka huo wa kifedha, mfumo wa mpito kutoka kampuni ya Mckinsey Consultancy iliongoza mchakato wa mabadiliko uitwao, *'Operation Pride'* ulianza, na kutambua na kuendeleza kwa shime usimamizi wa utendakazi na ratiba iliundwa.

Idara ya kusimaimia mabadiliko ("**TO**") ilipata kuiingizwa kikamilifu katika sehemu ya mkakati wa usimamizi wa utendakazi katika KQ, ukiwa na muundo wa uwazi wa kuanzisha mabadiliko hayo, ikiwa kamili na mpango wa usimamizi wa mabadiliko uliyo ndani.

Katika robo ya mwisho mwaka wa kifedha wa 2016/17 timu hii ilishughulikia utayarishaji wa mpango wake kwa mwaka wa 2017/18 kuzingatia zaidi Mipango hiyo hiyo kama ilivyokuwa katika mwaka uliopita:

- Tutawezaje kurudi tena katika uzalishaji wa faida;
- Tutawezaje kuwekeza fedha kwa Biashara hii;
- Tutawezaje kuboresha Muundo wa Biashara hii, na
- Je, tutadumisha vipi Leseni yetu ya kuendesha Biashara, ambamo viashiria kumi na moja (11) vya matokeo muhimu ("KRIs") na malengo/vigezo muhimu arobaini na tatu (43) vilivyodhamiriwa.

Zaidi ya hayo katika kipindi hicho kinachokaguliwa, kitengo hiki kilihusika katika kutambua hatari zote na kuunda hatua zifaazo za kudhibiti, na hapo basi kuanzisha mfumo wa kudhibiti unaolenga kuimarisha mazingira ya kudhibiti dhima ya kampuni.

UENDESHAJI SHUGHULI

Kwa upande wa uendeshaji shughuli, utekelezaji kwa wakati ufaao ("OTP") ni kiashiria muhimu kwa shirika hili la ndege. OTP ya mwaka huu wa kifedha wa 2016/17 ilidumu chini ya lengo lililodhamiriwa wakati wote.

Vichangia vikubwa vya ucheleweshaji vilikuwa:

1) Urekebishaji na upatikanaji wa ndege;
2) Vikwazo vya ATC na hali ya hewa;
3) Kushughulikiwa kwa abiria na sehemu ya ndege ya kupaa:
4) Upungufu wa wafanyikazi, na
5) Uunganishwaji kutokana na ratiba mpya na matumizi bora ya ndege.

Kwa ujumla, kushawishiwa na kutwaliwa kwa wafanyikazi wetu na mashirika ya ndege ya Mashariki ya Kati kulichangia katika vipengee vyote viwili 1 na 4 hapo juu.

Ama kwa vikwazo katika uwanja wa ndege (ATC), uzuiaji wa njia za kupaa katika JKIA, pamoja na kazi ya marekebisho kwenye uwanja wa ndege kuliathiri vibaya utekelezaji kwa wakati ufaao (OTP).

Kama moja ya hatua za kuzuia, shirika hili la ndege limeweka timu ya wataalamu ambao kazi yao muhimu ni kuchunguza unadni wa sababu na kutafuta ufumbuzi.

Zifuatazo zinajumuisha jitihada kuu ambazo idara hii ya uendeshaji shughuli imeweka na juhudi hizi zilianza kuleta natija katika robo ya mwisho ya mwaka huu tunaoukariria:

1) Ukariri wa mishahara ya wafanyikazi wa Kiufundi ili kuzuia kuhamahama;
2) Kuzingatia zaidi hali ya AOG ambayo imesababisha upunguaji wa takriban 50%;
3) Kuzidisha uzingaitiaji katika kuanza na kumaliza kuabiri katika ndege zetu kwa kurahisisha zaidi utaratibu na mifumo
4) Dhamira iliyo wazi kwa OTP katika ratibu zote za uendeshaji shughuli.
5) Kuidhinishwa kwa shughuli za CAT II kwa ndege zetu za B787s jambo ambali litapunguza pakubwa kuchelewa kutokana na muonekano dhaifu kwa ndge za kwenda masafa marefu

Vitendo hivi vilivyotangulia kutajwa, vilisababisha kuimarika kwa OTP katika robo ya mwisho na matokeo ya shughuli za shirika hil ila ndege wakati wa kufunga mwaka wa fedha ikiwa karibu na lengo lake la 85% kwa dakika 15. Kuboreshwa kwa utegemewaji kulidhihirika wazi katika maoni yaliyopokewa kutoka kwa abiria wetu.

Idara ya uendeshaji kwa sasa inashughulikia mipango kadhaa na inatarajiwa kuwa mwaka ujao wa kifedha tutashuhudia zaidi uboreshaji wa OTP hadi kufikia viwango tunavyotarajia. Kwa upande wa wafanyakazi tuna mipango ya kuwahafifishia shinikizo na kuwapatia mafunzo hadi kufikia viwango vinavyohitajika. Kazi ya ziada bado inaendelea kufanyika ili kusaidia kuboresha upatikanaji wa vipuri kwa wakati ufaao.

Kazi hii iliyopangiwa inapaswa kutukaribisha kwenye malengo yetu ya utendaji shughuli wa 85% kuchelewa kwa muda usiozidi dakika 15 pamoja na utendaji wa 80% wakati wa kuwasili kwa muda muafaka (dakika 0 za kuchelewa) katika Shina letu la kazi la JKIA ili kuboresha zaidi uunganisho wetu.

Tunalenga kufikia na kutekeleza ahadi yetu ya "Kuipeleka Afrika duniani na Kuileta Dunia hadi Afrika" na kuboresha uzoefu wa wateja wetu kwa huduma tunazotoa mgeni kote kwenye mtandao wetu.

HUDUMA ZA UWANJANI

Katika mwaka tunaoutahmini, Idara na Huduma za Uwanjani ilitimiza mwaka kamili wa kifedha wakitumia kituo cha Terminal 1A kuondokea na kuwasili katika uwanja wa ndege wa kimataifa wa Jomo Kenyatta International Airport **("JKIA")**. Shirika hili la ndege liliweza kuchukua fursa ya kituo kilichowekwa hasa

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

hasa Terminal 1A kuimarisha shughuli katika shina lake la HUB la JKIA. Kukiwa na 65% ya wageni wetu (pamoja na mabegi yao) wakisafiri kupitia katika JKIA, sasa tuko na uwezo wa kutoa miunganisho mizuri na laini kwa ndege zinazoendelea nje ya nchi. Kwa wasafiri wanaondoka kutoka Nairobi au wanaowasili kituo chetu kinatoa huduma za haadhi ya kimataifa. Kwa vile kituo cha Terminal 1A kimetengwa kikamilifu kwa kwa matumizi ya KQ na washirika wake pekee, tunaweza kuandaa na kutenga milango na viegesho kuwezesha uhamisho wa wasafiri bila vizuizi na kwa wakati ufaao kadri iwezekanavyo. Tunazidi kupokea maoni ya kuridhisha katika sehemu yetu ya kubarizi ya Pride lounge na tunajivunia mno sehemu hii. Changamoto yetu ni kuweka na/au kudumisha uzoefu wa wateja kwa huduma zetu katika haadhi iliyo sawa ya kiwango cha juu.

Kenya Airways inatambua jitihada za mamlaka ya usimamizi wa viwanja vya ndege ya Kenya **("KAA")** ili kuwezesha miundombinu na huduma. Pia tunawapa hongera kwa kufaulu kufikia haadhi ya Kiwango cha 1.

Sifa ya huduma zetu kwa wateja hufifia wakati wowote safari zetu za ndege zinapokatizwa au wakati mipango inapokosa kwenda kulingana na ilivyopangiwa. Ingawa hili ni jambo la kawaida katika sekta hii, inategemea tu jinsi tunavyowasiliana na wateja. Maoni ya kawaida yanayokaririwa mara kwa mara ni kuhusu mizigo iliyopotea au iliyoharibika, ikifuatiwa kwa karibu na mawasiliano yetu (ukosefu wa kutosha) wakati safari za ndege zinapokatizwa. Tunajitahidi kuboresha jinsi tuavyoitikia kunapokuwa na masuala hasa katika maeneo haya mawili ili tudumishe furaha ya kupaa na ndege.

Idara ya Shughuli za Uwanjani bado inaendelea kuwa muhimu kama njia ya kuleta mapato kwa shirika hili letu la ndege. Sisi kama wahudumu waliodhinishwa na kupewa chet cha Usalama katika Uendeshaji shughuli za Uwanjani na shirika la IATA **("ISAGO")** tuna uwezo wa kutoa huduma katika Uwanja kwa unafuu licha ya ushindani kwa mashirika mengine ya ndege ya kimataifa – kote kwa uchukuzi wa abiria na wa mizigo – zinapaa kuja katika JKIA na Uwanja wa ndege wa Kimataifa wa Mombasa (MIA). Ingawa biashara ya Shughuli za Uwanjani inakabiliwa na ushindani mkubwa katika katika JKIA tumejitolea kudumisha viwango vya juu vya usalama na huduma katika kanda hii.

Katika kipindi cha mwaka wa kifedha unatathminiwa wa 2016/17, kundi la huduma za uwanjani lilichangia thamani ya mara kwa mara ya dola milioni 7 za Marekani ikiwa ni sehemu ya dola za Kimarekani milioni 6 zilizotarajiwa kuingia katika mpango wa ***Operation Pride***. Tuna thamani tunayolenga ya dola za Kimarekani milioni 10.2 kufikia Disemba 2017 na tungali tuna matumaini na makini kwamba tutatimiza lengo hili. Timu za huduma za uwanjani zinazidi kupatia kipaumbele uchunguzi wa gharama zote za matumizi, kurekebisha mikataba na kuboresha makusanyo ya ziada ya mapato. Mfano mzuri ni - badala ya kutoa upandishaji viwango bure, tumeweza kuuza 'upandishaji viwango wa dakika za mwisho' hadi kwenye kiwango chetu cha kushinda tuzo cha business class, na hivyo basi kuzalisha thamani bora zaidi kwa shirika letu la ndege.

IDARA YA KIUFUNDI

Hatua za kupunguza hatari, usalama, ubora na ufuatiliaji, utegemewaji wa huduma za kiufundi, udhibiti wa gharama, kuridhisha wateja na kushirikisha wafanyakazi ndiyo yalikuwa maeneo yaliopewa umuhimu zaidi katika mwaka wa fedha wa 2016/17.

Uzingatiwaji wa kina uliwekwa katika kuboresha taarifa za kurekebisha hitilafu, kuruhusu idara hii kuwa taasisi bora ya kujifunza kutokana na matukio yaliyoripotiwa, na matukio yaliyochunguzwa pamoja na hatari zilizokuwa karibu kutokea. Lengo hili lilifanikiwa kukiwa na ongezeko la 142% katika matukio yaliyoripotiwa. Usimamizi wa hatari pia ulipewa kipaumbele katika mipango, na hasa kuzingatiwa kwa usimamizi kusimamia maeneo ya hatari kwa ufanisi kulingana na mbinu za sekta zinazoongoza.

Wakati ambapo idara ya Kiufundi imekubali kukabili chamgamoto za usimamizi wa gharama kupitia ***Operation Pride***, baadhi ya maboresho muhimu yaliyowasilishwa katika maeneo yaliyohitaji matengenezo ya gharama ya juu kama vile mikataba ya kurekebisha na kukarabati injini na baadhi ya mikataba ya kukodisha huduma kutoka nje za kudumisha ndege katika hali nzuri. Maazimio yaliathiriwa na kuondoka kwa wafanyikazi wengi kwenda kuajiriwa na Kampuni za ndege za Mashariki ya Kati, wakati huo huo hatua za kupunguza athari pia zilianzishwa ili kusimamia dhima hii inayozidi kukithiri. Jumla ya gharama zilizopungua zilizopatikana katika kipindi cha mwaka huo ilizidi 10% kwa thamani inayokaririwa mara kwa mara.

Utegemewaji wa timu ya kiufundi wa ndege uliathiriwa kwa kiasi kidogo na kupoteza wafanyikazi wetu wenye uzoefu wa kazi iki ni uoungufu mdogo ikilinganishwa na mwaka uliopita. Utendaji wa B787 hata hivyo uko ktaika hali nzuri na unalinganishwa na washindani wetu walio bora zaidi katika sekta hii.

Kukiwa na hali hii ngumu lakini inayoendelea kuimarika ya kibiashara, tulizingatia ushirikiano na wafanyakazi wetu wenyewe, wakati huo huo pia tukisimamia wadau muhimu kama vile wauzaji kuwajibika na ufanisi wa usimamizi wa uhusiano. Msururu wa ndege zetu change husaidia kufanikisha huduma kwa wateja, na kwa ujumla iliauni wageni wetu wanatumia huduma zetu kabla ya kiwango cha Utendaji ndani ya ndege. Hii huleta changamoto pale ndege zetu zinapozidi kuwa kukuu, lakini shuguli za ufanisi wa ndani na suluhishi la kuagiza vifaa hupangwa vyema kushughulikia hili.

UIMARISHAJI WA NDEGE

Mwaka unaotathminiwa

Lengo kuu katika mwaka wa kifedha unaotathminiwa lilikuwa kuongeza idadi ya ndege zetu kwa mujibu wa mpango wa miaka 5 wa uimarishaji ndege na ule wa Operation Pride. Kampuni hii ilikodisha ndege mbili (2) aina ya B787-8 Dreamliners kwa Oman Air, ikakodisha tatu (3) aina ya B777-300ERs kwa Shirika la Turkish Airlines, tuliuza moja (1) aina ya B777-200ER na

TAARIFA YA AFISA MKUU MTENDAJI
(INAENDELEA)

kurudisha mbili (2) ndege aina ya E170 iliyokuwa imekodishwa kwa wamiliki baada ya makubaliano ya kuvunja mkataba mapema.

Idadi ya ndege - Zinazohudumu		
Aina ya Ndege	**31 Machi-17**	**1 Aprili-16**
B777-300ER	-	3
B777-200ER	1	2
B787-8	7	9
B737-800	8	8
B737-700	2	2
B737-300	2	2
B737-300F	2	2
E190	15	15
E170	-	2
Dash 8-400	2	2
Jumla	**39**	**47**

Mwaka Unaokuja

Mwaka ujao utashuhudia kuweko kwa ndege imara zaidi kukiwa na badiliko moja tu lilopangiwa - uuzaji wa moja (1) aina ya B777-200ER. Mtazamo utakuwa juu ya kuhakikisha huduma za ndani ya ndege zinazotolewa kwa wateja wetu kote katika msururu wa ndege zetu thabiti za kutegemewa na za hali ya juu.

UKUZAJI WA MAUZO

Kenya Airways yatimiza miaka 40

Katika kipindi cha mwaka tunaoutazama, mnamo tarehe 22 Januari 2017 Kenya Airways ilitimiza miaka 40. Safari hii ilianzia mnamo tarehe 22 Januari 1977 pale Serikali ya Kenya iliidhinisha kuundwa kwa shirika la Kenya Airways na ndege ya kwanza ya KQ kupaa kwa mara ya kwanza mnamo tarehe 4 Februari 1977.

Mnamo tarehe 22 Januari 2017, Kapteni Peter Kinyanzui alichukua usukani na kuongoza safari ya ndege KQ762 kwa ndege aina ya 787-800 ambayo iliondoka uwanja wa ndege wa Jomo Kenyatta International Airport ("JKIA") kwenda Johannesburg, South Africa, saa saba mchana. Ilikuwa safari ya ndege ya ukumbusho ya kuadhimisha miaka 40 ya shirika hili la ndege na hakuna njia nyingine bora ya kusherehekea kuliko ya rubani aliyehudumu kwa muda mrefu zaidi kuiendesha mwenyewe na kusherehekea pamoja na wageni wetu.

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

KQ@40 Lets Fly Campaign

Kuadhimisha muda huu maalum, Kenya Airways ilifanya kampeni ya mauzo iliyoitwa "KQ@40 Lets Fly". Hamasisho hilo lilipatia shirika hili fursa ya kuwashukuru na kuwatambua wateja wake kupitia toleo maalum za mauzo. Kwa ushirikiano na mashirika ya kusambaza habari, tulisherehekea na wakenya, wateja wetu, wafanyikazi wetu na kupeperusha hewani hadithi na makala juu ya safari yetu hadi kufikia. Mtazamo huu uliyochanganyikana pia ulinuia kuonyesha mchango wa Shirika la Kenya Airways katika uchumi wa Kenya na uchumi bara zima la Afrika.

Shinikizo la Usafiri ndani ya Afrika

Kupitia ushirikiano kadhaa wa kimauzo Kenya Airways iliendelea kutafuta fursa za kuingia katika vitengo mbali mbali vya soko ili kustawi na kuongeza Usafiri ndani ya Afrika, kupitia kuonyesha mazuri yanayopatikana humu barani Afrika. Ushirikiano na Coke Studio ulituwezesha kuonyesha fusa tunazotoa za usafiri na biashara kwa vijana, ilhali ushirikiano na halmashauri za Kenya Tourism Board, Madagascar na Seychelles Tourism board ulituwezesha kuhamasisha usafiri mapumziko humu ndani ya Afrika.

TAARIFA YA AFISA MKUU MTENDAJI
(INAENDELEA)

Coke Studio

Ushirikiano na KTB

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

KUWAJIBIKA KATIKA JUMUIYA - CSR

Katika mwaka tunaotazama, Kenya Airways pia ilishirikiana na Shirika la Umoja wa Mataifa la Mazingira ikiwa ni ushirikiano wa ziada ukijumuisha mipango kama ile tuliyo nayo na mashirika ya United for Wildlife na BornFree ili kufanikisha juhudi za kufunga njia moja kuu ya usafiri inayotumiwa na wahalifu kusafirisha wanyamapori, wafu au wakiwa hai, kutoka Afrika hadi Mashariki ya Kati na Asia ya Mashariki, na kuhamasisha uhifadhi. Ushirikiano huu unakuja wakati ambapo kuna shida kubwa ya uwindaji haramu kote barani Afrika inayoleta maafa makubwa kwa viumbe vikubwa na vidogo, kuanzia ndovu na vifaru hadi pangolini na Kasuku wa Afrika waitwao African Gray Parrots.

HUDUMA ZINGINE ZA KQ

Uchukuzi wa mizigo KQ:

Kitengo cha uchukuzi wa mizigo cha Kenya Airways kiliimarisha msimamo wake kama mhusika mkuu duniani katika sekta ya uchukuzi wa mizigo na ndege iliposhinda tuzo ya shirika bora zaidi la uchukuzi mizigo kwa ndege la Afrika mwaka wa 2017 (African Cargo Airline of the Year Award 2017).

Kwa maelezo zaidi tembelea tovuti: www.kqcargo.com

Kituo cha KQ Pride: Kituo cha KQ pride kinazidi kutoa mafunzo ya kozi mbali mbali katika sekta hii tunaendelea kutekeleza jukumu letu katika kuleta Maendeleo endelevu ya Afrika kwa njia ya kuongeza mtaji wa mwanadamu katika sekta hii.

KQ Holidays: KQ Holidays ni huduma yetu ya likizo ya burudani inayoendelea kuandaa likizo ya ndoto kwa wateja wetu:

RASILIMALI YA WATU

Kufikia tarehe 31 Machi 2017, idadi ya wafanyikazi wa Kenya Airways ilitimu katika wafanyikazi 3,582 hii ikiwakilisha kupungua kwa 289 (7.5%) ikilinganishwa na mwaka uliopita. Upungufu huu ulitokana na zoezi la ufanisi wa wafanyikazi lililofanywa mwakani kama njia moja halisi ya kuwadumisha. Idadi ya wafanyikazi wa kandarasi upande mwingine nayo iliongezeka kwa 148 (20%) na kufikia 739. Idadi ya wafanyikazi wa JamboJet iliongezeka kutoka 35 hadi 54. Mabadiliko haya yote yanawakilisha jumla ya upungufu wa 3.7% ya idadi ya wafanyikazi. Ili kuthibiti gharama za wafanyikazi, Kampuni inaendelea kutathmini kwa makini zaidi ongezeko lolote la idadi ya wafanyikazi, na pale inapowezekana kupanga upya majukumu ili kuhepuka ongezeko la idadi ya wafanyikazi. Kama ilivyokuwa katika mwaka uliyopita, nafasi zozote za kazi hujazwa na waliyo ndani, kupitia kupangwa upya, au kupitia njia mpya ya mkataba wa kazi.

Usimamizi wa Vipaji

Katika kusimamia talanta zetu, lengo kuu la mwaka huu lilikuwa kuimarisha ubora wa uongozi wetu. Hii ilifanyika kupitia mkakati wa mfumo wa ufanisi wa uongozi wa Kenya Airways (KQ LCF). Tunapoendelea mbele tutatumia LCF ya KQ katika kusimamia utendaji wetu (mchakato wa kutathmini), katika kufanya maamuzi ya ajira na maendeleo kwa ujumla ya wafanyakazi wetu.

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

Ushirikiano wetu na Chuo Kikuu cha Ufundi cha Technical University of Kenya (TU-K) unaendelea kuwa imara kila siku. Tunaendelea kushirikiana pamoja nao ili kuimarisha ubora wa mafunzo yao kwa kuwasaidia kupata vifaa vya kujifunza, kutoa fursa ya ukufunzi kwa wanafunzi wao na kufanya maonyesho ya kazi kila mwaka.

