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Year
2007 / 08

Kenya Airways Annual Report & Accounts



Kenya Airways
The Pride of Africa

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Highlights of the Year	2
Notice of the Annual General Meeting 2008	4
Tangazo la Mkutano Mkuu wa Mwaka 2008	5
Board of Directors	6 - 11
Chairman's Statement	12 - 15
Taarifa ya Mwenyekiti	16 - 20
Management Team	21 - 24
Chief Executive's Statement	26 - 33
Taarifa ya Afisa Mkuu	34 - 41
Corporate Governance	43 - 44
Shareholding	46
Three Year Summary of Financial Highlights	47
Directors and Professional Advisors	48
Report of the Directors	49
Statement of Directors' Responsibilities	50
Independent Auditors' Report	51
Consolidated Income Statement	52
Consolidated Balance Sheet	53
Consolidated Balance Sheet	54
Statement of Changes in Equity	55
Statement of Changes in Equity	56
Consolidated Cash Flow Statement	57
Notes to the Financial Statements	58 - 90

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Kenya Airways -- Periodicals

Page	Highlights of the year and Operating Statistics	Year	KQ Annual Report & Accounts
2		2007 / 08	

Group Results

Turnover (KShs millions)

Up 2.9%

2007 - 2008

60,471

58,792

2006 - 2007

Operating Profit(KShs millions)

Down 14.0%

2007 - 2008

6,633

7,710

2006 - 2007

Profit Before Tax (KShs millions)

Down 7.7%

2007 - 2008

5,513

5,975

2006 - 2007

Net Profit (KShs millions)

Down 5.6%

2007 - 2008

3,869

4,098

2006 - 2007

Capital & Resources (KShs millions)

Up 19.6%

2007 - 2008

25,873

21,640

2006 - 2007

Earnings Per Share (KShs)

Down 5.6%

2007 - 2008

8.38

8.88

2006 - 2007

Key financial statistics

Debt to Equity ratio

Down 0.4

2007 - 2008

0.6

1.0

2006 - 2007

Operating Margin (%)

Down 2.1%

2007 - 2008

11.0

13.1

2006 - 2007

Interest Cover ratio

Down 0.4

2007 - 2008

4.3

4.7

2006 - 2007

Ebitdar Margin (%)

Up 0.1%

2007 - 2008

25.1

25.0

2006 - 2007

Operating statistics

Passengers Carried

Up 6.2%

2007 - 2008

2,762,049

2,601,350

2006 - 2007

Available Seats (millions)

Up 7.9%

2007 - 2008

10,973

10,169

2006 - 2007

Revenue Passengers Km (millions)

Up 3.3%

2007 - 2008

7,724

7,479

2006 - 2007

Cabin Factors (%)

Down 3.2%

2007 - 2008

70.4

73.6

2006 - 2007

Cargo Uplifted (Tonnes)

Up 2.7%

2007 - 2008

62,596

60,932

2006 - 2007



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Name	Length of Service	Job Designation	Comments
Esther Njeri Mungai	2 1/2 Years	Aircraft Engineer	"Challenges are the things we see when we stop focusing on our goals"

Notice of the Annual General Meeting 2008

NOTICE IS HEREBY GIVEN that the 32nd Annual General Meeting of the Company will be held at The Moi International Sports Centre, Kasarani Gymnasium, off Thika Road, Nairobi on Friday 26 September 2008 at 11.00 am to conduct the following business:

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To consider and, if approved, adopt the Balance Sheet and Accounts for the year ended 31 March 2008 together with the Directors' and Auditors' Reports thereon.
4. To declare a final dividend of KShs 1.75 per share for the financial year ended 31 March 2008 payable to shareholders on the Register of Members at close of business on Friday 26 September 2008 and approve the closure of the Register of Members on Monday 29 September 2008 for one day only to determine the entitlement to the dividend.
5. To elect Directors:
 - a) Mr Joseph Kinyua retires by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, offers himself for re-election.
 - b) Mr Ayisi Makaliani retires by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, offers himself for re-election
 - c) Eng. Abdulrazaq Adan Ali, who was appointed an additional Director of the Company on 29 May 2008, retires in accordance with Article 90 of the Company's Articles of Association and, being eligible, offers himself for re-election.
6. To approve the Directors remuneration.
7. To authorise the Directors to fix the remuneration of the Auditors, Deloitte & Touche.

BY ORDER OF THE BOARD

Fiona C Fox

Secretary

Date: 29 May 2008

Notes:

1. Any member may by notice duly signed by him or her and delivered to the Secretary, Chunga Associates, 7th floor, The Rahimtulla Tower, Upper Hill Road, PO Box 41968, GPO 00100, Nairobi, not less than 7 and not more than 21 days before the date appointed for the Annual General Meeting, give notice of his intention to propose any other person for election to the Board, such notice is to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the company.
2. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is attached to this notice, must be duly completed and signed by the member and must either be lodged at the offices of the company's share registrars, Custody & Registrar Services Limited, 6th Floor, Bruce House, Standard Street, PO Box 8484, GPO 00100, Nairobi or be posted, so as to reach Custody & Registrar Services Limited not later than Thursday 25 September 2008 at 11.00 am.

KQ Annual Report & Accounts	Year	Tangazo la Mkutano	Page
	2007 / 08	Mkuu wa Mwaka 2008	5

ILANI inatolewa ya kwamba mkutano mkuu wa 32 wa kila mwaka utafanyika katika ukumbi wa michezo wa kimataifa wa Moi International Sports Centre, Kasarani, kwenye barabara kuu ya Thika, Nairobi mnamo siku ya Ijumaa Septemba 26, 2008 kuanzia saa Tano asubuhi ili kuendesha shughuli zifuatazo:

1. Kuorodhesha majina ya wawakilishi na kujua idadi ya waliohudhuria mkutano.
2. Kusoma Ilani ya kuitisha mkutano mkuu.
3. Kupokea na kuthibitisha na, ikikubaliwa, kukubali taarifa ya kifedha ya mwaka uliomalizika Machi 31, 2008 pamoja na taarifa za Wakurugenzi na Wakaguzi wa Hesabu zilizopo.
4. Kutangaza mgawo wa mwisho wa faida wa Shilingi 1.75 kwa kila hisa kwa mwaka uliomalizika Machi 31 2008 na kulipwa mgawo huo kwa wenye hisa waliosajiliwa rasmi hadi kufikia kukamilika kwa kwa shughuli za kazi mnamo siku ya Ijumaa Septemba 26, 2008 na pia kuthibitisha kufungwa kwa jarida la wenye hisa mnamo siku ya Jumatatu Septemba 29, 2008 kwa siku moja tu ili kuwatambua wanaostahili kulipwa.
5. Kuchagua Wakurugenzi:
 - a) Bw. Joseph Kinyua anastaafu kwa zamu kulingana na Kifungu 84 cha Kanuni za Shirika, na anajitolea kuchaguliwa tena kuwa Mkurugenzi.
 - b) Bw. Ayisi Makatiani anastaafu kwa zamu kulingana na Kifungu 84 cha Kanuni za Shirika, na anajitolea tena kuchaguliwa kuwa Mkurugenzi.
 - c) Mhandisi Abdulrazag Adan Ali, ambaye aliteuliwa mkurugenzi wa ziada kwenye Shirika mnamo Mei 29, 2008, anastaafu kulingana na Kifungu 90 cha Kanuni za Shirika, na anajitolea tena kuchaguliwa kuwa Mkurugenzi.
6. Kuidhinisha malipo ya Wakurugenzi.
7. Kuwaruhusu Wakurugenzi kuamua malipo ya Wakaguzi wa Hesabu, Deloitte & Touche.

KWA AMRI YA BODI YA WAKURUGENZI

Fiona C Fox

Katibu

Tarehe: 29 Mei, 2008

ILANI:

1. Mwenyehisa yoyote anaweza kumpendekea Mkurugenzi amtae kuchaguliwa katika Bodi ya Wakurugenzi wa Shirika, kwa Ilani yenye sahihi yake, kufikishwa kwa Katibu, Chunga Associates Ghorofa ya 7, Jumba la Rahimtulla Tower, barabara ya Upper Hill, PO Box 41968, GPO 00100, Nairobi, katika muda usiopungua siku 21 kabla ya siku ya mkutano mkuu, Ilani hiyo lazima iambatane na nyengine yenye sahihi ya mtu aliyependekezwa kuthibitisha kwamba amekubali kuchaguliwa kwenye Bodi ya Wakurugenzi. Anayependekezwa si lazima awe Mwenyehisa wa Shirika.
2. Mwenyehisa anayeruhusiwa kisheria kuhudhuria Mkutano mkuu wa kila mwaka wa shirika na kupiga kura lakini hana nafasi ya kufika, ana haki kisheria kumchagua mtu yoyote atakayehudhuria mkutano huo na kumpigia kura kwa niaba yake. Mwakilishi huyo siyo lazima awe na hisa kwenye shirika. Ili kukubaliwa, fomu ya mwakilishi huyo iliyoambatanishwa na tangazo hili la mkutano mkuu, lazima ijazwe kikamilifu na kusainiwa na mwenyehisa na ipelekwe kwa Msajili wa hisa za shirika, Custody & Registrar Services Limited, ghorofa ya 6, Bruce House, barabara ya Standard, PO Box 8484, GPO 00100, Nairobi ama kupitia njia ya posta ili ifike kabla ya siku ya Alhamisi Septemba 25, 2008 saa tano asubuhi.

From left to right:

Mr. Denis Afande, Mr. Joseph Kinyua, Mr. Ron Schipper, Mr. Evanson Mwaniki
Mr. Peter F. Hartman, Mr. Titus Naikuni, Ms. Fiona C. Fox, Mr. Ayisi Makatiani,
Mr. Dinesh Kapila, Mr. Neil Canty, Mr. Micah Cheserem.





Page		Year	KQ Annual Report & Accounts
8	Board of Directors	2007 / 08	

Mr. Evanson Mwaniki

Non Executive Chairman, Mr. Mwaniki, aged 69 holds a Bachelor of Arts (Hons) from the University of London. He was the General Manager of Shell and BP between June 1989 and December 1994. Over this period Mr. Mwaniki's notable achievements included turning around the company from a loss position in 1989 to profitability. He also led the oil industry negotiations with the Government on liberalisation of the oil industry, leading to actual decontrol in October 1994 and prepared Kenya Shell & BP Kenya (including restructuring the organisation) for effective marketing in the new (liberalized) business environment. Mr. Mwaniki has represented the oil industry in various influential forums. These include the Federation of Kenya Employers and the East Africa Association. Mr. Mwaniki currently sits on the boards of various companies, including British American Tobacco Kenya (Non-Executive Chairman), East African Breweries Ltd, East African Packaging Industries Ltd and Lion of Kenya Insurance Company Ltd.

Mr. Titus Naikuni

Group Managing Director & Chief Executive, Mr. Naikuni aged 54 years, holds a Bachelor of Science Honours Degree in Mechanical Engineering from the University of Nairobi. He is also a graduate of the Harvard Business School's Management Development Programme (PMD71) and was awarded a Doctor of Science Engineering by the Jomo Kenyatta University of Agriculture and Technology, an honorary award in recognition of his contribution to development. He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of that company in 1995 and Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996. Between August 1999 and March 2001 Mr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by the then President Moi to turn around the Kenyan economy. In this capacity Mr. Naikuni served as Permanent Secretary to the Ministry of Information, Transport and Communications and was a member of the Board of Kenya Airways during that period. He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director a position he held up to his present appointment with Kenya Airways in February 2003. Mr. Naikuni has had extensive boardroom experience having served on various company boards including as a member of the board of Brunner Mond (South Africa), as Chairman of Kenya Power & Lighting Company and as Chairman of Housing Finance Company Limited. He received the Manager of the Year Award in Kenya in 2002. He is currently a board member of Maersk Kenya Ltd, CFC Bank Kenya Limited, Deputy Chairman of Magadi Soda Company Ltd, Chairman of the Kenya Film Corporation, a member of Unilever Africa Advisory Council and also a trustee of Mpala Wildlife Foundation in Nanyuki, Kenya.

Mr. Neil Canty

Group Finance Director, Mr. Canty, aged 56 years, is a Fellow of the Institute of Chartered Accountants in England and Wales and has worked in the airline industry for some 20 years, principally as Finance Director for a number of companies including British Airways CitiExpress, British Midland and British Regional Air Lines Group PLC. The latter included dealing with its successful flotation and full listing on the London Stock Exchange. During his career to date, he has also gained some eight years international experience working in Kenya, The Netherlands, Denmark, France and Australia. He joined the Board of Kenya Airways as Group Finance Director in January 2005.

Mr. Dinesh Kapila

Non-Executive Director, Mr. Kapila aged 62 years, is an advocate of the High Court of Kenya, Barrister-at-law, Lincolns' Inn, England, a partner in D.V. Kapila & Company Advocates and a practitioner in corporate, commercial and conveyancing matters. He has been actively involved in the overall privatisation strategy in Kenya as a member of the Parastatal Reform Programme Committee of the Government of Kenya. He has been a member of the Attorney General's Task

KQ Annual Report & Accounts	Year	Board of Directors	Page
	2007 / 08		9

Force formed for revising and updating laws relating to companies, partnerships, investments and insolvency. He has been a member of New Issues and Economic Rejuvenation Committees of the Nairobi Stock Exchange. He has been involved in the restructuring of Kenya Airways, Kenya Ports Authority as well as The National Cereals and Produce Board. He has advised the private sector in matters pertaining to telecommunications, railways, banking, hotels, properties, industries, farming etc. and is a director of several private companies. He joined the Board of Kenya Airways in April 1991, and is currently the Chairman of the Board's Audit and Risk Management Committee, a member of the Board's Staff and Remuneration Committee and also Chairman of the Airline's subsidiary companies, Kenya Airfreight Handling Limited, African Cargo Handling Limited and Kencargo Airlines International Limited.

Mr. Micah Cheserem

Non-Executive Director, Mr Cheserem aged 59 years, is an accountant by profession, having qualified as a Fellow of the Association of Certified Accountants of London in 1974. Mr Cheserem has held a number of posts in various private sector companies including British American Tobacco, Lonrho and finally Unilever. He joined Unilever initially in 1977 and again in 1991 and worked for them in Australia and Malawi until June 1993. He returned in 2001 and served as Chairman of their Kenyan operation, a post he held until July 2003. He is currently Chairman of Equator Flowers Kenya Ltd, a company of which he is a shareholder. Mr Cheserem also excelled in the public sector where he served as Governor of the Central Bank of Kenya for 8 years between July 1993 and April 2001. During his tenure he was largely responsible for the implementation of major economic reforms including the abolition of exchange controls. Mr Cheserem was elected to the Board of Kenya Airways on 21st November 2003. He is currently a member of the Board's Audit and Risk Management Committee and the Airline's representative on the Board of Precision Air.

Eng. Abdulrazaq Adan Ali

Non-Executive Director, Aged 53 years, Eng. Abdulrazaq Adan Ali was appointed the Permanent Secretary in the Ministry of Transport after the formation of the Grand Coalition Government, on 20th April 2008. Before his appointment, Eng. Ali was the Managing Director of the Ewaso Ng'iro North Development Authority, an appointment he has held since 29th May 2000. Eng. Ali's extensive career has seen him work in various technical and managerial positions being responsible for among other tasks, policy development and planning, projects design, strategic planning, coordinating projects implementation, projects supervision, monitoring and evaluation and training. A BSc graduate in Civil Engineering from the University of Dar-es-Salaam, he also holds an MSc in Civil Engineering from the University of Leuven, Belgium, an MBA from Maastricht School of Management, in addition to post-graduate certificates in Irrigation, Soil and Water Management and Environmental Planning and Management from training institutes in Israel and Japan respectively. Eng. Ali is a registered Consulting Engineer with the Engineers Registration Board of Kenya and a Fellow of the Institute of Engineers of Kenya (FIEK). A leading expert in environmental impact assessment, Eng. Ali is also an Associate Member of the Chartered Institute of Arbitrators, UK. He has been appointed to work for various working groups namely, The Africa Focus Group, The International Commission on Irrigation and Drainage between 1995 and 2000 and was a member of the National Working Group on Operational Water Resource Management and Information Systems in the Nile Basin countries, between 1997 and 2000. He was a member of the Task Force for the Review of the Water Act, and Chairman of The Kenya Red Cross Society, Isiolo Branch. Eng. Ali has worked in various senior positions at the National Irrigation Board, Tana and Athi River Development Authorities and The Agricultural Development Corporation. He also worked with Sir M. MacDonald Partners and Consulting Engineers in the UK from 1981 to 1984 as Resident Engineer. He was appointed to the Kenya Airways Board on the 29th May 2008.

Page		Year	KQ Annual Report & Accounts
10	Board of Directors	2007 / 08	

Mr. Peter F. Hartman

Non-Executive Director, Mr Peter F. Hartman aged 59 years, studied Mechanical Engineering at Amsterdam Polytechnic, followed by Business Economics at Erasmus University in Rotterdam, where he received his Master's degree. Mr. Hartman joined KLM as a work analyst for the Controllers Department of Engineering & Maintenance on October 29, 1973. He was appointed Controller - Work for Third Parties at Engineering & Maintenance in 1975. In the years that followed he held various positions as controller in the Netherlands and abroad. In 1984, he was appointed Director - Technical Contract Services responsible for sales of KLM technical maintenance services to other airlines. In 1987 he was appointed Project Manager - Schiphol 2000. On January 1, 1989, he became Vice President - KLM Ground Services Schiphol. In this capacity he was responsible for all handling processes at Schiphol and all KLM outstations. Mr. Hartman became Senior Vice President - Customer Services on October 1, 1990, and on April 15, 1994, he was appointed Executive Vice President - Personnel & Organization. On January 1, 1996, Mr. Hartman took up the post of Executive Vice President - Engineering & Maintenance followed by his appointment on August 6, 1997 to the KLM Board of Managing Directors. On the 1st of April, 2007, he became the President and CEO of KLM.

Ron Schipper

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

Mr. Denis D. Afande

Non-Executive Director, Mr. Afande aged 71 years, was for many years a career diplomat, served in various positions including Ambassador to the United States of America and United Nations, Geneva. He also served as Permanent Secretary (Ministries of Home Affairs and Health). He is currently the Chairman of The National Council for Children Services and a member of several other charitable organizations. He was appointed to the Board of Kenya Airways on 26th November 2004 and is currently the Chairman of the Board's Staff and Remuneration Committee and the Nominations Committee.

Mr. Joseph Kinyua

Non-Executive Director, Mr. Kinyua aged 56, is the Permanent Secretary, Ministry of Finance. He is a career economist having served in various capacities in the Treasury and Central Bank. He has also been involved in several projects with the International Monetary Fund both within Kenya and abroad. He holds MA and BA degrees in Economics (University of Nairobi). He is currently a member of the Board's Audit and Risk Management Committee and the Nominations Committee.

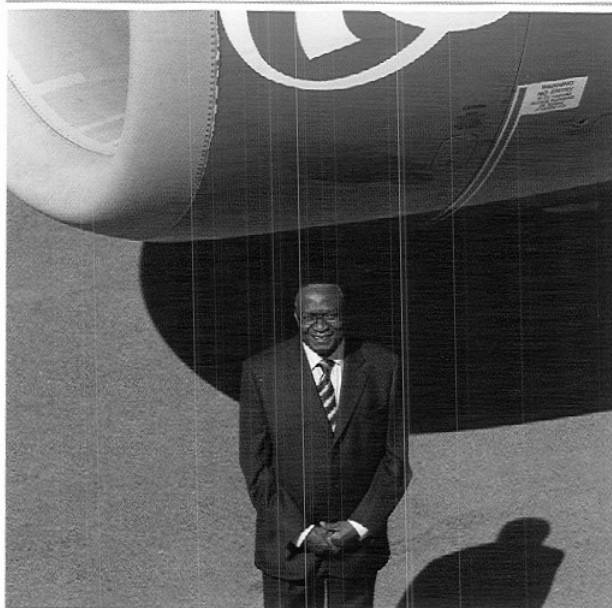
KQ Annual Report & Accounts	Year	Board of Directors	Page
	2007 / 08		11

Mr. Ayisi Makatiani

Non-Executive Director, Mr. Makatiani, aged 41 years, has extensive management experience and operational knowledge of African markets. He holds a Bachelors degree in Electrical and Electronics Engineering from Massachusetts Institute of Technology (MIT). He is currently Managing Director and Chief Executive Officer of African Management Services Company. He has previously served as Managing Partner of Gallium Partners Investments, Non-executive chairman of MCI/UUNET Africa and Founder and Chief Executive Officer of Africa Online Holdings. Mr. Makatiani has been voted among the leading top 15 CEOs in East Africa, three years in a row, in the annual PricewaterhouseCoopers-Nation Media Group survey of the top CEO's in Kenya, Uganda, Tanzania and Rwanda. He is currently a member of the Board's Staff and Remuneration Committee.

Mr. Jos Veenstra - Alternate Executive Director,

Mr. Veenstra aged 41 years, is a Chartered Accountant. After completing his studies in Business Economics at the University of Groningen in 1991 he worked with KPMG as an auditor. He joined KLM in 1996. He has served in various financial positions for KLM in the Netherlands. During the last four years, he was Vice President Finance and Control for the Engineering and Maintenance division of KLM. He is currently also a board member for KLM Ground Services Limited as well as KLM UK Engineering Limited. Currently he is the Holdings Manager for KLM and responsible for the monitoring of KLM's corporate holdings. He is a member of the Board's Audit and Risk Management Committee.



Kenya Airways continues to maintain profitability despite the challenges of reduced carrying in the last quarter of the year due to the post election crisis.

Industry Overview

Developing economies grew by 7.4% in 2007, while world growth eased to 3.6%. Global growth is expected to slow further in 2008 with the US dollar expected to weaken by 15% against the Euro, 1% against the Pound Sterling and 6.1% against the Kenya Shilling.

World trade volumes continue to advance, with an average increase of 6.7% over the last seven years, registering a robust 8.7% gain in 2007.

World oil prices continue to rise and may rise to between \$150 and \$200 a barrel within two years mainly due to lack of adequate supply growth.

Passenger traffic was up by 7.4% on the previous year slightly above 5.9% achieved in 2006. Industry passenger growth is forecast to slow to around 5% in 2008. The fastest growing regions in passenger traffic are the Middle East, up 18.1% from 15.4% in 2006 and Africa by 8%. Freight traffic was down 4.3% over the prior year slightly lower on the 2006 level of 4.6%. The industry forecasts freight growth by between 4 - 4.5% in 2008.

Africa

In 2007, sub-Saharan Africa recorded an overall growth in real GDP of 6.5%, its healthiest growth in decades. This is in comparison to an overall growth in 2006 of 5.7% and a projected growth for 2007 of 5.8%. The region's average growth rate for the past decade has been 5.4%. The robust growth was underpinned by growing production in oil exporting countries, solid global demand for commodities, greater flows of capital to Africa and debt relief, which have helped increase resources, boost growth and alleviate the impact of persistent high oil prices. Although the oil exporters led

this growth, the oil importers did as well as, if not better, than oil rich countries and recorded impressive growth. According to the Economic Report on Africa 2008 (ERA 2008), a largely contained inflation, improving macro-economic stability and management, and greater commitment to structural reforms acted as other key drivers for this growth.

The sharp rise in fuel prices continued to impact the region negatively. The transport and manufacturing sectors have been worst affected and the extra cost passed on to the consumer through higher commodity prices. The price of oil rose by about 40% in 2007 alone to stand at US\$99 per barrel in late 2007. The spike was mainly occasioned by shrinking production particularly in Nigeria, Iran and Iraq vis-à-vis very strong demand especially in China and India. In the third week of April 2008, the price touched an all time high of US\$ 119 per barrel. The mid-term forecast is that prices will continue to soar particularly with the higher imports by China and India, the lower oil output and the weakening of the US Dollar. This will hurt the oil importers mainly through inflation.

Although inflation was largely contained in the 6-9% range (excluding Zimbabwe), rising food prices exerted inflationary pressures in many countries with some experiencing double-digit food price inflation. The region's inflation is at its lowest in thirty years.

The World Bank estimates that food prices have shot up 83% in the past three years. The soaring food price crisis has led to civil unrests in Cameroon, Haiti and Bangladesh. The world's poorest, most of who reside in sub-Saharan Africa, are expected to bear the brunt of the crisis as they traditionally spend more than half their budgets on food. The continent faces starvation, eroded incomes, macro-economic instability and higher prices of

staples. To mitigate the crisis, the World Food Program (WFP) needs to step in and feed the poor as a temporary measure. In addition to boosting the WFP kitty, the advanced world economies also need to re-think their biofuel policies. On their part, African economies must better equip their farmers to boost food production and fortify food security.

