



Turning our dreams into reality

Kenya Airways Annual Report & Financial Statements
For The Year Ended 31st March 2011





We dreamed of expanding our network every single year without fail.

And our dream came true.



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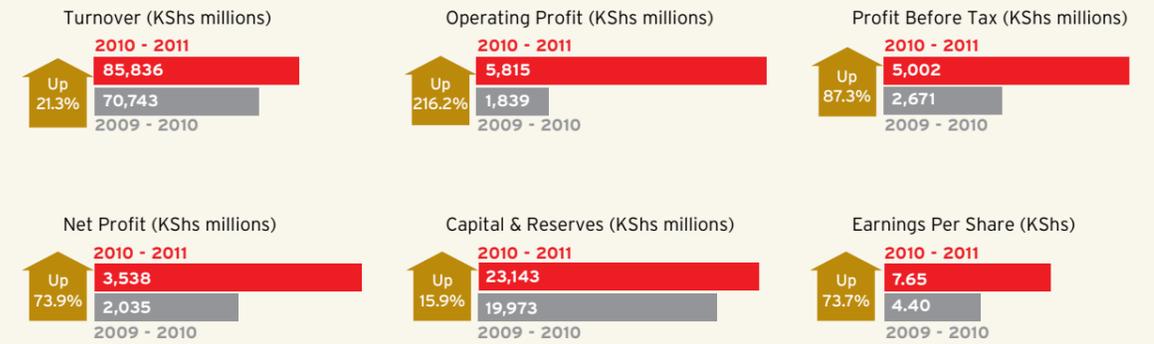
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**We dreamed of delivering
3 million passengers every year.**
And our dream came true.