Kuangazia idadi kubwa ya wafanyikazi wa kiufundi kuondoka, tulichukua njia mbili. ya kwanza ilikuwa kupitia uboreshaji mishahara ili kuweka usawa ndani ya Idara. Njia ya pili Itahusisha kupitishwa kwa mfumo wa kulipa kwa viwango katika Idara ambapo wafanyakazi watalipwa kulingana na usawa wa ustahili, ukubwa/uzoefu na ustadi / uwezo/ utendaji. Pia tumeanzisha zoezi maalum lilolenga la kuajiri kule UAE ambalo linalenga kurejesha Wahandisi na Mafundi wetu wa Kenya.

Mafunzo na Maendeleo

Katika mwaka huo wa 2016/17 mtazamo wa timu hii ilikuwa katika utekelezaji wa masomo kupitia internet yaani E-Learning iliyomo kotea katika mtandao na kutoa uwezo miongoni mwa wafanyikazi wetu. Shughuli muhimu ya timu ya mafunzo na maendeleo (L&D) inadumu kuwa mafunzo ya lazima kwa mahitaji ya mara kwa mara ya biashara hii, lakini imefanya kazi muhimu ya kuendesha mipango inayolingana na mahitaji yanayobadilika ya biashara.

Mipango ya Kuendeleza Uwezo

Tulifanya mipango miwili ya kujenga uwezo kama sehemu ya mkakati wa kurekebisha na kuleta mabadiliko:

- Mipangilio ya siku zijazo;

  Mpango huu wa siku moja uliwapa uwezo wafanyikazi wetu wa kuweka mipangilio ya siku zijazo na kukubali nguvu za mabadiliko mazuri ili kusaidia kupitia maisha. Idadi ya wafanyakazi 1,676 walipata mafundisho haya.

- Utekelezaji wa programu muhimu za uongozi;

  Programu hii ya siku moja ilinagazia katika athari, kupata watu waliyo bora zaidi na kuimarisha ujuzi wa mawasiliano. Idadi ya wafanyikazi 603 walipata mafunzo mwakani. Yaliyomo mafunzoni yaliwasilishwa kwao na Wakufunzi wetu ingawa mtaala ulifanywa kutoka Mckinsey RTS.

Mafunzo kupitia mtandao wa internet - E- Learning

Katika muda huo tunaoutathmini tulizindua kozi za mara kwa mara za mafunzo kupitia mtandao wa internet yaani E – Learning:

- Mifumo ya kuunganisha nyaya za umeme (EWIS);
- Mambo ya kawaida ya kibinaadamu;
- Usalama wa anga;
- Sheria za bidhaa hatari CAT 10 (wafanyakazi wa kusimamia mzigo & utoaji wa huduma za uwanjani);
- Usalama wa upande wa kuondokea ndege;

Mifumo ya usimamizi wa hatari ya uchovu–inayorudiarudia;

Idadi ya wafanyikazi 907 wamekamilisha mafunzo ya E-learning katika mwaka wake wa kwanza wa kutekelezwa.

Mafunzo ya Utendakazi

Kwa maeneo mengine ya utendakazi, tuliandaa mikakati mbadala kwa wagombea binafsi ikiwa ni pamoja na mipango ya Cheti katika Huduma za Ndege na Abiria, wafanyakazi wa ndani ya ndege na kupeleka ndege, pamoja na Diploma za IATA katika Nyanja ya Uchukuzi wa Mizigo kwa ndege, Msingi, na viwango vya Wanakandarasi:

Katika mwaka huo tulizindua kozi mpya za mafunzo za Cheti cha Kuondoa Ndege.

Tulitoa fursa ya mafunzo kwa wanafunzi 109 miongoni mwa wanafunzi wetu kusoma kozi mbalimbali

Mafunzo ya Kiufundi

Katika mwaka tunaoutathmini, chuo kilitoa mafunzo ya kiufundi kwa idadi ya wafanyikazi 2,275 ambayo yalijumuisha:

- Kozi za aina 3 za ndege na wafanyakazi 58 waliohitimu;
- Kozi 40 za kuendelea kukiwa na wafanyakazi 301 waliopata mafunzo
- Kozi za lazima za EASA na KCAA kukiwa wafanyakazi 127 wakifunzwa;
- Kozi za tathmini ya 9-A kukiwa na idadi ya marobani 149 wakipata mafunzo.;
- Kozi nyingine mbali mbali zikiwa ni pamoja na za ndani ya ndege, shughuli katika hali yoyote ya hewa, ETOPS, na kozi za mafunzo ya matengenezo yanayotarajiwa ambapo chuo kiliwafunza wafanyikazi 173.

Kielelezo muhimu katika mwaka huu wa kifedha ni kuanzishwa kwa mafunzo ya E-Learning kwa kozi 3 za lazima za marudio. Hii imepunguza kusafiri na wafanyakazi kwa vile wanapata mafunzo haya mtanadoani. Chuo pia kilitekeleza kwa mara ya kwanza mifumo ya B787 kwa humu ndani.

Uhusiano na Vyama vya Wafanyikazi

Katika 2016/17 kulikuwa na majadiliano mengi na vyama vya wafanyikazi kukiwa na lengo kuu la kujadiliana kuhusu mpango wa Operation Pride ya kuleta mabadiliko, ikiwa ni pamoja na zoezi la uboreshaji wa wafanyikazil/ kuondoa wasiohitajika. Pia kulikuwa na ongezeko la majadiliano na wafanyikazi kwa njia ya vikao vya ushirikiano wa moja kwa moja ikiwa ni pamoja na ofisi za Idara na Kampuni kwa lengo la kuelezea na kufafanua juu ya maamuzi mbalimbali ya Usimamizi yanayoathiri Kampuni na / au wafanyakazi pamoja na kufanya maamuzi juu ya utendaji wa Kampuni.

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

Chama cha Marobani cha Kenya Airline Pilots Association (KALPA)

Kampuni ilifanya majadiliano na uongozi wa Chama kupitia mikutano ya Usimamizi / Umoja ya kila mwezi na mikutano ya majadiliano ya Makubaliano ya pamoja (CBA). Nyingi ya mikutano ilizingatia mapendekezo ya uzalishaji wa marubani yaliyotolewa na halmashauri ya usimamizi. Dhamira ya majadiliano yalikuwa kuendesha uzalishaji zaidi kutoka kwa jumuiya ya marubani, huku tukifikia idadi ifaayo ya maraubani wanaostahili kulingana na ukubwa wa ndege zilizoko na mpango wa mtandao na kuzuiya kiwango cha juu uwachaji kazi.

Chama cha marubani na wafanyikazi wa huduma za uwanja ndege yaani Aviation and Airport Services Workers Union (AASWU)

Kesi iliyopelekwa kwa Mahakama Kuu na Chama hiki juu ya upunguzaji wa wafanyikazi wasiohitajika uliofanywa mwaka wa fedha wa 2012/2013 chini ya mpango wa kuratibisha wafanyakazi bado inasubiri uamuzi.

Chama cha marobani cha Kenya Aviation Workers Union (KAWU)

Kampuni hii na Chama walifanya mashauri ya kawaida ya Usimamizi/ mikutano na Chama cha Wafanyikazi kwa lengo la kupima uongozi wa Chama juu ya utendaji wa biashara na mipango ya mabadiliko, ikiwa ni pamoja na zoezi la uratibu wa wafanyakazi. Wakati huo huo ushirikiano na Chama ulisitishwa kwa muda mfupi mnamo Disemba 2016 kutokana na msukosuko wa kisheria kati ya AASWU na KAWU, uhusiano wa kawaida ulianza tena mwezi Februari 2017 na wahusika wote katika mashauriano walizingatia hasa juu ya suala la wafanyakazi wa kikandarasi na kuzingatia mipango ya Ufuatiliaji wa Uendeshaji baada ya Hitimisho la zoezi la kupunguza wafanyikazi wasiohitajika.

Chama cha kitaifa cha Usafiri wa ndege cha Nigeria yaani National Union of Air Transport Union (NUATE, Nigeria)

Majadiliano na chama hiki yaliangazia katika zoezi la usawazishaji wa wafanyikazi pamoja na ufungaji wa kituo cha Abuja. Chama kiliuunga mkono uamuzi wa usimamizi wa kurejesha tena wafanyakazi wa Abuja kwenda vituo vingine badala ya kuwafurusha. Wakati wa kutamatisha mwaka huo, vyama vilikuwa vikijihusisha na kutathmini Majadilano ya Makubaliano ya pamoja

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

Shirika liliendelea kufanya majadiliano na Chama juu ya kutathmini vigezo vya fedha vya CBA ambavyo, kutokana na nafasi ya kifedha ya Kampuni, haikuweza kukamilika. Mazungumzo bado yanaendelea

Chama cha Ghana cha General Transport, Petroleum & Chemical Workers' Union of Ghana Trade Union Congress (GHANA)

Mazungumzo yameanza na chama hiki kwa mujibu wa sheria za wafanyikazi za Ghana. Mkutano wa uzinduzi ulifanyika tarehe 9 Machi 2017 wakati kampuni na chama walikubaliana kuimarisha uhusiano wao kwa mujibu wa sheria. Baada ya mkutano huo wa uzinduzi, wahusika wote wawili walitia saini makala ya mkataba unaofafanua upeo wa uanachama kwa wafanyakazi. Chama tayari kimepata hati ya makubaliano ya pamoja kutoka kwa wizara ya Kazi ambayo sasa inaweka hatua ya kujadiliana rasmi na halmashauri ya usimamizi.

Kuratibisha Wafanyikazi

Mnamo Machi 2016, biashara hii ilitangaza nia yake ya kufanya zoezi la kuzingatia haki kulingana na mpango wa Operation Pride wa kubadiliha hali na wa lengo la kuwasilisha dola za Kimarekani milioni 200 kwa thamani kutokana na mipango mbali mbali. Zoezi hili lilikuwa linatarajiwa kusababisha karibu wafanyikazi 600 kuamuliwa kuwa hawaihitajiki au kutuma katika sehemu nyingine ndani ya shirika hili iwapo masharti yao yanaruhusu.

Baada ya kushauriana na vyama vyote husika, na kusisitiza kupima usahihi wa makadirio ya kuzingatia haki ili kuhakikisha njia zote zinazowezekana za kubakiza wafanyakazi kwa kuzingatia viwango vya kuondoka, pamoja na kupata mashirika ya ndege ya muda mrefu ufanisi wa zoezi ulifanyika katika awamu mbili - Julai, 2016 na Januari 2017 na jumla ya wafanyakazi 101 wanaojitenga na shirika. Utaratibu huo ulifanyika kwa kufuata kikamilifu sheria husika, Mikataba ya Majadiliano ya Pamoja na mikataba ya kibinafsi.

MIFUMO YA TEKNOLOJIA YA MAWASILIANO

Kuboreshwa kwa tovuti ya Kenya Airways

Katika mwaka huu wa ukaguzi, tovuti ya ushirika wa Kenya Airways iliendelea kuboreshwa kwa kuzingatia utegemewaji wake na urahisi wa matumizi. Sasa ina Seva za mtandao za ukombozi, ulinzikuta, seva za hifadhidata na za programui, pamoja na mfumo mpya wa usimamizi wa maudhui ya Ektron.

Isitoshe, tovuti hiyo imefanywa upya kabisa, na ilizinduliwa na kuamilishwa Januari 2017. Kama sehemu ya umbo jipya, tovuti hii mpya ilifanywa sikivu zaidi, na hivyo basi kuweza kupakia kwenye mazingira ya PC na simu kwa kasi zaidi. Tovuti hii mpya iliunganishwa zaidi na mfumo wa CRM, Kiwango cha Business Class Upgrade, na Suluhisho za FlightPass. Kwa kuongeza, Jedwali la Muda wa Ndege kwenye tovuti hiyo ilihamishwa kutoka kwa OAG hadi Amadeus na Kampeni simamizi (vipengele vya moto) vilivyoboreshwa sana. Tovuti hii sasa ina kifungo cha maoni cha moja kwa moja ambacho kinawawezesha wateja kutoa maoni kuhusu makosa, changamoto za usafiri wa tovuti na maoni juu ya muonekano na hisia.

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

Mtandao wa internet hususan kwa Mawakala wa Huduma za uwanjani na huduma za kawaida

Katika mwaka huo mtandao mpya wa internet ulitolewa kwa Wakala wa Kudhibiti Shughuli za Uwanjani (GHA). Awali mtandao huu ulilenga kusaidia Idara ya Huduma za Uwanjani kupunguza gharama na muda wa kusambaza viwango na taratibu za manufaa kwa GHAs kote duniani. Hii imehusisha kufanya miongozo kuwa ya kidijitali na kuisambaza kupitia mtandao huo wa internet. Mradi huo ulipanuliwa baadaye ili uongeze nyaraka za Huduma za Kawaida (GSAs) na Orodha za bei.

Njia Malipo kupitia Mtandaoni

Shirika hili la ndege liliendelea kuunganisha idadi kadhaa za watoaji huduma za malipo mtandaoni mwakani. Mbali na Mpesa, Benki ya Zenith Nigeria na Benki ya DT Nigeria, tumeimarisha lango la kulipa kwa mabenki na mashirika ya simu za rununu. Hii itawawezesha watoaji huduma kama vile KCB na Equity, na makampuni ya malipo kupitia simu kama vile Airtel, Vodacom, MTN na Tigo kuunganishwa na KQ.

Fumbuzi za Usafiri na za Shirika

Katika mwaka huo, tulianzisha na kutekeleza mfumo wa Ujulishaji wa Wafanyabiashara. Mfumo huu hutumiwa kusajili na kuhamasisha wafanyabiashara ambao wanajulisha wafanyabiashara wengine kwa KQ kulingana na sheria za biashara na viwango vinavyoelezwa katika mfumo.

Vile vile tulitekeleza mfumo wa kifaa nyumbufu cha mauzo cha Commercial Flexibility Tool. Mfumo huo hutumiwa kutambua na kufungulia bajeti za motisha kwa Wakala wa Usafiri na za kampuni kutoka kwa mkurugenzi wa biashara hadi kwa mameneja wakuu wa mauzo katika ofisi zote za KQ duniani. Mfumo huo hutumiwa kufuatilia jinsi motisha ya biashara na Usafiri hutumiwa na kila mwanachama wa timu ya usimamizi wa Mauzo ya Biashara wakati huo huo kufuatilia jinsi faida zitokanazo na motisha zilivyotumiwa.

Usimamizi wa Matumizi ya Fidia

Katika mwaka huo, Kielelezo cha fidia cha Altea kilitekelezwa kwenye kituo chetu shina cha JKIA katika 2016. Lengo la mfumo huo lilikuwa kuanzisha mfumo wa kujiendesha wenyewe, nyumbufu na kuweka viwango vya fidia ya wateja wakati kunapotokea hitilafu. Katika siku za nyuma, wakati wowote kukitokea hitilafu, wateja walipewa vocha za kupata chakula, teksi na pesa. Kukiwa na Kielelezo hiki cha Fidia cha Altea, viwango vya fidia na vocha hufafanuliwa kimbele kulingana na sababu asili au haja ya fidia. Machapisho ya vocha yanaweza kuzalishwa kutoka kwenye mfumo wowote wa Altea, ikiwa ni kaunta za usafiri au madukani. Kwa kuwa kiwango na muundo ni wa kabla ya kusanidiwa kwenye mfumo, hakuna idhini ya mwongozo au uthibitisho unaohitajika na ripoti zinaweza kuzalishwa ili kuonyesha kiasi na aina za fidia zilizopatikana kwa wateja wakati wowote

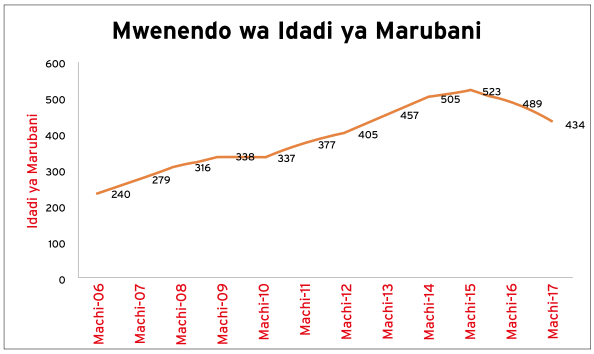
Fumbuzi ya Usimamizi wa Ubadilishanaji Fedha

Mwakani, suluhisho fumbuzi la usimamizi wa mfumo wa ubadilishanaji fedha lilifanyika pia. Ufumbuzi wa Bloomberg FXGO uliunganishwa na mfumo wa Oracle ERP na unaweza kufuatilia mabadiliko ya sarafu za kimataifa kama inavyohitajika katika Idara ya Fedha, hivyo basi kupunguza hasara zitokanazo na amali ya ubadilishanaji fedha.

USIMAMIZI WA UENDESHAJI WA NDEGE

Uajiri na utoaji mafunzo kwa wafanyakazi bado ni lengo kuu la Idara ya Uendeshaji wa Ndege. Katika kipindi cha mwaka unaokaguliwa, tulishuhudia idadi kubwa zaidi ya marubani kuondoka katika kipindi cha miaka mitano iliyopita idadi ya 55 na kuondoka kwa jumla ya watu 89 katika miaka miwili iliyopita na kusita katika 434 dhidi ya idadi ya wanaohitajiwa ya 444. Jumla ya Manahodha 32 na Maafisa wa cheo kwanza 19 waliondoka zao.

Zaidi ya hayo, tulikuwa na mafunzo ya kutoka mwanzo ya Makadeti 19 miongoni mwao 22 kama Maafisa wa ngazi ya Pili baada ya kufanikiwa kuhitimu na kutoka chuo cha Usafiri wa anga kule Afrika Kusini. Kampuni hii ina mpango wa kupunguza mwanya ulioko wa upungufu wa Marobani kwa kuajiri moja kwa moja marobani wapya kutoka katika soko hili la Kenya. Wafanyakazi wetu wanaohudumu ndani ya ndege ni wa idadi ya 776 na kuna na mipango ya kuajiri wengine 32 zaidi kikandarasi. Mchoro uliyo hapa chini unaonyesha mwenendo wa idadi ya marubani kwa zaidi ya miaka kumi iliyopita:



Katika upande wa kibiashara, tuliweza kuzalisha mapato ya dola milioni 61 kwa kukodisha chombo chetu cha kuonyesha hali halisi ya ndege yaani simulator kwa mashirika mengine ya ndege kwa madhumuni ya mafunzo. Pia tuliweza kupatiwa tena cheti cha kuidhinishwa kwa simulator yetu kutoka kwa wakadriaji wa Shirika la Usalama wa Usafiri wa Anga la Ulaya (EASA) kama kifaa cha Ngazi ya D cha mafunzo ambacho ni kiwango cha juu zaidi cha kufuzu kwa haadi ya Full Flight Simulator (FFS) inayopatikana hivi sasa. Tunaendelea kuboresha bidhaa zetu za bila ushuru yaani duty free kwa kufanya bei zetu kuwa za ushindani na kuongeza aina mbalimbali za bidhaa tulizo nazo katika jarida letu la duty free liitwalo "Karibu". Hatimaye,

TAARIFA YA AFISA MKUU MTENDAJI (INAENDELEA)

tunaendelea kuboresha duka letu la duty free mtandaoni kwenye tovuti www.kqdutyfree.com ili wateja wawe na njia ya ziada ya kulipa kama vile M-pesa na kupokea arifa za tolea mpya kupitia barua pepe kunapokuwa na kampeni mbalimbali za mauzo.

Kutamatisha, tunaendelea kuzingatia viwango vya mafunzo ya wafanyakazi wetu na kustawisha njia zetu za mawasiliano ndani ya idara kwa kufanya mikutano iliyopangwa kufanyika kama ifuatavyo:

- **Mikutano ya kila mwezi ya Ukuu na Ustahilifu** kufanya mapitio ya uwezo wa marubani kwa mujibu wa mahitaji ya mtandao na kutathmini kufuzu kwa marubani katika kazi yao waliochaguliwa kupandishwa madaraka kulingana na viwango na utaratibu uliowekwa;
- **Mikutani ya kila mwezi ya Bodi ya Uhakikisho wa Mafunzo** ili kuhakikisha kuwa viwango na taratibu za mafunzo ya wafanyakazi vinazingatiwa;
- **Mikutano ya kila mwezi ya KALPA** na usimamizi kuangazia maswala yoyote ya utekelezaji shughuli na ya Wafanyikazi;
- **Mikutano ya kila robo mwaka ya KALPA na Afisa Mkuu Mtendaji wa Shirika** kushirikiana katika kutathini malengo ya kampuni na utekelezaji wake;
- **Darasa za Kila wiki za Ushirikiano** ambapo mameneja wakuu katika idara husikiliza na kujibu masuala yaliyotolewa na wafanyakazi, na
- **Vikao vidogo vya mara mbili kila mwaka baina ya idara** ambapo wafanyakazi hasa wafanyakazi wa kwenye ndege, huhamasishwa juu ya yanayoendelea katika biashara hii, kuimarisha ushirikiano katika kazi, kutathmini utendaji na maeneo ya fursa za kuboreshwa.

Mbuvi Ngunze

Mkurugenzi Mkuu Mtendaji na
Afisa Mkuu Mtendaji Anayeondoka


KHMA28
HYSTER
SIEMENS
SIEMENS

CORPORATE GOVERNANCE

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

Board of Directors

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

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

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

The full Board meets regularly to conduct its affairs. The Directors receive all information relevant for the discharge of their obligations in accurate, timely and clear form so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues.

In line with good governance practice, the Board has delegated authority for the conduct of day-to-day business to the Group Managing Director & 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.