Health issues, in particular HIV/AIDS and malaria, persisted as major constraints to economic and social development in sub-Saharan Africa. According to UNAIDS, access to anti-retroviral treatment needs to be scaled up and treatment sustained for those already on it if the pandemic's negative impact on the continent's productivity and poverty are to be reversed.

In 2008 and beyond, sub-Saharan Africa's exposure to the less favorable external environment should see it continue to suffer skyrocketing oil prices, inflation and depressed non-oil commodity prices fueled by decelerating demand in major commodity-importing countries. These factors should widen the gap between oil exporters and oil importers even further. Rising food costs, which are forecast to escalate even further, could lead to more food riots across the continent. Other critical challenges will include the vulnerability of resource-poor countries to weather shocks due to climate change, lower capital inflows and terms of trade changes. Despite these challenges, the prospects for the continent continue to be promising. According to the ERA 2008, growth in the region is expected to again average about 6.5% in 2008. Oil exporters are expected to lead this growth. This strong forecast is against the backdrop of rising food and energy prices and inflation projected at an average rate of 8.5% (excluding Zimbabwe).

An aggregate scorecard still shows that only a handful of sub-Saharan countries are on the way to achieving some millennium development goals (MDGs). The looming food crisis exacerbates the situation. But from the bullish growth shown by its Africa Development Indicators 2007 (ADI), the World Bank sees Africa succeeding in meeting its MDGs and becoming an exciting investment destination for global capital. This it will manage only if it supports, sustains and diversifies the key growth drivers for its GDP.

According to the IMF, Africa is better placed today to withstand a worsening of the global environment than it was in the 1990s. This is due to lower inflation, reduced debt, increased foreign exchange reserves and strengthened policy frameworks among others. Prospects for the region are good and the risk that the continent's prospects will succumb to the negative effects of the ongoing global economic slowdown has been placed at a moderate 20%.

Kenya

The real GDP is estimated to have expanded by 7% in 2007 and surpassed the 6.7% estimate released by the Government in 2006. The actual growth in 2006 was 6.4%. The growth was as a result of improved performance in agriculture, tourism, building and construction, manufacturing, financial services and a conducive macro-economic environment.

The overall annual inflation rate as estimated by the Consumer Price Indices decreased from 14.5% in 2006 to 9.8% in 2007. Food inflation remained the main contributor to overall inflation. The changes in food prices, international oil prices and the shilling exchange rate will determine the rate of inflation in 2008.

The Kenya Shilling appreciated against the US dollar, gained marginally against the Sterling Pound, especially in June and December, and depreciated marginally against the Euro. Regionally, it gained against the Tanzanian and Ugandan shillings.

Increase in private financial inflows saw the surplus in the balance of payments grow from US\$ 675 million in 2006 to US\$ 882 million in 2007.

Growth in the agricultural sector reached 7.6% compared to 5.6% in the previous year as a result of improvements in infrastructure and favorable weather conditions.

Tourism continued to flourish especially on the back of new brands of tourism and diversification into new markets. Arrivals grew by 9% over 2006 figures. 76.4% of the arrivals were through the Jomo Kenyatta International Airport (JKIA) and the rest through the Moi International Airport Mombasa (MIAM).

Prospects of growth are good with the robust growth recorded in 2007 expected to continue into 2008. However, soaring international oil prices, rising inflation, the post-election crisis early in the year and drought prospects may water down the good forecast. The continued strength and resilience of key sectors of the economy are expected to offset these negatives to a great extent. The Government sees the economy slowing down slightly to grow at between 3.5 % and 4.5% in 2008 owing to the effects of the political crisis witnessed early this year.

To ensure continued growth and expansion into new and existing markets, Kenya Airways, through the Government of Kenya, has concluded more Bilateral Air Services Agreements with several countries including Cote d'Ivoire, Burundi, Mauritius, Libya, Tunisia, Bangladesh, Sri Lanka, South Korea and Malaysia.

In its effort to make JKIA the premier hub of choice for passengers in Africa, the airline has consistently faced

Page		Year	KQ Annual Report & Accounts
14	Chairman's Statement	2007 / 08	

challenging regulatory barriers in the countries we operate to, especially within Africa. Transit visas for our West African passengers in Nairobi have been an impediment to our growth. Other challenges include lack of market access due to restrictive bilateral regimes, bureaucracy and continued double-taxation on our revenues in Kenya and some countries in Africa. We are working very closely with the Government to address these issues and to move expeditiously and conclude Avoidance of Double Taxation Agreements.

Globally, the environment is increasingly becoming an issue that needs a coordinated global approach to finding a sustainable solution. According to the Nobel Prize winning Intergovernmental Panel on Climate Change, it is estimated that aviation today contributes 2% of the total global carbon emission. By 2050, in direct relation to its fuel consumption, aviation will contribute 3% of the global carbon emissions consumption. Our aim of attaining 70% improvement in fuel efficiency over the next four decades will thus be a major achievement. With the escalating oil prices, airlines have additional motivation to achieve further fuel efficiency gains by 2020.

At the 36th ICAO Triennial General Assembly in Montreal, Canada, ICAO member states adopted a comprehensive IATA "Four-Pillar strategy" on environment which includes the increase of fuel efficiency, more advanced technological development, more efficient airline operations and improved air traffic management.

Company Performance

Kenya Airways achieved a profit after tax of Ksh3,869m in the financial year ended 31st March 2008, being 5.6% below the prior year's result of Kshs4,098m, with a net margin of 6.4% compared to 7.0% in the prior year.

The marginal decline in profitability was achieved despite the challenges of reduced carrying in the last quarter of the year due to the post election crisis. The company achieved significant cost savings by reducing capacity operated to mitigate much of the revenue shortfall. The above, together with an increase in competition, lowered the average aircraft seat occupancy to 70.4% compared to 73.6% realized in the prior year.

The Company was able to conserve its cash resources and actually had slightly higher cash and short term investments of Ksh.12.24bn at 31st March 2008 compared with Ksh.12.18bn at the previous year end. Thus it was able to maintain its normal credit terms with trade suppliers at an average of 25 days and has had no need to draw down on any of its borrowing facilities.

During the year, one of the Company's B737-800s

crashed shortly after take-off from Douala on 5th May 2007. There were 105 passengers and 9 crew members on board. Sadly, all perished in the accident.

The accident investigation is ongoing under the auspices of the Cameroon civil aviation authorities. The Company has cooperated fully with the Investigators and awaits release of the report.

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's lessors. The Company has been fully supported by its insurers on reimbursement of costs arising from the accident.

The Company is fully conversant with its legal obligations with regard to compensation to the families and is properly insured in this respect. Negotiations with the next of kin and their lawyers are ongoing and a number of full and final settlements have already been concluded.

Passengers

The passenger carryings in the year were at a record 2.8m reflecting growth of 6% over the prior year with capacity in terms of ASKs increasing by 8%. The passenger yield in US Cents increased by 4.6% over the prior year, however it declined by 1.9% when translated into Kenya Shillings due to the 6.1% weakening of the US Dollar. Europe carryings dropped by 8%, mainly due to reduction in the fourth quarter. Mid-East routes to Mumbai and Dubai also dropped by 8% in the year, while the Far East to Bangkok, Hong Kong and Guangzhou recorded growth of 7%. Strong passenger growth was experienced in West and Central Africa at 24%, East Africa 16%, Southern Africa 13% and Northern Africa 10%. The Kenyan domestic network dropped by 3% on prior year's level due to the election crisis.

Cargo

Cargo volumes experienced a growth of 2.7% to 62,596 tonnes, due to operation of similar fleet size to the prior year as there was no major belly space growth. The gains in volumes were reduced by cargo yield decline of 2.8%, while the strengthening of the Kenya Shilling to the US Dollar further worsened the cargo revenue shortfall on last year to 6%.

Cost

On average, operating costs were up on last year by 5.4% largely in line with increased activity although the fuel cost was contained at 2% below the prior year's level primarily due to favourable fuel hedging contracts entered into early in 2007 and the impact of the weaker dollar. In addition, the results are also impacted by adjustments of some overheads and also the write back of contingency provisions.

KQ Annual Report & Accounts	Year	Chairman's Statement	Page
	2007 / 08		15

Prospects

The airline continues to expand, with one more Embraer 170 regional jet due for delivery in September this year and three B737-800's for delivery between August and November 2008. One of the B737-800s will replace the aircraft lost in the accident last year whilst the other two are for expansion. All these are short-haul jets and are part of the airline's strategy of developing underserved regional African markets. In the meantime the two Saab aircraft have been withdrawn from service and are in the process of being sold.

The Company has also recently been advised by Boeing that there will be a significant delay in the delivery of the nine B787s, originally due for delivery in 2010 to 2012, now delayed in the region of two years. Accordingly, the Company is studying the situation with Boeing.

Finally, the Board is of the view that whilst there are opportunities for further growth in the business, it is especially mindful of the difficult outlook for the industry as a whole, primarily because of the current credit crisis in the developed economies as well as the recent significant increases in fuel prices, which as yet do not show any signs of falling. Both these factors could significantly affect the Company's growth plans.

Final Dividend

In view of the level of profitability achieved in the year, the Board recommends an unchanged first and final dividend for the year of Kshs 1.75 per share, for approval by the shareholders at the Annual General Meeting on Friday 26th September 2008. This represents a total dividend payment of Kshs 808m.

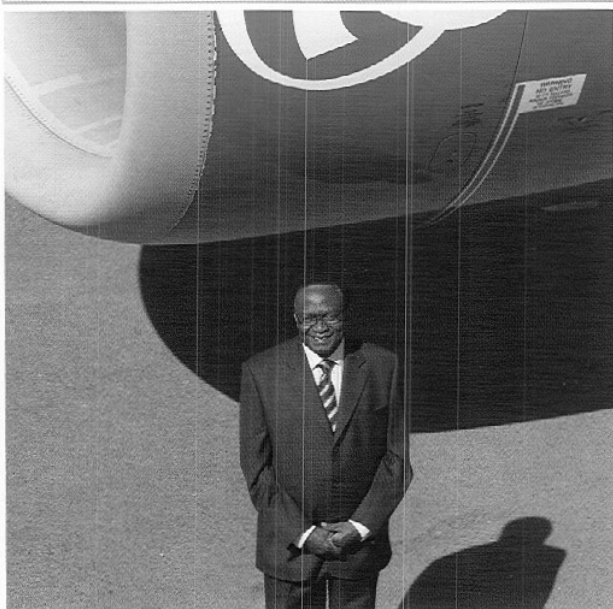
Shareholding

The number of shareholders on the Register of Members as at 31st March, 2008 is 74,551. Out of these, 29,761 have immobilized their shareholding in favour of CDSC Nominees Limited and opened accounts on the Central Depository System. The shareholder profiles as at 31st March 2008 is on page 46.

Director

The Board is pleased to announce the appointment of Eng. Abdulrazaq Adan Ali to the Board of Directors in place of Dr. Gerrishon Ikiara who resigned on 29th May 2008, having served on the Board for the last five years. The Board wishes to take this opportunity to thank Dr. Ikiara for his much valued contribution.

Evanson Mwaniki
Chairman



Shirika la Kenya Airways
linaendelea kupata faida
lichya ya changamoto nyingi
ikiwemo upungufu wa abiria
na ghasia za baada ya
uchaguzi mkuu.

Mtazamo wa kibiashara

Uchumi wa mataifa yaliyostawi ulikuwa kwa kiwango cha asilimia 7.4% mnamo mwaka 2007, huku uchumi wa ulimwengu kwa jumla ukizorota kwa asilimia 3.6%. Kufuatia hali hiyo, uchumi wa dunia nzima unatazamiwa kudidimia zaidi mnamo mwaka 2008 kutokana na kudhoofika kwa Dola ya Marekani kwa asilimia 15% dhidi ya sarafu ya Euro, asilimia 1% dhidi ya Pauni ya Uingereza na kwa asilimia 6.1% dhidi ya shilingi ya Kenya.

Kiwango cha biashara cha kimataifa kitaendelea kuongezeka, kwa kadri ya asilimia 6.7% tofauti na ilivyokuwa miaka saba iliyopita, na kukua kwa asilimia 8.7% katika mwaka 2007.

Bei ya mafuta duniani inaendelea kupanda na inatarajiwa kuongezeka zaidi kufikia Dola 150 hadi Dola 200 kwa pipa katika kipindi cha miaka miwili ijayo.

Idadi ya abiria iliongezeka kwa asilimia 7.4% kwa mwaka uliopita, ikiwa ni kiwango cha asilimia 5% zaidi ya ilivyokuwa mwaka 2006. Hata hivyo, idadi ya abiria itaongezeka kufikia asilimia 5% mwaka huu 2008. Maeneo ambayo idadi ya abiria itaongezeka ni Mashariki ya kati, kwa asilimia 18.1% kutoka asilimia 15.4% mnamo mwaka 2006 na Afrika kwa asilimia 8%. Idadi ya mizigo ilishuka kwa asilimia 4.3% ikiwa ni kiwango kidogo ikilinganishwa na mwaka uliotangulia ambapo ilikuwa ni asilimia 4.6% kwa mwaka 2006. Mtazamo wa kibiashara unaonyesha kwamba idadi ya mizigo itaongezeka kwa kati ya asilimia 4% hadi 4.5% mnamo mwaka 2008.

Barani Afrika

Mnamo mwaka 2007, kiwango cha mapato ya raia (GDP) katika eneo la kusini mwa Sahara kiliongezeka kwa asilimia 6.5%, ambacho ni kiwango kikubwa kuwahi kupatikana kwa miaka kadhaa. Hili ni ongezeko la jumla la asilimia 5.7% kwa mwaka 2006 na kiwango kilichotarajiwa cha asilimia 5.8% kwa mwaka 2007. Kiwango cha kukua kwa uchumi katika eneo hili kiliongezeka kwa wastani wa asilimia 5.4% kwa mwongo mmoja uliopita. Hata hivyo, ukuaji huo wa uchumi ulizoroteshwa na kukua kwa uzalishaji wa nchi zinazotoa mafuta duniani, mahitaji makubwa ya bidhaa muhimu, ufadhili wa mataifa ya kigeni kwa nchi za Kiafrika na kusamehewa kwa madeni, ambako kumeongezwa kwa kiwango kikubwa rasimali na kupunguza athari za bei ya mafuta. Ingawaje mataifa yanayotoa mafuta yalichangia kukua kwa kiwango hiki cha mapato ya raia, hata mataifa wanunuzi wa mafuta yalichangia kwa kiwango fulani, kuliko mataifa tajiri. Kulingana na Ripoti ya Kiuchumi ya Afrika ya mwaka 2008, kuzuia mfumuko wa bei, kuboresha taasisi ndogo za utoaji mikopo ya fedha na kujitolea kutekeleza marekebisho muhimu ya kiuchumi, kulisaidia sana kukua kwa uchumi wa mataifa mbalimbali.

Kupanda kwa haraka kwa bei ya mafuta, kumeathiri bara la Afrika kwa kiasi kikubwa. Sekta za uchukuzi na uzalishaji ndizo zilizoathirika pakubwa na ongezeko hili na kufanya wateja kubeba mzigo wa bei. Bei ya mafuta iliongezeka kwa asilimia 40% mnamo mwaka 2007 pekee na kufikia kiasi cha Dola 99 kwa pipa moja mwishoni mwa mwaka 2007. Hali hii ilisababishwa na kushuka kwa uzalishaji wa mafuta katika mataifa ya

Nigeria, Iran na Iraq dhidi ya mahitaji yaliyoongezeka kutoka Uchina na India. Mnamo wiki ya tatu ya mwezi Aprili mwaka 2008, bei ya mafuta ilifikia kiwango cha juu cha Dola 119 kwa pipa. Mtazamo wa muda mfupi, ni kwamba bei ya mafuta itaendelea kuongezeka kutokana na mahitaji makubwa ya mafuta katika mataifa ya India na Uchina. Hali hii itachangia kuongezeka kwa mfumuko wa bei.

Ingawaje mfumuko wa bei ulidhibitiwa kwa asilimia kati ya 6% na 9% (ukiachilia mbali Zimbabwe), ongezeko la bei za bidhaa liliongeza mara dufu katika nchi nyingi. Mfumuko huu wa bei unaoshuhudiwa katika eneo hili la kusini mwa Sahara, ndiyo mfumuko wa bei wa chini kabisa kuwahi kushuhudiwa kwa miaka thelathini.

Benki ya dunia imekadiria kwamba bei ya chakula imeongezeka kufikia asilimia 83% katika miaka mitatu iliyopita. Ongezeko hili la bei lilisababisha ghasia nchini Cameroon, Haiti na Bangladesh. Raia wengi maskini, wengi wao wanaoishi kusini mwa Sahara, wataathirika zaidi na bei za vyakula na kuhitajika kutumia fedha zaidi kwa kununulia chakula. Bara la Afrika linakabiliwa na janga la njaa, upungufu wa mapato na bei ghali ya vyakula. Ili kuepusha janga hili, shirika la mpango wa chakula duniani (WFP), linahitajika kulisha watu maskini wanaokufa na njaa. Ili kuongeza hazina ya WFP, mataifa yaliyoondolea yanahitajika kufikiria kuanzisha sera za matumizi ya mafuta yanayotokana na mimea. Kwa upande wao, mataifa ya Kiafrika yanahitajika kuwasaidia wakulima wao na pembejeo mbalimbali ili kuongeza uzalishaji wa chakula.

Kwa upande wa afya, kuzorota kwa maendeleo ya kiuchumi na kijamii katika eneo la kusini mwa Sahara, kulichangiwa na gonjwa hatari la Ukimwi na malaria. Kulingana na Shirika la kimataifa la kupambana na Ukimwi, UNAIDS, ili kuzuia kuenea kwa umaskini zaidi, upatikanaji wa dawa za kuzuia makali ya Ukimwi ni lazima uongezwe na matibabu kwa walioathirika kuimarishwa.

Kuanzia mwaka 2008 na miaka ijayo, mataifa yaliyoko kusini mwa Sahara yatakabiliwa na ongezeko kubwa la bei ya mafuta na mfumuko wa bei. Hali hii itaongeza mahitaji baina ya mataifa waagizaji mafuta na wauzaji wakuu wa bidhaa hiyo. Kuongezeka kwa bei za vyakula, ambako kunatazamiwa kuongezeka maradufu, kunaweza kukasababisha ghasia zaidi barani Afrika. Changamoto nyengine kubwa inaweza kuwa kukosekana kwa rasimili za kutosha kutoka mataifa maskini kutokana na mabadiliko ya ghafila ya hali ya hewa, upungufu wa

ufadhili wa fedha kutoka nje na mabadiliko ya sheria za kibiashara. Hata hivyo, licha ya changamoto zote hizi, matarajio ya bara la Afrika katika kuboresha uchumi wake yanaonekana kuwa ni mazuri. Kulingana na Ripoti ya Kiuchumi ya Afrika ya mwaka 2008, kiwango cha kadiri cha kukua kwa uchumi wa eneo hili kunatazamiwa kufikia asilimia 6.5%. Mataifa yanayouza mafuta yanatazamiwa kuongoza kukua huko kwa uchumi. Hali hii inatokana na ongezeko la bei za vyakula na kawi na mfumuko wa bei kwa kadiri ya asilimia 8.5% (ukiachilia mbali Zimbabwe).

Hata hivyo matarajio yanaonyesha kwamba nchi chache zilizoko kusini mwa Sahara ndizo zitakazoweza kuyafikia malengo ya milenia. Ukosefu mkubwa wa chakula unaotarajiwa barani Afrika utachangia kwa kiasi kikubwa hali hii. Lakini takwimu za maendeleo barani Afrika kwa mwaka 2007, zaonyesha kwamba, Benki ya Dunia inatarajia nchi za kiafrika kuyaafikia malengo yake ya milenia na kuboreka kwa maendeleo ya uwekezaji. Haya yataweza kupatikana iwapo mataifa husika yataunga mkono, kuendeleza na kuimarisha sekta zitakazosukuma mbele uchumi kupitia mapato jumla ya raia (GDP).

Kulingana na shirika la fedha ulimwenguni (IMF), kwa sasa bara la Afrika lina uwezo wa kustahamili changamoto za kimazingira kuliko ilivyokuwa katika miaka ya 1990. Hii ni kutokana na mfumuko mchache wa bei, kupungua kwa mfumuko wa bei, kupungua kwa madeni, kuongezeka kwa mapato ya fedha za kigeni na sera bora za kuboresha uchumi miongoni mwa vigezo vyengine. Matarajio ni mazuri kwa bara la Afrika na hofu ya kwamba Afrika ingeathirika na athari za kuzorota kwa uchumi wa dunia, inakisiwa kuwa asilimia 20% pekee.

Nchini Kenya

Ongezeko halisi la mapato ya raia (GDP) lilitarajiwa kuongezeka kwa asilimia 7% kufikia mwaka 2007 na kupita asilimia 6.7% iliyokuwa imetolewa na serikali mnamo mwaka 2006. Uchumi ulikuwa kwa asilimia 6.4% mwaka 2006. Kukua huku kulisababishwa na kuimarika kwa sekta ya kilimo, utalii, ujenzi, uzalishaji bidhaa, fedha na utoaji mikopo kwa wafanyabiashara wadogo.

Mfumuko wa bei kwa ujumla kwa mwaka kulingana na kielelezo cha bei ulipungua kutoka asilimia 14.5% mwaka 2006 hadi asilimia 9.8% mwaka 2007. Mfumuko wa bei za vyakula ndiyo uliochangia pakubwa kwa ongezeko la mfumuko wa jumla wa maisha. Mabadiliko katika bei ya vyakula, bei ya kimataifa ya mafuta na thamani ya sarafu za kigeni ndiyo itayotoa mwelekeo kamili wa mfumuko wa bei kwa mwaka 2008.

Shilingi ya Kenya ilizorota kiasi dhidi ya Dola ya Marekani, ikanufaika kidogo dhidi ya Pauni ya Uingereza, haswa mnamo mwezi Juni na Disemba, na kuzorota kidogo dhidi ya sarafu ya Euro. Kieneo, shilingi ya Kenya ilifaidika zaidi kutoka shilingi ya Tanzania na Uganda.

Kuongezeka kwa mapato ya kibinafsi kulichangia kukua kwa mapato ya serikali kutoka Dola milioni 675 mnamo mwaka 2006 hadi Dola milioni 882 mwaka 2007.

Kukua kwa sekta ya kilimo kulifikia asilimia 7.6% ikilinganishwa na asilimia 5.6% mwaka uliotangulia kutokana na kuimarika kwa miundomsingi na hali nzuri ya hewa.

Sekta ya utalii iliendelea kuimarika haswa kutokana na kuingia kwenye masoko mapya ya ulimwengu. Idadi ya watalii waliokuja nchini iliongezeka kwa asilimia 9% zaidi ya mwaka 2006. Asilimia 76.4% ya watalii waliotembelea Kenya, walipitia uwanja wetu wa ndege wa kimataifa wa Jomo Kenyatta (JKIA) na idadi iliyosalia kupitia uwanja wa ndege wa kimataifa wa Moi, mjini Mombasa (MIAM).

Matarajio ya kukua kwa sekta ya utalii mwaka huu ni mazuri kulingana na takwimu za mwaka 2007. Hata hivyo, kupanda kwa bei ya mafuta katika soko la kimataifa, kuongezeka kwa mfumuko wa maisha, ghasia za uchaguzi humu nchini mapema mwaka huu na hali ya kiangazi inayotarajiwa, kunaweza kuzorotesha matarajio hayo. Lakini kuimarika kwa baadhi ya sekta za uchumi kutasaidia kwa kiasi kikubwa kuboresha uchumi kwa jumla. Serikali inatarajia uchumi kuzorota kidogo na kukua kwa asilimia 3.5% hadi asilimia 4.5% pekee mwaka huu 2008 kufuatia ghasia za uchaguzi zilizotokea mapema mwaka huu.

Ili kuhakikisha kukua kwa biashara, shirika la Kenya Airways, kupitia serikali, limekamiliha baadhi ya mikataba ya kibiashara na mataifa yafuatayo: Cote d'Ivoire, Burundi, Mauritius, Libya, Tunisia, Bangladesh, Sri Lanka, Korea Kusini na Malaysia.

Katika juhudi za kuufanya uwanja wa JKIA kuvutia zaidi barani Afrika, Kenya Airways imepata vikwazo vingi vya kisheria katika nchi tunazofanya nazo biashara, haswa barani Afrika. Vyeti vya Visa kwa wasafiri wa Afrika Magharibi wanaopitia Nairobi imekuwa kikwazo kikubwa kwa juhudi zetu za kupanua biashara. Changamoto nyengine tunazokumbana nazo ni kukosa kupenya kwenye soko la mataifa tunayofanya nayo biashara kutokana na vikwazo vya kibiashara, ukiritimba na kuendelea kutozwa ushuru mara mbili kwenye mapato

yetu humu nchini na baadhi ya nchi za kifaraka. Hata hivyo tunafanya kazi karibu na serikali yetu ili kutatua maswala haya ili kuondoa mfumo wa kutoza ushuru mara mbili.