Business Highlights

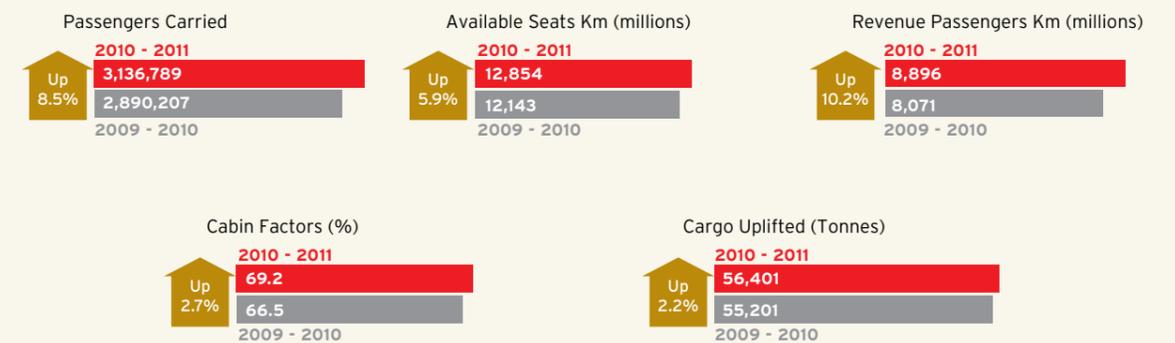
Group Results



Key Financial Statistics

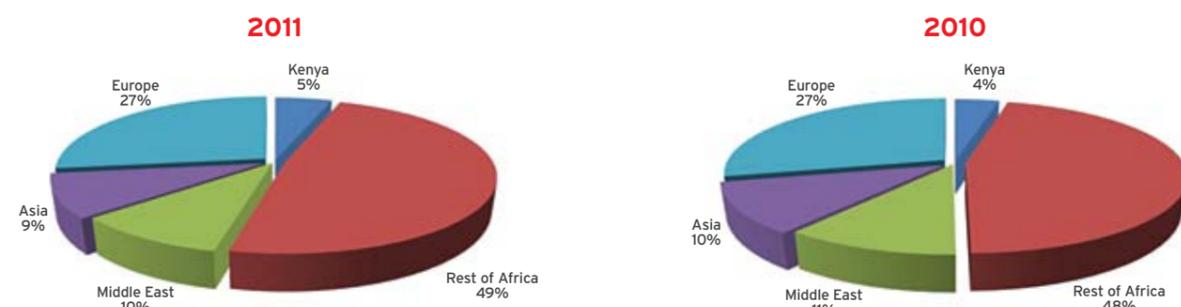


Operating Statistics

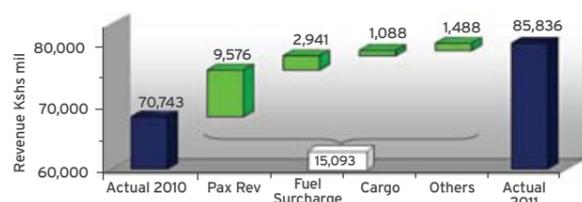


Business Highlights

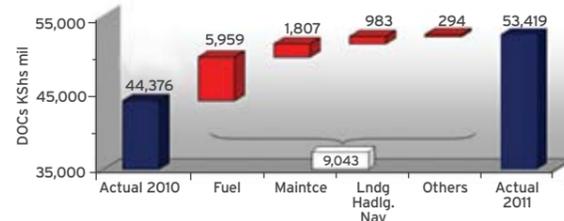
Turnover by region



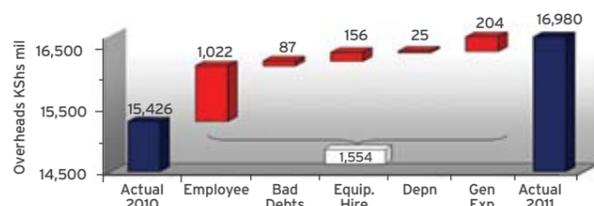
Turnover



Direct Operating Costs



Overheads



Fuel Cost



Three year Summary of Business Performance

Financial Highlights

	2011		2010		2009	
	KShs. Million	US\$ Million	KShs. Million	US\$ Million	KShs. Million	US\$ Million
Turnover						
Passenger	75,355	945.6	62,838	819.6	62,947	883.7
Freight & Mail	6,522	81.8	5,434	70.9	6,081	85.4
Handling	1,492	18.7	1,312	17.1	1,276	17.9
Other	2,467	31.0	1,159	15.1	1,525	21.4
Total	85,836	1,077.1	70,743	922.7	71,829	1,008.4
Direct Expenditure	(63,041)	(791.1)	(53,478)	(697.5)	(55,786)	(783.2)
Overheads	(16,980)	(213.1)	(15,426)	(201.2)	(12,001)	(168.5)
Operating Profit	5,815	72.9	1,839	24.0	4,042	56.7
Operating Margin%	6.8%		2.6%		5.6%	
Net Financial Expenses	(953)	(12.0)	(1,614)	(21.1)	(864)	(12.1)
Fuel Hedge Derivative	328	4.1	2,369	30.9	(8,904)	(125.0)
Share of Associate	(188)	(2.4)	77	1.0	62	0.9
Profit before tax	5,002	62.6	2,671	34.8	(5,664)	(79.5)
Taxation	(1,464)	(18.4)	(636)	(8.3)	1,581	22.2
Profit for the year	3,538	44.2	2,035	26.5	(4,083)	(57.3)
Profit after tax margin%	4.1%		2.9%		-5.7%	
Dividends	693	8.7	462	6.0	462	6.5

Operating Statistics

	2011	2010	2009
Passengers	3,136,789	2,890,207	2,824,709
RPK's (Millions)	8,896	8,071	8,061
ASK's (Millions)	12,854	12,143	11,386
Passenger Load Factor (%)	69.2	66.5	70.8
Cargo Tonnes	56,401	55,201	55,606
Pax yield per RPK (Usc)	8.28	7.94	8.20
Employees			
Airline	3,207	2,817	2,863
Group	4,355	4,133	4,179
Aircraft in Service at Year End			
Boeing 777-200	4	4	4
Boeing 767-300	6	7	6
Boeing 737-800	5	5	5
Boeing 737-700	4	4	4
Boeing 737-300	6	4	4
Embraer 190	1	-	-
Embraer 170	5	3	3
SAAB 340	-	-	2
Total	31	27	28

Board of Directors



From Left to Right

Mr. Ron Schipper | Mr. Ayisi Makatiani | Mr. Alex W. Mbugua | Mr. Evanson Mwaniki | Dr. Titus Naikuni | Dr. Cyrus Njiru | Mr. Peter Hartman | Mrs. Salma Mazrui-Watt | Mr. Josef Veenstra | Mrs. Fiona C. Fox | Mr. Dinesh Kapila | Mr. Denis Afande



Board of Directors

Mr. Evanson Mwaniki; **Non Executive Chairman (72)**

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

Dr. Titus Naikuni; **Executive Group Managing Director & Chief Executive (57)**

Dr. Naikuni holds a Bachelor of Science Honours Degree in Mechanical Engineering from the University of Nairobi. He is also a graduate of the Harvard Business School's Management Development Programme (PMD71) and was awarded a Doctor of Science Engineering by the Jomo Kenyatta University of Agriculture and Technology in 2008, an honorary award in recognition of his contribution to development. He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of that company in 1995 and Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996.