There is a balance between Executive Directors and Non-Executive Directors, with nine out of the eleven members of the Board being Non-Executive including the Chairman of the Board. In addition, five out of the nine Directors are independent, including the Chairman of the Board. All except the Group Managing Director, Group Finance Director and two KLM Directors are subject to periodic reappointment in accordance with the Company's Articles of Association, the Code of Corporate Governance for Issuers of Securities in Kenya, as well as the Board's Rotation Policy. In this regard, two Directors will retire by normal rotation at the Annual General Meeting.

During the year under review, the Board conducted Board Evaluation as well as a Governance Audit. In addition, and in order to keep the Board up skilled in line with the Board development plan, the Board attended training in Corporate Governance and in specific industry matters. In addition, members of the Audit and Risk Committee had the opportunity for specialised training in risk management for Boards.

Board succession planning provides further information on the mix of skills and diversity that the Board seeks to achieve in the membership of the Board. The Board implements term limits for the independent Non-Executive Directors in line with the Articles of Association, the Board Charter and the Board rotation schedule and manages its succession planning with the assistance of the Corporate Governance and Nominations Committee, which has prepared a detailed skills matrix for the Board. The committee annually puts in place a succession plan for the Board and in line with the skills matrix, reviews existing and desired competencies and guides the Board and shareholders accordingly.

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. In this regard, the Board has formally adopted a Board Appointment Procedure and a Gender Diversity Policy.

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

The Board has approved and subscribes to a Code of Business Conduct and Ethics that is applicable to it and all staff and those that the Company does business with.

In line with good practice, the Code of Corporate Governance for Issuers of Securities in Kenya and the Listing Obligations, the Board ensures the disclosure of pertinent information as required and holds at least two investor briefing sessions annually.

Directors are required to declare any conflict of interests at every Board meeting in order to ensure integrity in all transactions. In addition, the Board is able to seek external advice or assistance on issues of concern, when considered necessary.

Committees of the Board

The Board has four standing committees, which meet regularly under formal terms of reference set and approved by the Board.

CORPORATE GOVERNANCE (CONTINUED)

Audit and Risk Committee

Current Membership

Ms. Wanjiku Mugane - Chairperson

Dr. Kamau Thugge - PS, The National Treasury (Alternate - Festus Kingori)

Mr. Irungu Nyakera (Alternate - Nicholas Bodo)

The Group Managing Director and the Acting Group Finance Director are invited to the Committee's meetings as and when required.

Mandate

The mandate of the Audit & Risk Committee of the Board is set out in the Board Charter and the Committee Charter. It has the overall mandate to advise the Board on Internal Controls and Risk Management systems of the Company. The Committee is responsible for both internal and external audits and is empowered to take various actions to achieve its mandate.

Achievements during the year under review

The Committee met at least ten times during the 2016/17 financial year and achieved the following milestones:

i) Commissioned Deloitte to conduct a forensic investigation aimed at establishing the key causes of the Company's steep financial decline. The findings are the main driver of the Committee's agenda for financial year 2017/18;

ii) Oversaw the identification and documentation of the corporate and departmental risks that have a significant impact on the Company's business performance and prospects. Based on these risks, the Company's controls and compliance activities are being enhanced in order to mitigate against the identified risks; and

iii) Oversaw the improvement of the Company's control environment by cascading of the Company's Enterprise Risk Management Framework to key staff, which framework the Committee established in financial year 2015/16.

Looking forward

The Audit and Risk Committee's key agenda for financial year 2017/18 is to significantly strengthen Risk Management and Compliance by achieving the following inter alia:

i) Benchmarking the Company's risk management practices against COSO and ISO standards as well as against local market leaders and our partner airline KLM;

ii) Reorganising structures in order to strengthen risk management, compliance and internal audit functions;

iii) Strengthen documentation of compliance and enforcement of internal controls; and

iv) Establishing a functional whistle blowing facility to facilitate fraud detection and mitigation.

Corporate Governance and Nominations Committee

Current Membership:

Mr. Michael Joseph - Chairman

Mr. Ron Schipper

Mr. Festus Kingori (Alternate to Dr Kamau Thugge)

Mr. Sebastian Mikosz

Mandate

The Corporate Governance and Nominations Committee assists the Board in fulfilling its mandate with regard to corporate governance. Its overall mandate is to ensure that the Company is governed in line with best practice in matters of Governance and that suitable candidates are identified for Board positions. The Committee also oversees the annual Board Evaluation and Board training.

The Committee is empowered to:

i) Oversee and monitor the Company's corporate governance policies, practices and guidelines;

ii) Identify and propose to the Board suitable candidates for nomination and election or re-election as Directors of the Company;

iii) Propose the structure of Board committees, their mandate and appointments thereof; and

iv) Propose to the Board appropriate remuneration for Board members.

Achievements during the year under review

During the year under review, the Committee achieved the following among others:

i) Ensured that an annual Board Evaluation was conducted;

ii) Subjected the Company to a governance audit;

iii) Assessed and recommended to the shareholders the appointment of Directors;

iv) Ensured Board training in industry matters and corporate governance;

v) Led the recruitment of the Group Managing Director;

vi) Ensured the development of the Board Diversity Policy, the Board Appointment Procedure and the Assessment of Independence Tool; and

vii) Assessed the Company's corporate governance practices against the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities.

CORPORATE GOVERNANCE (CONTINUED)

Looking forward

The Committee is committed to driving the corporate governance agenda of the Company and in this regard, shall continue to benchmark against best practice with a view to best practices that will further the business objectives of the Company.

Strategy & Business Development Committee of the Board

Current Membership:

Mr. Jason Kap Kirwok - Chairman

Mr. Nicholas Bodo

Ms. Wanjiku Mugane

Mr. Jos Veenstra

Mr. Festus Kingori

Ms. Caroline Armstrong-Ogwapit

Mr. Sebastian Mikosz (Group Managing Director & CEO)

Mandate

The mandate of the Strategy and Business Development Committee is to:

i) Advise the Board on the main strategic priorities of the Company;

ii) Review the execution of the commercial and operational strategy;

iii) Review the plan and budget and recommend its approval to the Board;

iv) Review and give opinions on major investments, divestments and external growth; acquisition and disposal of assets; and

v) Carry out any other business directed by the Board relevant to the mandate of the Committee.

The Committee has held four meetings this financial year.

Achievements during the year under review

The Committee has among others:

i) Strengthened the strategic planning process by linking the business environment review, to strategic positioning and objective setting;

ii) Ensured the integration of Operation Pride turnaround project into mainstream corporate business practices;

iii) Reviewed and provided guidance on the Strategic and business Plan; and

iv) Reviewed and provided guidance on various business cases.

Looking forward

The Committee will continue to ensure a tight linkage and closed loop between strategy development, execution, tracking, calibration and course-correction, as appropriate. It will be guided by the mantra 'say what you do; do what you say; prove it; and improve it.'

Specifically, it will continue to provide guidance on how best to exploit business opportunities and deal with emerging challenges.

Human Resources Committee

Current Membership:

Ms. Caroline Armstrong-Ogwapit - Chairperson

Mr. Ron Schipper

Mr.Jason Kapkirwok

Mr. Sebastian Mikosz

Mandate

The Human Resources Committee assists the Board in fulfilling its mandate with regard to the human capital and talent development of the Company. The overall scope is to ensure that the Company attracts and retains individuals who are qualified and productive by job related standards of education, training, experience and personal attitude.

The Committee is empowered to:

i) Ensure the Company has in place and implements Human Resources strategic objectives;

ii) Continually review and formulate Human Resources management policies of the Company;

iii) Identify and implement best practices with regard to staff development and retention;

iv) Review and propose an optimal organisational structure including staffing levels; and

v) Identify and recommend to the Board the recruitment of Director level management staff and thereafter annually evaluate their performance.

Achievements during the year under review

During the year under review, the Committee met twelve times and achieved the following among others:

i) Reviewed the target setting process to ensure alignment between organisational objectives and personal objectives;

ii) Implemented robust succession planning and talent assessment at Director level and below;

iii) Carried out all key Director level recruitment; and

iv) Advised on and managed the review of the remuneration packages, including the incentive scheme and career progression.

CORPORATE GOVERNANCE
(CONTINUED)

Looking forward

As we progress towards becoming a high performing organisation, the Committee remains focused on ensuring that the Company attracts and retains high performing, committed and motivated staff to enable the Company to achieve its objectives. We will continue to foster positive relationships with the various unions and other stakeholders to ensure that all staff work for the advancement of the Company. We will focus on ensuring our policies enable objective and robust performance management while ensuring our staff have a positive working environment.

Internal Controls

The Board through the Audit and Risk Committee ensures that the Group has defined procedures for internal controls to ensure the integrity of the assets of the Airline and the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out by the Internal Audit team and reviews 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 liaises with the Kenya Civil Aviation Authority on such changes. They participate in workshops and lobby either individually or as an industry through the Air Operators Association and other bodies for changes which are considered prudent or likely to affect the Company.

Internal Audit

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

External Auditor Relationship

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

Code of Business Conduct & Ethics

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

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

Transparency and Disclosure

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

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

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

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2016/17 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, 2017 were as follows:

Directors' Interests

Name of Director	Number of Shares
Cabinet Secretary to the National Treasury	445,920,557

DIRECTORS AND STATUTORY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2017

EXECUTIVE DIRECTORS

M. Ngunze	-	Managing Director

NON-EXECUTIVE DIRECTORS

Michael Joseph	-	Chairman (Appointed 5 October, 2016)
Ambassador Dennis Awori	-	Chairman (Resigned 26 October, 2016)
P. Elbers*	-	Resigned 23 December, 2016
J. Veenstra *	-	Appointed 9 February, 2017 (Previously alternate to P. Elbers and R. Schipper)
R. Schipper*		
V. Rague	-	Resigned 29 September, 2016
K. Thugge	-	Alternate - F. Kingori
W. Mugane		
C. Armstrong		
J. Kapkirwok		
W. Irungu	-	I. Ireri – Alternate (Resigned 26 October, 2016), N. Bodo – Alternate (Appointed 26 October, 2016)

* Dutch

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

DIRECTORS AND STATUTORY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

PRINCIPAL BANKERS

Citibank N.A.
Citibank House, Upper Hill Road
P.O. Box 30711-00100
Nairobi

Standard Chartered Bank Limited
48 Chiromo, Level 5
Westlands Road
P.O. Box 30003-00100
Nairobi

Barclays Bank of Kenya Limited
The West End Building, 4th Floor
Waiyaki Way, Head Office
P.O. Box 30120-00100
Nairobi

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

Equity Bank Limited
7th Floor, Equity Centre
Upper Hill
P.O. Box 75104-00200
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 2017

The Directors submit their report together with the audited consolidated and separate financial statements for the year ended 31 March, 2017, in accordance with Section 653(1) of the Kenyan Companies Act, 2015, which discloses the state of affairs of Kenya Airways PLC (formerly Kenya Airways Limited) ("Kenya Airways" or the "Company") and its subsidiaries (together, the "Group").

1. Change of name

In compliance with the Kenyan Companies Act, 2015, Kenya Airways Limited changed its name to Kenya Airways PLC on 18 October, 2016.

2. 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 and international flights and flies to 52 destinations in Africa, Middle East, Asia and Europe.

At 31 March, 2017, the Group had 39 aircraft, either owned or on operating leases. These comprised one Boeing B777 wide-body jet, seven Boeing 787 wide-body jets, twelve Boeing 737 narrow body jets, fifteen Embraer regional jets, two Boeing 737 freighters; formerly passenger aircraft and two Bombardier Dash 8-400s.

3. Results

The Group and Company's net loss for the year of KShs. 10,207 million and KShs 10,072 million (2016 - net loss of KShs. 26,225 million and KShs. 26,565 million) respectively has been deducted from the retained earnings. The Group's and Company's results for the year are set out on pages 86 and 87 respectively.

4. Dividends

The Directors do not recommend payment of dividends (2016: Nil).

5. Directors

The Directors who held office during the year and to the date of this report are set out on page 70.

6. Directors' remuneration

The Director's remuneration for the year ended 31 March, 2017 has been disclosed at Note 39 (c).

7. Business overview

Summary

In the last one year and a half, Kenya Airways (KQ) has taken some hard decisions including reducing the number of aircraft it has in operation, restructuring its network, as well as making substantial changes to other aspects of the business including the manner in which it is financed, with the objective of ensuring its financial and operating sustainability. Operation Pride, the turnaround plan is delivering value on costs, revenues and cash flows. The Company has undertaken many actions including the following:

- Re-sizing of the business and network with 8 wide-body aircraft sold or sub-leased
- Sale of landing slots in London Heathrow and replacing these with leased slots which include an option to purchase and sale of other non-core assets, to improve cash flows
- Strengthening key commercial aspects including pricing and revenue, management, focus on ancillary revenue, Customer Relations Management (CRM), website upgrade and changes in people and responsibilities

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

7. Business overview (Continued)

Summary (Continued)

- Forensic Audit to help identify and thus mitigate areas of business weakness
- Strengthening of the Risk Management environment including controls and consequence management
- Board and management changes
- Staff right sizing

Within the context of the actions highlighted above. The Board of Kenya Airways is announcing the results showing:

- A strong improvement in operating results
- A significant reduction in the net loss position of the business

Going forward, the Group will continue building on the gains made in the airline's turnaround strategy, Operation Pride. Along with this, in the near term, the focus is on completing the capital restructuring plan whose main objectives are to reduce the Group's financial leverage and increase liquidity to ensure the Company can operate at normalised levels. The aim is to place Kenya Airways on a stronger footing and provide a stable base for long-term growth. The Company will continue its focus on improving service quality.

The Government of Kenya and Koninklijke Luchtvaart Maatschappij (KLM) Royal Dutch Airlines, in their capacity as major investors in Kenya Airways have indicated their continued strong support for the Company's operational and capital structure optimisation process and are closely involved throughout the transaction process and intend to remain major stakeholders in the Company over the long term. The Board considers that the achievement of the above measures will safeguard and complete the turnaround and improve the long term prospects of the airline.

Turnaround program

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

- Return to profitability through revenue enhancement and cost containment;
- Refocusing and resizing the business model and enhancing partnerships; and
- Restructuring the capital of the Company.

In the year under review, the Group and Company has been able to see the benefits of the turnaround strategy in the three areas targeted for improvement.

The Group's and Company's operating profits for the year ended 31 March, 2017 improved significantly to KShs. 897 million and KShs. 1,080 million from a loss of KShs. 4,093 million and KShs. 4,544 million for the year ended 31 March, 2016 respectively. The improvement represented a gain at Group and Company level of KShs. 4,990 million and KShs. 5,624 million respectively. The operating results improvement was underpinned by the early results of the turnaround plan which include a growth of 4% in cabin factor to 72.3%, a 5.4% increase in passenger numbers from 4.23 million to 4.46 million, a reduction in direct operating costs, fuel and fleet costs but with an increase in overheads because of one-off implementation costs of Operation Pride.

The results were achieved in a tough aviation context, in which airlines continue to be weighed down by continuous pressure on yield, major currency fluctuations, increase in fuel prices during the second half of the year and a changing commodity price environment. An industry forecast by International Air Transport Association (IATA) indicates that African airlines will continue to be in negative profit territory in 2017, despite overall improvement in performance.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

7. Business Overview (Continued)

Re-organisation

During the year under review, the organisation was strengthened via changes to the Board and senior management. The Board completed the Forensic Audit that it commissioned during the year and took action based upon the findings, including:

- Disciplinary measures against staff identified as being culpable
- Materially strengthening the risk management and control framework
- Strengthening the compliance environment in the organisation, with a goal to close any governance and control weaknesses in the Group

The Group also carried out a downsizing plan in order to optimise employee levels and productivity.

Capacity and traffic

As a result of the actions taken last year, the Group reduced capacity as measured in terms of Available Seat Kilometres (ASK) by 4% to 14,194 million compared to 14,744 million in 2015/16. Despite this reduction resulting from fewer aircraft in operation, the average utilisation of the fleet improved with an increase in block hours flown of 5.3%. The uptake of this capacity measured in terms of Revenue Passenger Kilometres (RPK) increased by 1.9% to close at 10,261 million. The largest reduction in ASKs was in India by 29% but with a 21% drop in RPK resulting in a 7% growth in cabin factor. For Europe, the drop in ASK matched the RPK reduction at 10% leaving cabin factor at similar levels as last year. For the Middle East and China, RPK grew by 20% as a result of improved connectivity from the various feeder markets, despite a 4% reduction in Available Seat Kilometres (ASK). Africa excluding Kenya grew at 4.6% for both RPKs and ASKs leaving cabin factors at similar levels as last year. Kenya market grew by 11.6% in RPK with an ASK increase of 3% resulting in a cabin factor improvement of 6.1% to 79%.

Yield per RPK

The yield per Revenue Passenger Kilometre (yield/RPK) related to passenger revenues declined by 7.4% compared to prior year. The causal factor for this decrease is largely due to the reduction in fuel prices in the early part of the year and the subsisting capacity increases by major carriers resulting in a more competitive environment. IATA estimates for yield development in 2016 was a reduction of 9%.

Turnover

Group and Company turnover reduced by 8.5 percent and 9 percent respectively to close at KShs. 106,277 million and KShs. 101,417 million respectively in the year. The dip in revenues arose from the reduction in capacity (ASKs), with the mixed effect of a 5.4 percent increase in passenger numbers, which was however diluted by the combination of the drop in Yield per Revenue Passenger Kilometre (Yield/RPK), the negative exchange rate impact, the increased capacity by competitors and the overall lower fuel prices which resulted in lower fares. In addition, cargo volume declined arising from the lower available capacity, due to the restructured fleet and a reduction in income from sale of assets relative to last year.

Cargo

The phasing out of Boeing 777 and entry of Boeing 787 reduced capacity offered into the market resulting in constraining the space available to uplift cargo within the network. This resulted in a 15% dip in loads uplifted to 57 Kilo Tonnes. The average rate per kilogramme uplifted also reduced 5.3% (in dollar terms) as shippers demanded better rates in line with reduction in fuel prices.

Direct operating and fleet costs

The rationalisation of operations resulted in a reduction of total direct operating costs by KShs. 2,505 million to KShs. 65,356 million. Fleet ownership costs at KShs. 15,524 million decreased by KShs. 14,054 million compared to prior year. This decrease reflects both management concerted efforts and Operation Pride initiatives.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

7. Business overview (Continued)

Overheads

The Group's and Company's overheads at KShs. 24,500 million and KShs. 22,522 million increased by KShs. 1,688 million and KShs. 1,222 million respectively compared to prior year, mainly due to the one-off impact of restructuring costs.

Performance results

The Group and Company made a loss before tax of KShs. 10,202 million and KShs. 9,988 million compared to KShs. 26,099 million and KShs. 26,538 million respectively, in the prior year, an improvement by KShs. 15,897 million and KShs. 16,550 million or 61% and 62%. Excluding one-off adjustments relating to impairment loss, restructuring costs and gain/loss on sale of assets, the operating results for the Group and Company would have been as follows:

	Group		Company	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Operating profit/(loss)	897	(4,093)	1,080	(4,544)
One-off adjustments	3,466	4,158	3,466	4,158
Adjusted operating results	**4,363**	**65**	**4,546**	**(386)**

8. Relevant audit information

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

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

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

9. Auditor

The Company's auditors, KPMG Kenya, have expressed their willingness to continue in office in accordance with the requirements of the Kenyan Companies Act, 2015.

10. Approval of financial statements

The financial statements were approved at a meeting of the Board of Directors held on 24 May, 2017.

BY ORDER OF THE BOARD
SECRETARY

Date: 24 May 2017

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The Directors' Remuneration Report sets out the policy that the Group and Company has applied to remunerate Executive and Non-Executive Directors. The report has been prepared in accordance with the relevant provisions of the CMA code of Corporate Governance and the requirements of the Kenyan Companies Act, 2015.

The Group and Company's Corporate Governance and Nominations committee of the Board is responsible for overseeing and monitoring the Company's corporate governance policies, practices and guidelines.

The Committee is mandated to review the remuneration of Non-Executive Directors to ensure that the same is competitive and aligned with the business strategy and long-term objectives of the Company.

Executive Directors

Executive Directors are remunerated in accordance with the staff remuneration policy. Their remuneration package comprises a base salary, pension and other benefits designed to recognise the skills and experience of Executive Directors.

Non-Executive Directors

In recognition of their contribution to the Company, Non-Executive Directors receive fees as well as sitting allowances for Board and Committee meetings. The fees are approved by Shareholders at Annual General Meetings and is payable on a monthly basis. The Non-Executive Directors are not covered by the Company's incentive programmes and do not receive performance-based remuneration. No pension contributions are payable on their fees.

Travel and related expenses

The Company reimburses travel and accommodation expenses related to attendance at Board meetings. There is in place a travel policy for Directors.

Others

During the year under review, there was no arrangement to which the Group and Company was a party where Directors acquired benefits by means of transactions in the Group and Company's shares outside applicable law. The Group has a strict insider trading policy to which the Directors and senior management must adhere to. There were no Directors' loans at any time during the year ended.

The aggregate amount of emoluments received by the Executive and Non-Executive Directors from the Company and its subsidiaries during the year ended 31 March, 2017 was KShs. 137 million and KShs. 98 million (2016 - KShs. 135 million and KShs. 93 million) respectively as disclosed under Note 39(c).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of Kenya Airways PLC (formerly Kenya Airways Limited) set out on pages 86 to 163 which comprise the statements of financial position as at 31 March, 2017 and the statements of profit or loss and other comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended and notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in a manner required by the Kenyan Companies Act, 2015.