Katika ngazi za kimataifa, swala la mazingira limekuwa tatizo ambalo linahitaji kutatuliwa kwa haraka. Kulingana na Kamati ya Kimazingira ya Washindi wa Tuzo la Nobel, inakisiwa kwamba safari za anga zinachangia asilimia 2% ya uchafuzi wa mazingira duniani. Kufikia mwaka 2050, kutokana na matumizi ya mafuta, safari za anga zinatarajiwa kuchangia hadi kufikia asilimia 3% ya matumizi ya uchafuzi wa mazingira. Lengo letu la kuafikia asilimia 70% ya uimarishaji wa matumizi bora ya mafuta ya petroli katika mwongo mmoja ujao, litakuwa limefanikiwa. Mashirika ya ndege yana jukumu kubwa la kuafikia matumizi bora ya mafuta ya petroli kufikia mwaka 2020.

Kwenye mkutano mkuu wa 36 wa baraza la ICAO mjini Montreal, Canada, shirika la ICAO lilililia maanani mpango wa sehemu nne wa mazingira ambao unajumuisha matumizi bora ya mafuta, matumizi ya kisasa ya teknolojia, utendakazi bora wa mashirika ya ndege na usimamizi bora wa anga.

Utendakazi wa shirika

Shirika la Kenya Airways lilipata faida baada ya ushuru wa shilingi milioni 3,869 katika mwaka wa kifedha uliomalizika Machi 31, 2008, ikiwa ni asilimia 5.6% kiwango cha chini ya faida ya shilingi milioni 4,098, ikiwa ni asilimia 6.4% ikilinganishwa na asilimia 7.0% kwa mwaka uliopita.

Upungufu huo mchache wa faida ulitokana na changamoto za baada ya uchaguzi mkuu. Hata hivyo shirika liliweza kupunguza gharama katika kipindi hicho. Hayo pamoja na ongezeko la bei ya mafuta ya petroli, kulipunguza kadiri ya kiwango cha viti vilivyotumiwa na abiria hadi asilimia 70.4% ikilinganishwa na asilimia 73.6% iliyopatikana mwaka uliopita.

Shirika liliweza kuhifadhi rasimili yake ya fedha na kupata fedha nyingi kwa uwekezaji wa muda mfupi wa kiwango cha shilingi bilioni 12.24 kufikia Machi 31 mwaka huu wa 2008, ikilinganishwa na kiwango cha shilingi bilioni 12.18 mwaka uliotangulia. Kufuatia hali hiyo, shirika liliweza kutimiza jukumu lake la kupata mikopo kutoka kwa mashirika tunayofanya nayo biashara na kuweza kulipa madeni hayo katika muda unaohitajika wa siku 25.

Katika mwaka unaomalizika, ndege moja ya shirika aina

ya B737-800 ilipata ajali na kuanguka punde tu baada ya kuondoka uwanja wa ndege wa Douala mnamo Mei 5, 2007. Kulikuwa na abiria 105 na wahudumu tisa. Kwa bahati mbaya, wote waliangamia kwenye ajali hiyo.

Uchunguzi wa ajali hiyo bado unaendelea chini ya Halmashauri ya safari za anga ya Cameroon. Shirika la Kenya Airways limeshirikiana ipasavyo na wachunguzi na linasubiri kutolewa kwa ripoti hiyo.

Kuhusu malipo ya fidia kutokana na ajali hiyo, shirika lililweza kulipwa katika kipindi cha wiki tatu baada ya ajali kutokea, ambapo malipo yalitolewa moja kwa moja kwa kampuni iliyotukopesha ndege hiyo. Shirika lilipata msaada mkubwa kutoka kwa kampuni ya bima kuhusu malipo yaliyotokana na ajali hiyo.

Hata hivyo shirika la Kenya Airways linafahamu vyema majukumu yake ya kisheria kuhusiana na malipo ya fidia kwa familia za waathiriwa wa ajali hiyo. Majadiliano kati ya shirika na mawakili wa ndugu na jamaa za waathiriwa hao yanaendelea vizuri na baadhi yao wameshaanza kupokea fidia zao.

Abiria

Shirika lilibeba abiria wapatao milioni 2.8 katika kipindi cha mwaka kinachomalizika hii ikiwa ni kiwango cha asilimia 6% ikilinganishwa na mwaka uliotangulia, sawa na ongezeko la asilimia 8%. Kiwango cha abiria ikilinganishwa na thamani ya fedha ya Marekani, kinaonyesha ongezeko la asilimia 4.6% zaidi ya mwaka uliopita, lakini hakika ni kiwango cha chini kidogo cha asilimia 1.9% ukilinganisha kiwango hicho kwa shilingi ya Kenya kutokana na kupungua kwa asilimia 6.1% kwa Dola ya Marekani dhidi ya Shilingi ya Kenya. Idadi ya abiria wa Ulaya ilipungua kwa asilimia 8%, kufikia mwishoni mwa mwaka. Abiria wa Mashariki ya Kati kwenda Mumbai na Dubai pia walipungua kwa asilimia 8% katika mwaka huu, huku Mashariki ya Mbali kwenda Bangkok, Hongkong na Guangzhou wakiongezeka kwa asilimia 7%. Hata hivyo, idadi kubwa ya abiria iliongezeka katika maeneo ya Afrika Magharibi kwa asilimia 24%, Afrika Mashariki abiria waliongezeka kwa asilimia 16%, eneo la Kusini mwa Afrika kwa asilimia 13% na kaskazini mwa Afrika kwa asilimia 10. Hata hivyo, idadi ya abiria wa humu nchini ilipungua kwa asilimia 3% kutokana na ghasia za uchaguzi mkuu.

Shehena ya mizigo

Shehena ya mizigo iliongezeka kwa kiwango cha asilimia 2.7% kufikia tani 62,596. Kiwango hicho kililweza kupungua kidogo kufikia asilimia 2.8% ambapo

kuimarika kwa shilingi ya Kenya dhidi ya Dola ya Marekani kulichangia katika kupungua kwa mapato ya shirika kwa asilimia 6% mwaka uliopita.

Gharama

Gharama za uendeshaji ziliongezeka kwa kadri mwaka uliopita na kufikia kiwango cha asilimia 5.4% ingawaje gharama za mafuta ziliweza kuthibitiwa kwa asilimia 2%, ikiwa ni kiwango cha chini ikilinganishwa na mwaka uliotangulia hii ikiwa ni kutokana na matokeo mazuri ya kupata mafuta yaliyokuwepo tokea mwaka 2007 na athari za Dola hafifu.

Matarajio

Shirika linaendelea na mpango wake wa kupanua biashara yake kwa kununua ndege nyengine mpya aina ya Embraer 170, inayotazamiwa kuwasili mnamo mwezi Septemba na ndege nyengine tatu aina ya B737-800's zitakazowasili kati ya mwezi Agosti na mwezi Novemba mwaka huu 2008. Mojawapo ya ndege aina ya B737-800s itachukua mahali pa ile ndege yetu iliyopata ajali mwaka uliopita na zile nyengine mbili zitatumwa katika upanuzi wa safari zetu katika bara la Afrika. Wakati huohuo, ndege mbili aina ya Saab zimeondolewa kwenye idadi ya ndege za shirika na zinatarajiwa kuuzwa.

Hivi karibuni shirika liliiarifu kampuni ya Boeing kwamba itabidi licheleweshe uletaji wa ndege tisa aina ya B787s, ambazo zilikuwa zije humu nchini mnamo mwaka 2010 hadi 2012. kadhalika, shirika linatathmini uhusiano wake na kampuni ya Boeing.

Hatimaye, Bodi ya wakurugenzi inaonelea ya kwamba licha ya kuwepo matarajio mazuri ya siku zijazo kibiaashara, lakini inatilia maanani zaidi hali ngumu ya upatikanaji wa pesa katika mataifa yaliyoendelea na ongezeko la bei za mafuta, ambayo haaijaonyesha dalili yoyote ya kushuka. Vigezo vyote hivi viwili vitaweza kwa njia moja au nyengine kuathiri mipango ya shirika ya kupanua biashara yake.

Mgawo wa hisa

Kulingana na faida iliyopatikana mwaka uliopita, Bodi ya wakurugenzi imependekeza kutoa mgawo wa kwanza na wa mwisho kwa wenyekiti wa shilingi 1.75 kwa kila hisa, kuidhinishwa katika Mkutano Mkuu wa kila mwaka siku ya Ijumaa Septemba 26, 2008. Malipo ya mgawo huo ni sawa na shilingi milioni 808. Uwekezaji wa hisa

Idadi ya wenyekiti walioorodheshwa kwenye Jarida la wenyekiti kufikia Machi 31, 2008 ni 74,551. Miongoni mwao, wenyekiti 29,761 wameamua kuwekeza kupitia

Page		Year	KQ Annual Report & Accounts
20	Taarifa ya Mwenyekiti	2007 / 08	

mpango wa mauzo ya hisa kwenye soko la hisa (CDSC). Utaratibu kamili wa wenyekiti kufikia Machi 31, 2008, uko kwenye ukurasa wa 46.

Wakurugenzi

Bodi ya Wakurugenzi inafuraha kutangaza kuteuliwa kwa Bw Abdulrazzaq Adan kuwa Mkurugenzi kuchukua nafasi ya Dkt Gerrishon Ikiara ambaye alistaafu mnamo Mei 29 2008, baada ya kutumikia Shirika kwa miaka mitano. Bodi ya wakurugenzi iachukua fursa hii kumpongeza Dkt Ikiara kwa mchango wake kwa shirika.

Evanson Mwaniki

Mwenyekiti

From left to right:

Capt. Paul Mwangi, Mr. Markus Curschellas,
Mr. Hugh Fraser (former Commercial Director),
Mr. Paul Kasimu, Mr. Neil Canty, Mr. Kevin Kinyanjui



Mr. Allan Fullilove



Mr. Titus Naikuni



training and operations of crew (pilots and cabin crew), the Operations Control Centre and also for In-flight Management. He joined the airline in 1984 at the age of 25 initially as a cadet officer and then as a co-pilot. He underwent progressive training in the flying of various fleets and is currently a Captain of the Boeing 767. During his extensive flying career, he has flown a number of aircraft including Fokker 27s and 50s, Boeing 737s, the Airbus and now the Boeing 767. He not only serves Kenya Airways as a Captain but also plays the role of instructor and examiner for the Kenya Civil Aviation Authority and is a part-time lecturer in Airline Operations for the Moi University MBA Program. Capt. Mwangi joined Kenya Airways Management in 1998 as the Manager of Quality Systems and Standards. Since then he has served in various diverse roles including Fleet Manager for the Airbus A310-300, B767-300s, Head of Fleets Management, Head of Operations Control Centre and is currently the Director of Flight Operations. In addition to obtaining his Airport Transport License (ATPL) in Oxford UK, he also holds an MSc degree in Air Transport Management from the City University of London. He has complemented his training with IATA Diplomas in Airline Operations and Airline Strategic Management in Geneva.

Paul Matata Kasimu

Human Resources Director, Mr. Kasimu, aged 44 years, holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi, a Masters degree in Business Administration and a Post graduate Diploma in General Management from Cambridge University. He has over 17 years Human Resource experience across Africa and the UK, initially with the Office of the President and then the Barclays Bank Group. In January 1989, he joined the Directorate of Personnel Management, Office of the President and worked as a Management Analyst. In August 1992, he joined Barclays Bank of Kenya as Manpower Planning and Development Officer and thereafter served under various capacities. These included HR Change Programme Manager between August 1999 and September 2000 and Head of Human Resources Barclays Southern Africa between May 2002 and December 2002 where he was responsible for the effective running of the HR function in Barclays Bank of Botswana, Mauritius, Zambia and Zimbabwe. Between January 2003 and December 2003, he worked as the HR Business Partner, Barclays Bank Africa in the London office, where he provided HR Consultancy services to Barclays Africa Finance and Service Delivery Directors respectively and their senior management teams in support of business strategy cutting across the 11 African businesses. From January 2004 to January 2006, Mr. Kasimu served as Regional HR Business Partner, Barclays Bank, East Africa. He received the COYA Manager of the Year award for 2008. He joined Kenya Airways on January 10th, 2006.



Name	Length of Service	Job Designation	Comments
Antony Likombe	10 Years	Duty Service Supervisor	"A man who is too wrapped up in himself makes a very small bundle"



The Financial Year 07/08 continued to pose challenges for the airline. The weakening of the U.S. Dollar against major world currencies, the alarming increase in fuel prices, the expected delays in the delivery of the B787 and the entry of low cost carriers into the market all forecast even more challenging times ahead for the airline.

Events following last year's elections also impacted negatively on our operations and the first two months of 2008 witnessed a drop in our revenue as a result of the adverse impact.

Despite this, the airline continues to maintain its profitability as well as putting in place a number of initiatives to overcome these challenges. These include the implementation of various systems for improved operational management, maintenance, planning and control and the development of our people to better equip them to face these challenges.

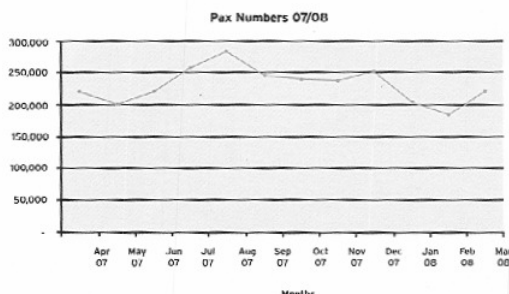
The tremendous growth that we have experienced in previous years has not come without its challenges. Our on time performance has been one of the areas that has been affected. We have realised that we do need to train our people and give them the appropriate tools to enable them to deliver on time performance. I will share with you elsewhere in this statement, what we have done, what we are doing and what we continue to do in the areas of human capital and Information Systems which we have as the two wanting areas in our delivery of a customer-focused product.

The main event of the year was the crash of Flight KQ 507 in Douala, Cameroon. Investigations on the accident are ongoing and the airline has given its full co-operation to those conducting them. Our insurers have given us their full support on the costs incurred as a result of the crash and negotiations with next of kin are underway with a number of claims having been settled in full.

Commercial highlights

During the 2007/08 financial year, Kenya Airways carried over 2.7 million passengers compared to 2.6 million passengers in the previous year. In addition, the

airline ferried 62.6 million kilograms of cargo across the network compared to 60.9 million kilograms ferried the previous financial year. The passenger and cargo figures were below projection due to the post-election crisis which impacted on our peak months of January to March.



KQ brand development enhancements

We have continued to develop our in-flight brand to ensure customer satisfaction and also to remain ahead of competition.

Refreshing the KQ Brand Experience

In the upcoming financial year, Kenya Airways will embark on an extensive project to upgrade and refresh the KQ brand. This project will touch on and enhance all aspects of the customer's experience with the airline. It will include all customer touch points with the objective of bringing a fresh contemporary feel to the entire traveller's experience in line with our growing brand. After a rigorous tendering process, Kenya Airways has awarded the project to Johannesburg-based branding specialists, BLACK Brand, Strategy & Design. The project commissioned in March 2008 should be complete by the end of the financial year 2009/10.

Chief Executive's Statement

In-flight entertainment upgrade

In our bid to continually enhance our customers' in-flight experience, Kenya Airways has upgraded the in-flight entertainment to include fresher content-change providing more passenger choice and a wider range of movie genres. We have also introduced a dedicated African movie channel on key Intra Africa routes; changed the Graphic User Interface (GUI) and ensured updated branding on all KQ items.

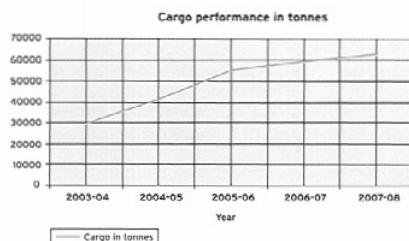
In-flight catering improvements

Using customer feedback, we have increased the size and variety of our meals. We have diversified our menu offerings and now provide wholesome protein dishes as well as healthy options on flights to the Far East and Europe. We are aware that this is always a very challenging area in terms of satisfying all our customers every time, but we are committed to doing so going forward.

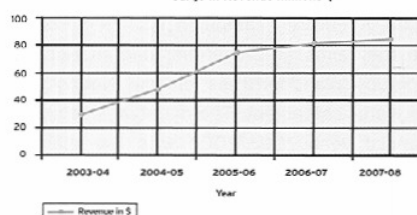
Wine tasting and selection was carried out in October 2007 with the objective of ensuring only the finest offerings of wine in our premier world class and upgrading the selection in our economy class. The wine selection was carried out by independent professional wine connoisseurs from the Cape Wine Academy in South Africa. The new wine selection will be on board from 1st May 2008 in the premier world class and 1st July 2008 in the economy class.

Cargo business

In the year 2007/08, Kenya Airways Cargo launched a new cargo product known as KQ SECURE. This is an airport-to-airport service which offers exceptionally high security and streamlined processes for the transportation of vulnerable consignments. The product offers late acceptance time from the shipper, higher up-lift priority on to flight and earlier delivery time to the consignee. Upon acceptance, special storage areas, CCTV surveillance and escort to the aircraft by trained personnel are provided to guarantee a high level of protection for vulnerable goods. The product targets security firms, traders and cargo agents. Customers are required to deliver their cargo at least 4 hours prior to departure, as well as to meet shipment size and weight restrictions, which are dependent on the type of aircraft operated. In the same year, cargo yields dropped by 7% largely due to reduced capacity following schedule disruptions in the aftermath of the political crisis in Kenya.



Cargo in Revenue millions \$

**Network expansion**

The financial year 2007/2008 witnessed a shift in focus in our network strategy. Only two new routes - Accra/Monrovia and Cotonou/Abidjan - were opened as the business opted to pay greater attention to the consolidation of current operations. The capacity on some of our routes was adjusted to reflect the changes in the demands and needs of our customers. To further consolidate the viability of our network, the airline decided to close down the Istanbul operation. In September 2007, Kenya Airways joined the SkyTeam as an associate member. The effects of the post-election crisis led the airline to make adjustments on the routes that had been adversely affected. Although operations to Charles De Gaulle, Paris were suspended in February 2008, these were later resumed in June 2008.

Corporate social responsibility

The airline's CSR strategy remained centred on the key platforms of Education, Water, Health and the Environment. The following projects were completed in the 2007/2008 financial year.

Education

Kenya Airways continued the "Adopt a School" project with a total of five schools benefiting from our support. We constructed four classrooms at St. Paul's Primary School in Magaca and equipped them fully with desks. We assisted Kassagam Secondary School in Kisumu with the construction of a dining/multi-purpose hall and the refurbishment of the existing dining hall furniture. 220 desks and two water tanks of 8,000 litres each were provided to Kwale School. We also continued with the Tandale and Hekima Schools Water Project, a project co-sponsored with our partner, Precision Air. A total of Kshs.8 million was spent on these projects.

Water

Kenya Airways continues to work with local communities to develop sustainable, safe and adequate water supply in vulnerable rural communities across Africa. One such project was the sinking of a borehole and construction of a water tank in Runana, Kiambu District at a cost of Kshs.2 million. This is in addition to the Taveta water project initiated last year on which a sum of Kshs.2 million has been expended to date.

Environment

The "Plant A Future" campaign is an environmental initiative that aims at preventing degradation of the ecosystem by planting trees on the Ngong Hills to promote water catchment. The initiative was started in the financial year 2006/2007 with the planting of 130,000 trees at a cost of Kshs. 16,896,170.00. In the financial year 2007/2008, an additional 200,000 trees were planted at a further cost of Kshs. 18,867,300.00 which includes Kenya Airways' contribution of Kshs.8,000,000.00, KLM's contribution of USD 40,000, Rolls Royce's contribution of USD 60,000, Coca Cola's contribution of USD 60,000 and Khetshi Dharamshi and Company's contribution of fencing wire of Kshs.312,000.

Health

The "Bombay Ambulance" continues to provide support for needy patients who require to travel overseas for medical treatment. 16 discounted tickets were provided to patients for travel to both Mumbai and Johannesburg during the year.

Changing Lives Campaign

Kenya Airways has identified an opportunity to involve passengers in a key charitable campaign which aims to change the lives of the less fortunate in society. Passengers are requested to deposit their leftover foreign coins into sachets provided on the planes. Kenya Airways then sorts and re-directs these into carefully selected charity programs which are aligned to our focus areas of education, water, health and the environment. The campaign was launched in February 2008 in partnership with AMREF and the Rotary Club of Nairobi. Our flight pursers have been appointed ambassadors of the program and other departments such as Security, Finance and Ground Services also play a key role in ensuring the success of the program.

Flying blue customer service

Kenya Airways has partnered with KLM and Air France in the Flying Blue loyalty program. This is a programme which



Flying Blue Service Centre, Barclays Plaza

provides the airline with an opportunity to reward its frequent customers with a wide range of benefits. In the past year, we registered an increase of 13% in membership over the previous year. To provide a better service to our customers, Kenya Airways has upgraded the Flying Blue Service Centre at Barclays Plaza into a state of the art facility wholly dedicated to Flying Blue customers.

Website (www.kenya-airways.com)

Online ticket sales surpassed the USD 1 million a month mark in December 2007. New innovations on the website include a more user friendly booking system, online check-in and a new integrated payment solution which allows passengers to make payments for bookings using their credit cards. The benefit to customers is that their e-ticket is now e-mailed directly to them immediately the payment is authorized. The innovations are supported by a dynamic new look and sitemap, reflecting KQ's image as the Pride of Africa. These improvements contributed to an overall increase in online sales revenue of 38% over the previous year.



Online check-in desks, JKIA

Human capital

Kenya Airways had a headcount total of 4,267 people at the year end. The Human Resource (HR) Department is working towards making Kenya Airways the employer of choice. Our aim is to ensure that we get the "right people in the right roles". We hope to achieve this by attracting, developing, retaining and motivating high calibre staff within the organisation. We are continually providing HR solutions to the business in addition to creating a conducive working environment which will enable our employees to deliver our business goals.

Training and development

The airline is pursuing a policy of investing in the training and development of its staff. In the 2007/2008 financial year, the airline invested approximately Kshs.400 million in its people through sponsoring programmes, facilitating training in technical skills and implementing

development programs for them.

There are currently 330 qualified pilots employed by the airline. Of these, 61 pilots are in training, 44 are second officers and 17 are Ab-initios. The second officers have completed their Ab-initio training and have passed the Kenya Civil Aviation Authority examinations. They are required to undergo another six months of training before being appointed First Officers. The 17 Ab-initios complete their training in June 2008 and will then go through an additional three months of training before completing the Kenya Civil Aviation Authority examinations.

With regard to the training of apprentices and engineers, last year, 13 apprentices who began their training in 2005 were released to the business. This year, 29 apprentices will complete their training of which 21 will have undergone the Airframe and Power Plant Training, while 8 will have been trained in avionics. A further 25 apprentices will be recruited for training during the current financial year. They will include 15 apprentices for Airframe and Power Plant training and 8 for Avionics training.

In addition to the apprentice program, Kenya Airways recruited 17 graduate engineers in January 2007 for an engineering development program. These engineers completed their training in June 2008 after which they were absorbed into various roles in the Technical Department.

For the next financial year, Kenya Airways plans to recruit management trainees for a management development program. This program will involve on the job training in all departments of the airline, feature instructor led programs delivered by our business leaders and will be conducted in partnership with the industry.

In addition to the aforementioned programs, Kenya Airways continues to provide training for staff in partnership with the industry and institutions of higher learning. Some of the programs that were delivered to staff at various levels during the last year include customer service training, personal effectiveness, leading winning teams, management training, and leadership training.



Training at the Pride Centre

In 2005, Kenya Airways acquired a learning and development facility, which was named "The Pride Centre". This facility was modified last year at a cost of Kshs.154 million. This included interior modification of the existing building, an additional car park, a gatehouse and an amphitheatre. The work was completed and the Centre formally launched in July 2007. Training began at the Centre in August 2007 and it has been operational since then.



Pride Centre foyer

Employee Relations Strategy

During the year an Employee Opinion Survey was conducted, the findings of which were used to proactively engage staff on the various issues that they raised. This is aimed at fostering positive relations with all KQ people. Management also held meetings with the various staff representative bodies during the year and an initial dispute on staff representation between Transport and Allied Workers Union (TAWU) and Aviation & Allied Workers Union (AAWU) has now been decided. The Company is in the process of signing a recognition agreement to pave the way for a new Collective Bargaining Agreement with the Union.

Reward and Policy

In order to attract, retain and motivate high performing staff, the airline performed a number of benefits surveys. This will ensure that our reward and remuneration practices remain both competitive and linked to the markets in which we operate. We have also continued to review and enhance "other people policies" with a view to aligning them to changing legal requirements and best practice.