Between August 1999 and March 2001 Dr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by retired President Moi to turn around the Kenyan economy. In this capacity Dr. Naikuni served as permanent secretary to the Ministry of Information, Transport and Communications and was a member of the Board of Kenya Airways during that period. He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director of Magadi Soda and Magadi Railway Companies, a position he held up to his present appointment with Kenya Airways in February 2003. Dr. Naikuni has had extensive boardroom experience having served on various company boards including as

a member of the board of Brunner Mond (South Africa), as Chairman of the Kenya Power & Lighting Company and as Chairman of Housing Finance Company of Kenya Limited. He received the Manager of the Year Award in Kenya in 2002. He is currently a board member of Maersk Kenya Ltd, Access Kenya Ltd, CFC Bank Kenya Limited, East African Portland Company and the Kenya Tourism Board, Deputy Chairman of Magadi Soda Company Ltd and a member of Unilever Africa Advisory Council and the Lafarge Advisory Board.

Mr. Alex W. Mbugua; **Executive Group Finance Director (47)**

Mr. Mbugua is a Member of both the Institute of Certified Public Accountants and Institute of Certified Public Secretaries of Kenya. He is also a holder of an MBA degree specializing in Corporate Finance. He has over 25 years experience in Finance, 9 of which were gained from the auditing and consulting profession and 16 from the commercial industry. He started his career in 1985 with KPMG Nairobi. In 1990, he joined the commercial world where he held senior financial positions with Lonrho East Africa and Bain Hogg Insurance. He then moved to Johannesburg, South Africa in 1999 to work as a Business Processing Consultant with PricewaterhouseCoopers.

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

Mr. Dinesh Kapila; **Non-Executive Director (65)**

Mr. Kapila is an advocate of the High Court of Kenya, Barrister-at-law, Lincolns' Inn, England, a partner in D.V. Kapila & Company Advocates and a practitioner in corporate, commercial and conveyancing matters. He has been actively involved in the overall privatisation strategy in Kenya as a member of the Parastatal Reform Programme Committee of the Government of Kenya. He has been a member of the Attorney General's Task Force formed for revising and updating laws relating to companies, partnerships, investments and insolvency. He has been a member of New Issues and Economic Rejuvenation Committees of the Nairobi Stock Exchange.

He has been involved in the restructuring of Kenya Airways, Kenya Ports Authority as well as The National Cereals and Produce Board. He has advised the private



Board of Directors (cont'd)

sector in matters pertaining to telecommunications, railways, banking, hotels, properties, industries, farming etc. and is a director of several private companies. He joined the Board of Kenya Airways in April 1991, and is currently the Chairman of the Board's Audit and Risk Management Committee and also Chairman of the Airline's subsidiary companies, Kenya Airfreight Handling Limited, African Cargo Handling Limited and Kencargo Airlines International Limited.

Dr. Cyrus Njiru; **Non-Executive Director (43)**

Dr. Cyrus Njiru is the Permanent Secretary, Ministry of Transport in the Republic of Kenya. Originally trained as a Civil Engineer in Kenya, Japan, the Netherlands and the United Kingdom, Dr. Njiru later specialized in infrastructure finance, development and management. He received training in business and corporate management in the UK and Denmark. He also received further training and work experience in the USA and the UK. Before his current appointment, Dr. Njiru was Permanent Secretary in the Office of the Deputy Prime Minister and Ministry of Trade.

Before joining the services of the Government of Kenya, Dr. Njiru was a Principal Adviser on Infrastructure Development and Management at the African Development Bank's headquarters in Tunis, Tunisia. Before joining the African Development Bank, Dr. Njiru was a Research and Consultancy Manager at the Institute of Development Engineering in the UK, with responsibility for infrastructure projects in Asia and Africa.

A highly trained and experienced professional, Dr. Njiru has considerable skills and international experience in project finance, infrastructure development and management. He has considerable work experience in Europe, Asia and Africa, and has consulted widely for international organizations such as the World Bank and the UK Department for International Development and SIDA.

Mr. Peter Hartman; **Non-Executive Director (62)**

Mr. Peter Hartman 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.

Mr. Ron Schipper; **Non-Executive Director (66)**

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

In 1986 Mr. Schipper was appointed General Manager Ghana and in 1989 he spent a brief period in France as interim General Manager based in Paris before returning to the Netherlands to take up the appointment of Executive Secretary of the Passenger Division. Thereafter he was seconded in 1991 to Antillean Airlines in Curacao as Managing Director. He returned to the continent close to his heart, Africa, in 1994 and currently holds the position of Vice President and Area Manager Africa based in Johannesburg where he currently lives.

Mr. Denis Afande; **Non-Executive Director (74)**

Mr. Afande was for many years a career diplomat, having served in various positions including Ambassador to the United States of America and United Nations, Geneva. He also served as Permanent Secretary (Ministries of Home Affairs and Health). His previous appointments also include chairmanship of the Capital Markets Authority, Kenya Power and Lighting Company and National Council



Board of Directors (cont'd)

for Children Services. He is currently a member of several other charitable organizations. He was appointed to the Board of Kenya Airways on 26th November 2004 and is currently the Chairman of the Board's Staff and Remuneration Committee and the Nominations Committee.