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, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of its operating results.

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

The Directors have made an assessment of the Company and its subsidiaries' ability to continue as a going concern and having taken into account all information at hand, have prepared the Group and Company financial statements on the basis of accounting policies applicable to a going concern based on initiatives disclosed at Note 2(e) to the consolidated and separate financial statements, put in place to enable the Group and Company to continue to meet their obligations as and when they fall due. The Directors, however, are aware of the existence of a material uncertainty that may cast significant doubt about the Group and Company's ability to continue as a going concern.

Approval of the financial statements

The Group and Company financial statements, as indicated above, were approved by the Board of Directors on 24 May, 2017 and were signed on its behalf by:

Michael Joseph	**Mbuvi Ngunze**
Chairman	*Director*

Date: 24 May 2017

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYA AIRWAYS PLC (FORMERLY KENYA AIRWAYS LIMITED)

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Kenya Airways Plc (formerly Kenya Airways Limited) set out on pages 86 to 163 which comprise the statements of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Kenya Airways Plc (formerly Kenya Airways Limited) as at 31 March, 2017 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(e) in the consolidated and separate financial statements, which indicates that the Group and Company incurred a net loss of KShs. 10,207 million and KShs. 10,072 million respectively during the year ended 31 March, 2017 (2016 – Net loss of KShs. 26,225 million and KShs. 26,565 million respectively) and as of that date, the Group's and Company's current liabilities exceeded its current assets by KShs. 44,554 million and KShs. 46,895 million respectively (2016 – KShs. 43,232 million and KShs. 45,732 million respectively) and the Group's and Company's total liabilities exceeded its total assets by KShs. 44,915 million and KShs. 47,762 million (2016 - KShs. 35,667 million and KShs. 38,649 million) respectively. As stated in Note 2(e), these events or conditions, along with other matters as set forth in Note 2(e), indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, in forming our opinion thereon and we do not provide a separate opinion on these matters.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYA AIRWAYS PLC (FORMERLY KENYA AIRWAYS LIMITED)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key audit matters (Continued)

Key audit matter	**How the matter was addressed** Our procedures in relation to the key audit matter included, among others:
Impairment of non-current assets held for sale The Group has non-current assets held for sale with aggregate carrying values of KShs. 1,115 million as at 31 March, 2017. Following a review of the business, the outlook for the industry and the Group's and Company's operating plans, Directors have assessed these carrying values. An impairment provision of KShs. 2,584 million was recognised to reduce the carrying values of these assets to their estimated recoverable values, which is the fair value less costs of disposal. The Directors concluded that the carrying amount disclosed under Note 25 is lower or equal to the recoverable amount such that no impairment provision was required other than that recorded. Impairment of the non-current assets held for sale is a key audit matter because the conclusions are dependent upon significant judgement by Directors, including in respect of the estimated resale values, expected disposal values and cost to dispose and the timing of cash flows from the sale of the assets. Refer to Note 25 in the consolidated and separate financial statements.	- Assessing the methodologies used by the Directors to estimate resale values; - Checking the accuracy of the impairment loss recorded by comparing the carrying amount to the recoverable amount to ensure the carrying amount is adjusted to the lower of the two; - Considering the appropriateness of the resale values estimated by management based on our knowledge of the industry and previous resale values; and - Assessing management's key assumptions used to estimate resale values by considering the potential impact of a reasonable possible downside changes in these key assumptions.
Revenue recognition The Group's and Company's revenue amounted to KShs. 105,082 million and KShs. 100,222 million respectively for the year ended 31 March, 2017. Revenue recognition is a key audit matter because revenue from passenger and cargo sales is recorded when the related transportation service is provided, using complex information technology systems to track the point of service delivery and where necessary, estimates of fair values for the services provided that involve a significant degree of judgement by Directors.	- Testing controls over the Group and Company's information technology revenue systems; - Conducting substantive analytical procedures on revenue, including inspecting of margins and trend analysis; - Scrutinising manual journals related to revenue to assess the timing and fair values of revenues recorded; and - Inspected reconciliations to ensure revenue as per Amadeus (the system for ticketing) and revenue as per Ravera (system for revenue accounting) is reconciled and variances explained and supported.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYA AIRWAYS PLC (FORMERLY KENYA AIRWAYS LIMITED)

Report on the audit of the consolidated and separate financial statements (Continued)

Key audit matters (Continued)

Key audit matter	**How the matter was addressed** Our procedures in relation to the key audit matter included, among others:
Revenue recognition (Continued) Refer to Note 7 in the consolidated and separate financial statements.	- Inspecting on a sample basis to confirm if inter-airline revenue sharing is in line with Special Prorate Agreements with the airlines; and - Performed a reconciliation to ensure flown weight of Cargo and billed weights are reasonable and variances are supported.
Derivative instruments and hedge accounting The Group and Company entered into derivative financial instrument contracts to manage its exposure to fuel price risk and foreign currency risk. These contracts are recorded at fair value and hedge accounting is applied, such that gains and losses arising from fair value changes are deferred in equity when the hedge is effective or recognised in the consolidated and separate statement of profit or loss when hedges are ineffective or when they mature. Derivative financial instruments and hedge accounting is a key audit matter because the valuation of hedging instruments and consideration of hedge effectiveness involve a significant degree of both complexity, Directors' judgement and are subject to an inherent risk of error. Refer to Notes 22 and 30(c) in the consolidated and separate financial statements.	- Testing Directors' controls over derivative financial instruments and hedge accounting; - Inspecting the Company's hedge documentation and contracts; - Re-performing the year end valuations of derivative financial instruments and calculations of hedge effectiveness; and - Obtaining confirmation of year end derivative financial instruments from counterparties.
Impairment and useful life of aircraft and related equipment The carrying value of the Group's and Company's aircraft and related equipment as at 31 March, 2017 was KShs. 103,271 million and KShs. 103,270 million, the related depreciation charge for the year ended 31 March, 2017 was KShs. 5,700 million and KShs. 5,699 million respectively. The carrying value and depreciation rates are reviewed annually by Directors with reference to fleet composition, current and forecast market values and relevant technical factors.	- Assessing the reasonableness of Directors' assertions and estimates regarding estimated useful lives and residual values using reports published by third parties and policies of other comparable airlines as well as considering the Group's and Company's historical experience and future operating plans; - Discussing indicators of possible impairment with Directors and where such indicators are identified, assessing directors' impairment testing; and

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYA AIRWAYS PLC (FORMERLY KENYA AIRWAYS LIMITED)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key audit matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed
Our procedures in relation to the key audit matter included, among others:</th></tr>
<tr><td>Impairment and useful life of aircraft and related equipment (Continued)

Aircraft and related equipment is a key audit matter because the determination of the useful lives and impairment provisions involves a significant degree of Directors' judgement.

Refer to Note 16 in the consolidated and separate financial statements.</td><td>- Challenging the assumptions and critical judgements used by Directors by assessing the reliability of Directors' past estimates and taking into account recent industry developments and the Group's and Company's future operating plans.</td></tr>
<tr><td>Determination of aircraft maintenance provisions

The Group and Company are contractually committed to return aircraft held under operating leases to the lessors in a physical condition agreed at the inception of each lease. Directors estimate the maintenance costs and the costs associated with the restitution of life-limited parts and accrues such costs over the lease term on a systematic basis. The associated provisions amounted to KShs. 3,058 million as at 31 March, 2017.

Determining aircraft maintenance provisions is a key audit matter because it requires significant judgement and complex estimates, including the utilisation of the aircraft, the expected cost of maintenance and the estimated lifespans of life-limited parts.

Refer to Note 33 in the consolidated and separate financial statements.</td><td>- Testing controls over recording provisions for maintenance of aircraft held under operating leases;

- Performing substantive procedures relating to the provisioning:

(i) Recalculating the provision;

(ii) Evaluating key assumptions adopted by Directors through reviewing the terms of the operating leases and comparing assumptions to contract terms, information from lessors and the Group's and Company's maintenance cost experience by having regard to the expected useful lives of life-limited parts of the aircraft; and

- Assessing the reliability of Directors' past assumptions.</td></tr>
<tr><td>Impairment of trade and other receivables

Impairment loss on trade and other receivables represent directors' estimation of loss that would occur from the Group and Company's trade and other receivable portfolios as at the end of period.

Impairment of trade and other receivables is considered a key audit matter because the Directors make significant and subjective judgments over both timing of recognition of impairment and the estimation of the size of any such impairment.</td><td>- Testing the key controls over the credit management process, to assess if the credit assessment on the counterparties were appropriate and doubtful accounts were appropriately identified, on a timely basis, as impaired; and

- Testing the key assumptions and judgements made by the Directors that underlie the calculation of impairment loss. Key assumptions and judgements include the timing of cash flows and identification of the triggering event for impairment assessment.</td></tr>
</table>

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYA AIRWAYS PLC (FORMERLY KENYA AIRWAYS LIMITED)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key audit matters (Continued)

Key audit matter	**How the matter was addressed** Our procedures in relation to the key audit matter included, among others:
Impairment of trade and other receivables - (Continued) Refer to disclosure Note 24 – Trade and other receivables.	- Performed substantive procedures to evaluate the completeness of the customer accounts that are included in the impairment calculation, including how unidentified impairment (customers that have had a loss event that has not yet manifested itself in a missed payment) are accounted for; and - Performing credit assessments on a sample of trade receivable accounts. For these selected customers, we inspected the aging of the invoices, inspected subsequent receipts and made inquiries about potential disputes on the invoiced amounts or possible liquidity problems by the customer.
Accounting for income tax positions The Group has international operations (the "outstations") and in the normal course of business, Directors makes judgements regarding tax positions in the respective jurisdictions. Directors' judgement includes consideration of regulations by various tax authorities with respect to income taxes, transfer pricing regulations and other tax positions. Where there is uncertainty, Directors makes provision for tax based on the most probable outcome. At 31 March, 2017, the Group and Company have each recognised a net deferred tax liability of KShs. 2,013 million relating to temporary differences expected to reverse in the foreseeable future. The Group and Company have not recognised deferred tax assets amounting to KShs. 20,524 million and KShs. 20,250 million respectively relating to mainly unused tax losses due to uncertainties around the timing of taxable profits in the foreseeable future.	- We involved our tax specialists to evaluate the recognition and measurement of the current tax assets and liabilities. This included analysing the current tax calculations for compliance with the relevant tax legislation and evaluating Directors' assessment of the estimated tax obligations. - We have tested the completeness and accuracy of the amounts reported for current and deferred tax, including the assessment of disputes with tax authorities. In this area, our audit procedures included, amongst others: (iii) Assessment of correspondence with the relevant tax authorities; and (iv) Testing the effectiveness of the Group and Company's internal controls around the recording and continuous re-assessment of the other tax liabilities from local and international operations.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYA AIRWAYS PLC (FORMERLY KENYA AIRWAYS LIMITED)

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key audit matters (Continued)

Key audit matter	**How the matter was addressed** Our procedures in relation to the key audit matter included, among others:
Accounting for income tax positions – (Continued) Income tax is a key audit matter because of the multiple tax jurisdictions within which the Group and Company operates and the ambiguity of tax laws in jurisdictions where Kenya has no treaties which makes determination of the amounts which should be recognised for tax subject to judgement. In addition, recognition of deferred tax requires judgement in estimating future taxable income and is accordingly a key audit matter. See disclosure Note 31-Deferred tax on recognised and unrecognised deferred tax assets and liabilities.	- In respect of deferred tax assets, we analysed and challenged Directors' assumptions used to determine the manner in which the timing differences, including the recoverability of the deferred tax assets, would be realised by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans and minutes of Directors' meetings and our knowledge of the business; - Regarding unrecognised deferred tax asset resulting from unused tax losses, we analysed Directors' assessment of the probability that deferred tax assets may not be recovered through taxable income before the expiry period of the tax losses. We used, amongst others, budgets, forecasts and tax laws to assess Directors' assumptions; and - We also assessed the adequacy of the Group's and Company's disclosure included in Note 31 relating to recognised and unrecognised deferred taxes.

Other information

The Directors are responsible for the other information. The other information comprises the *Directors and Statutory Information, Report of the Directors, Directors' Remuneration Report, Statement of Directors' Responsibilities and Principal Shareholders and Share Distribution,* which we obtained prior to the date of this auditor's report and the other information to be included in the *Annual Report and Financial Statements,* which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYA AIRWAYS PLC (FORMERLY KENYA AIRWAYS LIMITED)

Report on the audit of the consolidated and separate financial statements (Continued)

Responsibilities of the Directors for the consolidated and separate financial statements

As stated on page 77, the Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern;

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYA AIRWAYS PLC (FORMERLY KENYA AIRWAYS LIMITED)

Report on the audit of the consolidated and separate financial statements (Continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 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 Company's statement of financial position and statement of profit or loss and other comprehensive income are 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.

KPMG Kenya

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

Date: 24 May 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 KShs million	2016 KShs million
Revenue	7(a)	105,082	110,807
Other income	7(b)	1,195	5,351
Total income		**106,277**	**116,158**
Direct costs	8(a)	(65,356)	(67,861)
Fleet ownership costs	8(b)	(15,524)	(29,578)
Overheads	8(c)	(24,500)	(22,812)
Operating profit/(loss)		**897**	**(4,093)**
Finance costs	9	(7,392)	(7,047)
Finance income	9	62	8
Realised gain/(losses) on fuel derivatives	10	312	(6,769)
Unrealised gains on fuel derivatives	10	-	2,614
Other losses	11	(4,081)	(10,812)
Loss before income tax	12	**(10,202)**	**(26,099)**
Income tax charge	13	(5)	(126)
Loss for the year		**(10,207)**	**(26,225)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property and equipment	28(b)	-	1,992
Revaluation of leasehold land	28(b)	-	780
Deferred tax on revaluation	28(b)	251	(832)
		251	1,940
Items that may or will be reclassified subsequently to profit or loss			
Loss on hedged exchange differences	30(c)	708	(7,180)
Gain on fuel contracts		-	1,761
		708	(5,419)
Other comprehensive income, net of tax		959	(3,479)
Total comprehensive income for the year		**(9,248)**	**(29,704)**
Loss attributable to:			
Equity holders of the Company		(10,205)	(26,230)
Non-controlling interest	29	(2)	5
Loss for the year		**(10,207)**	**(26,225)**
Total comprehensive income attributable to:			
Equity holders of the Company		(9,246)	(29,709)
Non-controlling interest	29	(2)	5
Total comprehensive income for the year		**(9,248)**	**(29,704)**
Basic and diluted earnings per share (KShs)	14	**(6.82)**	**(17.53)**

The notes on pages 98 to 163 are an integral part of these financial statements.

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 KShs million	2016 KShs million
Revenue	7(a)	100,222	106,134
Other income	7(b)	1,195	5,351
Total income		**101,417**	**111,485**
Direct costs	8(a)	(62,336)	(65,153)
Fleet ownership costs	8(b)	(15,479)	(29,576)
Overheads	8(c)	(22,522)	(21,300)
Operating profit/(loss)		**1,080**	**(4,544)**
Finance costs	9	(7,390)	(7,045)
Finance income	9	71	15
Realised gains/(losses) on fuel derivatives	10	312	(6,769)
Unrealised gains on fuel derivatives	10	-	2,614
Other losses	11	(4,061)	(10,809)
Loss before income tax	12	**(9,988)**	**(26,538)**
Income tax charge	13	**(84)**	(27)
Loss for the year		**(10,072)**	**(26,565)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property and equipment	28(b)	-	1,810
Revaluation of leasehold land	28(b)	-	780
Deferred tax on revaluation	28(b)	251	(777)
		251	**1,813**
Items that may or will be reclassified subsequently to profit or loss			
Loss on hedged exchange differences	30(c)	708	(7,180)
Gain on fuel contracts		-	1,761
		708	**(5,419)**
Other comprehensive income, net of tax		**959**	**(3,606)**
Total comprehensive income for the year		**(9,113)**	**(30,171)**
Loss attributable to:			
Equity holders of the Company		**(10,072)**	**(26,565)**
Total comprehensive income attributable to:			
Equity holders of the company		**(9,113)**	**(30,171)**
Basic and diluted earnings per share (KShs)	14	**(6.73)**	**(17.76)**

The notes on page 98 to 163 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

ASSETS	Note	2017 KShs million	2016 KShs million
Non-current assets			
Property and equipment	16	112,054	120,871
Intangible assets	17	377	802
Prepaid operating lease rentals	18	1,853	2,015
Aircraft deposits	21	4,915	2,177
Deferred tax assets	31(a)	198	110
		119,397	**125,975**
Current assets			
Inventories	23	1,829	1,922
Trade and other receivables	24	13,383	15,084
Income tax recoverable	13(c)	1,243	1,218
Assets held for sale	25(b)	1,115	6,659
Cash and cash equivalents	26	9,177	4,827
		26,747	**29,710**
TOTAL ASSETS		**146,144**	**155,685**
EQUITY AND LIABILITIES			
Equity (pages 92 and 93)			
Share capital	27(a)	7,482	7,482
Share premium	27(b)	8,670	8,670
Cash flow hedging reserve	28(a)	(14,156)	(14,864)
Revaluation surplus	28(b)	4,911	5,497
Retained earnings		(51,871)	(42,503)
Equity attributable to owners of the Company		(44,964)	**(35,718)**
Non-controlling interests	29	49	51
Total equity		**(44,915)**	**(35,667)**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	31(a)	2,013	2,264
Loans and borrowings	30(a)	113,067	111,020
Onerous lease provision	32	1,620	2,579
Maintenance reserve	33	3,058	2,547
		119,758	**118,410**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017 (CONTINUED)

	Note	2017 KShs million	2016 KShs million
Current liabilities			
Onerous lease provision	32	999	1,466
Sales in advance of carriage	34	15,504	13,004
Fuel derivatives	22	-	3,163
Trade and other payables	35	24,470	24,040
Loans and borrowings	30(a)	26,982	28,782
Provisions for liabilities and charges	36	3,338	2,441
Income tax payable	13(c)	8	46
		71,301	**72,942**
Total liabilities		**191,059**	**191,352**
TOTAL EQUITY AND LIABILITIES		**146,144**	**155,685**

The financial statements on pages 86 to 163 were approved for issue by the Board of Directors on 24 May, 2017 and signed on its behalf by:

Michael Joseph
Chairman

Mbuvi Ngunze
Director

The notes on pages 98 to 163 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

ASSETS	Note	2017 KShs million	2016 KShs million
Non-current assets			
Property and equipment	16	111,376	120,144
Intangible assets	17	312	722
Prepaid operating lease rentals	18	1,853	2,015
Investment in subsidiaries	19(a)	435	435
Aircraft deposits	21	4,915	2,177
		118,891	**125,493**
Current assets			
Inventories	23	1,829	1,922
Trade and other receivables	24	22,250	22,409
Income tax recoverable	13(c)	1,240	1,215
Assets held for sale	25(b)	1,115	6,659
Cash and cash equivalents	26	8,963	4,684
		35,397	**36,889**
TOTAL ASSETS		**154,288**	**162,382**
EQUITY AND LIABILITIES			
Equity attributable to owners (pages 94 and 95)			
Share capital	27(a)	7,482	7,482
Share premium	27(b)	8,670	8,670
Cash flow hedging reserve	28(a)	(14,156)	(14,864)
Revaluation surplus	28(b)	4,697	5,283
Revenue reserves		(54,455)	(45,220)
Total equity		**(47,762)**	**(38,649)**
Liabilities			
Non-current liabilities			
Deferred income tax	31(a)	2,013	2,264
Borrowings	30(a)	113,067	111,020
Onerous lease provision	32	1,620	2,579
Maintenance reserves	33	3,058	2,547
		119,758	**118,410**

COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017 (CONTINUED)

	Note	2017 KShs million	2016 KShs million
Current liabilities			
Onerous lease provision	32	999	1,466
Sales in advance of carriage	34	15,356	12,899
Trade and other payables	35	36,337	34,418
Borrowings	30(a)	26,982	28,782
Fuel derivatives	22	-	3,163
Provision for liabilities and charges	36	2,618	1,893
		82,292	**82,621**
Total liabilities		**202,050**	**201,031**
TOTAL EQUITY AND LIABILITIES		**154,288**	**162,382**

The financial statements on pages 86 to 163 were approved for issue by the Board of Directors on 24 May, 2017 and signed on its behalf by:

Michael Joseph
Chairman

Mbuvi Ngunze
Director

The notes on pages 98 to 163 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Share capital	Share premium	Cash flow hedging reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
2017:	**KShs million**	**KShs million**	**KShs million**	**KShs million**	**KShs million**	**KShs million**	**KShs million**	**KShs million**
At 1 April 2016	7,482	8,670	(14,864)	5,497	(42,503)	(35,718)	51	(35,667)
Total comprehensive income								
Loss for the year	-	-	-	-	(10,205)	(10,205)	(2)	(10,207)
Other comprehensive income								
Loss on hedged exchange differences on borrowings (Note 30(c))	-	-	708	-	-	708	-	708
Transfer from revaluation surplus	-	-	-	(837)	837	-	-	-
Deferred tax on revaluation surplus (Note 31(a))	-	-		251	-	251	-	251
Total other comprehensive income	**-**	**-**	**708**	**(586)**	**837**	**959**	**-**	**959**
Total comprehensive income	**-**	**-**	**708**	**(586)**	**(9,368)**	**(9,246)**	**(2)**	**(9,248)**
At 31 March 2017	**7,482**	**8,670**	**(14,156)**	**4,911**	**(51,871)**	**(44,964)**	**49**	**(44,915)**