Health and well-being programme

There was an overall enhancement in customer care and engagement of staff in matters to do with their health and safety in the workplace. The Employee Assistance Programme (EAP) was launched in August 2007 to address HIV/AIDS prevention and to care for both our employees and their dependants. This wellness programme also addresses issues such as stress, alcohol

and substance abuse in the workplace.

Risk assessments for noise and air quality were carried out and a programme has also been put in place for regular occupational health checks. The programme will cover people sensitisation on occupational issues at work, mainly noise, air, health and safety.

Information systems

Improving service delivery and efficiency in the airline through the implementation of new (and continuous improvement of existing) Information Systems is a key pinnacle of the airline's Business Strategy. During the year 07/8, a number of key initiatives were introduced.

Buy Your Ticket Online Securely (www.kenya-airways.com)

Customers can now visit the airline's website and through this online channel, purchase a ticket to travel. They can do this at their own convenience from the comfort of their homes or offices, or anywhere they can get Internet access. The customers can also pay for their ticket online as the booking system facilitates secure credit card payments online. Once a ticket has been paid for, the e-ticket issued can be sent to the customer's e-mail address without the customer having to go to a ticketing office to collect it. It is expected that in the next couple of years this will become an increasingly important sales channel which will improve customer satisfaction due to its ease and convenience.

Online Check-in (www.kenya-airways.com)

In addition to the above, customers can also check-in online at their own convenience again from the comfort of their homes or offices, or anywhere they can get Internet access. Apart from ensuring shorter queues at the airports, the system has also contributed to greater customer satisfaction. Currently online check-in has been rolled out to ten stations network-wide.

Aircraft-to-Ground Data Communication (ACARS)

During the year, the airline introduced a new aircraft-to-ground data communication system in the B777 fleet known as ACARS (Aircraft Communications Addressing and Reporting System). This is a digital data link system for transmission of small messages between aircraft and ground stations via radio or satellite. A person or system on board may create a message and send it via ACARS to a ground office, and vice versa. The on-board systems are capable of identifying abnormal flight conditions and automatically sending real-time messages to the ground office. For instance, detailed engine reports which are transmitted to the airline and the manufacturer's ground offices on a real-time basis can be used to automate engine trending activities. This capability has enabled the airline and manufacturer to better monitor engine performance and better identify and plan its repair and maintenance activities.

Many other types of data and reports can be sent from aircraft-to-ground and these will be progressively introduced in the 2008/9 financial year and implemented in the Embraer, B737 and B767 fleets. The system is also being included as a standard deliverable for new aircraft to be delivered to the airline in future.

Improved Support Services

During the year, the IS team invested much time and effort to improve on supporting its internal customers (other KQ departments) so that the front-line customer-serving departments could have more system stability and availability to serve KQ customers better. Some of the key initiatives included:

- Signing of a number of Service Level Agreements with internal customers for better service provision to these departments.
- More robust IT network availability.
- More robust disaster contingencies for various systems especially the introduction of more Internet-based solutions for sales and airport services.
- Investment and implementation of power failure contingencies in more offices in our station offices in a number of countries.

Out of Office Access

Staff Productivity has been improved through the provision of secure facilities for connecting to the airline's computer network from home or while on the road. This has reduced the administrative costs involving staff having to travel to the office to perform tasks on the airline's computer systems while they can do it away from the office.

Systems Continuity Improved

The continuous availability of the airline's systems which are hosted in its data centre at its head office in Embakasi has been greatly improved following the setting up of an off-site disaster recovery centre away from Embakasi which will ensure the continuous running of these systems in the event that the ones in Embakasi fail. More improvements on system availability and continuity will be undertaken to reduce downtimes that could result in loss of revenue or decrease in efficiency.

Improved Customer Call Handling in overseas stations

We have continued to invest in the improved handling of phone calls in all our stations. This includes the implementation of the Interactive Voice Recognition (IVR) system and better call centre handling in Nairobi, Dubai, Lagos and Guangzhou. These interactive systems communicate and serve the customer when agents and phone lines are engaged. The IVR systems also advertise the airline's products and services while customer calls are on waiting.

Reliability of IT Networks

Improvements from investments in the airline's IT network, especially in Kenya, have continued. These have been in the form of improved tools and more redundancy to reduce system unavailability. The greater utilization of internet-based connectivity for redundancy in our network and for our smaller offices has also led to reduction in unit network costs.

JKIA IT improvements

Improvements made in the JKIA IT systems include:

- Replacement of old check-in equipment in Unit 3 with more modern equipment. This has reduced downtimes and offers more system access for convenience of the check-in staff.
- Reduction of exposure to frequent power cuts at JKIA by investing in more generator and UPS support for the various IT systems utilized in many areas of the airport.
- Building of more redundancy into connecting to host reservations and check-in systems in Europe so as to reduce check-in inconveniences to passengers due to system unavailability.
- Deployment of the Automated Boarding Control technology at JKIA boarding gates which automatically transfers information contained on the magnetic stripe on a boarding pass directly into the departure control system at the boarding gates. This should speed up the process of boarding our passengers through the gates, especially when there are check-in delays or congestion.
- Deployment of Flight Information Display Screens (FIDS) at JKIA. These screens at check-in, boarding gates and transfer desk assist customers in quickly finding out which gates their flights are departing from and their flight departure status without having to look for KQ staff or queue in long lines to get this information.

Improved Management Information (Business Intelligence Systems)

Typically, airlines have a large number of information systems spread across different functional areas and it is not always possible to eliminate the many systems due to the major differences in operation of the different areas. Management, however, needs the data from the many systems to be consolidated into reports and analytics in a timely and ongoing manner which takes much time and effort. To improve on the production and timeliness of standard reporting and analytics, the airline has invested in Business Intelligence solutions which automate the process and make it more timely and efficient. A number of areas and management layers are already benefiting from this.

Staff Medical Management System

A new information system was implemented to better manage the medical care of staff and their dependents at

the company-provided clinics. This system has led to the automation of our medical records thus saving time and space while further minimizing the likelihood of error and data loss. The system has also speeded up patient flow thereby reducing the time that staff and their dependents spend waiting for treatment. A stock management module has enabled both our Supply Chain and the Medical team to keep accurate drug records and ensure that the right drugs are stocked in the right quantities.

Integrated System for HR, Supply Chain and Finance

During the second half of 07/8, the airline embarked on the implementation of a new integrated system in some of its key service departments. The system went live at the beginning of April 2008, and many new internal efficiencies will be realized during the 2008/9 financial year. Previously, the airline used different systems from different vendors for its HR, Supply Chain and Finance operations. Now with the new integrated system - Oracle E-Business Suite - there is no further need to re-enter data manually from one department or system to another which previously led to huge challenges in terms of effort and accuracy. These will be greatly minimized leading to the enhancement of our requisition-procure-pay procedure. Many self-service processes for staff and managers have also been introduced which will greatly enhance our internal efficiencies.

In 2008/9, the airline plans to extend the same Oracle E-Business Suite system to Ground Support equipment management, facility and property management. In the following year, 2009/10, it will be used for Customer Relationship management.

Flight operations

The main focus for the year just ended was the streamlining of the Flight Operations Department. The year saw the airline achieve the targeted headcount for Cabin crew who now total 835. The same was not realised for the pilots but recruitment is still on going to ensure that we are at the full complement of 346 by the end of this financial year.

We continued to recruit Ab-initio pilots within the year as part of our preparations for the delivery of the B787 Dreamliners in 2012. These Ab-initio pilots are expected to pay back 100% of the monies spent after successful completion of their training in 18 months.

There was recurrent and transition training for pilots within the year to fulfil regulatory requirements. Subsequently, pilots who do not make the grade are requested to leave the company. This is because we do not compromise on the training standards of our crew. To save on training and operational costs, we chose to employ "wet training" for our pilots. Under wet training, third party institutions are contracted to carry out the training while we continue to test the crew. We have



Name	Length of Service	Job Designation	Comments
Captain, Irene Koki Mutungi	10 Years	Captain B737s	Success lies on the finishing, not the dreaming or the starting.



Name	Length of Service	Job Designation	Comments
Captain, Irene Koki Mutungi	10 Years	Captain B737s	Success lies on the finishing, not the dreaming or the starting.

Taarifa ya Afisa Mkuu

huohuo kuongeza uwezo wetu wa kiufundi.

Mafunzo maalum yametolewa kwa wafanyakazi ambao hawahusiki moja kwa moja na maswala ya kiufundi ikiwa ni pamoja na wanaohusika na kukagua mizigo inapowasili, wakaguzi wa ndani na wachunguzi wa ajali.

Kitengo cha kushughulikia vifaa na vipuri kilianzishwa kuhusika zaidi na vifaa vinavyotumika ndani ya ndege na hivyo kutoa fursa kwa wafanyakazi wa idara ya utunzaji na urekebishaji kushughulikia zaidi ndege zinapopelekwa kwa marekebisho.

Ndege zote hupitia uchunguzi unaofanywa hapa hapa nchini unaoitwa "C" Checks isipokuwa uchunguzi wa aina mbili ambao ni wa lazima. Uchunguzi huu umeliasidia shirika kuokoa fedha nyingi na wakati huohuo kuongeza ufanisi wa utendakazi kwa wafanyakazi wetu. Matokeo ya ufanisi huo yamewezesha shirika kubadilisha injini ya B777 kwa muda wa siku tatu ambacho ni kiwango cha kimataifa. Huku shirikika likiendelea kukua, mtambo wetu wa kompyuta unahitaji kuborekwa ili kutoa huduma jinsi unavyohitajika. Mtambo mpya -TRAX- unatarajiwa kutoa usaidizi kwa idara ya Ufundi na kutuwezeshwa kuongeza ufanisi, na utendakazi bora. Kazi ya utafutaji wa mtambo huo mpya imeanza.

Gharama zote zinadhibitiwa kwa kufutilia mbali kukodisha vitu na huduma kutoka nje, na juhudi zinafanywa kuhakikisha tunatumia vifaa na vyombo vyetu tulivyonavyo kwa manufaa zaidi. Shirika limeokoa fedha

za kutosha kwa upande huu katika kipindi cha miezi miwili ya kwanza ya mwaka huu. Tutajitahidi kuona ya kwamba tunaokoa fedha zaidi kwa kutumia uwezo wetu tulionao.

Katika kitengo cha Rasimali na Vifaa shughuli mbalimbali zilitekelezwa ikiwa ni pamoja na kukamilika kwa kituo cha Pride Centre na ofisi ya mauzo ya tikiti katika jumba la Sarit Centre, mjini Nairobi. Ofisi zetu zilizoko China (Guangzhou), Dar es salaam (Tanzania), Khartoum (Sudan), Kigali (Rwanda) na Maputo (Msumbiji) zilifanyiwa ukarabati.

Kama sehemu ya masharti ya usalama ya kimataifa IOSA, mlingoti wa mawasiliano ya redio kwa njia ya HF ulijengwa katika milima ya Mua kwa gharama ya shilingi milioni 84. Mlingoti huo mpya una uwezo wa kuwasilisha mawasiliano kutoka ardhi hadi kwenye ndege kwa umbali wa mzunguko wa kilomita 10, 000, na ndege za Kenya Airways zinaweza kupatikana na kuwasiliana zikiwa ardhi au angani. Hatua hii imeimarisha mawasiliano kati ya ardhi na angani na pia kwa masafa marefu na kadhalika ubora wa sauti ili kuhakikisha kwamba maagizo, ambayo huwasilishwa kwa njia ya redio, kati ya wafanyakazi walioko kwenye ndege na kituo cha kupokea mawasiliano OCC, yamerikodiwa. Mpango huu umeimarisha kwa kiasi kikubwa hofu inayotokana na ukosefu wa mawasiliano ya kutosha na hivyo basi kuborekwa usalama.

Titus Naikuni

Afisa Mkuu



Marekebisho ya ndege, makao makuu ya shirika, Embakasi

ndicho kinachofuatwa katika shirika letu kwenye shughuli zake za safari zote za ndege. Tuliunda idara ya wakaguzi wa usalama/ubora ambapo wakaguzi hawa waliohitimu katika kazi yao wana jukumu la kuendelea kutathmini hali ya usalama wa ndege zetu na ubora wake kulingana na viwango vya IOSA.

Kwa kushirikiana na kampuni ya Lufthansa Consulting Group (LCG), shirika limeimarisha kituo cha Operations Control Centre (OCC) na Hub Control Centre (HCC). Mradi huu uling'oa nanga mnamo Februari 27th 2008 ukitarajiwa kukamilika ifikapo mwishoni mwa mwaka 2008. Miradi hii inatarajiwa kuimarisha ufanisi katika eneo la wanaosafiri, wasafiri wanaounganisha safari na mawasiliano hivyo basi kuboresha huduma zetu kwa manufaa ya wateja wote duniani.

Huduma kwenye viwanja vya ndege

Usalama

Usalama ulimarika katika viwanja vyetu vya ndege kwa kiwango kikubwa ukilinganisha mwaka uliotangulia na hata ajali/visa vilipungua maradufu. Tuliua kwa makini maadili ya cheti cha usalama cha IOSA.

Uwanja wa JKIA

Tatizo la miundo-msingi lilipungua baada ya kuongeza eneo la kugeshea ndege lililoanza kutumika mnamo mwezi Februari 2008. Ili kuweza kuwabeba abiria kutoka sehemu hizi ambazo ni mbali na jingo juu la uwanja wa



Ukumbi wa Simba

ndege, shirika lilinunua mabasi mawili ambayo yalianza kutumika kuanzia mwezi Julai 2008. Hata hivyo, uhaba wa maeneo ya abiria wanapoingia uwanjani na maeneo wanapotoka kwenda kupanda ndege pamoja na kutokuwepo kwa maelezo yanayohitajika kumeathiri utendakazi wetu. Ili kukabiliana vilivyo na matatizo haya, mradi wa Hub Control Centre na Hub Control System, ulianzishwa mnamo mwezi Februari 2008, ili kutuwezesha kutoa huduma zetu kwa njia rahisi na kuweza kuwasiliana na wafanyakazi wote katika uwanja wa ndege na pia kutumia teknolojia kwa minajili ya kudhibiti/kusimamia shughuli zetu vyema.

Huduma ya Shehena

Baada ya kupata mafanikio makubwa kwa miaka mitano iliyopita, idadi ya shehena ilipungua katika mwaka 2007. Hii inatokana na kufanyika kwa uchaguzi mkuu. Kipindi chetu kizuri cha biashara (Kuanzia Septema) kilionyesha idadi ndogo ya shehena. Hali hii pia ilisababishwa na matukio ya Januari na Februari 2008 ambapo baadhi ya mashirika ya ndege yalipunguza safari zao za kuja Kenya au kusimamisha huduma zake kabisa. Katika kipindi cha kwanza cha mwaka huu, shirika limeanzisha mikakati ya kurudisha biashara kwa kufanya kampeni ya kutangaza jina la Kenya na kuangalia bei zetu upya. Hata hivyo, matokeo ya mikakati hii, yanatarajiwa kuonekana katika kipindi cha kifedha cha mwaka ujao 2008/09.

Utoaji Huduma

Shirika la Kenya Airways lilianzisha mpango mpya wa kutathmini utendaji kazi wake ambao uliambatana na matakwa ya wateja. Huduma zetu nyingi tunazotoa kwa sasa zinalenga kupunguza muda wa wasafiri wanaotumia wanapofika uwanjani, muda wa kuwasilisha mizigo na muda unaotumiwa kupokea shehena na yote haya tunayafanyia tathmini kwa kila siku. Malengo ya mradi huu ni makubwa na hadi kufikia sasa hayajaafikiwa kama ilivyotarajiwa.

Mnamo mwezi Agosti mwaka 2007, shirika lilianzisha mpango uitwao Outstation Management Organization ili kuweza kufuatilia kwa makini ubora wa huduma tunazotoa katika vituo vyetu vilivyoko nje ya nchi. Kuweka malengo ya kazi zetu, kuboresha njia za mawasiliano na usaidizi kutoka makao makuu ya shirika, yamewezesha kuimarika kwa shughuli zetu.

Ulinzi katika viwanja vya ndege

Tuliendelea kufanyia tathmini za kiusalama katika viwanja vyote vya ndege ndani na nje ya nchi. Ubora wa huduma zetu pia ulichunguzwa kupitia njia za muda mfupi na kunapotokea tukio lolote. Utekelezaji wa mipango hii kumepunguza kwa kiwango kikubwa matatizo yatokanayo na shehena unazohudumia.

Ufundi

Katika kipindi hiki cha kifedha cha mwaka huu, shirika limetilia maanani utoaji wa mafunzo ili kuwaimarisha wafanyakazi wetu. Mafunzo hayo yalitolewa katika awamu mbili-aina ya ndege, kujikumbusha wajibu na mafunzo ya mfanyakazi kibinafsi na uhusu shirika. Tumeendelea na mpango wa kutoa mafunzo kwa wahandisi-wanafunzi na wahandisi waliofuzu kwa manufaa ya siku zijazo. Mafunzo kamili ya ndege yalifanywa katika ndege aina ya Embraer 170, ambayo imenunuliwa kuongeza idadi ya ndege zetu. Idara ya Ufundi ilifaulu kuifanyia marekebisho na huduma ya kuitunza ndege hiyo ya Embraer chini ya wahandisi wetu wenye ujuzi katika kipindi cha miezi mitatu tu ya kwanza ya kuwasili kwa ndege hiyo. Hatua hii imeipunguza Kenya Airways gharama za ziada na wakati

Taarifa ya Afisa Mkuu

kupunguza muda wa abiria kusongamana na kuwarahisishia kazi wafanyakazi wanaopokea tikiti za abiria.

- Kupunguza ukosefu wa umeme wa mara kwa mara uwanja wa JKIA kwa kuweka majenereta zaidi na vifaa vya UPS vya kuzuia kuharibika kwa kompyuta.
- Kuweka vifaa vya mtandao vinavyotuwzesha kutuunganisha na ofisi nyengine za ukataji tikiti katika eneo la Ulaya ili kupunguza usumbufu kwa wateja wetu kunakosababishwa na kupotea kwa upatikanaji wa mtandao.
- Kuweka kwa mashine maalum za kompyuta katika sehemu za kupandia ndege ambazo hupeleka taarifa zilizoko kwenye kadi ya kupandia ndege moja kwa moja hadi kwenye ndege. Hatua hii inatarajiwa kupunguza muda wateja wanaotumia kabla ya kuingia ndani ya ndege, haswa panapokuwa na msongamano wa abiria au kubadilishwa kwa safari za ndege.
- Kuweka kwa TV za kuonyesha taarifa za ndege katika uwanja wa JKIA, katika sehemu abiria wanapoingia uwanjani, wanapopandia ndege na wanapobadilisha ndege, zimesaidia sana wateja ambao hawana haja ya kuwatafuta wafanyakazi wa KQ kuwaauliza ndege zao zinaondoka saa ngapi au kupitia mlango gani.

Taarifa za Usimamizi (BIS)

Kwa desturi, mashirika ya ndege yana mitambo mingi ya taarifa za usimamizi ambazo zimeenea kote na siyo rahisi kwao kuweza kuzifuta taarifa zote kutokana na tofaauti kubwa ya utendaji kazi wa kila idara. Hata hivyo, Usimamizi unahitaji taarifa hizi ambazo hukusanywa na hutumiwa kutoa ripoti na uchanganuzi wa jinsi shirika linavyoendesha shughuli zake. Ili kuboresha utoaji na uchanganuzi wa taarifa hizi kwa wakati unaofaa, shirika limewekeza katika mpango mahsusi wa ukusanyaji wa taarifa hizo kwa njia ya mtandao(BIS). Idara mbalimbali za shirika zimeanza kufaidika na mpango huu mpya.

Mpango wa matibabu kwa wafanyakazi

Mitambo mipya ya kutumia teknolojia iliwekwa katika zahanati zinazosimamiwa na shirika ili kudhibiti vyema mpango wa matibabu kwa wafanyakazi na jamaa zao. Teknolojia hii mpya imetuwzesha kudhibiti rekodi za madawa zinazotumika na hivyo kutumia muda mchache na kupunguza uwezekano wa kutokea kwa makosa. Kadhalika mpango huu mpya umeongeza kasi ya utoaji huduma kwa wafanyakazi wetu na jamaa zao. Pia imekuwa rahisi kwa wanaohusika kujua idadi kamili ya dawa wanazohitaji na kuhakikisha kwamba dawa zinazofaa tu ndizo zinazohifadhiwa na kutumika.

Mpango wa kuunganisha utendakazi wa idara

Katika kipindi cha kwanza cha mwaka 2007/08, shirika lilianzisha mpango wa kuunganisha utendakazi wa baadhi ya idara zake muhimu. Mradi huu ulianza kufanya kazi rasmi mwanzoni mwa mwezi Aprili 2008, na utekelezaji

wa kazi kwa haraka zaidi utapatikana katika kipindi cha mwaka 2008/09. Hapo awali shirika lilitumia mipango tofauti ya kupata huduma zake kutoka nje kwenye idara ya huduma kwa wafanyakazi, Idara ya usambazaji na idara ya fedha. Kwa kuanzisha mpango huu wa kuunganisha utendakazi wa idara hizo tatu, kwa kutumia teknolojia iitwayo Oracle E-Business Suite, hakuna tena haja ya kuandika ripoti kwa mkono kutoka idara moja hadi nyengine ambayo hapo awali ilikuwa ni changamoto kubwa. Changamoto hizo zitapungua kwa kiwango kikubwa na kuboresha shughuli za idara ya ununuzi na malipo. Na ili kuimarisha zaidi utendakazi wetu katika shirika, mipango ya kujihudumia mwenyewe imeanzishwa. Katika mwaka 2008/09, shirika linatarajia kueneza teknolojia hiyo ya Oracle E-Business hadi kwenye usimamizi wa rasimali zetu na vifaa vinavyotumika katika uwanja wa ndege. Mwaka unaofuata wa 2009/10, teknolojia hiyo itatumika katika idara ya uhusiano mwema.

Safari za ndege

Shughuli kubwa tuliyokuwa nayo katika kipindi hiki cha mwaka unaomalizika ilikuwa ni kuimarisha idara ya safari za ndege. Mwaka huo ulishuhudia shirika likifanikiwa kuisabu wafanyakazi wanaohudumu ndani ya ndege ambao kwa sasa ni 835. Hata hivyo hatukuisabu idadi ya marubani kwani wanaendelea kuajiriwa ili kuhakikisha kwamba tumefikisha idadi inayohitajika ya marubani 346 ifikapo mwisho wa kipindi hiki cha mwaka wa kifedha.

Pia tunaendelea kuwaajiri marubani waliopata mafunzo maalum ya Ab-Initios katika mwaka huu ili kujiweka tayari kwa mwaka 2012 ambapo tunatarajia kununua ndege aina ya B787 Dreamliners. Marubani watakaopitia mafunzo haya ya Ab-Initios wanatazamiwa kulipa asilimia 100% ya fedha zilizotumika kuwapatia mafunzo hayo ya miezi 18. Kadhalika kuna mafunzo yanayoendelea mara kwa mara kwa ajili ya marubani katika kipindi hiki cha mwaka ili kutimiza mahitaji ya kisheria yanayotakikana. Marubani ambao hawatimizi viwango vinavyohitajika, wanaombwa kuacha kazi. Hii ni kwa kuwa hatutaki kuteremsha viwango vya mafunzo kwa wafanyakazi wetu.

Ili kupunguza gharama za utoaji mafunzo na uendeshaji wa shughuli zetu, tumeamua kutumia vyuo vyengine kutoa mafunzo kwa marubani na shirika likichukua jukumu la kuwajaribu ili kuona iwapo wamefaulu katika mafunzo yao. Tokea kuanzishwa kwa mradi huu tumeshuhudia ufanisi mkubwa. Katika kipindi hiki cha mwaka huu, shirika lilionelea ya kwamba ni vyema kutenganisha kazi za Rubani Mkuu na Mkurugenzi wa safari za ndege. Idara ya Rubani Mkuu kwa sasa itahusika na kutoa mafunzo na usimamizi wa marubani ambapo Mkurugenzi wa Safari za ndege atasimamia shughuli za idara nzima ya safari za ndege.

Mnamo mwezi Oktoba 2007, shirika liliongezewa ruhusa ya miaka miwili ya kutumia cheti cha usalama cha kimataifa(IOSA). Masharti ya Cheti hicho cha IOSA sasa

Page	Year	KQ Annual Report & Accounts
38	2007 / 08	

Taarifa ya Afisa Mkuu

Tathmini ya kuzuia ajali na usalama wa anga pia ulifanywa ili kuwashughulikia wafanyakazi wenye matatizo ya kusumbuliwa na kelele, anga, afya na usalama kazini.