The notes on pages 98 to 163 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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

The notes on pages 98 to 163 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Share capital	Share premium	Cash flow hedging reserve	Revaluation surplus	Revenue reserves	Total equity
2017:	**KShs million**	**KShs million**	**KShs million**	**KShs million**	**KShs million**	**KShs million**
At 1 April 2016	7,482	8,670	(14,864)	5,283	(45,220)	(38,649)
Total comprehensive income						
Loss for the year	-	-	-	-	(10,072)	(10,072)
Other comprehensive income						
Loss on hedged exchange differences on borrowings (Note 30(c))	-	-	708	-	-	708
Gain on hedged fuel contracts	-	-		-	-	-
Transfer of revaluation on disposal	-	-	-	(837)	837	-
Deferred tax on revaluation surplus (Note 31(a))	-	-	-	251	-	251
Total other comprehensive income	**-**	**-**	**708**	**(586)**	**837**	**959**
Total comprehensive income	**-**	**-**	**708**	**(586)**	**(9,235)**	**(9,113)**
At 31 March 2017	**7,482**	**8,670**	**(14,156)**	**4,697**	**(54,455)**	**(47,762)**

The notes on pages 98 to 163 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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

The notes on pages 98 to 163 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 KShs million	2016 KShs million
Cash flow from operating activities			
Cash generated from operations	38(a)	13,431	13,404
Interest received	9	62	8
Interest paid	38(c)	(7,392)	(6,893)
Income tax paid	13(c)	(156)	(157)
Net cash generated from operating activities		**5,945**	**6,362**
Cash flows from investing activities			
Purchase of property and equipment	16	(759)	(561)
Onerous lease payments		(1,462)	-
Proceeds from disposal of assets held for sale, property and equipment		5,734	7,215
Purchase of intangible assets	17	(24)	(39)
Aircraft deposits refunds received	21	128	420
Aircraft deposits paid for aircraft purchases	21	(2,912)	(945)
Deferred expenditure	20	(90)	(375)
Net cash generated from investing activities		**615**	**5,715**
Cash flows from financing activities			
Loans raised to pay Pre-Delivery Payments (PDPs)	21	-	9,789
Borrowings received	30(c)	22,729	14,424
Repayment of borrowings	30(c)	(24,939)	(34,730)
Net cash used in financing activities		**(2,210)**	**(10,517)**
Increase in cash and cash equivalents		**4,350**	**1,560**
Cash and cash equivalents at 1 April		4,827	3,267
Cash and cash equivalents at 31 March	38(b)	**9,177**	**4,827**

The notes on page 98 to 163 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 KShs million	2016 KShs million
Cash flow from operating activities			
Cash generated from operations	38(a)	13,273	13,244
Interest received	9	71	15
Interest paid	38(c)	(7,390)	(6,891)
Income tax paid	13(c)	(109)	(22)
Net cash generated from operating activities		**5,845**	**6,346**
Cash flows from investing activities			
Purchase of property and equipment	16	(747)	(542)
Onerous lease payments		(1,462)	-
Proceeds from disposal of assets held for sale, property and equipment		5,734	7,368
Purchase of intangible assets	17	(7)	(26)
Aircraft deposits refunds received	21	128	420
Aircraft deposits paid for aircraft purchases	21	(2,912)	(945)
Deferred expenditure	20	(90)	(375)
Net cash generated from investing activities		**644**	**5,900**
Cash flows from financing activities			
Loans raised to pay Pre-Delivery Payments (PDPs)	21	-	9,789
Borrowings received	30(c)	22,729	14,424
Repayment of borrowings	30(c)	(24,939)	(34,730)
Net cash used in financing activities		**(2,210)**	**(10,517)**
Increase in cash and cash equivalents		**4,279**	**1,729**
Cash and cash equivalents at 1 April		**4,684**	2,955
Cash and cash equivalents at 31 March	38(b)	**8,963**	**4,684**

The notes on pages 98 to 163 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. REPORTING ENTITY

Kenya Airways PLC (formerly Kenya Airways Limited) ("the Company") is a limited liability company incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The consolidated financial statements comprise the consolidated and separate financial statements. The subsidiaries in the Group are 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 1. 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 and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenya Companies Act, 2015.

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

Summary of significant accounting policies are included in Note 3.

(b) Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis of accounting except for land and buildings are measured at revalued amounts, derivative financial instruments are measured at fair value and non-current assets held for sale measured at the lower of carrying amount and fair value, less costs to sell.

(c) Functional and presentation currency

These consolidated and separate financial statements are presented in Kenya Shillings (KShs), which is also 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

2. BASIS OF PREPARATION (Continued)

(e) Going concern

The Group and Company incurred a net loss after tax of KShs. 10,207 million and KShs. 10,072 million respectively during the year ended 31 March, 2017 (2016 - Net loss of KShs. 26,225 million and KShs. 26,565 million respectively) and as of that date, the Group's and Company's current liabilities exceeded their current assets by KShs. 44,554 million and KShs. 46,895 million (2016 - KShs. 43,232 million and KShs. 45,732 million respectively). In addition, the Group's and Company's total liabilities exceed their total assets by KShs .44,915 million and KShs. 47,762 million (2016 - KShs. 35,667 million and KShs. 38,649 million respectively). The Directors are aware of the material uncertainties impacting the liquidity and solvency risks that face the Group. In the year ended 31 March, 2016 and in the current year, the Directors put in place restructuring initiatives to improve the Group and Company's liquidity and solvency position and have reported significant improvement in operating results during the current year ended 31 March, 2017.

The asset and liability position at the end of the year indicate the existence of a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as Going Concerns and therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. The Group and Company's ability to continue as Going Concerns depend on the successful outcome of the Director's restructuring plans as summarised below.

The Group's and Company's operating profit for the year ended 31 March, 2017 improved significantly to an operating profit of KShs. 897 million and KShs. 1,080 million from an operating loss of KShs. 4,093 million and KShs. 4,544 million in the year ended 31 March, 2016. As reported last year, the Company has continued with its turnaround plan with a focus on three areas namely: return to profitability through revenue enhancement and cost containment, refocusing and resizing the business model and enhancing partnerships and restructuring the capital of the Company. During the current year, the Company also embarked on strengthening its internal control and compliance environment.

The actions under these initiatives are already bearing fruit with a material improvement in the results of the Company. The major focus now is on the balance sheet restructuring assisted by the Board appointed transaction advisor PJT Partners and lawyers Coulson Harney (Bowmans) and White & Case. The restructuring is targeted at the following:

i. Reducing financial leverage - by reducing the inordinate level of indebtedness and creating a capital structure aligned to the Company's asset levels thus enabling KQ to trade on its own balance sheet going forward; and

ii. Increasing liquidity to ensure that the airline can operate at normalised levels.

As part of the process, the Company has engaged all its financial stakeholders on an ongoing basis to ensure full understanding and alignment with the Company's objectives and to seek their support in the balance sheet restructuring.

While pursuing the measures above, the Company is renegotiating with some of its lenders to obtain waivers for non-compliance with certain covenants as at 31 March, 2017. This will prevent a situation in which the borrowings would become due on demand, further straining the Group's liquidity position.

The key shareholders (the Government of Kenya and Koninklijke Luchtvaart Maatschappij (KLM) Royal Dutch Airlines) have been and continue to be apprised of and involved in the process of the required long term support, including capital restructuring and the turnaround plan.

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

The Directors have prepared the consolidated and company financial statements on a going concern basis since they are confident that the plans described above provide a reasonable expectation that the Group and Company will be able to meet their liabilities as and when they fall due and will have adequate resources to continue in operational existence for the foreseeable future. The Directors believe the plans above will improve the Group and Company's profitability, cash flows and liquidity position.

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

(v) *Interest in equity-accounted investees*

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

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

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

(vi) *Transactions eliminated on consolidation*

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

(b) Transactions in foreign currencies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Transactions in foreign currencies (Continued)

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

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

(c) Revenue recognition

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

Sale of services

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

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

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

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

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

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

(d) Frequent flyer programmes

Kenya Airways Plc (formerly 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 Plc (formerly 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 Plc (formerly Kenya Airways Limited) earns revenue as miles are redeemed on its services.

(e) Property and equipment

(i) *Recognition, measurement and subsequent expenditure*

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property and equipment (Continued)

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

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

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

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

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

(ii) *Depreciation*

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

Aircraft:	%
Boeing 787, 777, 737-300 & 737-700	5.56
Simulator	5.00
Other properties and equipment:	%
Ground service equipment	25.00
Motor vehicles	25.00
Communication assets	12.50
Other assets	20.00 - 30.00
Buildings	2.50

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

(iii) *Revaluation*

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

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

Revaluation surpluses are not distributable

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property and equipment (Continued)

(iv) *Non-depreciable items*

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

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

(f) Assets held for sale

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

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

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

(g) Intangible assets - Capitalised software

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

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

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

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

(h) Leased assets

(i) *Finance lease*

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

(ii) *Operating lease*

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

(iii) *Onerous lease*

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (continued)

(iv) *Maintenance reserves*

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

(i) Derivative financial instruments and hedge accounting

The Group and Company 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 and Company 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 and Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Movements in the hedging reserve in equity are detailed in the other comprehensive income.

Cash flow hedges

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

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

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

(j) Aircraft purchase

(i) *Aircraft subsidy*

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

(ii) *Deferred income*

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

(iii) *Deferred expenditure*

The Group and Company amortises cost of obtaining aircraft financing over the loan repayment period. The deferred expenditure is capitalised to the related borrowing (see Note 30).

(iv) *Aircraft deposits*

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee benefits

(i) *Short term employee benefits*

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

(ii) *Termination benefits*

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

(iii) *Leave accrual*

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

(iv) *Employee Share Option Scheme (ESOP)*

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

(v) *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.

(vi) *Staff gratuity*

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

(l) Taxation

Income tax expense comprises current 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 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 judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 and Company 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 Group and Company becomes party to the contractual provisions of the financial instrument.

(ii) *Classification*

The Group and Company 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-derivative 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.

Derivative financial instruments

The Group and Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

(iv) *De-recognition*

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

(v) *Offsetting of financial assets and liabilities*

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

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

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

(q) Impairment

(i) *Financial assets*

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment (Continued)

(iii) Non-financial assets - Continued

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 and Company 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 (see Note 6).

(v) Dividends

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

(w) Comparatives

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) *New standards and interpretations*

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

The Group and Company has adopted the following new standards and amendments during the period/ year ended 31 March, 2017, including consequential amendments to other standards with the date of initial application by the Company being 1 April, 2016. The nature and effects of the changes are explained below:

New standard or amendments
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation
- Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- IFRS 14 Regulatory Deferral Accounts
- Investment Entities - Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)
- Annual Improvements Cycle (2012-2014) – various standards

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

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be re-measured. The amendments apply prospectively for annual periods beginning on or after 1 January, 2016.

The adoption of these changes did not have a significant impact on the Group and Company's financial statements as the Group and Company did not acquire any interest in joint ventures.

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

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41. The new requirements are effective from 1 January, 2016.

The amendment did not have an impact on the Group and Company financial statements as the Group and Company does not have bearer plants.

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

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

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after 1 January, 2016.

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

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

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations (Continued)

(i) New standards, amendments and interpretations effective and adopted during the year - Continued

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

IFRS 14 Regulatory Deferral Accounts

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

The standard is effective for financial reporting years beginning on or after 1 January, 2016.

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

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

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

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

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements.

The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

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

The adoption of these changes did not have a significant impact on the financial statements of the Group and Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations (Continued)

(i) New standards, amendments and interpretations effective and adopted during the year - Continued

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 did not have a significant impact on the financial statements of the Group and Company as the Group and Company are not the first time adopters of IASs.

Annual Improvements Cycle (2012-2014) – Various Standards

Standard	Amendments
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	**Changes in methods of disposal** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)	**Servicing contracts** Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. **Applicability of the amendments to IFRS 7 to condensed interim financial statements.** Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.
IAS 19 Employee Benefits	**Discount rate: regional market issue** Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
IAS 34 Interim Financial Reporting	**Disclosure of information 'elsewhere in the interim financial report'** Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference

The adoption of these changes did not have a significant impact on the financial statements of the Group and Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations (Continued)

(ii) *New and amended standards and interpretations in issue but not yet effective for the year ended 31 March, 2017*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017 and have not been applied in preparing these financial statements.

The Group and Company does not plan to adopt these standards early. These are summarised below;

New standard or amendments	Effective for annual periods beginning on or after
- Disclosure Initiative (Amendments to IAS 7)	1 January, 2017
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January, 2017
- IFRS 15 Revenue from Contracts with Customers	1 January, 2018
- IFRS 9 Financial Instruments (2014)	1 January, 2018
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January, 2018
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January, 2018
- IFRIC interpretation 22 Foreign Currency Transactions and Advance Considerations	1 January, 2018
- IFRS 16 Leases	1 January, 2019
- IFRS 17 Insurance Contracts	1 January, 2021
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be determined

Disclosure Initiative (Amendments to IAS 7)

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments are effective for annual periods beginning on or after 1 January, 2017, with early application permitted. Since the amendments are being issued less than one year before the effective date, entities need not provide comparative information when they first apply the amendments.

The Group and Company are assessing the potential impact of these amendments to the consolidated and separate financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations (Continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 March, 2017 - Continued

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use;

- The carrying amount of an asset does not limit the estimation of probable future taxable profits;.

- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual periods beginning on or after 1 January, 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters

The adoption of these changes will not affect the amounts and disclosures of the Group and Company'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 permitted.

The Group and Company are assessing the potential impact on the consolidated and separate financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Instruments (2014)

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations (Continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 March 2017 - Continued

IFRS 15 Revenue from Contracts with Customers - Continued

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

The Group and Company are assessing the potential impact on the consolidated and separate financial statements resulting from the application of IFRS 9.

Classification and Measurement of Share-Based Payment Transactions (Amendments to IFRS 2)

The following clarifications and amendments are contained in the pronouncement:

- *Accounting for cash-settled share-based payment transactions that include a performance condition*

  Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

- *Classification of share-based payment transactions with net settlement features*

  IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- *Accounting for modifications of share-based payment transactions from cash-settled to equity-settled*

  Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

  • On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.

  • The date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January, 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The adoption of these changes will not affect the amounts and disclosures of the Group's and Company's financial statements since they do not intend to enter into any share-based payment transactions.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and

- An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations (Continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 March 2017 - Continued

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) - Continued

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January, 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April, 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January, 2018. Predominance is only reassessed if there is a change in the entity's activities.

The amendment will not have an impact on the Group and Company financial statements as the Group and Company do not issue insurance contracts.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).

This interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

This interpretation does not apply to income taxes, insurance contracts and circumstances when an entity measures the related asset, expense or income on initial recognition:

a) At fair value; or

b) At the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

The amendments apply retrospectively for annual periods beginning on or after 1 January, 2018, with early application permitted.

The Group and Company are assessing the potential impact on the consolidated and separate financial statements resulting from the application of these changes.

IFRS 16: Leases

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations (Continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 March, 2017 - Continued

A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

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

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

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

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

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

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

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

b) Leases of low-value assets.

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

The Group and Company are assessing the potential impact on the consolidated and separate financial statements resulting from the application of these changes.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

a) Insurance contracts, including reinsurance contracts, it issues;

b) Reinsurance contracts it holds; and

a) Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

b) The fulfilment cash flows — the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and

c) The contractual service margin — the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations (Continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 March, 2017 - Continued

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

(a) Accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and

(b) Chooses where to present the effects of some changes in discount rates-either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces **IFRS 4** Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A company can choose to apply IFRS 17 before that date, but only if it also applies **IFRS 9** Financial Instruments and **IFRS 15** Revenue from Contracts with Customers.

The adoption of these standard will not have an impact on the consolidated and separate financial statements since the Group and Company do not issue insurance contracts.

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 effective date for these changes has now been postponed until the completion of a broader review.

The Group and Company are assessing the potential impact on the consolidated and separate financial statements resulting from the application of these amendments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of certain assets and liabilities, the Group and Company makes assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The Group's and Company'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 judgements 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' judgement, the carrying values of some aircraft have been impaired as per Note 25 and the rest are not impaired as of the date of these financial statements.

(ii) *Property and equipment and intangible assets*

Useful life of assets

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

Intangible assets - capitalised software

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

(iii) *Revaluation of land and buildings*

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

(iv) *Unused ticket revenue*

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

(v) *Taxation*

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates (Continued)

(vii) Fair value of financial instruments - Continued

(vi) *Trade receivables*

The Group and Company 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 and Company makes judgements 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 and Company'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 and Company 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.

(viii) *Critical judgements in applying the entity's accounting policies*

In the process of applying the Group's and Company's accounting policies, the Directors have made judgements in determining:

- The classification of finance and operating leases
- Whether financial and non-financial assets are impaired
- The functional currency of the Company
- Assessment of going concern assumptions

5. FINANCIAL RISK MANAGEMENT

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

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Changing market conditions expose the Group to various financial risks and management have highlighted the importance of financial risk management as an element of control for the Group. The policy of the Group is to minimise the negative effect of such risks on cash flow, financial performance and equity.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's risk management framework

The Group and Company's Board of Directors has overall responsibility for the establishment of an oversight of the Group's risk management framework. The board of directors has established the 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 and Company. 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 and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising returns.

The Group and Company 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.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) *Interest rate risk*

The Group's and Company's to market risk due to changes in interest rates primarily relates to its cash deposits and borrowings.

Most of the Group's and Company's debts are asset backed, reflecting the capital intensive nature of the airline industry. The Group and Company 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 and Company's interest bearing financial instruments as reported to management of the Group is as follows:

Group and Company

	Nominal amount			
Fixed rate instruments	**2017**		**2016**	
	Effective interest rate	**KShs million**	**Effective interest rate**	**KShs million**
Short term borrowings	9.89%	15,632	8.24%	18,379
Long term borrowings	8.13%	33,465	9.06%	11,695
		49,097		**30,074**
Variable rate instruments				
Short term borrowings	2.59%	11,640	2.18%	10,937
Long term borrowings	2.60%	81,603	2.58%	101,521
		93,243		**112,458**
Total exposure		**142,340**		**142,532**

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 2017 KShs millions	**31 March 2016 KShs millions**
Fixed rate instruments	(491)	(301)
1% increase	491	301
1% decrease		
Variable rate instruments		
1% increase	(932)	(1,125)
1% decrease	932	1,125

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) *Jet fuel price risk*

The Group and Company are exposed to jet fuel risk to the extent that there are significant changes in the prices of jet fuel. To minimise exposure to fluctuations in prices, the Group enters into derivative financial instruments to manage exposure to fuel risk. The Group's risk management objective is to hedge a substantial part of the jet fuel price risk by effectively fixing the price of the expected future purchases. Kenya Airways Plc (formerly 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 hedges is designated.

The Group prospectively and retrospectively measures and assesses the hedge effectiveness twice a year. The Group's and Company'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. As at 31 March, 2017, the Group and Company did not have any outstanding ledger for fuel.

Exposure to jet fuel price risk

As at 31 March, 2017, the Group and Company did not have in place fuel hedging contracts.