Teknolojia ya mawasiliano

Kuboresha utoaji huduma na utendakazi bora kwenye shirika kwa kupitia mikakati mbalimbali mipya(na kuendeleza iliyopo) kuhusu teknolojia ya mawasiliano ni mojawapo ya majukumu yetu makubwa ya kibiashara. Katika kipindi cha mwaka huu wa kifedha 2007/08, mipango mbalimbali ilitekelezwa.

Ununuaji tikiti kwenye mtandao (www.kenya-airways.com)
Wateja sasa wanaweza kuzuru tovuti yetu na kupitia kwenye mtandao wakakata tikiti zao za safari. Wanaweza kufanya hivyo popote na kwa wakati wowote wanaopendelea, iwe ni nyumbani au ofisini bora tu pawe na upatikanaji wa mtandao. Kadhalika, wateja wanaweza kulipia tikiti zao wakitumia kadi zao za fedha. Punde tu tikiti inapolipiwa, tikiti ya mtandao itatumwa kwa mteja kupitia anuani yake ya mtandao bila usumbufu wa kumlazimisha mteja kwenda kwenye ofisi ya mauzo kuchukua tikiti yake. Tunatarajia kwamba katika miaka ijayo, mpango huu utakuwa ndio mtindo utakaotumiwa kuuzia tikiti ambapo tunategemea utaridhisha wateja wetu.

Kuwasili uwanjani (www.kenya-airways.com)

Kadhalika, wateja pia wanaweza kujua ndege wanayosafiri nayo na kiti atakachokaa kupitia huduma hii ya mtandao, kutoka popote pale iwe ni ofisini au nyumbani palipo na upatikanaji wa mtandao. Licha ya kupunguza misururu ya watu kwenye viwanja vya ndege, mpango huu pia umewaridhisha wateja wetu. Kwa sasa mpango huu unafanya kazi katika vituo vyetu kumi kote duniani.

Mawasiliano ya kwenye ndege na uwanjani (ACARS)

Katika mwaka huu wa kifedha, shirika lilianzisha mpango mpya wa mawasiliano kutoka kwenye ndege hadi kiwanjani kwenye ndege zetu aina ya B777. Hii ni njia ya mawasiliano ya kutumia ujumbe mfupi wa mawasiliano kupitia radio au satellite. Mtu aliyeko kwenye ndege anaweza kutuma ujumbe aina hiyo kupitia mawasiliano hayo ya ACARS hadi ofisi iliyoko katika uwanja wa ndege, na hivyo hivyo kutoka uwanjani hadi ndani ya ndege. Mitambo hiyo ya mawasiliano iliyoko ndani ya ndege ina uwezo wa kugundua hitilafu yoyote ndani ya ndege na kupeleka ujumbe kama huo kwenye ofisi iliyoko uwanja wa ndege. Kwa mfano, ripoti yoyote kuhusu injini ambayo hupelekwa kwenye ofisi iliyoko uwanjani, inaweza kutumiwa kusahihisha makosa kama hayo. Uwezo huu umewezeshwa shirika na watengenezaji wa injini hiyo ya ndege kuweza kujua jinsi injini fulani inavyofanya kazi na kutambua mapema makosa yake na kuyarekebisha. Mawasiliano haya yatazinduliwa rasmi katika mwaka wa kifedha 2008/9 na kuanzishwa kwenye ndege zetu aina ya Embraer, B737 na B767. Mpango huu pia tutahakikisha unatekelezwa kwenye ndege zetu zote zitakazonunuliwa siku zijazo.

Huduma za usaidizi

Katika kipindi cha mwaka huu, idara ya teknolojia ya mawasiliano ilitumia muda wake mwingi kuboresha na kuimarisha idara nyengine za shirika kuhakikisha kwamba idara zinazoshughulikia wateja wetu zimeweza kutekeleza majukumu yake ipasavyo. Baadhi ya mambo yaliyotekelezwa ni pamoja na:

- Kutiwa saina kwa uwiano wa huduma miongoni mwa idara mbalimbali ili kutoa huduma bora.
- Upatikanaji rahisi wa mtandao katika shirika.
- Uwiano wa kupatikana kwa mtandao haswa katika ofisi za mauzo na huduma viwanjani.
- Uzuiaji kukosekana kwa nguvu za umeme katika ofisi zetu katika baadhi ya nchi za nje.

Kupatikana nje ya ofisi

Utendakazi wa wafanyakazi umeimarika kupitia upatikanaji wa huduma ya mtandao nje ya ofisi kwa wafanyakazi wetu ambao sasa wanaweza kuunganishwa na mtandao wa ofisi wakiwa nyumbani au barabarani. Hatua hii imeweza kupunguza gharama za uendeshaaji wa shirika ambapo si lazima kwa mfanyakazi kufika ofisini ndipo aweze kuunganishwa na mtandao huu.

Kuimarisha mitambo

Kuanzishwa kwa kituo kinginge cha kuzuia majanga mbali na kituo kilichopo makao makuu huko Embakasi, kumesaidia kuweza kuzuia kupotea kwa takwimu muhimu iwapo kimojawapo hakitakuwa kikifanyakazi. Mitambo hii itaboresha na kuimarishwa ipasavyo ili kuhakikisha kwamba hakuna kituo kitakachokosa kufanyakazi na kusababisha hasara ya mapato na utendakazi duni.

Upokeaji simu za wateja

Tumeendelea kuwekeza fedha nyingi ili kuimarisha upokeaji wa simu za wateja katika vituo vyetu vyote. Mpango huu unajumuisha mawasiliano ya simu zinazowajibika wateja(IVR) katika mihi ya Nairobi, Dubai, Lagos na Guangzhou. Mawasiliano haya ya IVR huzungumza na kuwasiliana na mteja wakati ambapo simu zetu za kawaida zinapokuwa zinatumika. Kadhalika IVR huwa inatoa maelezo kuhusu shirika wakati mteja anaposubiri kuunganishwa na mtu wa kumhudumia.

Mawasiliano ya mtandao

Shirika limeendelea kuimarisha mawasiliano kwa njia ya mtandao, haswa humu nchini. Hatua za kuboresha vifaa vya utendakazi na kuhakikisha kwamba vifaa vya zamani havitumiki tena imekuwa ikiendelea. Matumizi makubwa ya mtandao pia yameweza kupunguza gharama za uendeshaaji.

Marekebisho ya mtandao JKIA

Marekebisho yaliyofanyiwa mitandao yetu katika uwanja wa ndege wa JKIA ni kama ifuatavyo:

- Kuondoa vifaa vya zamani vya sehemu abiria wanapoinjia uwanjani katika Unit 3. Hii imesaidia

Taarifa ya Afisa Mkuu

wameandikwa kazi na Kenya Airways. Miongoni mwao marubani 61 wanaendelea kupata mafunzo, 44 ni wasaidizi wa marubani na 17 wanapitia mafunzo chini ya mradi wa Ab-initios. Wasaidizi hao wa marubani wamekamilisha mthani wa urubani uliotolewa na Halmashauri ya kusimamia safari za anga nchini(KCA). Wanahitajika kuhudhuria mafunzo mengine ya miezi sita kabla hawajakuwa marubani kamili. Wale marubani wengine 17 waliopitia mradi wa Ab-initios walikamilisha mafunzo yao mwezi Juni mwaka huu 2008 na pia watahitajika kupata mafunzo mengine ya miezi mitatu kabla ya kumaliza mthani wa Halmashauri ya kusimamia safari za anga nchini.

Kuhusu mafunzo ya mafundi mitambo na wahandisi, mwaka uliopita mafundi 13 ambao walianza mafunzo yao mnamo mwaka 2005 wameanza kufanya kazi. Mwaka huu, mafundi 29 watakamilisha mafunzo yao ambapo 21 miongoni mwao watahitajika kufanya mafunzo ya ziada, na wengine wanane wakijifunza mambo ya ufundi umeme wa ndege. Kadhalika, mafundi wengine 25 watachukuliwa kwa mafunzo katika kipindi cha mwaka huu wa kifedha ambapo 15 watachukua mafunzo ya ufundi na wanane wakifanya mafunzo ya ufundi umeme wa ndege.

Mbali na hayo, shirika lilijiri waliohitimu chuo kikuu 17 kwa mafunzo ya uhandisi mnamo mwezi Januari mwaka 2007. Wahandisi hawa walikamilisha mafunzo yao mnamo mwezi Juni mwaka huu 2008.

Katika mwaka ujao wa kifedha, Kenya Airways inatarajia kuwachukua watu kwa mafunzo ya utawala. Mpango huu unahusisha mafunzo ya mahali wanapofanyia kazi katika idara zote za shirika. Zaidi ya hayo, shirika linaendelea kutoa mafunzo kwa wafanyakazi wake kwa ushirikiano na vyuo vya mafunzo ya juu. Baadhi ya mafunzo yaliyotolewa kwa wafanyakazi katika kipindi cha mwaka uliopita ni pamoja na uhusiano mwema kwa wateja, uwajibikaji kazini, usimamizi na kadhalika.



Mafunzo yakiendelea kituo cha "Pride Centre".

Mnamo mwaka 2005, shirika lilijenga kituo chake cha mafunzo kilichopewa jina la "The Pride Centre". Kituo hiki kilifanyiwa ukarabati mwaka uliopita kwa gharama ya shilingi milioni 154. Ukarabati huo ulijumuisha mabadiliko

upande wa ndani, nyongeza ya mahali pa kuegesha magari, kibanda cha askari wa lango kuu na ukumbi wa mikutano. Kazi hiyo ilikamilishwa na kituo hicho kufunguliwa mnamo mwezi Julai mwaka 2007. Mafunzo yalianza katika kituo hicho mnamo mwezi Agosti 2007 na kituo kimekuwa kikitumika kutoka wakati huo.



Sehemu ya kuingilia kituo cha "Pride Centre".

Uhusiano na wafanyakazi

Katika mwaka huu tulifanya uchunguzi wa kutafuta maoni ya wafanyakazi, na matokeo yake yalitumiwa kuwahusisha wafanyakazi kwenye shughuli mbalimbali za shirika. Uchunguzi huu ulikuwa na lengo la kuboresha uhusiano mwema na wafanyakazi wote wa KQ.

Wasimamizi wa shirika pia walifanya mikutano na wawakilishi vya vyama mbalimbali vya wafanyakazi na utata uliokuwepo wa wawakilishi kati ya Chama cha Wafanyakazi wa Uchukuzi(TAWU) na Chama cha Wafanyakazi wa Safari za Anga(AAWU) umetatuliwa. Kwa sasa shirika lina mpango wa kutiliana saini za mkataba wa kusawazisha mishara(CBA) na chama hicho.

Mpango wa kuzawadia wafanyakazi

Ili kuwavutia, kuwahifadhi na kuwatia motisha wafanyakazi, shirika lilifanya uchunguzi wa kutafuta maoni kutoka kwa wafanyakazi. Hatua hii ina lengo la kuhakikisha kwamba mshahara na marupurupu tunayowapatia wafanyakazi wetu yanalingana na kiwango cha kimataifa na kukubalika katika sekta hii. Kadhalika tumeendelea kufungua macho yetu na kuangalia mipango ya kuzawadia wafanyakazi katika mashirika mengine ili kulinganisha na sera zetu kwa mujibu wa mabadiliko ya kisheria.

Mpango wa Afya na Uzima

Kumekuwa na mpango wa kuimarisha uhusiano mwema na kuwahusisha wafanyakazi wetu katika maswala ya afya na usalama katika sehemu zao za kazi. Mradi wa kushughulikia swala la ugonjwa wa Ukimwi (EAP) ulizinduliwa rasmi mnamo mwezi Agosti 2007 kuwaelimisha, kuzuia na kuwashughulikia walioathirika na ugonjwa huo. Mpango huu wa EAP pia unashughulikia maswala ya ulevi na matumizi mabaya ya pombe sehemu za kazi.

ambao una lengo la kuzuia uharibifu wa mazingira kwa kupanda miti katika milima ya Ngong ili kuimarisha vyanzo vya maji. Mradi huu ulianzishwa mwaka 2006/07, ambapo zaidi ya miti 130, 000 ilipandwa kwa gharama ya shilingi milioni 16, 896, 170. Katika mwaka wa kifedha 2007/08, miti ya ziada 200, 000 ilipandwa kwa gharama ya shilingi milioni 18, 867,300 ambapo ilijumuisha mchango wa Kenya Airways wa shilingi milioni 8,000,000, KLM ikatoa mchango wa Dola za Marekani 40,000, Rolls Royce Dola za Marekani 60,000, Coca Cola Dola za Marekani 60, 000 na kampuni ya Khetshi Dharamshi ikajenga uwa kwa gharama ya shilingi 312,000.

Afya

Mradi wa "Bombay Ambulance" uliendelea kutoa msaada kwa wagonjwa wasiojiweza ambao walihitaji matibabu nje ya nchi. Tikiti 16 zililopunguzwa bei zililolewa kwa wagonjwa waliohitaji matibabu kwenda Mumbai, India na Johannesburg, Afrika Kusini.

"Badilisha maisha"

Shirika la Kenya Airways lilitambua fursa ya kuwahusisha wasafiri kwenye miradi mbalimbali ya kusaidia jamii ambayo ina lengo la kubadilisha maisha ya watu ambao hawajabahatika katika jamii. Wasafiri wanahitajika kutoa mabaki ya sarafu zilizosalia ndani ya ndege kwenye vifuko maalum wanavyopewa. Baadae shirika la Kenya Airways linachukua pesa hizo na kuziingiza kwenye miradi maalum ya kusaidia jamii ambayo inalingana na malengo yetu ya kusaidia elimu, maji, afya na mazingira. Kampeni hii ilianzishwa mnamo Februari mwaka huu 2008 kwa ushirikiano na shirika la AMREF na Rotary Club ya Nairobi. Wasimamizi wetu wa ndani ya ndege wameteuliwa kama mabalozi wa mradi huo pamoja na idara nyengine kama za usalama, fedha na huduma za viwanja vya ndege kuhakikisha kufanikiwa kwa mradi huo.

Mradi wa huduma kwa wateja

Shirika la Kenya Airways limeshirikiana na washirika wetu KLM na Air France katika mradi huu maalum wa huduma kwa wateja. Mradi huu unatoa fursa kwa Kenya Airways kuwazawadia wateja wake wanaosafiri nasi mara kwa



Kituo cha "Flying Blue", Barclays Plaza

mara. Katika mwaka uliopita, tuliandikisha wanachama wapya kwa asilimia 13% kuliko ilivyokuwa mwaka uliotangulia. Ili kutoa huduma bora kwa wateja wetu, shirika limepanua kituo cha Flying Blue Centre katika jumba la Barclays Plaza kuwa cha kisasa zaidi kwa minajili ya kuwahudumia wateja wa mpango huo.

Tovuti (www.kenya-airways.com)

Ukataji wa tikiti kwa kutumia mtandao wa kompyuta ulipata zaidi ya Dola milioni moja za Marekani na kupita mapato yaliyopatikana mwezi Disemba mwaka 2007. Miongoni mwa vipengee vipya vilivyoko kwenye tovuti hiyo ni njia bora ya ukataji tikiti inayomvutia mteja, njia mwafaka ya kujua ndege unayosafia na jinsi ya kulipa malipo yako ya nauli kwa kutumia kadi za pesa badala ya pesa taslimu. Manufaa ya mradi huu ni kwamba wateja hutumiwa tikiti zao kwa njia ya mtandao punde tu malipo yanapopokelewa. Mradi huu umeundwa kwa njia ya kuvutia na kumfahamisha mteja juu ya Kujiwunia Uafrika. Mabadiliko haya yote yalichangia pakubwa katika ongezeko la mapato kwa asilimia 38% zaidi ya mwaka uliotangulia.



Sehemu ya mapokezi ya wasafiri, JKIA

Wafanyikazi wetu

Shirika lina jumla ya wafanyakazi 4,267 kufikia mwisho wa mwaka. Idara ya huduma kwa wafanyakazi(HR) inajitahidi kuhakikisha kwamba Kenya Airways ni mwajiri bora humu nchini. Nia yetu ni kuhakikisha kwamba tunaajiri wafanyakazi wafaa kufanyakazi wanazostahili kuzifanya. Tunatarajia kufikia lengo hili kwa kuwavutia, kuwaendelea na kubakia na wafanyakazi wa kiwango cha juu. Tunaendelea kuwahakikishia wafanyakazi wetu mazingira mazuri ya kazi ambayo yatawawezesha kufanya kazi kwa njia bora zaidi na kufikia matakwa ya shirika.

Utoaji Mafunzo

Shirika linatekeleza sera ya kuwaendelea wafanyakazi kwa kuwapatia mafunzo. Mnamo mwaka 2007/08, shirika lilitumia jumla ya shilingi milioni 400 kwa wafanyakazi wake kwa kuwafadhili kupata mafunzo mbalimbali. Kwa sasa kuna marubani 330 waliohitimu ambao

tumeanzisha idhaa moja ya sinema za kiafrika pekee kwenye baadhi ya njia zetu barani Afrika.

Utoaji chakula ndani ya ndege

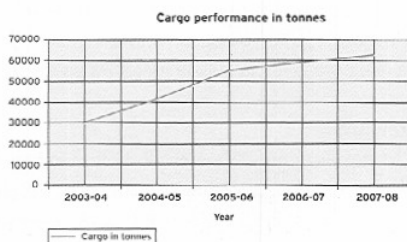
Kufuatia maoni mbalimbali ya wateja wetu, tumeongeza idadi na aina ya vyakula tunavyotoa ndani ya ndege. Pia tumeanza kutoa vyakula vyenye protini na vya kujenga mwili kwenye njia ya Mashariki ya Mbali na Ulaya. Tunafahamu pia kwamba kuwaridhisha wateja wote ni changamoto kubwa lakini tutajaribu kadri ya uwezo wetu kuwasikiliza maoni yao.

Mnamo Oktoba 2007 uonaji wa mvinyo ulifanyika ukiwa na lengo moja la kuhakikisha kwamba wateja wetu wa daraja la kwanza wanapata mvinyo bora. Uchaguzi huo wa mvinyo ulifanywa na wataalamu wa kujitegemea walioboea kutoka Cape Wine Academy, Afrika Kusini. Aina ya mvinyo mpya uliochaguliwa ulianza kupewa wateja wetu wa daraja la kwanza kuanzia Mei 1, 2008 na wateja wa daraja la kibiashara walianza kupata kuanzia Julai 1, 2008.

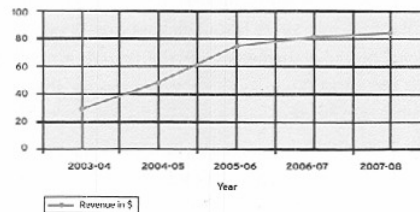
Biashara ya Shehena

Katika mwaka 2007/08, kitengo cha shehena kijulikanacho kama Kenya Airways Cargo kilianzisha huduma mpya KQ SECURE. Hii ni huduma ya kutoka kiwanja kimoja cha ndege hadi chengine ambayo inahakikisha usalama wa hali ya juu kwa bidhaa zinazoharibika haraka. Huduma hii inahakikisha kwamba mzigo unapokelewa saa za mwisho na kupewa kipaumbele kwenye ndege na kufikishwa haraka unakotakikana. Mzigo unapokubaliwa, unahifadhiwa katika sehemu maalum, kamera za siri (CCTV) zinamulika mzigo huo ambao hupokelewa na kupeleka kwenye ndege na wafanyakazi waliopata mafunzo maalum ya kushughulikia shehena za aina hiyo. Huduma hii inalenga mashirika ya kutoa ulinzi, wafanyabiashara na mawakala wa mizigo. Mwenye kutaka kutumia huduma hiyo, ni sharti awasilishe mizigo yake masaa manne kabla ya ndege kuondoka, na kuhakikisha ametimiza masharti ya uzito wa mzigo ambayo yatalingana na aina ya ndege inayotumiwa.

Mwaka huohuo, idadi ya shehena zilizobebwa na ndege zetu ilipungua kwa asilimia 7% kutokana na mabadiliko yaliyofanywa safari za ndege kufuatia ghasia za baada ya uchaguzi mkuu humu nchini



Cargo in Revenue millions \$



Upanuzi wa njia zetu

Mwaka huu wa kifedha ulishuhudia malengo yetu ya upanuzi wa njia za safari kubadilika. Njia mbili tu-Accra/Monrovia na Cotonou/Abidjan- zilifunguliwa. Pia ilibidi kurekebisha uwezo wa kubeba abiria kwenye baadhi ya njia zetu ili kukabiliana na mahitaji ya wateja. Kadhalika ili kudhibiti upatikanaji wa abiria, shirika liliamua kufunga safari za kwenda Istanbul, Uturuki. Mnamo mwezi Septemba mwaka 2007, Kenya Airways ilijiunga na mpango wa SkyTeam na hivyo kuiwezesha kupanua njia zake za safari. Athari za ghasia za uchaguzi mkuu zilisababisha shirika kubadilisha baadhi ya njia ambazo zilikumbwa zaidi na matukio hayo ya kisiasa ingawaje huduma za kwenda uwanja wa Charles De Gaulle, Ufaransa zilisimamishwa mnamo mwezi Februari mwaka huu 2008 lakini zilifufuliwa mwezi Juni.

Huduma zetu kwa jamii

Mikakati yetu kwa huduma za kijamii ililenga sana kwenye miradi ya elimu, maji, afya na mazingira. Miradi ifuatayo ilikamilishwa katika kipindi cha mwaka 2007/2008.

Elimu

Shirika la Kenya Airways liliendelea na miradi ya "Dhamini shule" ambapo jumla ya shule sita zilifaidika. Tulijenga madarasa manne kwenye shule ya msingi ya St Paul, Magaca na kuinunulia madawati. Tulisaidia shule ya upili ya Kassagam huko Kisumu kwa kuijenga bweni la chakula na kukarabati bweni lililokuwepo kwa kulinunulia fanicha. Shule ya Kwale ilifaidika kwa kupata madawati 220 na matangi mawili ya maji ya lita 8,000 kila moja. Pia tuliendelea na kusaidia miradi ya maji katika shule za Tandale na Hekima, miradi ambao tunauendeleza kwa kushirikiana na mshirika wetu shirika la ndege la Precision Air. Jumla ya shilingi milioni 8 zilitumika kwenye miradi hii.

Maji

Shirika la Kenya Airways limeendelea kufanya kazi na jamii mbalimbali ili kuanzisha na kuendeleza miradi ya maji safi na salama katika sehemu mbalimbali barani Afrika. Moja wapo ya miradi hiyo ni ule wa kuchimba kisima na kujenga tangi la maji eneo la Rukana, Kiambu kwa gharama ya shilingi milioni 2. Mradi huu ni wa nyongeza ya ule ulioko wilayani Taveta ulioanzishwa mwaka uliopita ambapo jumla ya shilingi milioni 2 zilitumika kufikia sasa.

Mazingira

Kampeni ya "Panda Siku Zijazo" ni mradi wa kimazingira



Mwaka wa kifedha 2007/08 uliendelea kuwa na changamoto nyingi kwa shirika letu. Kudhoofika kwa Dola ya Marekani dhidi ya sarafu nyingi za kigeni, kupanda kwa bei ya mafuta, kucheleweshwa kuletwa kwa ndege aina ya B787 na kuanzishwa kwa mashirika mengine ya ndege yanayotoza nauli nafuu humu nchini kumechangia pakubwa kutupatia changamoto.

Matukio yaliyofuatia ghasia za uchaguzi mkuu pia yalikuwa na athari mbaya kwenye utendakazi wetu na miezi miwili ya kwanza ya mwaka huu 2008 yalionyesha mapato ya shirika yakididimika.

Hata hivyo, shirika liliendelea kupata faida na pia kuweka mikakati maalum ya kukabiliana na hali hii. Mikakati hiyo ni pamoja na mipango kabambe ya usimamizi, udhibiti na kuwaendelea wafanyakazi wetu ili waweze kukabiliana na changamoto hizi.

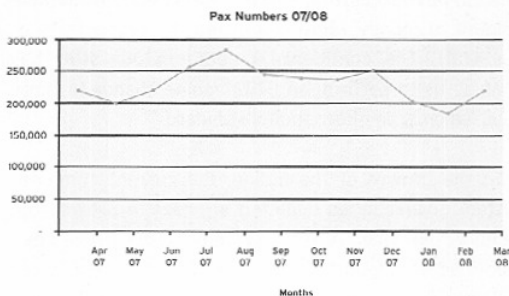
Kuendelea kupanuka kwa shirika letu pia kumekuwa na changamoto zake. Utendakazi wetu ni mojawapo ya maeneo yaliyokumbwa na changamoto hizi. Tumegundua kwamba tunahitaji kuwapa mafunzo na kuwahamii ipasavyo wafanyakazi wetu ili kuwawezesha kuboresha utendakazi wao ipasavyo. Nitawaeleza baadaye kwenye taarifa hii, mambo tuliyoifanya, yale tunayotarajia kufanya na ni kitu gani tutakachofanya kwenye sekta za wafanyakazi wetu na sekta ya teknolojia ambazo tumegundua zinahitaji kutiliwa maanani zaidi ili kutoa huduma zinazolenga wateja.