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	
	2017 KShs millions	**2016 KShs millions**
1% increase	236	242
1% decrease	(236)	(242)

(iii) *Currency risk*

The Group and Company are 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 US$ loans against forecast US$ sales to ensure that the foreign currency obtained from their sales is used to settle any foreign denominated liability. The main liability is the repayment of borrowings for the short term and long term debt. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group and Company – 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 Group's and Company's policies are to ensure the net exposure is kept at an acceptable level.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(iii) Currency risk - continued

Group:

2017:

KShs million	GBP	USD	Euro	Total
Financial assets				
Deferred expenditure	-	2,291	-	2,291
Aircraft deposits	-	4,915	-	4,915
Trade and other receivables	871	7,948	485	9,304
Cash and cash equivalents	49	5,255	96	5,400
Total financial assets	**920**	**20,409**	**581**	**21,910**
Financial liabilities				
Trade and other payables	(262)	(20,520)	(675)	(21,457)
Total financial liabilities	**(262)**	**(20,520)**	**(675)**	**(21,457)**
Net exposure in profit or loss	**658**	**(111)**	**(94)**	**453**
Financial liabilities				
Loans and borrowings	-	(142,340)	-	(142,340)
Net exposure in other comprehensive income	**-**	**(142,340)**	**-**	**(142,340)**
2016:				
Financial assets				
Deferred expenditure	-	2,730	-	2,730
Aircraft deposits	-	2,177	-	2,177
Trade and other receivables	774	8,993	365	10,132
Cash and cash equivalents	-	1,206	6	1,212
Total financial assets	**774**	**15,106**	**371**	**16,251**
Financial liabilities				
Trade and other payables	(307)	(18,792)	(919)	(20,018)
Fuel derivatives	-	(3,163)	-	(3,163)
Total financial liabilities	**(307)**	**(21,955)**	**(919)**	**(23,181)**
Net exposure in profit or loss	**467**	**(6,849)**	**(548)**	**(6,930)**
Financial liabilities				
Loans and borrowings	-	(142,532)	-	(142,532)
Net exposure in other comprehensive income	**-**	**(142,532)**	**-**	**(142,532)**

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Currency risk - Continued

Company:

2017:

KShs millions	GBP	USD	Euro	Total
Financial assets				
Deferred expenditure	-	2,291	-	2,291
Aircraft deposits	-	4,915	-	4,915
Trade and other receivables	871	7,678	485	9,034
Cash and cash equivalents	49	5,160	96	5,305
Total financial assets	**920**	**20,044**	**581**	**21,545**
Financial liabilities				
Trade and other payables	(262)	(20,454)	(664)	(21,380)
Total financial liabilities	**(262)**	**(20,454)**	**(664)**	**(21,380)**
Net exposure in profit or loss	**658**	**(410)**	**(83)**	**165**
Financial liabilities				
Loans and borrowings	-	(142,340)	-	(142,340)
Net exposure in other comprehensive income	**-**	**(142,340)**	**-**	**(142,340)**

Company:

2016:

KShs millions	GBP	USD	Euro	Total
Financial assets				
Deferred expenditure	-	2,730	-	2,730
Aircraft deposits	-	2,177	-	2,177
Trade and other receivables	774	8,910	365	10,049
Cash and cash equivalents	-	1,158	6	1,164
Total financial assets	**774**	**14,975**	**371**	**16,120**
Financial liabilities				
Trade and other payables	(306)	(18,314)	(907)	(19,527)
Fuel derivatives	-	(3,163)	-	(3,163)
Total financial liabilities	**(306)**	**(21,477)**	**(907)**	**(22,690)**
Net exposure in profit or loss	**468**	**(6,502)**	**(536)**	**(6,570)**
Financial liabilities				
Loans and borrowings	-	(142,532)	-	(142,532)
Net exposure in other comprehensive income	**-**	**(142,532)**	**-**	**(142,532)**

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Currency risk - Continued

Sensitivity analysis

A 1% percent appreciation of the Kenya Shilling against the following currencies would increase/(decrease) the reported profit or loss and equity by amounts shown below. This analysis is based on foreign currency exchange rates variances that the Group considered to be reasonably possible at end of the reporting period. This analysis assumes that all other variables in particular interest rates remain constant. The analysis is performed on the same basis for 2016:

Profit or loss	**Group**		**Company**	
	2017 KShs millions	**2016 KShs millions**	**2017 KShs millions**	**2016 KShs millions**
GBP	(66)	(5)	(66)	(5)
USD	11	68	41	65
EURO	9	5	8	5
Total	**(46)**	**68**	**(17)**	**65**
Other Comprehensive Income				
GBP	-	-	-	-
USD	1,423	1,425	1,423	1,425
Total	**1,423**	**1,425**	**1,423**	**1,425**

The exchange rates applied during the year are as follows:

	Average rates		**Closing rates**	
	2017	**2016**	**2017**	**2016**
GBP	132.85	151.51	128.97	145.50
USD	100.87	100.50	102.98	101.50
EURO	110.88	110.63	110.10	115.60

(b) Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or a counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Groups' and Company'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.

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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.

The Board of Birectors sets the Group's treasury policies and objectives and lays down parameters within which the various aspects of treasury risk management are operated.

The Board has set limits for investing in specified banks and financial institutions.

The carrying amount of financial assets represents the maximum exposure to credit risk:

	Group		Company	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Trade receivables (Note 24)	10,679	8,727	10,474	8,452
Other receivables (Note 24)	675	4,056	675	4,054
Amounts due from				
related companies (Note24)	266	324	9,621	8,015
Aircraft deposits (Note 21)	4,915	2,177	4,915	2,177
Bank balances (Note 26)	9,177	4,827	8,963	4,684
Total	**25,712**	**20,111**	**34,648**	**27,382**

The aging of the trade receivables, other receivables and group receivables at the reporting date was as follows:

Group:

2017:	**Gross KShs millions**	**Provision for impairment KShs millions**	**Net KShs millions**
Current	9,520	-	9,520
Past due 0 - 30 days	417	-	417
Past due 31 - 90 days	138	-	138
Past due 91 - 180 days	991	-	991
Past due 181 - 360 days	554	-	554
Over 361 days	2,818	(2,818)	-
	14,438	**(2,818)**	**11,620**

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Group:

2016:	**Gross KShs millions**	**Provision for impairment KShs millions**	**Net KShs millions**
Current	11,632	-	11,632
Past due 0 - 30 days	124	-	124
Past due 31 - 90 days	819	-	819
Past due 91 - 180 days	495	-	495
Past due 181 - 360 days	295	(258)	37
Over 361 days	2,132	(2,132)	-
	15,497	**(2,390)**	**13,107**

Company:

2017:	**Gross KShs millions**	**Provision for impairment KShs millions**	**Net KShs millions**
Current	12,079	-	12,079
Past due 0 - 30 days	449	-	449
Past due 31 - 90 days	542	-	542
Past due 91 - 180 days	1,613	-	1,613
Past due 181 - 360 days	1,915	-	1,915
Over 361 days	7,015	(2,843)	4,172
	23,613	**(2,843)**	**20,770**

2016:	**Gross KShs millions**	**Provision for impairment KShs millions**	**Net KShs millions**
Current	11,348	-	11,348
Past due 0- 30 days	188	-	188
Past due 31 - 90 days	839	-	839
Past due 91 - 180 days	1,065	-	1,065
Past due 181 - 360 days	1,502	(260)	1,242
Over 361 days	7,959	(2,120)	5,839
	22,901	**(2,380)**	**20,521**

The movement in the provision for impairment during the year was as follows:

	2017 KShs million	**2016 KShs million**
Balance at April	2,390	2,157
Impairment loss recognised	428	233
	2,818	**2,390**

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Company:

	2017 KShs Million	2016 KShs million
Balance at April	2,380	2,764
Impairment loss recognised	463	-
Reversals	-	(384)
	2,843	**2,380**

The Directors believe that the unimpaired amounts that are past due are still collectible in full based on historic payment behaviour and extensive analysis of customer credit risk.

(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 monitors rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group and Company do not breach borrowing limits or covenants on any of its borrowing facilities. Management have sought waivers from lenders when they have not been compliant with the covenants and this is included in Note 30(a).

The table below analyses financial liabilities into relevant maturities based on the remaining period at year-end to the contractual maturity date. The amounts are gross and undiscounted and include estimated interest payments.

Group:

2017:	Less than 1 year KShs million	2 - 5 years KShs million	Over 5 years KShs million	Total KShs million
Borrowings	32,075	85,671	41,094	158,840
Fuel derivatives	-	-	-	-
Trade and other payables	24,470	-	-	24,470
Provisions for liabilities and charges	3,338	-	-	3,338
	59,883	**85,671**	**41,094**	**186,648**

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Group:

2016:	Less than 1 year KShs million	2 - 5 years KShs million	Over 5 years KShs million	Total KShs million
Borrowings	34,759	71,966	54,423	161,148
Fuel derivatives	3,163	-	-	3,163
Trade and other payables	24,040	-	-	24,040
Provisions for liabilities and charges	2,441	-	-	2,441
	64,403	**71,966**	**54,423**	**190,792**

Company

2017:				
Borrowings	32,075	85,671	41,094	158,840
Trade and other payables	36,339	-	-	36,339
Provisions for liabilities and charges	2,618	-	-	2,618
	71,032	**85,671**	**41,094**	**197,797**

2016:				
Borrowings	34,759	71,966	54,423	161,148
Fuel derivatives	3,163	-	-	3,163
Trade and other payables	34,418	-	-	34,418
Provisions for liabilities and charges	1,893	-	-	1,893
	74,233	**71,966**	**54,423**	**200,622**

(d) Capital management

The Group and Company's Board of Directors' 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 Group and 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 and Company monitors the return on shareholders' funds which is defined as the profit for the year expressed as a percentage of average shareholder's equity. The Group and Company seek 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 shareholders' equity.

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

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

	Group	
	2017 KShs million	**2016 KShs million**
Equity*	(44,915)	(35,667)
Total borrowings	142,340	142,532
Less: Cash and bank balances	(9,177)	(4,827)
Net borrowings	133,163	137,705
Net debt to equity ratio	**(296%)**	**(386%)**

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

	Company	
	2017 KShs million	**2016 KShs million**
Equity*	(47,762)	(38,649)
Total borrowings	142,340	142,532
Less: Cash and bank balances	(8,963)	(4,684)
Net borrowings	133,377	137,848
Net debt to equity ratio	**(279%)**	**(357%)**

* Equity includes all capital and reserves of the Group and Company.

(e) Accounting classifications and fair values for financial assets and financial liabilities

The table below sets out the carrying amount of each class of financial assets and financial liabilities and their fair values.

Group:

2017:	**Loans and receivables KShs millions**	**Fair value - Hedging instruments KShs millions**	**Other liabilities KShs millions**	**Total KShs millions**
Financial assets				
Trade receivables	10,679	-	-	10,679
Other receivables	675	-	-	675
Due from related companies	266	-	-	266
Aircraft deposits	4,915	-	-	4,915
Cash and bank balances	9,177	-	-	9,177
Total financial assets	**25,712**	**-**	**-**	**25,712**
Financial liabilities				
Borrowings	-	-	142,340	142,340
Trade and other payables	-	-	24,470	24,470
Provisions for liabilities and charges	-	-	3,338	3,338
Total financial liabilities	**-**	**-**	**170,148**	**170,148**

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Accounting classifications and fair values for financial assets and financial liabilities (Continued)

Group:

2016:	Loans and receivables KShs millions	Fair value - Hedging instruments KShs millions	Other liabilities KShs millions	Total KShs millions
Financial assets				
Trade receivables	8,727	-	-	8,727
Other receivables	4,056	-	-	4,056
Due from related companies	324	-	-	324
Aircraft deposits	2,177	-	-	2,177
Cash and bank balances	4,827	-	-	4,827
Total financial assets	**20,111**	**-**	**-**	**20,111**
Financial liabilities				
Borrowings	-	-	142,532	142,532
Fuel derivatives	-	3,163	-	3,163
Trade and other payables	-	-	24,040	24,040
Provisions for liabilities and charges	-	-	2,441	2,441
Total financial liabilities	**-**	**3,163**	**169,013**	**172,176**

Company:

2017:	Loans and receivables KShs millions	Fair value - Hedging instruments KShs millions	Other liabilities KShs millions	Total KShs millions
Financial assets				
Trade receivables	10,474	-	-	10,474
Other receivables	675	-	-	675
Due from related companies	9,621	-	-	9,621
Aircraft deposits	4,915	-	-	4,915
Cash and bank balances	8,963	-	-	8,963
Total financial assets	**34,648**	**-**	**-**	**34,648**
Financial liabilities				
Borrowings	-	-	142,340	142,340
Trade and other payables	-	-	36,337	36,337
Provisions for liabilities and charges	-	-	2,618	2,618
Total financial liabilities	**-**	**-**	**181,295**	**181,295**

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Accounting classifications and fair values for financial assets and financial liabilities (Continued)

Company:

2016:	**Loans and receivables KShs millions**	**Fair value - Hedging instruments KShs millions**	**Other liabilities KShs millions**	**Total KShs millions**
Financial assets				
Trade receivables	8,452	-	-	8,452
Other receivables	4,054	-	-	4,054
Due from related companies	8,015	-	-	8,015
Aircraft deposits	2,177	-	-	2,177
Cash and bank balances	4,684	-	-	4,684
Total financial assets	**27,382**	**-**	**-**	**27,382**
Financial liabilities				
Borrowings	-	-	142,532	142,532
Fuel derivatives	-	3,163	-	3,163
Trade and other payables	-	-	34,418	34,418
Provisions for liabilities and charges	-	-	1,893	1,893
Total financial liabilities	**-**	**3,163**	**178,843**	**182,006**

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

2017:	**Level 1 KShs million**	**Level 2 KShs million**	**Level 3 KShs million**	**Total KShs million**
Financial assets				
Derivative financial				
Instruments - (liabilities)	**-**	**-**	**-**	**-**
2016:				
Financial assets				
Derivative financial				
instruments - liabilities	**-**	**(3,163)**	**-**	**(3,163)**

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, 2016.

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 expenses.

The major part of the business of the Group falls under category of aviation transport with income from other categories comprising less than 7.6% of total income.

Analysis of turnover according to business segments:

2017:	**Passenger KShs Million**	**Freight and mail KShs Million**	**Handling KShs Million**	**Others KShs Million**	**Total KShs Million**
Domestic	6,848	895	54	547	8,344
Foreign	82,997	6,325	2,096	6,515	97,933
	89,845	**7,220**	**2,150**	**7,062**	**106,277**
2016:					
Domestic	9,170	1,108	63	954	11,295
Foreign	85,631	7,789	2,275	9,168	104,863
	94,801	**8,897**	**2,338**	**10,122**	**116,158**

Apart from Nairobi-Amsterdam and Nairobi-London routes which contribute 17.3% of turnover in aggregate, no single route contributes more than 10% of the total Group revenues.

Analysis of operating profit/(loss) per business segments:

	Group		**Company**	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Passengers	732	(3,340)	886	(3,726)
Freight, mail and others	165	(753)	194	(818)
	897	**(4,093)**	**1,080**	**(4,544)**

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. INCOME

(a) Revenue

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Passengers	89,845	94,801	86,431	91,537
Freight and mail	7,220	8,897	7,220	8,897
Handling	2,150	2,338	-	-
Others	5,867	4,771	6,571	5,700
Total	**105,082**	**110,807**	**100,222**	**106,134**

(b) Other income

	Group 2017	Group 2016	Company 2017	Company 2016
Sale of landing slot	-	5,470	-	5,470
Sale of engine	1,150	-	1,150	-
Gain/(loss) on disposal	45	(119)	45	(119)
Total	**1,195**	**5,351**	**1,195**	**5,351**

8. EXPENSES BY NATURE

(a) Direct costs

	Group 2017	Group 2016	Company 2017	Company 2016
Aircraft fuel and oil	23,632	24,234	23,026	23,655
Aircraft landing, handling and navigation	13,887	14,159	13,618	13,891
Aircraft maintenance	11,029	10,951	9,774	9,886
Passenger services	5,248	5,599	5,218	5,580
Commissions on sales	1,715	2,947	1,692	2,928
Aircraft, passenger and cargo insurance	401	547	401	547
Crew route expenses	2,329	2,629	2,322	2,627
Central reservation system and frequent flyer programme	5,579	5,185	5,188	4,875
Others	1,536	1,610	1,097	1,164
Total	**65,356**	**67,861**	**62,336**	**65,153**

(b) Fleet ownership costs

	Group 2017	Group 2016	Company 2017	Company 2016
Hire of aircraft and engines	7,240	17,592	7,196	17,592
Depreciation on aircraft and engines	5,610	6,225	5,609	6,223
Depreciation on rotables	90	386	90	386
Impairment of assets held for sale (Note 25)	2,584	5,375	2,584	5,375
Total	**15,524**	**29,578**	**15,479**	**29,576**

(c) Overheads

(i) *Administration*

	Group 2017	Group 2016	Company 2017	Company 2016
Employee costs (Note 8 (d))	15,448	15,669	14,040	14,601
Legal and professional fees	3,190	1,237	3,178	1,224
Directors' remuneration (Note 39 (c))	98	93	98	93
Audit fees	15	14	11	10
General expenses	2,518	2,560	2,258	2,448
Total	**21,269**	**19,573**	**19,585**	**18,376**

8. EXPENSES BY NATURE (Continued)

(c) *Overheads (Continued)*

(ii) *Establishment*

	Group		Company	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
General maintenance and supplies	1,123	1,095	981	948
Depreciation on buildings, vehicles and other equipment	701	863	641	812
Incomplete project-impairment	9	-	9	-
Amortisation expense	612	514	580	486
Total	**2,445**	**2,472**	**2,211**	**2,246**

(iii) *Selling*

Advertising and publicity	412	436	352	354
Bad debts expense	374	331	374	324
Total	**786**	**767**	**726**	**678**
Total overheads	**24,500**	**22,812**	**22,522**	**21,300**

(d) Employee costs and number

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

(i) *Employee costs*

	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Wages and salaries	11,549	12,004	10,465	11,247
Contributions to retirement benefits	888	942	826	894
National Social Security Fund	8	9	8	9
Movement in leave pay provision	19	38	9	36
Others	2,984	2,676	2,732	2,415
Total	**15,448**	**15,669**	**14,040**	**14,601**

(ii) *Employee numbers*

	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Kenya	3,079	3,369	2,524	2,817
Overseas	503	501	503	501
Total	**3,582**	**3,870**	**3,027**	**3,318**

9. NET FINANCE COSTS

	Group		Company	
Finance costs: *Interest expense:*	**2017 KShs million**	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
On long term borrowings	2,865	3,805	2,865	3,805
On short term facilities	4,527	3,242	4,525	3,240
Net finance costs	7,392	7,047	7,390	7,045
Finance income:				
Interest income on short term bank deposits	(62)	(8)	(71)	(15)
Net finance costs	**7,330**	**7,039**	**7,319**	**7,030**

10. FUEL DERIVATIVES (LOSS)/GAINS

Group & Company	**2017 KShs million**	**2016 KShs million**
Realised gain/(loss) - Net payments	312	**(6,769)**
Unrealised gains/(losses)	-	**2,614**

The realised losses on the fuel derivatives represent payments to counter parties for fuel derivatives that matured during the financial year. The unrealised gains/(losses) on fuel derivatives represents the ineffective portion of the fuel hedge recognised in profit or loss.

11. OTHER LOSSES

	Group		Company	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Foreign currency exchange losses	3,647	10,451	3,630	10,450
Other costs	434	361	431	359
	4,081	**10,812**	**4,061**	**10,809**

12. LOSS BEFORE INCOME TAX

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

	Group		Company	
	2017 KShs' million	**2016 KShs' million**	**2017 KShs' million**	**2016 KShs' million**
Employee costs (Note 8(d))	15,448	15,669	14,040	14,601
Operating lease rentals	7,240	17,592	7,196	17,592
Net foreign exchange losses	3,647	10,451	3,630	10,450
Depreciation expense (Note 16)	6,401	7,474	6,340	7,420
Amortisation of intangible assets (Note 17)	450	512	418	486
Amortisation of leasehold land (Note 18)	162	2	162	2
Auditor's remuneration	15	14	11	10
Directors' remuneration (Note 39(c))	137	135	98	93
(Gain)/loss on disposal of property and equipment	(45)	119	(45)	119

13. INCOME TAX

(a) Group

	2017 KShs million	2016 KShs million
(i) *Income tax charge/(credit)*		
Income tax credit recognised in profit or loss		
Current income tax at 30%	32	179
Capital gains tax at 5%	61	-
Current income tax – prior year under provision	-	(2)
	93	177
Deferred income tax credit (Note 31(a))	(88)	(51)
	5	**126**
Movement in income tax recognised in other comprehensive income		
Deferred tax expense on fuel hedges	-	-
Deferred tax on revaluation surplus	-	832
	-	**832**

(ii) *Reconciliation*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Group:

	2017 KShs million	2016 KShs million
Loss before income tax	(10,202)	(26,099)
Tax applicable to profits at 30% (2016 - 30%)	(3,427)	(7,830)
Less 25% due to income taxed at 5%	305	-
Tax effect of:		
Expenses/(income) not subject for tax purposes	210	(88)
Unrecognised deferred tax asset (Note 31(b))	2,917	8,046
Prior year tax under provision – current tax	-	(2)
Income tax charge	**5**	**126**

(b) Company

	2017 KShs million	2016 KShs million
(i) *Income tax charge*		
Income tax credit recognised in profit or loss		
Current income tax	23	27
Capital gains tax at 5%	61	-
	84	27
Deferred income tax credit (Note 31(a))	-	-
	84	**27**
Movement in income tax recognised in other comprehensive income		
Deferred tax expense on fuel hedges	-	-
Deferred tax on revaluation surplus	-	832
	-	**832**

13. INCOME TAX (Continued)

(b) Company (Continued)

(ii) *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:

Company:

	2017 KShs million	**2016 KShs million**
Loss before income tax	**(9,988)**	**(26,538)**
Tax applicable to profits at 30% (2016 - 30%)	(3,362)	(7,961)
Less 25% due to income taxed at 5%	305	-
Tax effect of:		
Expenses/(income) not subject for tax purposes	231	(1,720)
Unrecognised deferred tax asset (Note 31(b))	2,910	9,708
Income tax charge	**84**	**27**

(c) Current tax movement

	Group		**Company**	
	2017 KShs' million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Taxation recoverable				
At beginning of year	1,172	1,192	1,215	1,219
Charge for the year	(93)	(177)	(84)	(26)
Paid during the year	156	157	109	22
At end of year	**1,235**	**1,172**	**1,240**	**1,215**
Presented in the statement of financial position as follows:				
Tax recoverable	1,243	1,218	1,240	1,215
Tax payable	(8)	(46)	-	-
Net current tax asset	**1,235**	**1,172**	**1,240**	**1,215**

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.

	Group		**Company**	
	2017 KShs' million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Loss attributable to equity holders of the Company	(10,205)	(26,230)	(10,072)	(26,565)
Weighted average number of ordinary shares (million)	1,496	1,496	1,496	1,496
Basic earnings per share (KShs)	**(6.82)**	**(17.53)**	**(6.73)**	**(17.76)**

There were no potentially dilutive shares outstanding as at 31 March, 2017 or 2016. Diluted earnings per share are therefore the same as basic earnings per share.

15. DIVIDENDS

The Directors do not recommend payment of a dividend (2016: Nil). This proposal will be presented for formal approval by shareholders' at the forthcoming Annual General Meeting.

Dividend per share is arrived at by dividing the dividends payable by the number of shares in issue at the end of the reporting period. Payment of dividends is subject to withholding tax at the rate of 0% to local companies with shareholding of 12% or above, 5% for all other residents and 10% for non-resident shareholders.