Tukio kubwa katika mwaka huu ni kuanguka kwa ndege nambari KQ 507 huko Douala, Cameroon. Uchunguzi wa ajali hiyo bado unaendelea na shirika letu limetoa usaidizi kadri iwezekanavyo kwa wanaohusika. Wanaotupa bima pia wameshirikiana nasi kuhusu hasara iliyopatikana kutokana na ajali hiyo na majadiliano na ndugu pamoja na jamaa za wahasiriwa yanaendelea huku baadhi ya madai ya fidia yakiwa yamekwisha lipwa.

Taarifa ya kibiashara

Katika kipindi hiki cha kifedha cha mwaka 2007/08, Kenya Airways ilibeba jumla ya abiria milioni 2.8 ikilinganishwa na abiria milioni 2.6 mwaka uliotangulia. Kadhalika, shirika letu lilibeba kilo milioni 62.6 za mizigo katika njia zake zote

ikilinganishwa na kilo milioni 60.9 mwaka uliotangulia. Takwimu za abiria na mizigo hazikufikia malengo yetu kutokana na ghasia za uchaguzi haswa katika miezi ya Januari na Machi.



Kuimarisha uwekaji nembo

Shirika limeendelea kuimarisha kuweka nembo zake ndani ya ndege zetu ili kuhakikisha kwamba wateja wanaridhika na pia kuwashinda washindani wetu.

Mradi wa uwekaji nembo

Katika mwaka unaokuja, Kenya Airways itaanza mradi kabambe wa kuboresha na kukarabati nembo za shirika. Mradi huu utagusia vipengee vyote vya mahitaji ya mteja. Baada ya utoaji zabuni uliokuwa na ushindani mkubwa, shirika limeamua kuipa kampuni ya BLACK Brand, Strategy & Design yenye makao yake mjini Johannesburg Afrika Kusini mradi huo ulioanzishwa mnamo mwezi Machi mwaka huu 2008 na unatarajiwa kukamilika ifikapo mwisho wa mwaka ujao wa kifedha 2009/10.

Burudani ndani ya ndege

Katika juhudi zetu za kuendelea kuboresha huduma bora kwa wateja wetu ndani ya ndege, shirika letu limeimarisha vifaa vya burudani ndani ya ndege na kujumuisha sinema mbalimbali ili kumuwezesha mteja kuchagua. Kadhalika

Chief Executive's Statement

type, refresher and personal based training and corporate training. We have continued the process of investing for our future needs by training inducted apprentices and graduate engineers. Full aircraft type training was undertaken on the Embraer 170 which was successfully inducted into our fleet. The Technical Department has been able to perform all the maintenance of the Embraer under the control of our highly skilled engineers within the first three months of receiving the aircraft. This has saved the company a lot of additional costs whilst further increasing Kenya Airways' capabilities in aircraft maintenance. Specialized training courses have been undertaken for non-direct personnel and these include incoming goods inspection for stores inspectors, the internal auditors' course and the Air Side Accident Investigation. A plant and equipment division was created to handle the docking and other equipment used on the aircraft so as to allow the maintenance personnel to concentrate on aircraft maintenance. This will increase the serviceability and the safety of this vitally important equipment.

All aircraft "C" checks are now performed in-house with the exception of two contractually-obliged checks. This process has successfully saved the airline a considerable amount of money whilst increasing the productivity of our staff. The confidence created in our staff has enabled us to perform an B777 engine change in three days which is an international standard.

With the growth of the airline, the current computer system now requires updating in order to provide the required service. A new system -TRAX- has been identified to support the Technical Department which will enable us to further increase our efficiency, accuracy and productivity. The process to acquire the system has been commenced.

There has been a marked improvement in the on time performance and further improvements are expected as evidenced by the last two months of the year.

All costs are being controlled by the elimination of outside hiring of equipment and parts, and efforts are being made to utilize our own parts and equipment more efficiently. Marked savings have been achieved in this area in the last two months. We continue to look to make cost savings and improvements by the use of in-house capabilities which include such areas as workshops and support.

Within the Properties and Facilities Division various activities were undertaken with the major ones being the completion of the Pride Centre and the Sarit Centre Sales Office. The China (Guangzhou), Dar es Salaam, Khartoum, Kigali and Maputo outstation offices have also been renovated.

As part of an IOSA safety requirement, an ultra-modern ground-to-air HF radio communication mast was also installed at the Mua Hills. At a cost of Kshs.84 million, the new mast is capable of reaching aircraft at a radius of 10,000 km and Kenya Airways flights are reachable and can be communicated with at all times from all locations both in the air and on the ground. This has greatly improved communication between ground and air both in terms of longer range and also in terms of the stability of voice radio calls and ensures that operational issues, which are communicated between the crew and OCC, are recorded. The system has greatly reduced the risks associated with a lack of adequate communication and has hence improved air safety.

Titus Naikuni
CEO



Aircraft maintenance at the hangar, KQ headquarters Embakasi

noted enhanced productivity following implementation of this initiative.

In the last financial year, the business felt it necessary for the offices of the Chief Pilot and the Director Flight Operations to be separated. The Chief Pilot's office is now responsible for the training and administration of pilots while the Director of Flight Operations oversees the operations for the entire department.

In October 2007, we received an additional two-year mandate on our IATA Operational Safety Audit (IOSA) certification. The IOSA certificate is now a Kenya Airways standard, which is adhered to on a daily basis in all our flight operations. An internal flight operations safety/quality audit division was set up and staffed with several auditors. These auditors are fully trained to conduct continuous assessments to ensure that we operate in accordance with IOSA standards.

In conjunction with the Lufthansa Consulting Group (LCG), we embarked on a project to streamline and improve the Operations Control Centre (OCC) and Hub Control Centre (HCC). Project implementation kicked off on 27th February 2008 with a targeted completion date of end of the calendar year 2008. The project is expected to improve the airline's efficiencies in departures, connectivity and communication thereby enhancing operational excellence in our people and systems for the benefit of our customers network wide.

Ground services

Safety

Our safety performance has recorded a substantial improvement compared to the last financial year and the number of accidents/incidents have reduced by half. IOSA re-certification was achieved with zero findings.

Operations at JKIA

Infrastructural constraints were eased by the acquisition of additional aircraft parking positions which became available in February 2008. To ferry our customers to and from these remote parking positions, the airline has



Kenya Airways Simba Lounge

purchased apron buses which will come into operation in July 2008. However, the shortage of check-in counters and departure gates have had a negative impact on our operations, aggravated by the lack of operational real-time information. To better cope with these limitations, a key project was started in February 2008 with the objective of introducing a Hub Control Centre and Hub Control System, which would enable us to deliver easily accessible operational real-time information to all staff at the airport and to provide IT supported processes for control/management and facilitate resources management.

Cargo Operations

After recording steady growth over the last five years, our cargo volumes recorded a decline in 2007. This is attributed to 2007 being an election year. Our peak season (starting in September) registered relatively low volumes. The situation was aggravated by the events of January and February 2008 as a result of which our customer airlines reduced their frequencies or cancelled their flights altogether. During the last half of the year, we had embarked on a business recovery plan which involved more aggressive marketing and review of our business tariff. However, the results were dampened by these setbacks. As the business recovers, we expect to see the benefits of these initiatives in the financial year 2008/09.

Service Delivery

Kenya Airways defined new key performance indicators which are exclusively focussed on customer expectations. Most service level standards now centre on reducing waiting times for check-in, baggage delivery and cargo delivery and these are measured on a daily basis. The set targets are ambitious and have not as yet been achieved. We embarked on 4 key projects to achieve our targets even during peak hours.

In August 2007 we introduced the Outstation Management Organization to monitor quality and service delivery at all our airports abroad. Conceptual work, target setting, improved communication and enhanced support from homebase have resulted in continuous improvements in operational and service delivery performance.

Security

Threat and risk assessment were continuously conducted at all airports of operation. Quality assurance was monitored through periodic and event-driven audits of our stations network-wide. The implementation of enhanced measures to curb incidents with baggage have led to a marked decline in baggage interference.

Technical

The year was marked by strong emphasis on training to strengthen the capabilities of the staff of our growing airline. The training is covered in two parts - aircraft

Reliability of IT Networks

Improvements from investments in the airline's IT network, especially in Kenya, have continued. These have been in the form of improved tools and more redundancy to reduce system unavailability. The greater utilization of internet-based connectivity for redundancy in our network and for our smaller offices has also led to reduction in unit network costs.

JKIA IT improvements

Improvements made in the JKIA IT systems include:

- Replacement of old check-in equipment in Unit 3 with more modern equipment. This has reduced downtimes and offers more system access for convenience of the check-in staff.
- Reduction of exposure to frequent power cuts at JKIA by investing in more generator and UPS support for the various IT systems utilized in many areas of the airport.
- Building of more redundancy into connecting to host reservations and check-in systems in Europe so as to reduce check-in inconveniences to passengers due to system unavailability.
- Deployment of the Automated Boarding Control technology at JKIA boarding gates which automatically transfers information contained on the magnetic stripe on a boarding pass directly into the departure control system at the boarding gates. This should speed up the process of boarding our passengers through the gates, especially when there are check-in delays or congestion.
- Deployment of Flight Information Display Screens (FIDS) at JKIA. These screens at check-in, boarding gates and transfer desk assist customers in quickly finding out which gates their flights are departing from and their flight departure status without having to look for KQ staff or queue in long lines to get this information.

Improved Management Information (Business Intelligence Systems)

Typically, airlines have a large number of information systems spread across different functional areas and it is not always possible to eliminate the many systems due to the major differences in operation of the different areas. Management, however, needs the data from the many systems to be consolidated into reports and analytics in a timely and ongoing manner which takes much time and effort. To improve on the production and timeliness of standard reporting and analytics, the airline has invested in Business Intelligence solutions which automate the process and make it more timely and efficient. A number of areas and management layers are already benefiting from this.

Staff Medical Management System

A new information system was implemented to better manage the medical care of staff and their dependents at

the company-provided clinics. This system has led to the automation of our medical records thus saving time and space while further minimizing the likelihood of error and data loss. The system has also speeded up patient flow thereby reducing the time that staff and their dependents spend waiting for treatment. A stock management module has enabled both our Supply Chain and the Medical team to keep accurate drug records and ensure that the right drugs are stocked in the right quantities.

Integrated System for HR, Supply Chain and Finance

During the second half of 07/8, the airline embarked on the implementation of a new integrated system in some of its key service departments. The system went live at the beginning of April 2008, and many new internal efficiencies will be realized during the 2008/9 financial year. Previously, the airline used different systems from different vendors for its HR, Supply Chain and Finance operations. Now with the new integrated system - Oracle E-Business Suite - there is no further need to re-enter data manually from one department or system to another which previously led to huge challenges in terms of effort and accuracy. These will be greatly minimized leading to the enhancement of our requisition-procure-pay procedure. Many self-service processes for staff and managers have also been introduced which will greatly enhance our internal efficiencies.

In 2008/9, the airline plans to extend the same Oracle E-Business Suite system to Ground Support equipment management, facility and property management. In the following year, 2009/10, it will be used for Customer Relationship management.

Flight operations

The main focus for the year just ended was the streamlining of the Flight Operations Department. The year saw the airline achieve the targeted headcount for Cabin crew who now total 835. The same was not realised for the pilots but recruitment is still on going to ensure that we are at the full complement of 346 by the end of this financial year.

We continued to recruit Ab-initio pilots within the year as part of our preparations for the delivery of the B787 Dreamliners in 2012. These Ab-initio pilots are expected to pay back 100% of the monies spent after successful completion of their training in 18 months.

There was recurrent and transition training for pilots within the year to fulfil regulatory requirements. Subsequently, pilots who do not make the grade are requested to leave the company. This is because we do not compromise on the training standards of our crew. To save on training and operational costs, we chose to employ "wet training" for our pilots. Under wet training, third party institutions are contracted to carry out the training while we continue to test the crew. We have

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

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

Board of Directors

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

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

Committees of the Board

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

Audit and Risk Management Committee

The Board has constituted an Audit and Risk Management Committee which meets four times a year or as necessary. Its membership comprises Mr. Dinesh Kapila (Chairman), Mr. Joseph K. Kinyua, Mr. Micah Cheserem and Mr. Jos Veenstra. Its responsibilities include review of the integrity of the financial statements and formal announcements relating to the group's financial performance, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The external and

internal auditors, the Group Managing Director and the Group Finance Director attend all meetings of the committee. Other service line Directors attend as required to brief the committee.

Staff and Remuneration Committee

There is a Staff and Remuneration Committee of the Board. Its membership comprises Mr. Dennis Afande (Chairman), Mr. Ron Schipper Mr. Ayisi Makatiani and Dr. Gerrishon Ikiara who has been replaced by Eng Abdulrazaq Adan Ali. The Committee meets quarterly or as required. The Committee is responsible for monitoring and appraising the performance of senior management, including the Group Managing Director, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non executive Directors. The Group Managing Director and the Director of Human Resources attend all meetings of the Committee.

Nominations Committee

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

Internal Controls

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

Page		Year	KQ Annual Report & Accounts
44	Corporate Governance	2007 / 08	

are held by executive management to monitor performance and to agree on measures for improvement.

Code of Ethics

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

Communication with Shareholders

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

Periodically there are press releases announcing other major company developments which could be considered

price sensitive information. In this regard, the company also complies with the continuing listing obligations of the Capital Markets Authorities and Stock Exchanges applicable in Kenya, Uganda and Tanzania.

Directors Emoluments and loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2007/08 are disclosed in the note to the financial statements. Neither at the end of the financial year, nor at any time during the year was there any arrangement to which the company is a party, whereby Directors might acquire benefits by means of the acquisition of the company's shares.

There were no Directors loans at any time during the year. Directors' interests in the share of the company, the distribution of the company's shareholding and analysis of the ten largest shareholders as at 31st March 2008 were as follows:-

Directors' Interests	
Name of Director	Number of Shares
Permanent Secretary to the Treasury	106, 171, 561
Evanson Mwaniki	10,090
Micah Cheserem	10,000
Dinesh Kapila	4,036



Name	Length of Service	Job Designation	Comments
Milicent Ndula "Mama Ndula"	31 Years	Revenue Management	I saw KQ being born on 1st march 1977 and I'm privileged to have seen it grow from a small baby to a big boy now playing in the big league. I'm honoured to be working for the Pride of Africa.

Shareholding as at 31st March 2008

SUMMARY OF SHARE HOLDERS

CATEGORY	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES ISSUED
Kenyan Individuals	70,546	108,739,393	23.56%
Kenyan Institutions	3,469	196,382,497	42.54%
East African Individuals	66	205,273	0.04%
East African Institutions	8	672,248	0.15%
Foreign Individuals	431	3,398,065	0.74%
Foreign Institutions	31	152,218,007	32.98%
Total	74,551	461,615,483	100%

Largest 10 Shareholders as at 31st March 2008

Account Number	Name of Shareholder	Number of Shares	% of issued Capital
500002	KLM-Konink Lijke Luchtvaart	120,020,026	26.00%
500001	Permanent Secretary To The Treasury	106,171,561	23.00%
5544157	Stanbic Nominees Kenya Ltd A/C NR70001	11,565,000	2.51%
120812	Mansukhlal Khetshi Shah	6,515,378	1.41%
604	Paul Wanderi Ndungu	5,877,544	1.27%
855723	Barclays (Kenya) Nominees Limited a/c 9318	4,715,917	1.02%
133914	Apa Insurance Limited	4,342,492	0.94%
12068	Kenya Commercial Bank Nominees Ltd A/C 769G	4,026,200	0.87%
1651	Barclays (Kenya) Nominees A/c 1853	3,890,331	0.84%
380881	Khetshi Dharamshi And Company	3,289,371	0.71%
SUBTOTAL		270,413,820	58.58%
OTHER SHARES - 74541		191,201,663	41.42%
SHARES ISSUED		461,615,483	100.00%
HOLDERS		74,551	

DISTRIBUTION OF SHAREHOLDERS

	No. of Shareholders	Number of Shares	% of issued Capital
SHARES			
Less than 500	35,528	14,250,662	3.09%
501 to 5,000	36,378	48,871,524	10.59%
5,001- 10,000	1,219	8,970,710	1.94%
10,001 - 100,000	1,207	34,469,069	7.47%
100,001 - 1,000,000	193	55,720,813	12.07%
Above 1,000,000	26	299,332,705	64.84%
TOTALS	74,551	461,615,483	100.00%

Three Year Summary of Financial Highlights

Financial Highlights

The Group	2008		2007		2006	
	KShs. Million	USD Million	KShs. Million	USD Million	KShs. Million	USD Million
Turnover						
Passenger	51,642	764.6	50,447	701.0	45,266	602.9
Freight & Mail	5,395	79.9	5,756	80.0	5,453	72.6
Handling	1,052	15.6	1,139	15.8	1,171	15.6
Other	2,382	35.2	1,450	20.2	914	12.2
Total	60,471	895.3	58,792	817.0	52,804	703.3
Direct Expenditure	(43,924)	(650.3)	(41,335)	(574.4)	(35,452)	(472.2)
Overheads	(9,968)	(147.6)	(9,818)	(136.4)	(9,496)	(126.5)
Other Income	54	0.8	71	1.0	427	5.7
Operating Profit	6,633	98.2	7,710	107.2	8,283	110.3
Operating Margin%	11.0%		13.1%		15.7%	
Net Financial Expenses	(1,129)	(16.7)	(1,145)	(15.9)	(1,219)	(16.2)
Foreign exchange gain/(loss)	(56)	(0.8)	(775)	(10.8)	(191)	(2.6)
Share of Associate	65	0.9	185	2.5	87	1.2
Profit before tax & minority	5,513	81.6	5,975	83.0	6,960	92.7
Taxation	(1,644)	(24.3)	(1,877)	(26.1)	(2,131)	(28.4)
Minority Interest				0		0
Profit for the year	3,869	57.3	4,098	56.9	4,829	64.3
Profit after Tax margin%	6.4%		7.0%		9.1%	
Dividends	808	12.0	808	11.2	808	10.8

Operating Statistics

	2008	2007	2006
Passengers	2,762,049	2,601,350	2,386,253
RPK's (Millions)	7,724	7,479	6,635
ASK's (Millions)	10,973	10,169	8,945
Passenger Load Factor (%)	70.4	73.6%	74.2%
Cargo Tonnes	62,596	60,932	55,093
Pax yield per RPK (Usc)	8.23	7.96	7.93
Employees			
Airline	2,975	2,862	2,408
Group	4,267	4,154	3,599
Aircraft in Service at Year End			
Boeing 777-200	4	4	3
Boeing 767-300	6	6	5
Boeing 737-800	2	3	0
Boeing 737-700	4	4	4
Boeing 737-300	4	4	4
Boeing 737-200	0	0	3
Embraer 170	2	0	0
SAAB 340	2	2	2
Total	24	23	21

Directors and Professional Advisors

EXECUTIVE DIRECTORS

T T Naikuni	-	Managing Director
R N Canty	-	Group Finance Director

NON EXECUTIVE DIRECTORS

Evanston Mwaniki	-	Chairman
H. A. Essenberg	-	Resigned 28 September 2007
R Schipper	-	Appointed 28 September 2007
D. Kapila		
M. Cheserem		
Dr G. K. Ikiara	-	Resigned 29 May 2008
Eng Abdulrazag Adan Ali	-	Appointed 29 May 2008
J. Kinyua		
D. D. Afande		
P. F. Hartman		
Ayisi Makatiani		
Jos Veenstra	-	Alternate to R Schipper and P F Hartman



SECRETARY

Fiona Fox
Chunga Associates
P O Box 41968, 00100
Nairobi

AUDITORS

Deloitte & Touche
Certified Public
Accountants (Kenya)
"Kirungii", Ring Road,
Westlands
P.O. Box 40092, 00100
Nairobi
Kenya

REGISTERED OFFICE

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

PRINCIPAL BANKERS

Barclays Bank
of Kenya Limited
Barclays Plaza
P.O. Box 30120, 00100
Nairobi
Kenya

REGISTRARS

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

Citibank N A
P.O. Box 30711, 00100
Nairobi
Kenya



The directors present their report together with the audited group financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

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

The Group operates domestic flights and flies to 41 destinations in Africa, Middle East, Asia and Europe.

At 31 March 2008, the Group had 24 aircraft in operation, either owned or on operating leases. These comprised four Boeing 777 wide body jets, six Boeing 767 wide body jets, ten 737 narrow body jets, two Embraer 170 regional jets and two SAAB 340B turboprops.

RESULTS

	KShs million
Group profit before taxation	5,513
Taxation	(1,644)
Profit for the year transferred to revenue reserve	3,869

DIVIDENDS

The directors recommend the payment of a dividend of KShs 1.75 per share (2007 - KShs 1.75 per share) in respect of the financial year.

DIRECTORS

The Board of Directors is shown on page 48.

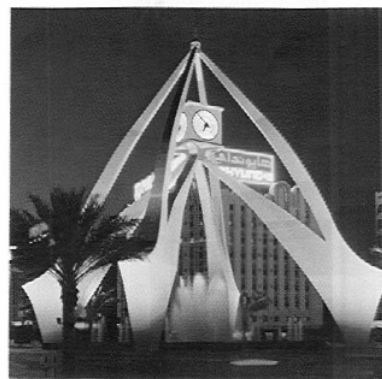
Henny Essenberg retired as a director on 28 September 2007 and was replaced by Ron Schipper on the same date. Jos Veenstra retired as an alternate director to Henny Essenberg on 28 September 2007 and was appointed alternate director to Ron Schipper on the same date. Dr. G. K. Ikiara resigned 29 May 2008 and Eng. Abdulrazaq Adan Ali was appointed on the same date.

AUDITORS

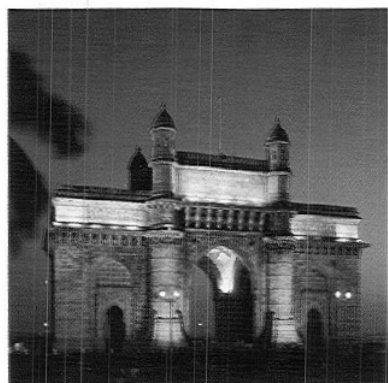
Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of section 159 (2) of the Companies Act (Cap 486).

BY ORDER OF THE BOARD

Secretary
Nairobi
29th May 2008



Statement of Director's Responsibility



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

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

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

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

Evanson Mwaniki

Director

29th May 2008

Titus Naikuni

Director

29th May 2008

We have audited the financial statements of Kenya Airways Limited and its subsidiaries set out on pages 52 to 90 which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, consolidated and company statements of changes in equity and consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the

financial statements are free from material misstatement.

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

We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion:

- (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
- (b) the financial statements give a true and fair view of the state of affairs of the company and of the Group at 31 March 2008 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

Deloitte.

Nairobi

29th May 2008

Page	Consolidated Income Statement	Year	KQ Annual Report & Accounts
52		2007 / 08	

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 KShs million	2007 KShs million
Turnover	4	60,471	58,792
Direct Costs	5(a)	(43,924)	(41,335)
Gross Profit		16,547	17,457
Other Income		54	71
Overheads	5(b)	(9,968)	(9,818)
Share Of Results Of Associated Company	15(b)	65	185
Finance Costs - Net	7	(1,185)	(1,920)
Profit Before Taxation		5,513	5,975
Taxation Charge	8(a)	(1,644)	(1,877)
Profit For The Year	9	3,869	4,098
		Kshs	Kshs
Earnings Per Share - Basic And Diluted	10	8.37	8.87
Dividend Per Share	11	1.75	1.75

Consolidated Balance Sheet

31 MARCH 2008

	Notes	2008 KShs million	2007 KShs million
ASSETS			
Non current assets			
Property, plant and equipment	12(a)	52,518	54,106
Intangible assets	13	301	248
Prepaid operating lease rentals	14	116	118
Investment in associated company	15(b)	387	322
Deferred expenditure	16	146	84
Aircraft deposits	17	1,879	2,106
		55,347	56,984
Current assets			
Inventories	18	1,258	962
Trade and other receivables	19	7,221	6,477
Due from related companies	30(b)	-	41
Taxation recoverable	8(c)	712	639
Held to maturity investments	20	7,747	2,407
Deposits with financial institutions	21(a)	2,878	6,394
Bank and cash balances	21(b)	1,617	3,383
		21,433	20,303
TOTAL ASSETS		76,780	77,287
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	2,308	2,308
Revenue reserve		20,251	17,190
Hedge reserve		3,314	2,142
Shareholders' funds		25,873	21,640
Non-current liabilities			
Borrowings	23(b)	25,190	31,287
Deferred tax liability - net	24	9,191	7,210
Deferred income	28	2,413	2,587
		36,794	41,084
Current liabilities			
Sales in advance of carriage	25	4,640	4,156
Trade and other payables	26	5,344	6,299
Accruals for staff leave entitlements	27	738	530
Deferred income	28	174	174
Unclaimed dividends	11	40	40
Taxation payable	8(c)	-	18
Borrowings	23(b)	3,177	3,346
		14,113	14,563
		76,780	77,287

The financial statements on pages 52 to 90 were approved by the Board of Directors on 29th May 2008 and were signed on its behalf by:

Evanson Mwaniki
Director

Titus Naikuni
Director

Company Balance Sheet

Year

KQ Annual Report & Accounts

2007 / 08

31 MARCH 2008

	Notes	2008 KShs million	2007 KShs million
ASSETS			
Non current assets			
Property, plant and equipment	12 (b)	51,879	53,404
Intangible assets	13	301	248
Prepaid operating lease rentals	14	115	117
Investment in subsidiaries	15(a)	403	403
Investment in associated company	15(b)	155	155
Deferred expenditure	16	146	84
Aircraft deposits	17	1,874	2,101
		54,873	56,512
Current assets			
Inventories	18	1,220	930
Trade and other receivables	19	7,138	6,389
Due from related companies	30(b)	2,167	1,912
Taxation recoverable	8(c)	634	622
Held to maturity investments	20	7,747	2,407
Deposits with financial institutions	21(a)	2,878	6,394
Bank and cash balances	21(b)	1,591	3,332
		23,375	21,986
TOTAL ASSETS		78,248	78,498
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	2,308	2,308
Revenue reserve		18,833	16,040
Hedge reserve		3,314	2,142
Shareholders' funds		24,455	20,490
Non-current liabilities			
Borrowings	23(b)	25,190	31,287
Deferred tax liability - net	24	9,236	7,261
Deferred income	28	2,413	2,587
		36,839	41,135
Current liabilities			
Sales in advance of carriage	25	4,640	4,156
Trade and other payables	26	5,249	6,190
Accruals for staff leave entitlements	27	728	522
Deferred income	28	174	174
Unclaimed dividends	11	40	40
Due to related companies	30(b)	2,946	2,445
Borrowings	23(b)	3,177	3,346
		16,954	16,873
		78,248	78,498

The financial statements on pages 52 to 90 were approved by the Board of Directors on 29th May 2008 and were signed on its behalf by:

Evanson Mwaniki
Director

Titus Naikuni
Director

FOR THE YEAR ENDED 31 MARCH 2008

	Share capital KShs' million	Revenue reserve KShs' million	Hedge reserve KShs' million	Total KShs' million
At 1 April 2006	2,308	13,900	1,049	17,257
Hedged exchange differences on loans	-	-	1,875	1,875
Exchange differences realised on settlement of loans	-	-	(314)	(314)
Deferred taxation on hedged exchange differences	-	-	(468)	(468)
Profit for the year	-	4,098	-	4,098
Dividends paid in respect of year 2006	-	(808)	-	(808)
At 31 March 2007	2,308	17,190	2,142	21,640
At 1 April 2007	2,308	17,190	2,142	21,640
Hedged exchange differences on loans	-	-	2,796	2,796
Exchange differences attributable to hedged monetary assets	-	-	(918)	(918)
Exchange differences realised on settlement of loans	-	-	(203)	(203)
Deferred taxation on hedged exchange differences	-	-	(503)	(503)
Profit for the year	-	3,869	-	3,869
Dividends paid in respect of year 2007	-	(808)	-	(808)
At 31 March 2008	2,308	20,251	3,314	25,873

1 Accounting Policies

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year except as stated below:

Adoption of new and revised international financial reporting standards

At the date of authorisation of these financial statements, the following Standards and Interpretations had become effective for the first time and have been adopted by the group where relevant to its operations. The comparative figures have been restated as required in accordance with the relevant requirements.

- IFRS 7 on Financial Instruments Disclosures; this standard introduces new qualitative and quantitative disclosure requirements about exposure to risks arising from financial instruments. Minimum disclosures on credit, market and liquidity risk have been defined.
- IAS 1 Amendment - Capital Disclosures - defines minimum disclosure requirements about the level of Capital and management thereof.
- Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC 10 Interim Financial Reporting and Impairment; and IFRIC 11 Group and treasury share transactions. The adoption of these interpretations has not led to any changes in the group's accounting policies.

At the date of authorisation of these financial statements, the following standards and interpretations were in use but not yet effective:

- IFRS 8 on Operating Segments (effective 1 January 2009)
- IAS 23 (Revised) Borrowing Costs (effective 1 January 2009)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)

The adoption of these standards and interpretations, when effective, will have no impact on the financial statements of the group.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess/(deficiency) of the cost of acquisition over/(below) the fair value of the identifiable net assets acquired is recognised as goodwill or negative goodwill respectively. The interests of the minority shareholders are stated at the minority's proportion of the fair value of the assets and liabilities recognised.

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

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation. A listing of the subsidiaries in the group is provided in note 15.

(b) Interests in associated companies

An associated company is an enterprise over which the company is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee enterprise.

The results and assets and liabilities of associates are incorporated in the Group financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

FOR THE YEAR ENDED 31 MARCH 2008

	Share capital KShs' million	Revenue reserve KShs' million	Hedge reserve KShs' million	Total KShs' million
At 1 April 2006	2,308	13,900	1,049	17,257
Hedged exchange differences on loans	-	-	1,875	1,875
Exchange differences realised on settlement of loans	-	-	(314)	(314)
Deferred taxation on hedged exchange differences	-	-	(468)	(468)
Profit for the year	-	4,098	-	4,098
Dividends paid in respect of year 2006	-	(808)	-	(808)
At 31 March 2007	2,308	17,190	2,142	21,640
At 1 April 2007	2,308	17,190	2,142	21,640
Hedged exchange differences on loans	-	-	2,796	2,796
Exchange differences attributable to hedged monetary assets	-	-	(918)	(918)
Exchange differences realised on settlement of loans	-	-	(203)	(203)
Deferred taxation on hedged exchange differences	-	-	(503)	(503)
Profit for the year	-	3,869	-	3,869
Dividends paid in respect of year 2007	-	(808)	-	(808)
At 31 March 2008	2,308	20,251	3,314	25,873

Company Statement of Changes In Equity

Year

2007 / 08

KQ Annual Report & Accounts

FOR THE YEAR ENDED 31 MARCH 2008

	Share capital KShs' million	Revenue reserve KShs' million	Hedge reserve KShs' million	Total KShs' million
At 1 April 2006	2,308	13,223	1,049	16,580
Hedged exchange differences on loans	-	-	1,875	1,875
Exchange differences realised on settlement of loans	-	-	(314)	(314)
Deferred taxation on hedged exchange differences	-	-	(468)	(468)
Profit for the year	-	3,625	-	3,625
Dividends paid in respect of year 2006	-	(808)	-	(808)
At 31 March 2007	2,308	16,040	2,142	20,490
At 1 April 2007	2,308	16,040	2,142	20,490
Hedged exchange differences on loans	-	-	2,796	2,796
Exchange differences attributable to hedged monetary assets	-	-	(918)	(918)
Exchange differences realised on settlement of loans	-	-	(203)	(203)
Deferred taxation on hedged exchange differences	-	-	(503)	(503)
Profit for the year	-	3,601	-	3,601
Dividends paid in respect of year 2007	-	(808)	-	(808)
At 31 March 2008	2,308	18,833	3,314	24,455

31 MARCH 2008

	Notes	2008 KShs million	2007 KShs million
OPERATING ACTIVITIES			
Cash generated from operations	29(a)	6,907	7,561
Taxation paid	8(c)	(257)	(212)
Net cash generated from operating activities		6,650	7,349
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12(a)	(1,896)	(10,831)
Purchase of intangible assets	13	(126)	-
Deferred expenditure	16	(208)	(84)
Deposit refunds received	17	-	5,105
Deposits paid for aircraft purchases	17	(98)	(3,338)
Additional aircraft subsidy received	28	-	55
Proceeds of disposal of property and equipment		14	11
Net cash used in investing activities		(2,314)	(9,082)
FINANCING ACTIVITIES			
Dividends paid	11	(808)	(808)
Proceeds of long term borrowing	23	-	7,807
Repayment of long term borrowings	23	(3,470)	(4,226)
Investment in held to maturity investments		(5,340)	(2,407)
Investment in short term deposits maturing over 90 days		(1,812)	-
Net cash (used in)/generated from financing activities		(11,430)	366
Decrease in cash and cash equivalents		(7,094)	(1,367)
Cash and cash equivalents at beginning of year		9,777	11,144
Cash and cash equivalents at end of year	29(b)	2,683	9,777

1 Accounting Policies

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year except as stated below:

Adoption of new and revised international financial reporting standards

At the date of authorisation of these financial statements, the following Standards and Interpretations had become effective for the first time and have been adopted by the group where relevant to its operations. The comparative figures have been restated as required in accordance with the relevant requirements.

- IFRS 7 on Financial Instruments Disclosures; this standard introduces new qualitative and quantitative disclosure requirements about exposure to risks arising from financial instruments. Minimum disclosures on credit, market and liquidity risk have been defined.
- IAS 1 Amendment - Capital Disclosures - defines minimum disclosure requirements about the level of Capital and management thereof.
- Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC 10 Interim Financial Reporting and Impairment; and IFRIC 11 Group and treasury share transactions. The adoption of these interpretations has not led to any changes in the group's accounting policies.

At the date of authorisation of these financial statements, the following standards and interpretations were in use but not yet effective:

- IFRS 8 on Operating Segments (effective 1 January 2009)
- IAS 23 (Revised) Borrowing Costs (effective 1 January 2009)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)

The adoption of these standards and interpretations, when effective, will have no impact on the financial statements of the group.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess/(deficiency) of the cost of acquisition over/(below) the fair value of the identifiable net assets acquired is recognised as goodwill or negative goodwill respectively. The interests of the minority shareholders are stated at the minority's proportion of the fair value of the assets and liabilities recognised.

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

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation. A listing of the subsidiaries in the group is provided in note 15.

(b) Interests in associated companies

An associated company is an enterprise over which the company is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee enterprise.

The results and assets and liabilities of associates are incorporated in the Group financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or a jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and carried in the balance sheet. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units. An impairment loss is recognised when the carrying amount of the cash generating unit exceeds its recoverable amount.

Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

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

(d) Revenue recognition

Passenger ticket sales and 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 balance sheet date 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.

(e) Leases

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

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

Rentals payable under operating leases are charged to the income statement on the straight line basis over the term of the lease.

(f) Foreign currencies

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

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, this being assets that necessarily take a

Notes to The Financial Statements (Continued)

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 or sale. Investment income earned on the temporary investment of specific borrowings pending the disbursement of the proceeds towards expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(h) Employee entitlements

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

(i) Retirement benefits costs

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

The group's obligations to the staff retirement benefit plans are charged to the income statement as they fall due.

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or

substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and the liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit, and is accounted for using the balance sheet liability method.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

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

(k) Intangible assets - computer software costs

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight line basis over the estimated

useful lives not exceeding a period of 5 years.

(l) Property, plant and equipment

Properties held for use in the production or supply of goods and services, or for administrative purposes or for the purposes not yet determined and properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets borrowing costs capitalised in accordance with the group's accounting policy. Freehold land is not depreciated as it is deemed to have an infinite life. Depreciation on other property is charged so as to write off the cost of the assets, other than properties under construction, over their estimated useful lives, using the straight line method. Depreciation on assets under construction commences when the assets are ready for their intended use. Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

(m) Depreciation

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

<i>Aircraft</i>	%
Boeing 777, 737-300 & 737-700	5.56
SAAB-340B	10.00
<i>Vehicles and equipment</i>	
Ground service equipment	25.00
Motor vehicles	25.00
Communication assets	12.50
Other assets	20-30

Leasehold improvements and buildings are depreciated over the terms of the related leases. Aircraft spare engines and simulator are depreciated over the lives of the aircraft to which they relate. The other components of an aircraft that have differing economic lives are depreciated over their respective economic lives.

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

(n) Impairment

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible

assets to determine whether there is any indication that those assets have suffered an impairment loss. Impairment loss occurs where the asset is carried in the books at more than its recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amounts to be recovered through use or sale of the asset. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generated unit to which the asset belongs.

The recoverable amount represents the greater of the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of issues are calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of disposal.

Notes to The Financial Statements (Continued)

(p) Financial instruments

A financial asset or liability is recognised when the company becomes party to the contractual provisions of the instrument.

The company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading.

ii) *Available-for-sale financial assets*

This represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans, advances and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, advances and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in

equity is recognised in the income statement. Dividends receivable in respect of available-for-sale equity instruments are recognised in the income statement when the group's right to receive payment is established.

Fair values of investments quoted in active markets are based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

iii) *Loans, advances and receivables*

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when a company within the group provides money, goods or services directly to a debtor with no intention of trading the receivable.

iv) *Held to maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs, other than an insignificant amount of held-to-maturity assets, the entire category would be deemed to be available for sale.

v) *Trade receivables*

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

vi) *Trade payables*

Trade payables are stated at their nominal value.

vii) *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issues costs, are recognised to the income statement on the accruals basis using the effective interest method and are added to the carrying

amount of the instrument to the extent that they are not settled in the period in which they arise.

viii) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

ix) Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value including transaction costs and subsequently re-measured at their fair value. Derivatives are designated either as a hedge of the fair value of a recognised asset or liability or of a firm commitment (fair value hedge) or as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The group's criteria to account for a derivative financial instrument as a hedge include:

- Formal documentation of the hedging instruments, hedged items, hedging objective, strategy and basis of measuring effectiveness, all of which are prepared prior to applying hedge accounting ; and
- Documentation showing that the hedge effectiveness is assessed on an ongoing basis and is determined to have been highly effective in offsetting the risk of the hedged item throughout the reporting period.

In relation to fair value hedges which meet the conditions for hedge accounting, any gains or losses on the hedged item attributable to the hedged risk are adjusted against the carrying amount of the hedged item and recognised against income.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in the hedging reserve in equity. When the forecasted transaction results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and recognised in profit or loss in the same period during which the asset or liability affects profit or loss. In all other cases, amounts

deferred in equity are transferred to the income statement in the period during which the forecasted transaction affects the income statement.

The group designates US dollar (USD) borrowings as cash flow hedges of future revenue streams (USD ticket sales). The portion of the exchange gains or losses on the borrowings that is determined to be an effective hedge is recognised directly in equity (hedging reserve) until the revenues occur. Hedge effectiveness is measured based on the extent to which the USD ticket sales for each time bracket exceeds the scheduled loan repayments (principal and interest) in that period. Should the hedge be determined to be ineffective, the exchange gains or losses arising from translation of the borrowings are taken to the income statement.

The net hedging position is determined as a function of the group's aggregate USD denominated aircraft funding liabilities after taking into account the USD equivalent of the net foreign currency denominated monetary assets.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

(q) Leasehold land

Payments to acquire leasehold interests in land are treated as prepaid lease rentals and amortised over the term of the lease.

(r) Provisions

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

(s) Manufacturers' credits (subsidies)

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

Notes to The Financial Statements (Continued)

(t) Frequent flyer programmes

Kenya Airways is currently hosted on KLM Royal Dutch Airline's frequent flyer programme previously known as Flying Dutchman, which was a few years ago merged with Air France's frequent flyer programme and is now called Flying Blue. Under the Flying Blue programme, members earn miles by using both airline and non-airline partners. Kenya Airways is required to pay 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 earns revenue as miles are redeemed on its services.

(u) Comparatives

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

2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the group accounting policies.

In the process of applying the group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial years. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical areas of accounting estimates and judgements in relation to the preparation of these financial statements are as set out below:

Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could make an impairment review necessary include the following:

(a) Significant decline in the market value beyond that

which would be expected from the passage of time and normal use.

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

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

Unused ticket revenue

Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. Other revenue is recognised at the time the service is provided.

Property and equipment

Critical estimates are made by directors in determining the useful lives and residual values of property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

3 Segmental Information

(a) Primary segment information - Geographical segments

The major part of the business of the group falls under the category of aviation transport with other income comprising less than 1% of total income. Geographical segments are therefore considered to be the primary segments.

Turnover

The analysis of turnover by geographical segments is based on the following criteria:

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

	2008	2007
	KShs' million	KShs' million

Geographical analysis of turnover

Kenya	5,334	5,399
Africa, excluding Kenya	25,534	24,361
Middle East and Asia	11,994	10,485
Europe	17,609	18,547
	<u>60,471</u>	<u>58,792</u>

Geographical analysis of profit before taxation

Kenya	603	848
Africa, excluding Kenya	2,695	2,665
Middle East and Asia	1,052	939
Europe	1,163	1,523
	<u>5,513</u>	<u>5,975</u>

*Net assets**Geographical analysis of net assets:*

The major revenue-earning assets of the group comprise the aircraft fleet, all of which are registered in Kenya. Since the group's aircraft fleet are employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to the geographical segments.

3 Segmental Information (Continued)

(b) Secondary segment information - Business segments

	2008	GROUP 2007
	KShs million	KShs million
Passengers	51,642	50,447
Freight and mail	5,395	5,756
Handling	1,052	1,139
Others	2,382	1,450
	<u>60,471</u>	<u>58,792</u>

Analysis of profit before taxation per business segments

Passengers	4,576	5,079
Freight, mail and others	937	896
	<u>5,513</u>	<u>5,975</u>

Analysis of net assets per business segments

Passengers	22,321	18,560
Freight, mail and others	3,552	3,080
	<u>25,873</u>	<u>21,640</u>

4 Turnover

Passengers	51,642	50,447
Freight and mail	5,395	5,756
Handling	1,052	1,139
Others	2,382	1,450
	<u>60,471</u>	<u>58,792</u>

5 Analysis Of Operating Expenditure

(a) Direct costs

	GROUP	
	2008 KShs million	2007 KShs million
Aircraft fuel and oil	15,623	15,887
Hire of aircraft and engines	4,514	3,643
Aircraft landing, handling and navigation	6,312	5,955
Aircraft maintenance	3,884	3,383
Passenger services	3,433	3,108
Commissions on sales	2,799	2,560
Aircraft, passenger and cargo insurance	390	367
Depreciation on aircraft, engines and ground service equipment	2,747	2,735
Depreciation on rotables and other equipment	155	137
Amortisation of refurbishment costs	146	-
Crew route expenses	1,552	1,493
Central reservation system (net) and frequent flyer programme	1,838	1,524
Aircraft purchase subsidy	(174)	(169)
Others	705	712
	43,924	41,335

(b) Overheads

Administration

Employee costs (note 5(c))	7,094	6,039
Legal and professional fees	219	160
Directors remuneration	88	79
Audit fees	10	10
General expenses*	637	1,781
	8,048	8,069

Establishment

General maintenance and supplies	789	683
Depreciation of buildings and vehicles	561	574
	1,350	1,257

Selling

Advertising and publicity	538	519
Bad debts expense/(recovery)	32	(27)
	570	492
Total overheads	9,968	9,818

* The current year general expenses include a write back of KShs 1.14 billion relating to a provision for a liability that was recognised in the financial year ended 31 March 2006. The provision was in relation to the court case filed by former employees where the initial judgement was in favour of the employees. However, a subsequent judgement was issued in favour of the company hence the write back.

Notes to The Financial Statements (Continued)

5 Analysis Of Operating Expenditure (Continued)

(c) Employee costs and numbers

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

	GROUP	
	2008	2007
	KShs million	KShs million
<i>Costs</i>		
Wages and salaries	5,394	4,450
Contributions to retirement benefits scheme	334	257
Others	1,366	1,332
	<u>7,094</u>	<u>6,039</u>

	GROUP	
	2008	2007
<i>Numbers</i>		
Kenya	3,825	3,729
Overseas	442	425
	<u>4,267</u>	<u>4,154</u>

6 Profit Before Taxation

	GROUP	
	2008	2007
	KShs million	KShs million
The profit before taxation is arrived at after charging:		
Depreciation (Note 12)	3,388	3,375
Amortisation (Notes 13, 14 & 16)	221	97
Auditors' remuneration	10	10
Directors' remuneration:		
Fees	10	10
Other emoluments	78	69
Loss on disposal of property, plant and equipment	(82)	-
Employee costs (note 5(c))	<u>7,094</u>	<u>6,039</u>

and after crediting:

Aircraft purchase subsidy	174	169
Profit on disposal of property, plant and equipment	-	7

7 Finance Costs - Net

	GROUP	
	2008	2007
	KShs million	KShs million
Interest receivable	760	572
Interest payable on long term borrowings	(1,673)	(1,636)
Foreign currency loss - net	(56)	(775)
Other finance costs	(216)	(81)
Net finance costs	(1,185)	(1,920)

Finance income analysed by category
of financial assets is as follows:

Held to maturity investments	377	260
Loans and receivables (including short term deposits)	383	312
Total investment income	760	572

8 Taxation

	GROUP	
	2008	2007
	KShs million	KShs million
(a) Tax charge		
Taxation charge - current	166	128
- prior year overprovision	-	(24)
Total current taxation	166	104
Deferred tax charge - current	1,508	1,733
- prior year (overprovision)/underprovision	(30)	40
Total deferred tax charge (note 24)	1,478	1,773
Total taxation charge	1,644	1,877

8 Taxation (Continued)

(b) Reconciliation of tax charge to expected tax based on accounting profit

	2008 KShs' million	GROUP 2007 KShs' million	2008 KShs' million	COMPANY 2007 KShs' million
Accounting profit before taxation	5,513	5,975	5,152	5,563
Tax at applicable rate of 30%	1,654	1,793	1,546	1,669
Tax effect of expenses not deductible for tax	40	124	39	67
Tax effect of non taxable income	(20)	(56)	-	-
Prior year current tax overprovision	-	(24)	-	(24)
Prior year deferred tax (overprovision)/underprovision	(30)	40	(34)	42
Taxation charge	1,644	1,877	1,551	1,754

(c) Taxation recoverable

At beginning of year	(621)	(513)	(622)	(529)
Charge for the year	166	104	79	(24)
Paid during the year	(257)	(212)	(91)	(69)
At end of year	(712)	(621)	(634)	(622)
<i>Analysed:</i>				
Taxation recoverable	(712)	(639)	(634)	(622)
Taxation payable	-	18	-	-
Taxation recoverable	(712)	(621)	(634)	(622)

9 Profit Attributable To Shareholders

The profit attributable to shareholders dealt with in the financial statements of the company amounts to Kshs 3,601 million (2007- KShs 3,625 million).

10 Earnings Per Share

Basic earnings per share is arrived at by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, as shown below:

	GROUP	
	2008	2007
Profit attributable to Shareholders (KShs' million)	3,869	4,098
Weighted average number of ordinary Shares (million)	462	462
Basic earnings per share (KShs)	8.37	8.87

The basic and diluted earnings per share are the same as there were no potentially dilutive shares outstanding at 31 March 2008 nor at 31 March 2007.

11 Dividends

	2008 KShs million	2007 KShs million
Dividends - proposed	808	808
Dividend per share	KShs 1.75	KShs 1.75

In the current financial year, a dividend of KShs 1.75 per share amounting to KShs 808 million relating to the year ended 31 March 2007 was approved and paid.

In respect of the current financial year, the directors propose a final dividend of KShs 1.75 per ordinary share (totalling KShs 807,828,000). This proposal will be presented for formal approval at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

Dividend per share is arrived at by dividing the dividends payable by the number of shares in issue at the balance sheet date.

The movement in the dividend payable account is as follows:

	2008 KShs million	2007 KShs million
At beginning of year	40	40
Declared during the year	808	808
Paid during the year	(808)	(808)
At end of year	40	40

Notes to The Financial Statements (Continued)

Year

2007 / 08

KQ Annual Report & Accounts

12 Property, Plant And Equipment

(a) Group

	Freehold land and buildings KShs' million	Aircraft and engines KShs' million	Vehicles and ground service equipment KShs' million	Total KShs' million
COST				
At 1 April 2006	2,175	48,028	6,178	56,381
Additions	438	9,696	697	10,831
Disposals	-	(209)	(28)	(237)
At 31 March 2007	2,613	57,515	6,847	66,975
At 1 April 2007	2,613	57,515	6,847	66,975
Additions	116	460	1,320	1,896
Disposals	-	(249)	(22)	(271)
At 31 March 2008	2,729	57,726	8,145	68,600
DEPRECIATION				
At 1 April 2006	234	5,995	3,498	9,727
Charge for the year	46	2,735	594	3,375
Eliminated on disposal	-	(209)	(24)	(233)
At 31 March 2007	280	8,521	4,068	12,869
At 1 April 2007	280	8,521	4,068	12,869
Charge for the year	48	2,747	593	3,388
Eliminated on disposal	-	(153)	(22)	(175)
At 31 March 2008	328	11,115	4,639	16,082
NET BOOK VALUE				
At 31 March 2008	2,401	46,611	3,506	52,518
At 31 March 2007	2,333	48,994	2,779	54,106

The net book value of aircraft charged as security for loans obtained to finance the purchase of the aircraft is KShs 46,327 million (2007 - KShs 48,668 million) at end of the year.