The unclaimed dividends account is as follows:

	Group and Company	
	2017 KShs million	**2016 KShs million**
At 1 April and 31 March (Note 35)	**81**	**109**

16. PROPERTY AND EQUIPMENT

Group

2017:	**Freehold land and buildings**	**Aircraft, engines and rotables**	**Other property and equipment**	**Incomplete projects**	**Total**
	KShs million	**KShs million**	**KShs million**	**KShs million**	**KShs million**
Cost or valuation:					
At 1 April, 2016	7,183	138,889	11,399	236	157,707
Additions	-	615	138	6	759
Transfer from incomplete projects	171		2	(173)	-
Transfer to intangible assets (Note 17)		-		(1)	(1)
Impairment loss	-	-	-	(9)	(9)
Disposals	-	(8,014)	(87)	-	(8,101)
Write-off of spares	-	(1,329)	-	-	(1,329)
At 31 March, 2017	**7,354**	**130,161**	**11,452**	**59**	**149,026**
Depreciation:					
At 1 April, 2016	176	27,383	9,223	54	36,836
Charge for the year	163	5,700	538	-	6,401
Disposals	-	(5,299)	(72)	-	(5,371)
Write-off of spares	-	(894)	-	-	(894)
At 31 March, 2017	**339**	**26,890**	**9,689**	**54**	**36,972**
Carrying amount					
At 31 March, 2017	**7,015**	**103,271**	**1,763**	**5**	**112,054**

16. PROPERTY AND EQUIPMENT (Continued)

Group - Continued

2016:	Freehold land and buildings	Aircraft, engines and rotables	Other property and equipment	Incomplete projects	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Cost or valuation:					
At 1 April, 2015	5,046	138,726	11,111	340	155,223
Additions	-	240	289	32	561
Transfer from incomplete projects		7	20	(27)	-
Transfer to intangible assets (Note 17)	-	-	-	(109)	(109)
Reclassified to assets held for sale (Note 25)	(1,415)	-	-	-	(1,415)
Reclassified from assets held for sale (Note 25)	1,908	-	-		1,908
Disposals/write offs	-	(84)	(21)	-	(105)
Revaluation surplus (Note 28(b))	1,644	-	-	-	1,644
At 31 March, 2016	**7,183**	**138,889**	**11,399**	**236**	**157,707**
Depreciation:					
At 1 April, 2015	320	20,834	8,593	54	29,801
Charge for the year	212	6,611	651	-	7,474
Reclassified from assets held for sale (Note 25)	14	-	-	-	14
Reclassified to assets held for sale (Note 25)	(22)	-	-		(22)
Disposals	-	(62)	(21)	-	(83)
Revaluation surplus (Note 28(b))	(348)	-	-	-	(348)
At 31 March, 2016	**176**	**27,383**	**9,223**	**54**	**36,836**
Carrying amount					
At 31 March, 2016	**7,007**	**111,506**	**2,176**	**182**	**120,871**

16. PROPERTY AND EQUIPMENT (Continued)

Company

2017:	Freehold land and buildings	Aircraft, engines and rotables	Other property and equipment	Incomplete projects	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Cost or valuation:					
At 1 April, 2016	6,571	138,885	10,872	234	156,562
Additions	-	615	129	3	747
Transfer from incomplete projects	171	-	2	(173)	-
Transfer to intangible assets (Note 17)	-	-	-	(1)	(1)
Impairment loss	-	-	-	(9)	(9)
Disposals	-	(8,014)	(87)	-	(8,101)
Write-off of spares	-	(1,329)	-	-	(1,329)
At 31 March, 2017	**6,742**	**130,157**	**10,916**	**54**	**147,869**
Depreciation:					
At 1 April, 2016	172	27,381	8,811	54	36,418
Charge for the year	136	5,699	505	-	6,340
Disposals	-	(5,299)	(72)	-	(5,371)
Write-off of spares	-	(894)	-	-	(894)
At 31 March, 2017	**308**	**26,887**	**9,244**	**54**	**36,493**
Carrying amount					
At 31 March, 2017	**6,434**	**103,270**	**1,672**	**-**	**111,376**

16. PROPERTY AND EQUIPMENT (Continued)

Company - Continued

2016:	Freehold land and buildings	Aircraft, engines and rotables	Other property and equipment	Incomplete projects	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Cost or valuation:					
At 1 April, 2015	4,565	138,722	10,600	330	154,217
Additions		240	273	29	542
Transfer from incomplete projects		7	20	(27)	-
Transfer to intangible assets (Note 17)	-	-	-	(98)	(98)
Reclassified to assets held for sale (Note 25)	(1,415)	-	-	-	(1,415)
Reclassified from assets held for sale (Note 25)	1,908	-	-		1,908
Disposals	-	(84)	(21)		(105)
Revaluation surplus (Note 28(b))	1,513	-	-	-	1,513
At 31 March, 2016	**6,571**	**138,885**	**10,872**	**234**	**156,562**
Depreciation:					
At 1 April, 2015	283	20,833	8,216	54	29,386
Charge for the year	194	6,610	616	-	7,420
Reclassified to assets held for sale (Note 25)	(22)	-	-	-	(22)
Reclassified from assets held for sale (Note 25)	14	-	-	-	14
Disposals	-	(62)	(21)		(83)
Revaluation surplus (Note 28(b))	(297)	-	-	-	(297)
At 31 March, 2016	**172**	**27,381**	**8,811**	**54**	**36,418**
Carrying amount					
At 31 March, 2016	**6,399**	**111,504**	**2,061**	**180**	**120,144**

The Group's and Company's freehold land and buildings were valued as at 31 March, 2016 by an independent valuer, on the basis of open market value. If the freehold land and buildings were stated on the historical cost basis, the carrying values at 31 March, 2017 would be as follows:

	Group		Company	
Historical cost	**2017 KShs' million**	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Cost	4,637	4,637	4,134	4,134
Accumulated depreciation	(1,358)	(1,250)	(1,131)	(1,036)
Carrying amount	**3,279**	**3,387**	**3,003**	**3,098**

16. PROPERTY AND EQUIPMENT (Continued)

The land and buildings are in level 3 hierarchy of measurement where the inputs are based on observable market data, other than quoted prices. The valuers used the depreciated replacement cost to estimate the fair value of buildings and market comparison approach to determine the fair value of land.

Included in property and equipment are assets with a cost of KShs. 19,616 million (2016 – KShs. 11,880 million) that are fully depreciated. The national annual depreciation of these assets would have been KShs. 3,427 million (2016 – KShs. 2,679 million).

Capital work in progress relates to ongoing constructions and systems yet to be available for use.

17. INTANGIBLE ASSETS

	Group		Company	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Cost				
At 1 April	4,442	4,294	4,292	4,168
Additions	24	39	7	26
Transfer from property and equipment (Note 16)	1	109	1	98
At 31 March	**4,467**	**4,442**	**4,300**	**4,292**
Amortisation				
At 1 April	3,640	3,131	3,570	3,087
Charge for the year	450	512	418	486
Reversal	-	(3)	-	(3)
At 31 March	**4,090**	**3,640**	**3,988**	**3,570**
Carrying amount at 31 March	**377**	**802**	**312**	**722**

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

18. PREPAID OPERATING LEASE RENTALS

	2017 KShs million	**2016 KShs million**
Cost/valuation		
At 1 April	2,017	1,239
Revaluation surplus	-	778
At March	2,017	2,017
Amortisation		
At 1 April	2	2
Charge for the year	162	2
Revaluation surplus	-	(2)
At March	164	2
Carrying amount at 31 March	**1,853**	**2,015**

18. PREPAID OPERATING LEASE RENTALS (Continued)

Leasehold land was valued on 31 March, 2016 by an independent valuer, on the basis of open market value. If the Leasehold land was stated at the historical cost basis, the carrying values at 31 March, 2017 would be as follows:

Historical cost	2017 KShs million	2016 KShs million
Cost	8	8
Accumulated depreciation	(6)	(5)
Carrying amount	**2**	**3**

The leasehold land is in level 2 hierarchy of measurement where the inputs are based on observable market data, other than quoted prices. The valuers used the market values of recent transactions involving similar assets in comparable locations.

Costs incurred to acquire interests in leasehold land are carried in the financial statements as long term prepayments and amortised to profit or loss on the straight line basis over the terms of the related buildings.

19. INVESTMENTS

(a) Investment in subsidiaries

Details of investment	Country of incorporation	Activity	2017 % of equity interest	2016 % of equity interest	2017 KShs million	2016 KShs million
Kenya Airfreight Handling Limited (2,550,000 shares of KShs. 20 each)	Kenya	Cargo handling for perishable products	51%	51%	51	51
JamboJet Limited (5,000 shares of KShs. 20 each)	Kenya	Local passenger air transport	100%	100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs. 20 each)	Kenya	Dormant	100%	100%	**	**
African Cargo Handling Limited (5,753,822 shares of KShs. 100 each)	Kenya	Cargo handling	100%	100%	***384	***384
At 31 March					**435**	**435**

* The value of the investment in JamboJet is KShs. 100,000 which when rounded to the nearest million gives a value of zero

** The investment in Kencargo Airlines International Limited is fully provided for since the Company has been inactive, casting doubt on the recoverability and valuation of the investment

*** The purchase of African Cargo Handling Limited was below the net identifiable assets resulting in a bargain purchase

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	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Kenya Airfreight Handling Limited	218	203	100	123	217	221	-	-
JamboJet Limited	345	158	94	111	1,300	1,105	-	-
Kencargo Airlines	-	-	-	-	-	-	-	-
African Cargo Handling Limited	3,858	3,927	746	684	1,682	1,508	-	-

	Revenues		Profit/(loss) before tax		Total comprehensive income	
	2017 KShs million	2016 KShs Million	2017 KShs million	2016 KShs Million	2017 KShs million	2016 KShs Million
Kenya Airfreight Handling Limited	190	199	(5)	15	(4)	10
JamboJet Limited	3752	3,443	(25)	126	(25)	126
Kencargo Airlines	-	-	-	-	-	-
African Cargo Handling Limited	2255	2,468	(258)	298	(181)	330

19. INVESTMENTS (Continued)

(b) Other investments

	2017 KShs million	2016 KShs million
African Tours and Hotels Limited:	2	2
(100,398 ordinary shares of KShs. 20 each)		
Less: Provision for impairment	(2)	(2)
Carrying amount	-	-

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

(c) Investment in associate

Group and Company	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Precision Air Services Limited:				
66,157,350 ordinary shares of KShs 20 each	230	230	230	230
Less				
Impairment of investment in associate	(230)	(230)	(230)	(230)
At 31 March	-	-	-	-

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

	2017 KShs million	2016 KShs million
Total assets	7,728	8,869
Total liabilities	(18,131)	(18,147)
Net liabilities	(10,403)	(9,278)
Total revenue	4,663	4,211
Loss for the year	(992)	(3,975)
Group's share of loss of associate	-	-

Kenya Airways PLC (formerly 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

	2017 KShs million	2016 KShs million
Group and Company		
Cost:		
At start of the year	3,267	2,892
Additions	90	375
At end of year	**3,357**	**3,267**
Amortisation:		
At start of the year	(537)	(208)
Charge for the year	(529)	(329)
At end of year	**(1,066)**	**(537)**
Carrying amount	**2,291**	**2,730**
Current portion (Note 30(a))	291	534
Non-current portion (Note 30(a))	2,000	2,196
Carrying amount	**2,291**	**2,730**

Deferred expenditure relates to costs incurred to obtain financing for the purchase of the Boeing 787-8 and B777-300ER aircrafts, as well as fees paid to banks when they restructured the short term loans to longer repayment periods. The costs include commitment, arrangement, consultants, underwriters and guarantee fees. These costs are amortised over the loan repayment period (12 years for aircraft and between four and seven years for bank loans).

21. AIRCRAFT DEPOSITS

	2017 KShs million	2016 KShs million
Group and Company		
Deposits for aircraft leases under long-term operating leases	3,930	1,578
Deposits paid towards acquisition of aircraft	985	599
	4,915	**2,177**

The deposits under long-term operating leases relate to lease of aircrafts and engines of Boeing 737's and 787's, Embraer E170's and Embraer E190's. The deposits paid towards acquisition of aircrafts represent amounts paid to Wells Fargo on acquisition of B777-200ER aircraft. These deposits earn a nominal interest annually. The deposits also include amounts paid to Boeing Corporation towards acquisition of optional aircraft in future. The latter deposits do not earn any interest and are carried at amortised cost.

	2017 KShs million	2016 KShs million
At 1 April 2016 and 2015	2,177	10,391
Additions	2,912	945
Refunds received	(128)	(420)
Loans raised to pay Pre-Delivery Payments (PDPs)	-	(9,789)
Amortisation*	(121)	78
Foreign exchange differences	75	972
At 31 March	**4,915**	**2,177**

* Amortisation of the aircrafts' deposits relates to the discount arising from the difference between the maturity value of the deposits and their fair value based on amortised cost.

22. FUEL DERIVATIVES - GROUP AND COMPANY

In the normal course of its business, the Group uses fuel derivatives with approved counterparties to protect it against sudden and significant increases in fuel prices. The table below analyses the fuel derivatives into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity.

Maturity analysis of derivatives at fair value through profit or loss:

31 March, 2017	1 - 6 months KShs million	7 - 9 months KShs million	10 - 12 months KShs million	1 - 2 years KShs million	Total KShs million
Fuel derivatives	-	-	-	-	-
31 March, 2016					
Fuel derivatives	(2,948)	(215)	-	-	(3,163)

Group and Company:	2017 KShs million	2016 KShs million
Derivative liability		
Within one year	-	(3,163)

23. INVENTORIES - GROUP AND COMPANY

Aircraft consumables inventories	1,367	1,540
Other inventories	462	382
	1,829	**1,922**

The cost of inventories recognised as an expense and included in the Group's and Company's 'Direct costs' amounted to KShs. 1,777 million (2016: KShs. 1,852 million).

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Trade and other receivables	16,201	17,474	25,093	24,789
***Less:* Provision for impairment**	(2,818)	(2,390)	(2,843)	(2,380)
	13,383	**15,084**	**22,250**	**22,409**
Analysed as:				
Trade - airlines	440	300	405	271
Trade - agents	9,205	7,292	9,087	7,075
Trade - others	1,032	1,133	980	1,104
Trade - Government ministries and parastatals	2	2	2	2
Prepayments	1,763	1,977	1,480	1,888
Other receivables	675	4,056	675	4,054
Due from related parties (Note 39 (b))	266	324	9,621	8,015
	13,383	**15,084**	**22,250**	**22,409**

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
At beginning of year	2,390	2,157	2,380	2,764
Provision in the year	428	233	463	233
Reversals	-	-	-	(617)
At end of year	**2,818**	**2,390**	**2,843**	**2,380**

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 do not hold any collateral as security.

The fair value of trade and other receivables approximates their carrying value.

25. ASSETS HELD FOR SALE

Group and Company

In August, 2014, the Directors approved a plan to sell seven aircrafts. The Company has since sold 6 aircraft while the remaining one is in the process of sale completion. The Directors also approved the sale of land and building. The land and building was valued as at 31 March, 2016 by an independent valuer at KShs. 2,409 million. Efforts to sell the remaining assets are ongoing and is expected to be completed within the next 12 months:

(a) Impairment loss relating to disposal group

(i) *Aircraft*

	2017 KShs million	2016 KShs million
At 1 April	4,956	17,643
Disposals	(1,567)	(7,312)
	3,389	10,331
Impairment loss during the year (Note 8(b))	(2,584)	(5,375)
	805	**4,956**

25. ASSETS HELD FOR SALE (Continued)

(a) Impairment loss relating to disposal group (Continued)

(ii) *Land*

	2017 KShs million	2016 KShs million
As at 1 April	1,703	2,204
Net transfer from property and equipment	-	1,393
Net transfer to property and equipment	-	(1,894)
Disposals	(1,393)	-
	310	**1,703**

(b) Assets held for sale

As at 31 March, 2017, the assets held for sale were stated at the lower of fair value less costs to sell and the carrying amount.

	2017 KShs million	2016 KShs million
Aircraft net of impairment (Note 25(a))	805	4,956
Land and buildings - Net (Note 25(a))	310	1,703
Adjusted carrying amount of disposal group	**1,115**	**6,659**

26. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Cash and Bank balances	**9,177**	**4,827**	**8,963**	**4,684**

27. SHARE CAPITAL

(a) Ordinary share capital

Group and Company	2017 KShs million	2016 KShs million
Authorised:		
2,000,000,000 ordinary shares of KShs. 5 each	**10,000**	**10,000**
Issued and fully paid:		
At 1 April, 2015 and 31 March, 2016 and 31 March, 2017: 1,496,469,035 ordinary shares of KShs. 5 each	**7,482**	**7,482**

(b) Share premium

1,034,853,551 ordinary shares issued at a premium of KShs. 8.38 per share	**8,670**	**8,670**

All ordinary shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

28. RESERVES

(a) Cash flow hedging reserve, net of tax

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedging pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Hedged exchange differences on borrowings	**(14,156)**	**(14,864)**	**(14,156)**	**(14,864)**

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. 2,240 million (2016: KShs. 5,218 million) have been transferred from equity into profit or loss during the year.

(b) Revaluation reserve

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Surplus on revaluation of property, plant and equipment	5,005	5,842	4,700	5,537
Surplus on revaluation of leasehold land	2,010	2,010	2,010	2,010
	7,015	7,852	6,710	7,547
Deferred tax on reserve at 30%	(2,104)	(2,355)	(2,013)	(2,264)
	4,911	**5,497**	**4,697**	**5,283**
Movement during the year:				
Net balance at 1 April	5,497	3,557	5,283	3,470
Revaluation gain on property and equipment	-	1,992	-	1,810
Revaluation gain on leasehold land	-	780	-	780
Transfer to retained earnings	(837)	-	(837)	-
Deferred tax (Note 31(a))	251	(832)	251	(777)
	4,911	**5,497**	**4,697**	**5,283**

The revaluation surplus arose on the revaluation of freehold land and buildings and leasehold land done in 2016 & 2013 and is stated net of deferred tax. The surplus is not distributable.

29. NON-CONTROLLING INTERESTS

The non-controlling interests relate to the portion of equity ownership in Kenya Airfreight Handling Limited attributable to Stamina Group B.V.

	2017 KShs million	2016 KShs million
Stamina Group B.V		
At beginning of year	51	46
Share of (loss)/profit for the year	(2)	5
At end of year	**49**	**51**
Represented by:		
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	2017 KShs million	Average interest rates	2016 KShs million
Barclays Bank PLC - Aircraft loans	2005-2017	4.87%	325	5.01%	3,143
Citi/JP Morgan - Aircraft loans	2014-2026	1.89%	71,649	1.45%	78,939
African Export - Import Bank (Afrexim) - Aircraft Loans	2012-2025	4.82%	21,050	4.41%	23,369
Short term facilities	2015-2023	8.58%	24,776	9.37%	22,707
Afrexim - Bridge Loan	2015-2018	-	-	6.80%	10,150
Government of Kenya Loans	2015-2019	8.58%	24,540	10.20%	4,224
			142,340		**142,532**

Loans and borrowings are presented in the statement of financial position as follows:

Group and Company:

	2017 KShs million	2016 KShs million
Current:		
Borrowings within one year	27,273	29,316
Deferred expenditure (Note 20)	(291)	(534)
	26,982	**28,782**
Non-current:		
Borrowings after one year	115,067	113,216
Deferred expenditure (Note 20)	(2,000)	(2,196)
	113,067	**111,020**

The loans were obtained for the purpose of funding aircraft acquisition, aircraft spare engines and pre-delivery payments for ordered aircraft. The Company also received bridging finance from the Government of Kenya during the year. For the purpose of holding collateral for the financiers, the aircrafts are registered in the name of special entities whose equity is held by the security trustees on behalf of the respective financers. The legal title is to be transferred to Kenya Airways PLC (formerly Kenya Airways Limited) once the loans are fully repaid. The special entities are as listed below:

30. BORROWINGS (Continued)

(a) Analysis of interest bearing loans and borrowings (Continued)

Entity	Bank	Guarantee	Original tenor of the loan
Nyati Aircraft Financing Limited (KQS)	Barclays Bank PLC	Export-Import Bank of the United States of America (Eximbank)	12 years
Tsavo Financing LLC	Citibank N.A. (London) and JP Morgan N.A.	Export-Import Bank of the United States of America (Eximbank)	12 years
Samburu Limited	African Export and Import Bank in syndication with Standard Chartered Bank	None	12 years

The short term facilities were draw down from Equity Bank, Jamii Bora Bank, Kenya Commercial Bank, Commercial Bank of Africa, I & M Bank, Chase bank, National Bank of Kenya, Diamond Trust Bank, Co-operative Bank, NIC bank and Ecobank for the financing of pre-delivery payments for ordered aircraft. During the year, negotiations were concluded and repayment period for the Kenya Commercial Bank loan was extended to 5 years.

Covenants

The Group has signed a number of facilities with African Export-Import Bank (Afrexim) for the purchase of aircraft and funding of pre-delivery deposits for aircraft. One of the facilities for the purchase of ten Embraer E190 aircraft, contains some financial covenants, which are monitored against the annual audited financial statements. The Group is not in compliance with all the financial covenants and is in the process of obtaining waivers from the financiers.