The details of the outstanding loans are shown in note 23.

12 Property, Plant And Equipment

(b) Company

	Freehold land and buildings KShs' million	Aircraft and engines KShs' million	Vehicles and ground service equipment KShs' million	Total KShs' million
COST				
At 1 April 2006	1,645	47,244	5,177	54,066
Additions	438	9,691	697	10,826
Disposals	-	(209)	(28)	(237)
At 31 March 2007	2,083	56,726	5,846	64,655
At 1 April 2007	2,083	56,726	5,846	64,655
Additions	116	451	1,320	1,887
Disposals	-	(249)	(22)	(271)
Transfers from subsidiary companies	-	-	53	53
At 31 March 2008	2,199	56,928	7,197	66,324
DEPRECIATION				
At 1 April 2006	134	5,526	2,546	8,206
Charge for the year	33	2,686	559	3,278
Eliminated on disposal	-	(209)	(24)	(233)
At 31 March 2007	167	8,003	3,081	11,251
At 1 April 2007	167	8,003	3,081	11,251
Charge for the year	35	2,697	585	3,317
Eliminated on disposal	-	(153)	(22)	(175)
Transfers from subsidiary companies	-	-	52	52
At 31 March 2008	202	10,547	3,696	14,445
NET BOOK VALUE				
At 31 March 2008	1,997	46,381	3,501	51,879
At 31 March 2007	1,916	48,723	2,765	53,404

The net book value of aircraft charged as security for loans obtained to finance the purchase of the aircraft is KShs 46,327 million (2007 - KShs 48,668 million) at end of the year.

The details of the outstanding loans are shown in note 23.

13 Intangible Assets - Computer Software

	2008 KShs' million	GROUP 2007 KShs' million	2008 KShs' million	COMPANY 2007 KShs' million
COST				
At beginning of the year	540	540	506	506
Additions for the year	126	-	126	-
At end of the year	666	540	632	506
AMORTISATION				
At beginning of the year	292	197	258	163
Amortisation for the year	73	95	73	95
At end of the year	365	292	331	258
NET BOOK VALUE	301	248	301	248

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.

14 Prepaid Operating Lease Rentals

	2008 KShs' million	GROUP 2007 KShs' million	2008 KShs' million	COMPANY 2007 KShs' million
COST				
At beginning and end of the year	125	125	123	123
AMORTISATION				
At beginning of the year	7	5	6	4
Amortisation during the year	2	2	2	2
At end of the year	9	7	8	6
NET BOOK VALUE	116	118	115	117

Prepaid operating lease rentals relate to the cost incurred to acquire interests in leasehold land. The cost is carried in the financial statements as a long term prepayment and is amortised to the income statement on the straight line basis over the terms of the leases.

15 Investments

(a) Investment in subsidiaries - at cost

Details of investment	Country of incorporation	Activity	% of Equity interest	2008 KShs' million	2007 KShs' million
Kenya Airfreight Handling Limited (1,000 shares of KShs 20 each)	Kenya	Cargo and passenger handling	100%	*	*
Flamingo Airlines Limited (5,000 shares of KShs 20 each)	Kenya	Dormant	100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Cargo sales agents	100%	19	19
African Cargo Handling Limited (5,753,822 shares of KShs 100 each)	Kenya	Cargo handling	100%	384	384
At 31 March				403	403

* - Amounts involved are less than KShs one million and convert to zero on rounding.

(b) Investment in associated company

	2008 KShs' million	GROUP 2007 KShs' million	2008 KShs' million	COMPANY 2007 KShs' million
Precision Air Services Limited:				
At beginning of the year	322	137	155	155
Share of net results of associated company	65	185	-	-
At end of the year	387	322	155	155

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

Notes to The Financial Statements (Continued)

Year

2007 / 08

KQ Annual Report & Accounts

15 Investments (Continued)

(c) Other Investments

	GROUP	
	2008 KShs million	2007 KShs million
i) African Tours and Hotels Limited (100,398 ordinary shares of KShs 20 each)	2	2
Less: Amount written off	(2)	(2)
At 31 March	-	-

The holding in African Tours and Hotels Limited represents 20.1% of the issued ordinary share capital of the company. The company was placed under receivership several years back and, therefore, the directors do not expect the value of the investment to be recovered. Consequently, the investment has been fully impaired.

- (ii) The company holds 9 (2007 - 9) shares in SITA S.C loyalty programme. These shares were acquired at nil consideration and therefore the investment has no corresponding value in the financial statements. In the assessment of the directors, the fair value of the investment is negligible.

16 Deferred Expenditure

	GROUP	
	2008 KShs million	2007 KShs million
COSTS		
At beginning of year	84	-
Additions	208	84
At end of year	292	84
AMORTISATION		
At beginning of year	-	-
Charge for the year	146	-
At end of year	146	-
NET BOOK VALUE		
At 31 March	146	84

The deferred expenditure relates to costs incurred in preparation of refurbishment of a leased Boeing 767 (5Y KQQ) aircraft. The costs are being amortised on the straight line basis over the unexpired term of the lease, four years.

17 Aircraft Deposits

	2008 KShs' million	GROUP 2007 KShs' million	2008 KShs' million	COMPANY 2007 KShs' million
Deposits for aircraft leases under long-term operating leases	241	204	241	204
Deposits paid towards acquisition of aircraft	1,633	1,897	1,633	1,897
Maintenance deposits	5	5	-	-
	1,879	2,106	1,874	2,101

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

The deposits paid during the year towards acquisition of aircraft represent amounts paid to Boeing Corporation towards acquisition of nine Boeing 787-8 aircraft scheduled for delivery between 2010 and 2012.

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

The movement in the aircraft deposits is as follows:

	2008 KShs' million	GROUP 2007 KShs' million	2008 KShs' million	COMPANY 2007 KShs' million
At beginning of year	2,106	4,187	2,101	4,182
Additional deposits paid	98	3,338	98	3,338
Refunds in the year	-	(5,105)	-	(5,105)
Amortisation*	(122)	-	(122)	-
Foreign exchange differences	(203)	(314)	(203)	(314)
At end of year	1,879	2,106	1,874	2,101

* Amortisation of the aircraft deposits relates to the discount arising from the difference between the maturity value of the deposits and their amortised cost valuations.

18 Inventories

	GROUP 2008 KShs' million	2007 KShs' million	COMPANY 2008 KShs' million	2007 KShs' million
Aircraft consumables inventories	1,017	701	979	669
Other inventories	241	261	241	261
	1,258	962	1,220	930

Notes to The Financial Statements (Continued)

Year

2007 / 08

KQ Annual Report & Accounts

19 Trade and other receivables

	GROUP 2008	2007	COMPANY 2008	2007
	KShs' million	KShs' million	KShs' million	KShs' million
Trade - Airlines	1,188	736	1,154	712
Trade - Agents	2,202	3,044	2,173	3,004
Trade - Others	2,175	907	2,170	901
Trade - Government ministries and parastatals	48	15	48	15
Prepayments	564	1,212	551	1,194
Staff receivables	71	52	71	52
Other receivables	583	511	581	511
Fuel hedge instrument	390	-	390	-
	7,221	6,477	7,138	6,389

20 Held to maturity investments

Treasury bills:

	GROUP 2008	2007	COMPANY 2008	2007
	KShs' million	KShs' million	KShs' million	KShs' million
Face value	7,855	2,425	7,85	52,425
Unearned discount	(108)	(18)	(108)	(18)
	7,747	2,407	7,747	2,407

Maturity analysis:

Maturing within 90 days	-	-	-	-
Maturing within 182 days	7,747	2,407	7,747	2,407
	7,747	2,407	7,747	2,407

The effective interest rate on treasury bills during the year ranged from 6.5% to 7.5% (2007 -2.95% to 3.42%).

21 Bank And Cash Balances

a) Deposits with financial institutions:

	GROUP 2008	2007	COMPANY 2008	2007
	KShs' million	KShs' million	KShs' million	KShs' million
Maturing within 90 days	1,066	6,394	1,066	6,394
Maturing between 91 and 182 days	1,812	-	1,812	-
	2,878	6,394	2,878	6,394

The effective interest rates on short term deposits ranged from 5% to 7% (2007 - 5% to 8.1%) depending on the country where the deposit has been placed.

The effective interest rate on treasury bills during the year ranged from 6.5% to 7.5% (2007 -2.95% to 3.42%).

(b) Cash in hand and at bank:

	GROUP 2008 KShs' million	2007 KShs' million	COMPANY 2008 KShs' million	2007 KShs' million
Cash in hand and at bank	1,617	3,383	1,591	3,332

Included in cash in hand and at bank is an amount of KShs 58 million (2007 - KShs 101 Million) which represents cash balances held with banks in Seychelles which cannot be repatriated due to foreign exchange scarcity and foreign exchange transfer restrictions in that country. The company has reached an agreement with the Seychelles Government to be allowed to utilise the funds to settle certain expenses incurred in that country. The company continued to utilise this facility in the current financial year.

22 SHARE CAPITAL

	GROUP & COMPANY 2008 KShs' million	2007 KShs' million
Authorised:		
1,000,000,000 ordinary shares of Shs 5 each	5,000	5,000
Issued and fully paid:		
461,615,483 ordinary shares of Shs 5 each	2,308	2,308

23 BORROWINGS

(a) At 31 March, interest bearing loans and borrowings were as follows:

	Average interest rate	Maturities	US\$'	GROUP & COMPANY 2008 KShs' Million	2007 KShs' Million
PEFCO Aircraft Loans	6.6%	2010 - 2011	22	1,423	2,321
Barclays Bank PLC Aircraft Loans	4.5%	2005 - 2014	323	20,346	24,561
ABN AMRO Bank Aircraft Loan	5.37%	2007 - 2019	105	6,598	7,751
			450	28,367	34,633

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

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

Notes to The Financial Statements (Continued)

23 Borrowings (Continued)

(b) Maturities of amounts included in borrowings are as follows:

	GROUP & COMPANY	
	2008	2007
	KShs million	KShs million
Within one year	3,177	3,346
Between two and five years	11,656	11,907
After five years	13,534	19,380
	25,190	31,287
	28,367	34,633

(c) The movement in borrowings is as follows:

	GROUP		COMPANY	
	2008	2007	2008	2007
	KShs' million	KShs' million	KShs' million	KShs' million
At beginning of the year	34,633	32,927	34,633	32,927
Additional loans received	-	7,807	-	7,807
Repaid in the year	(3,470)	(4,226)	(3,470)	(4,226)
Exchange difference	(2,796)	(1,875)	(2,796)	(1,875)
At end of the year	28,367	34,633	28,367	34,633
The exchange difference has been dealt with as follows:				
Total exchange differences on borrowings	2,796	1,875	2,796	1,875
Less: attributable to monetary assets	(918)	-	(918)	-
realised on settlement of loans	(203)	(314)	(203)	(314)
Net hedge effect	1,675	1,561	1,675	1,561

(d) Credit line facilities

The group has multi-currency credit line facilities with a total value of KShs 6,518 million (2007 - KShs 7,542 million) with various local and international banks for tenures of one year and renewable. As at 31 March 2008, the group had utilised guarantees amounting to KShs 983 million (2007 - KShs 992 million) against these facilities leaving an unutilised facility of KShs 5,535 million (2007 - KShs 6,550 million).

24 Deferred Taxation

	GROUP 2008 KShs' million	2007 KShs' million	COMPANY 2008 KShs' million	2007 KShs' million
Deferred tax asset				
Leave pay provision	(221)	(158)	(218)	(157)
Unrealised exchange loss	-	(22)	-	(23)
Other provisions	(81)	(371)	(81)	(365)
Tax losses	-	(8)	-	(8)
	<u>(302)</u>	<u>(559)</u>	<u>(299)</u>	<u>(553)</u>
Deferred tax liability				
Accelerated capital allowances	8,017	6,851	8,058	6,896
Unrealised exchange gain	56	-	57	-
Hedged reserve	1,420	918	1,420	918
	<u>9,493</u>	<u>7,769</u>	<u>9,535</u>	<u>7,814</u>
Net deferred tax liability	<u>9,191</u>	<u>7,210</u>	<u>9,236</u>	<u>7,261</u>

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

	GROUP 2008 KShs' million	2007 KShs' million	COMPANY 2008 KShs' million	2007 KShs' million
At beginning of year	7,210	4,969	7,261	5,015
Income statement charge (note 8(a))	1,478	1,773	1,472	1,778
Deferred tax dealt with in equity	503	468	503	468
At end of year	<u>9,191</u>	<u>7,210</u>	<u>9,236</u>	<u>7,261</u>

25 Sales in advance of carriage

	GROUP 2008 KShs' million	2007 KShs' million	COMPANY 2008 KShs' million	2007 KShs' million
Passengers	4,567	3,834	4,567	3,834
Cargo	73	322	73	322
	<u>4,640</u>	<u>4,156</u>	<u>4,640</u>	<u>4,156</u>

Notes to The Financial Statements (Continued)

26 Trade and other payables

	GROUP 2008 KShs' million	2007 KShs' million	COMPANY 2008 KShs' million	2007 KShs' million
Trade payables	2,835	2,887	2,825	2,879
Other payables and accruals	2,509	3,412	2,424	3,311
	5,344	6,299	5,249	6,190

27 Accruals for staff leave entitlements

At beginning of year	530	235	522	221
Leave entitlement for the year	225	308	223	314
Amounts utilised during the year	(17)	(13)	(17)	(13)
At end of year	738	530	728	522

28 Deferred Income - Aircraft Subsidy

At beginning of year	2,761	2,875	2,761	2,875
Additional subsidy received	-	55	-	55
Released to income	(174)	(169)	(174)	(169)
At end of year	2,587	2,761	2,587	2,761

Deferred income comprises:

Amounts due within one year	174	174	174	174
Amounts due after one year	2,413	2,587	2,413	2,587
	2,587	2,761	2,587	2,761

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

29 (a) Reconciliation of profit before taxation to cash generated from operations

	2008 KShs million	GROUP 2007 KShs million
Profit before taxation	5,513	5,975
Adjustments for:		
Depreciation (note 12(a))	3,388	3,375
Amortisation of intangible assets (note 13)	73	95
Amortisation of prepaid lease rentals (note 14)	2	2
Amortisation of deferred expenditure (note 16)	146	-
Aircraft purchase subsidy released to income (note 28)	(174)	(169)
Loss/(profit) on disposal of property, plant and equipment	82	(7)
Share of results of associated company	(65)	(185)
Amortisation of aircraft deposits (note 17)	122	-
Hedged exchange differences attributable to monetary assets (note 23(c))	(918)	-
Operating profit before working capital changes	8,169	9,086
Increase in inventories	(296)	(159)
Increase in trade and other receivables	(744)	(1,246)
Increase/(decrease) in sales in advance of carriage	484	(382)
Decrease in trade and other payables	(955)	(154)
Increase in accruals for staff leave entitlements	208	295
Movement in related company balances	41	121
Cash generated from operations	6,907	7,561

(b) Cash and cash equivalents

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

	2008 KShs million	GROUP 2007 KShs million
Cash in hand and at bank (note 21(b))	1,617	3,383
Short term deposits maturing within 90 days (note 21(a))	1,066	6,394
	2,683	9,777

Cash and cash equivalents in the year 2008 excludes KShs 9,559 million (Year 2007 KShs 2,407 million) of investments with a maturity period greater than 90days

Balance with inclusion of investments with maturity greater than 90 days	12,242	12,184
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30 Related parties

(a) Related party transactions

During the year, companies within the group entered into transactions with related parties who are not members of the group. Those transactions are presented below:

KLM Royal Dutch Airlines (KLM)

KLM holds 26% equity interest in Kenya Airways Limited, and has a joint venture agreement with Kenya Airways Limited which commenced in November 1997. The agreement allows the two airlines to co-operate in developing schedules and fares and to share generated revenue benefits and costs for the core routes between Nairobi and Amsterdam.

Precision Air Services Limited

Kenya Airways holds 49% equity interest in Precision Air Services Limited with code share on the route between Nairobi and Dar es Salaam.

As is common throughout the airline industry, Kenya Airways, KLM Royal Dutch Airlines and Precision Air Services 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.

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

(b) Related companies balances

Balances outstanding at the year end on account of transactions with related parties were as follows:

Due from related companies

	GROUP 2008 KShs' million	2007 KShs' million	COMPANY 2008 KShs' million	2007 KShs' million
Precision Air Services Limited	-	41	-	41
Kenya Airfreight Handling Limited	-	-	271	248
Flamingo Airlines Limited	-	-	829	866
African Cargo Handling Limited	-	-	1,023	695
Kencargo Airlines International Limited	-	-	44	62
	-	41	2,167	1,912

Due to related companies

	COMPANY 2008 KShs' million	2007 KShs' million
African Cargo Handling Limited	2,552	2,026
Kenya Airfreight Handling Limited	394	419
	2,946	2,445

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

30 Related parties (continued)

(c) Remuneration for directors and key management compensation

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

	GROUP		COMPANY	
	2008	2007	2008	2007
	KShs' million	KShs' million	KShs' million	KShs' million
Salaries and other benefits	206	177	191	162
Non monetary benefits	15	13	13	12
	221	190	204	174

Directors' remuneration (included in key management compensation above)

	GROUP		COMPANY	
	2008	2007	2008	2007
	KShs' million	KShs' million	KShs' million	KShs' million
As executives	78	69	78	69
As non executives	10	10	10	10
	88	79	88	79
Non- monetary benefits	7	7	7	7
	95	86	95	86

31 Capital expenditure commitments

As at 31 March 2008 the company had purchase commitments for aircraft fleet and equipment incidental to the ordinary course of business as follows:

	GROUP	
	2008	2007
	KShs million	KShs million
Authorised and contracted for	73,158	80,706
Authorised but not contracted for	5,501	3,222
	78,659	83,928

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

32 Operating lease commitments

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

	GROUP	
	2008	2007
	KShs million	KShs million
Within one year	4,348	4,396
After one year but not more than five years	14,856	10,278
	19,204	14,674

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

Notes to The Financial Statements (Continued)

33 Contingencies

(a) Contingent liabilities

	GROUP	
	2008	2007
	KShs million	KShs million
Guarantees	983	940
Litigation	355	348
	<u>1,338</u>	<u>1,288</u>

Guarantees

In the ordinary course of business, the group's bankers have given guarantees on behalf of the group in favour of third parties amounting to KShs 983 Million (2007 - KShs 940 Million). In the opinion of the directors, no liability is expected to crystallise in respect of the guarantees.

Litigation

These relate to various legal cases brought against the company which are pending determination by the courts. It is not practicable to determine the timing and ultimate liabilities (if any) 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 disclosure has not been made for each case as this may be prejudicial to the position of the group.

(b) Contingent assets

	GROUP	
	2008	2007
	KShs million	KShs million
Litigation	<u>170</u>	<u>170</u>

This represents various legal suits filed by the company against third parties.

34 Significant event during the year

A leased aircraft, Boeing 737-800 (registration mark 5Y-KYA) operating as flight number KQ507 crashed shortly after take-off from Douala airport in Cameroon on 5th May 2007. All the 105 passengers and 9 crew members on board perished in the accident.

The investigation of the accident is ongoing under the auspices of the Cameroon civil aviation authorities. Kenya Airways Limited has cooperated fully with the Investigators and the company awaits the release of the results of the investigation.

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 lessors. Kenya Airways Limited has been fully supported by its insurers on reimbursement of costs arising from the accident.

Kenya Airways Limited is fully conversant with its legal obligations with regard to compensation to the families and is properly insured in this respect. Negotiations with the next of kin and their lawyers are ongoing and a number of full and final settlements have already been concluded.

35 Financial risk management

The group purchases or issues financial instruments for purposes of financing its operations and managing the financial risks that arise from its operations. Various financial assets and liabilities arise directly from the group's operations. Changing market conditions expose the group to various financial risks and have highlighted the importance of financial risk management as an element of control for the group. Principal financial risks faced in the normal course of the group's business are foreign currency rate risk, interest rates risk, credit risk, fuel price risk

and liquidity risk. The policy of the Group is to minimise the negative effect of such risks on cash flow, financial performance and equity.

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

(a) Interest rate risk

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

Most of the group's debts are assets related, reflecting the capital intensive nature of the airline industry. At 31 March 2008, all the group's borrowings were at fixed rates of interest and there were no borrowings at floating rates.

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

(b) Foreign currency risk

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

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2008 KShs million		2007 KShs million	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
Currency - UK pounds				
+ 1 KSh Movement	65	65	148	148
- 1 KSh Movement	(65)	(65)	(148)	(148)
Currency - Euro				
+ 1 KSh Movement	68	68	472	472
- 1 KSh Movement	(68)	(68)	(472)	(472)
Currency - American dollars				
+ 1 KSh Movement	44	44	156	156
- 1 KSh Movement	(44)	(44)	(156)	(156)

(c) Credit risk

Credit risk arises mainly from surplus funds held in the form of bank balances, short term deposits, or held-to-maturity investments. Credit exposure also arises from derivative counterparties as well as from agents selling commercial air transportation.

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

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

by IATA through the association's Agency Programme. The credit risk associated with such sales agents is relatively low owing to the programmes broad diversification. The group's accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services. Majority of these sales are in accounts receivable which are generally short term in duration. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the group has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

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

At 31 March 2008

	Fully performing KShs' million	Past due KShs' million	Impaired KShs' million
Trade and other receivables (excluding future sales related debts)	5,196	39	1,255
Held to maturity investments	7,747	-	-
Fuel hedge instrument	390	-	-
Short term deposits	2,878	-	-
Bank and Cash balances	1,617	-	-

At 31 March 2007

	Fully performing KShs' million	Past due KShs' million	Impaired KShs' million
Trade and other receivables (excluding future sales related debts)	3,187	38	1,046
Amounts due from related companies	41	-	-
Held to maturity investments	2,407	-	-
Short term deposits	6,394	-	-
Bank and cash balances	3,383	-	-

(d) Liquidity risk

The group proactively manages cash surpluses using a combination of short and long term investment programmes that ensure adequate liquidity to meet its short and long term obligations. Kenya Airways seeks to maintain sufficient cash balances to cover six months debt obligations and lease rentals.

Summarised in the table below is the maturity profile of financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows:

At 31 March 2008

	Less than 1 year KShs' million	2 - 5 years KShs' million	Over 5 years KShs' million	Total KShs' million
Borrowings	4,584	15,702	15,258	35,544
Trade payables (excluding passenger taxes)	1,808	-	-	1,808

At 31 March 2007

	Less than 1 year KShs' million	2 - 5 years KShs' million	Over 5 years KShs' million	Total KShs' million
Borrowings	4,920	16,568	21,896	43,384
Trade payables (excluding passenger taxes)	1,293	-	-	1,293

(e) Fuel price risk

The group's fuel risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices. To meet this objective, the company uses fuel hedges within approved limits and with approved counterparties accordingly. There were derivative financial instruments held to manage fuel price risk at 31 March 2008. As at 31 March 2008 the group had in place fuel hedging contracts for 45 percent of its anticipated fuel requirements for the period up to 31 December 2008 and 25 percent of anticipated fuel requirements for the period to 31 March 2009.

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

	2008 KShs million		2007 KShs million	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
Fuel price				
+ 1% Movement	(156)	(156)	(158)	(158)
- 1% Movement	156	156	158	158

(f) Operational risk

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

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

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

Notes to The Financial Statements (Continued)

35 Financial risk management (continued)

(g) Capital risk management policies

The airline monitors the return on shareholders' funds which is defined as the profit for the year expressed as a percentage of average shareholder's equity. Kenya Airways seeks to provide a higher return to the shareholders' by investing in more profitable routes and improving on efficiencies to provide world class service to meet its growth plans. In 2008 Kenya Airways achieved a return on shareholders' equity of 15% (2007: 19%) in comparison to an effective interest rate of 5.3% incurred (2007: 4.8%) on borrowings.

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

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

	31 March 2008 KShs million	31 March 2007 KShs million
Equity*	25,873	21,640
Total borrowings	28,367	34,633
Less: Bank and cash balances	(4,495)	(9,777)
Treasury bills	(7,747)	(2,407)
Net borrowings	16,125	22,449
Net debt to equity ratio	62%	104%

*Equity includes all capital and reserves of the group.

36 Currency

The financial statements are presented in Kenya Shillings Millions.

Lined area for notes.