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

	2017 KShs million	2016 KShs million
Group and Company:		
The borrowings are made up as follows:		
Within one year	27,273	29,316
Between 2 -5 years	75,916	61,590
Later than 5 years	39,151	51,626
At end of year	**142,340**	**142,532**

(c) The movement in the borrowings is as follows:

	2017	2016
At start of year	142,532	147,784
Additions	22,729	14,424
Repaid in the year	(24,939)	(34,730)
Exchange difference on hedged borrowings	1,532	12,399
Exchange difference on non-hedged borrowings	486	2,501
Interest capitalised	-	154
At end of year	**142,340**	**142,532**

30. BORROWINGS (Continued)

(c) The movement in the borrowings is as follows:

Movement in exchange differences on hedged borrowings have been dealt with as follows:

	2017	2016
	2017 KShs million	**2016 KShs million**
Exchange differences on hedged borrowings	(1,532)	(12,399)
Realised on settlement of loans	2,240	5,219
Net hedge effect	**708**	**(7,180)**

The Group and Company has multi-currency credit line facilities with a total value of KShs. 75,771 million (2016: KShs. 74,686 million) with various local and international banks for tenures of one year and renewable. At 31 March, 2017, the Group and Company had utilised guarantees amounting to KShs. 6,757 million (2016: KShs. 8,390 million) and draw down facilities of KShs 24,788 million (2016: KShs. 28,623 million). Unutilised facilities total KShs. Nil (2016: KShs. Nil). A corporate guarantee of KShs. 1,000 million is in place for the Kenya Airways & Co-operative Bank Ab Initio Programme.

31. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2016: 30%). The deferred income tax liability/(asset) are made up as follows:

(a) Recognised deferred tax (asset)/liability

Group

2017:	**At 1 April 2016 KShs millions**	**Charged/ (credited) to profit or loss KShs millions**	**Movement in other comprehensive income KShs millions**	**At 31 March 2017 KShs millions**
Leave pay provision	-	(7)	-	(7)
Other provisions	(171)	(48)	-	(219)
Tax losses	(1)	(22)	-	(23)
Unrealised exchange (losses)/gains	2	(2)	-	-
Accelerated capital allowances	(32)	(9)	-	(41)
Revaluation reserve	2,356	-	(251)	2,105
Net deferred tax liability (asset)	**2,154**	**(88)**	**(251)**	**1,815**

2016:				
Leave pay provision	(2)	2	-	-
Other provisions	(112)	(59)	-	(171)
Tax losses	(11)	10	-	(1)
Unrealised exchange (losses)/gains	3	(1)	-	2
Accelerated capital allowances	(29)	(3)	-	(32)
Revaluation reserve	1,524	-	832	2,356
Net deferred tax liability/(asset)	**1,373**	**(51)**	**832**	**2,154**

31. DEFERRED INCOME TAX (Continued)

(a) Recognised deferred tax (assets)/liability (Continued)

Comprising:	2017 KShs million	2016 KShs million
Deferred tax asset	(198)	(110)
Deferred tax liability	2,013	2,264
Net deferred tax asset	**1,815**	**2,154**

Company

2017:	At 1 April 2016	Derecognised in profit or loss	Recognised in other comprehensive income	At 31 March 2017
	KShs millions	KShs millions	KShs millions	KShs millions
Revaluation reserve	**2,264**	**-**	**(251)**	**2,013**

Company

2016:	At 1 April 2015	Derecognised in profit or loss	Recognised in other comprehensive income	At 31 March 2016
	KShs millions	KShs millions	KShs millions	KShs millions
Revaluation reserve	**1,487**	**-**	**777**	**2,264**

(b) Unrecognised deferred tax asset

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At 31 March, 2017, Kenya Airways Plc (formerly Kenya Airways Limited) and JamboJet tax losses stood at KShs. 71,379 million and KShs. 782 million. Kenyan Income Tax laws allow for carry forward of tax losses for a maximum period of 10 years. The accumulated tax losses will be utilised to offset future taxable profits.

The group did not recognise deferred tax assets in the financial statements since future taxable incomes are not sufficient to enable the benefits from the deductions.

The unrecognised deferred tax asset computed at the enacted rate of 30% is made up as follows:

Group

2017:	At 1 April 2016	Movement in other comprehensive income	Movement in profit or loss	At 31 March 2017
	KShs millions	KShs millions	KShs millions	KShs millions
Leave pay provision	515	-	3	518
Other provisions	177	-	(96)	81
Tax losses	18,140	-	3,454	21,594
Unrealised exchange losses/(gains)	887	-	(521)	366
Hedge losses	6,192	(125)	-	6,067
Accelerated capital allowances	(8,179)	-	77	(8,102)
Net deferred tax asset	**17,732**	**(125)**	**2,917**	**20,524**

31. DEFERRED INCOME TAX (Continued)

(b) Unrecognised deferred tax asset (Continued)

Group

2016:	**At 1 April 2015**	**Movement in other comprehensive income**	**Movement in profit or loss**	**At 31 March 2016**
	KShs millions	**KShs millions**	**KShs millions**	**KShs millions**
Leave pay provision	504	-	11	515
Other provisions	615	-	(438)	177
Tax losses	9,948	-	8,192	18,140
Unrealised exchange losses/(gains)	(230)	-	1,117	887
Hedge losses	4,566	1,626	-	6,192
Accelerated capital allowances	(7,343)	-	(836)	(8,179)
Net deferred tax asset	**8,060**	**1,626**	**8,046**	**17,732**

Company

2017:	**At 1 April 2016**	**Movement in other comprehensive income**	**Movement in the year**	**At 31 March 2017**
	KShs millions	**KShs millions**	**KShs millions**	**KShs millions**
Leave pay provision	515	-	3	518
Other provisions	166	-	(123)	43
Tax losses	17,883	-	3,477	21,360
Unrealised exchange losses/(gains)	887	-	(521)	366
Hedge losses	6,192	(125)	-	6,067
Accelerated capital allowances	(8,178)	-	74	(8,104)
Net deferred tax asset	**17,465**	**(125)**	**2,910**	**20,250**

Company

2016:	**At 1 April 2015**	**Movement in other comprehensive income**	**Movement in the year**	**At 31 March 2016**
	KShs millions	**KShs millions**	**KShs millions**	**KShs millions**
Leave pay provision	504	-	11	515
Other provisions	591	-	(425)	166
Tax losses	9,662	-	8,221	17,883
Unrealised exchange losses/(gains)	(230)	-	1,117	887
Hedge losses	4,566	-	1,626	6,192
Accelerated capital allowances	(7,336)	-	(842)	(8,178)
Net deferred tax asset	**7,757**	**-**	**9,708**	**17,465**

31. DEFERRED INCOME TAX (Continued)

(b) Unrecognised deferred tax assets (Continued)

The tax losses expire within ten years under the current tax legislation. The ageing of tax losses is as follows:

Year of origin	Group KShs million	Company KShs million
2010	618	-
2013	10,106	10,087
2014	4,200	4,073
2015	18,272	18,047
2016	27,276	27,405
2017	11,586	11,587
	72,058	**71,199**

Management has applied for the extension of use of the JamboJet Limited tax losses incurred in the period 2009 - 2010. Subsequent to the application, the Finance Act, 2015 amended S.15 (4 & 5) of the Income Tax Act to extend the valid period of offsetting tax losses against future taxable profit to nine years up from four years.

32. ONEROUS LEASE PROVISION

The airline has sub-leased certain aircraft that are held on operating and finance lease at lease rentals that are lower than that charged by the primary lessors resulting into onerous lease provision as shown below:

Group and Company

Aircraft type	No. of aircraft	Lessee	Lease period	2017 KShs million	2016 KShs million
B787	2	Oman Air	3 years	517	918
B773	3	Turkish Airline	4 years	2,102	3,127
				2,619	**4,045**

Onerous lease provision is presented in the statements of financial position as follows:

	2017 KShs million	2016 KShs million
Current:		
To be realised within one year	**999**	**1,466**
Non-current:		
To be realised after one year	**1,620**	**2,579**

33. MAINTENANCE RESERVES

Maintenance reserves relate to provision for future contractual and regulatory maintenance liability on major aircraft components. None of these maintenance events are scheduled to be carried out within the next twelve months.

Group and Company	2017 KShs million	2016 KShs million
Maintenance reserves	**3,058**	**2,547**

34. SALES IN ADVANCE OF CARRIAGE

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Passengers	15,450	12,978	15,302	12,873
Cargo	54	26	54	26
	15,504	**13,004**	**15,356**	**12,899**

35. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Trade payables	17,146	18,188	16,877	17,360
Other payables and accruals	4,784	3,959	4,436	3,853
Leave accruals (Note 37)	1,748	1,729	1,727	1,718
Due to related parties (Note 39 (b))	711	55	13,216	11,378
Unclaimed dividends (Note 15)	81	109	81	109
	24,470	**24,040**	**36,337**	**34,418**

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

36. PROVISIONS FOR LIABILITIES AND CHARGE

	2017			2016		
Group:	Redundancy provision KShs million	Other provisions KShs million	Total KShs million	Redundancy provision KShs Million	Other provisions KShs million	Total KShs million
At start of year	2,256	185	**2,441**	1,648	24	**1,672**
Net movement charged to profit or loss	610	287	**897**	608	161	**769**
At end of year	**2,866**	**472**	**3,338**	**2,256**	**185**	**2,441**

Company:

	2017			2016		
	Redundancy provision KShs million	Other provisions KShs million	Total KShs million	Redundancy provision KShs million	Other provisions KShs million	Total KShs million
At start of year	1,708	185	1893	1,280	24	**1,304**
Net movement charged to profit or loss	438	287	725	428	161	**589**
At end of year	**2,146**	**472**	**2,618**	**1,708**	**185**	**1,893**

Redundancy provision

The Company implemented a staff restructuring program in year 2012 aimed at improving operational efficiency. The programme affected 599 employees and as at 31 March, 2017, a provision of KShs. 2,866 million was held to cover the redundancy payments. The unionisable staff moved to the Industrial Court to block the restructuring and the Court ruled in their favour, ordering the reinstatement of affected employees. The Company appealed against the ruling and on 11 July, 2014, the court of appeal ruled that the Company was justified in declaring the redundancy but failed to meet the statutory threshold procedural fairness. The former employees have lodged an appeal to the supreme court and the matter awaits determination.

Other provisions

Other provisions relate to various legal cases brought against the Company which are pending determination by the courts. On grounds of prudence, management has made appropriate provisions in respect of certain cases.

37. LEAVE ACCRUAL

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
At start of year	1,729	1,691	1,718	1,682
Leave entitlement for the year	1,146	1,376	1,073	1,307
Amounts utilised during the year	(1,127)	(1,338)	(1,064)	(1,271)
At end of year	**1,748**	**1,729**	**1,727**	**1,718**

38. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Loss before income tax	(10,202)	(26,099)	(9,988)	(26,538)
Adjustments for:				
Depreciation (Note 16)	6,401	7,474	6,340	7,420
Impairment of incomplete projects (Note 16)	9	-	9	-
Impairment of non-current assets held for sale (Note 25)	2,584	5,375	2,584	5,375
Amortisation of intangible assets (Note 17)	450	512	418	486
Amortisation of prepaid operating lease rentals (Note 18)	162	2	162	2
Gain on disposal/write off of property, plant and equipment (Note 12)	(45)	119	(45)	119
Provision for onerous lease (Note 32)	-	4,045	-	4,045
Provision for maintenance reserves (Note 33)	511	1,434	511	1,434
Amortisation of deferred expenditure (Note 20)	529	329	529	329
Provision for rotables	435	-	435	-
Amortisation of aircraft deposits (Note 21)	121	(78)	121	(78)
Unrealised exchange differences	2,688	6,744	2,688	6,589
Interest expense (Note 9)	7,392	7,047	7,390	7,045
Movement in unrealised fuel hedge	(3,163)	(2,614)	(3,163)	(2,614)
Interest income (Note 9)	(62)	(8)	(71)	(15)
Working capital changes				
Inventories	93	(25)	93	(25)
Trade and other receivables	1,701	(265)	159	(1,331)
Sales in advance of carriage	2,500	1,734	2,457	1,741
Trade and other payables	430	6,909	1,919	8,671
Provision for liabilities and charges	897	769	725	589
Cash generated from operations	**13,431**	**13,404**	**13,273**	**13,244**

(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		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Cash in hand and at bank	**9,177**	**4,827**	**8,963**	**4,684**

(c) Interest paid during the year

Interest expense (Note 9)	7,392	7,047	7,390	7,045
Interest capitalised	-	(154)	-	(154)
	7,392	**6,893**	**7,390**	**6,891**

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 Plc (formerly Kenya Airways Limited), and has a joint operations agreement with Kenya Airways Plc (formerly 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 Plc (formerly Kenya Airways Limited) holds 41.23% (2016: 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 Plc (formerly 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	2017 KShs million	2016 KShs million
Transactions involving outflows or depletion of assets or incurrence of liabilities		
African Cargo Handling Limited	**113**	**126**
Transactions involving inflows or enhancement of assets or decreases of liabilities		
African Cargo Handling Limited	**715**	**710**

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

(b) Related companies' balances

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
(i) Due from related companies				
Precision Air Services Limited	224	294	224	294
Stamina Group B.V.	42	30	-	-
Kenya Airfreight Handling Limited	-	-	131	126
African Cargo Handling Limited	-	-	8,917	7,053
JamboJet Limited	-	-	349	542
	266	**324**	**9,621**	**8,015**

39. RELATED PARTY TRANSACTIONS (Continued)

(b) Related companies' balances (Continued)

(i) Due to related companies

	Group		Company	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
KLM	664	10	641	-
Stamina Group B.V.	47	45	-	-
Kenya Airfreight Handling Limited	-	-	48	48
African Cargo Handling Limited	-	-	12,527	11,330
	711	**55**	**13,216**	**11,378**

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 Plc (formerly Kenya Airways Limited). It also includes an amount of KShs. 19.6 million loan secured by KAHL from Kenya Airways Plc (formerly 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 was as follows:

	Group		Company	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
Salaries and other benefits	428	322	411	309
Non-monetary benefits	7	8	7	8
	435	**330**	**418**	**317**

The Company and its subsidiaries' Directors' remuneration included in key management compensation above comprise:

	Group		Company	
	2017 KShs million	**2016 KShs million**	**2017 KShs million**	**2016 KShs million**
As Executives	105	115	66	73
As Non-Executives	27	17	27	17
	132	**132**	**93**	**90**
Non-monetary benefits	5	3	5	3
	137	**135**	**98**	**93**

40. COMMITMENTS

As at 31 March, the Group had purchase commitments for aircraft parts and other equipment incidental to the ordinary course of business as follows:

	Group and Company	
	2017 KShs million	2016 KShs million
Authorised but not contracted for	2,858	1,711

41. OPERATING LEASES

The future minimum lease payments and reconciliations under non-cancellable operating leases are as follows:

(a) Lease payments

	Group		Company	
	2017 KShs million	2016 KShs million	2017 KShs million	2016 KShs million
Not later than 1 year	8,548	12,681	8,360	12,681
Later than 1 year but not later than 5 years	45,494	42,946	45,494	42,946
Later than 5 years	46,066	54,429	46,066	54,429
	100,108	110,056	99,920	110,056

(b) Lease receivables

	Group and Company	
	2017 KShs million	2016 KShs million
Not later than 1 year	5,172	-
Later than 1 year but not later than 5 years	7,772	-
	12,944	-

During the year, the Group and Company expensed KShs. 7,240 million and KShs. 7,196 million (2016: KShs. 17,592 million and KShs. 17,592 million) respectively in profit or loss in respect of operating leases.

During the year, the Group and Company each recognised lease income of KShs. 1,094 million (2016: KShs. Nil) respectively in profit or loss in respect of operating sub-leases income.

The aircraft fleet leasing commitments include the balance of rental obligations under operating leases in respect of various aircrafts. 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 and Company	
	2017 KShs million	2016 KShs million
Guarantees	6,057	7,688
Litigation	428	428
	6,485	8,116

(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.

42. CONTINGENT LIABILITIES (Continued)

(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 105 passengers and 9 crew members on board perished in the accident. The investigation of the accident carried out under the auspices of the Cameroon Civil Aviation Authorities was completed. Kenya Airways Plc (formerly Kenya Airways Limited) is fully insured for any legal obligations arising out of the accident.

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 PLC (formerly Kenya Airways Limited) is fully conversant with its legal obligations with regard to compensation to the families. There remains litigation concerning one passenger.

Site cleanup

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, it is difficult to access and the nearest habitation is some distance from the site. It will be very difficult for the committee to achieve its aims in any event.

Criminal action in Cameroon

A criminal investigation into the accident was opened in the Court of First Instance in Ndokoti, Douala, Cameroon in November 2009. This is separate and distinct from the investigation undertaken by the Official Accident Investigation Commission in accordance with Annex 13 Chicago Convention. The purpose of the criminal process is to establish whether there has been any criminal wrongdoing.

A number of hearings took place. Notwithstanding subsequent publication of the official accident report, the Magistrate has indicated that he wishes to continue with his investigations. It is unclear when the next hearing may be and there have been no recent developments.

(ii) *Abidjan crash – KQ 431*

On 30 January, 2000, a Kenya Airways Airbus 310 aircraft registration 5Y-BEN on flight KQ431 from Abidjan (Ivory Coast) to Nairobi crashed into the sea. A total of 169 passengers perished in the crash. KQ negotiated and reached agreement in majority of the claims. Only one claim lies dormant and we have taken the pre-caution to keep the file open.

A criminal investigation was initiated to establish if there was evidence of wrong doing on the part of the Company that led to the fatal accident. The investigating Magistrate put KQ under investigation on 29 September, 2010. Insurers have agreed to meet the cost of any defence (i.e. the cost of legal representation in the process). The Court of Appeal in Versailles has said there is no competence for the criminal process in France and that releases/waivers of interest signed to settle claims of those in the process were "final". The process requires formal closure by the magistrate which we believe is a formality.

(iii) *Other material litigation*

Nairobi Industrial Court Cause No. 539 of 2011 (Kenya) - action against the Company by a former employee.

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

43. SUBSEQUENT EVENTS

No material events or circumstances have arisen between 31 March, 2017 and the date of this report.

PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION

FOR THE YEAR ENDED 31 MARCH 2017

Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held as at 31 March, 2017 are as follows:

	Name of shareholder	Number of shares
1.	Permanent Secretary to the Treasury	445,920,557
2.	Koninklijke Luchtvaart Maatschappij (KLM) Royal Dutch Airlines	400,020,026
3.	Standard Chartered Nominees Ltd. Non Resident A/c KE11752	143,000,000
4.	Mike Maina Kamau	64,398,940
5.	Standard Chartered Nominees Ltd. A/c 9187	21,543,657
6.	Vijay Kumar Ratilal Shah	15,328,400
7.	Standard Chartered Nominees Ltd. A/c 9230	14,530,773
8.	Standard Chartered Kenya Nominees Ltd. A/c KE002749	11,264,538
9.	Galot International Limited	10,609,482
10.	Ismail Gulamali	10,424,100
	Other shareholders	359,428,562
	Total	**1,496,469,035**

Distribution of shares

	Number of shareholders	Number of shares	% Shareholding
Less than 500 shares	32,087	12,558,758	0.84
500 - 5,000 shares	40,680	66,373,939	4.44
5,001 - 10,000 shares	3,179	24,004,277	1.60
10,001 - 100,000 shares	3,423	94,279,440	6.30
100,001 - 1,000,000 shares	338	86,588,674	5.79
Over 1,000,000 shares	46	1,212,663,947	81.04
Total	**79,753**	**1,496,469,035**	**100.00**

Distribution of shareholders by region

	Number of shareholders	Number of shares	% Shareholding
Foreign Institutions	12	551,821,640	36.87
Foreign Individuals	568	10,228,083	0.68
Local Institutions	3,102	577,374,939	38.58
Local Individuals	76,071	357,044,373	23.86
Total	**79,753**	**1,496,469,035**	**100.00**

NOTES

NOTES

PROXY FORM

Notes 1, 4

I/we ______________________________ of ______________________________

Being a *member/members of the above named company, I 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 22 September, 2017 and at any adjournment thereof.

*strike out as appropriate

Signature(s) ______________________________

Note 2, 3, 4

Signed this ______________________________ day ______________2017

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 authorised.
3. A person appointed to act as a proxy need 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 22 September, 2017 at 10:00am.

FOMU YA UWAKILISHI

Sehemu ya kwanza, nne

Mimi/sisi ______________________________ wa ______________________________

Kama *mwanachama/wanachama wa shirika lilotajwa hapo juu, *nateuwa/tunateua

______________________________ wa ______________________________

na akikosa yeye ______________________________ wa ______________________________

Kama mwakilishi *wangu/wetu kunipigia *kura/kutupigia kurakatika mkutano mkuu wa kila mwaka wa kampuni utakayofanywa mnamo Ijumaa tarehe 22 Septemba, 2017 na wakati wa ahirisho lolote litakalotokea baadaye.

**weka inavyostahili*

Sahihi ______________________________

Sehemu ya pili, tatu, nne

Kama shahidi silu hii

______________________________ ya ______________________________ 2017

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 mkutano mkuu wa kila mwaka ili kutengeneza ratiba ya waliyohudhuria. 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 22 Septemba, 2017 saa nne asubuhi.

2006

Kenya Airways voted East Africa's Most Respected Company for the second year running.
Kenya Airways announces another record profit after tax of Ksh. 4,829 million for the year ended March 31st 2006, being 24% above the previous year's result of Ksh. 3,882 million.

2006

Kenya Airways awarded a 2-year renewal on its IOSA (IATA Operational Safety Audit) registration.
Kenya Airways joins SkyTeam as an Associate Airline.
Kenya Airways opens a Leadership Center-Pride Center.

CELEBRATING 40 YEARS AS THE PRIDE OF AFRICA

Kenya Airways
The Pride of Africa