Mr. Joseph Kinyua; **Non-Executive Director (60)**

Mr. Kinyua is the Permanent Secretary, Ministry of Finance. He is a career economist having served in various capacities in the Treasury and Central Bank of Kenya. 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.

Mr. Ayisi Makatiani; **Non-Executive Director (45)**

Mr. Ayisi Makatiani is head of Fanisi Capital Ltd, a company established in 2009 to manage a US\$50M Venture Capital/Private Equity fund investing in small and medium-sized enterprises across East Africa. Previously he was head of the African Management Services Company (AMSCO), founded by the International Finance Corporation - the World Bank's private-sector arm. Mr Makatiani obtained a degree in engineering from Massachusetts Institute of Technology before setting up Africa Online, which became the continent's largest internet service provider.

Mr Makatiani is also an adviser to the President in Kenya, a member of the Board of Kenya Airways, was a member of the UN Secretary General's Taskforce on ICT and was vice-chairman of Kenyatta University Council. In 2010, Mr. Makatiani received the national honour and award of the Elder of the Order of the Burning Spear (EBS), one of the highest awards that can be awarded to a civilian by the head of state. Voted one of the top 10 CEOs in East Africa several times, Ayisi Makatiani is both a Global Leader for Tomorrow and a Young Global Leader at the World Economic Forum.

Mrs. Salma Mazrui-Watt; **Non-Executive Director (45)**

Mrs. Mazrui-Watt has significant expertise in business leadership, sales and marketing, corporate communications and strategic planning in both the private and public sectors and is an organizational development specialist. She is currently the Regional Director, Partnerships Development and External Relations, WWF East & Southern Africa Regional Programme Office (ESARPO). Salma was Group Head of Marketing, Trans Union Kenya Ltd., Managing Director, Trans Union Kenya Ltd. and was the Vice Chair for the East African Credit Bureau Association (EACBA).

Between September 2004 and December 2005, she was CEO for the Kenya Private Sector Alliance (KEPSA) and was the Chief Operative Office for AAR Health Services where she worked for 9 years across Eastern Africa. Prior to that she ran her own business, Corporate Promotions, a freelance corporate communications firm from 1991 to 1996. She has extensive work experience in East, West and Southern Africa. Salma holds a Bachelor of Science degree in Economics from George Mason University, Virginia, USA and a Masters in Business Administration from the University of Nairobi. She has a Certificate in Corporate Governance from the Commonwealth Association on Corporate Governance. She is a member of Kenya's National Economic and Social Council and is on the Governing Council for KCA University in Nairobi. She is also a director of the African Fund for Endangered Wildlife.

Mr. Josef Veenstra **(Alternate Director to Mr Peter Hartman) (44)**

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



Chairman's Statement



Kenya Airways profit after tax for the year 2010/11 compares favourably against prior year. The Board is optimistic that the company's performance will continue improving in the following years.

Mr. Evanson Mwaniki

I am pleased to report that despite the many challenges faced by the aviation industry, Kenya Airways recorded impressive performance during the 2010/2011 financial year.

Industry Overview

According to the International Air Transport Association (IATA), the aviation industry began 2011 with new challenges. The \$15.1 billion in profit that airlines made in 2010 fell by 40% to \$9.1 billion in 2011, and margins shrunk to 1.5%. This pathetic profitability comes nowhere near the 7-8% needed to cover the cost of capital.

IATA reported that full-year 2010 demand statistics for international scheduled air traffic showed a 8.2% increase in passenger business and a 20.6% increase in freight. Demand growth outstripped capacity increases of 4.4% for passenger and 8.9% for cargo. Average passenger load factor for the year was 78.4%, which was a 2.7 percentage point improvement in 2009. The freight load factor recorded a 5.2 percentage point improvement to 53.8%.

According to Giovanni Bisignani, IATA's Director General and CEO, after the biggest demand decline in the history of aviation in 2009, people started to travel and do business again in 2010. Airlines ended the year slightly ahead of early 2008 volumes, but with a pathetic 2.7% profit margin. He further pointed out that the challenge is to turn the demand for mobility into sustainable profits.

Regionally, Asia-Pacific carriers recorded a 9% year-on-year increase in passenger demand in 2010, with the economies of China and India continuing to lead the region's recovery. European carriers saw year-on-year passenger demand increase by 5.1%. However the continent's economic uncertainty and continuing debt crisis limited yield improvements. Moreover, Europe was the hardest hit by the December's severe weather which slowed demand growth to 3.3%, less than half the 7.8% growth recorded in November. North American carriers recorded year-on-year increases in passenger demand of 7.4% in 2010.

A key feature in 2010 for this region was the capacity discipline, where full-year capacity was up by just 3.9% (leading to a sharp recovery in profits). Middle Eastern carriers reported the strongest full year growth at 17.8% on the back of a 13.2% capacity increase fueled largely by aircraft deliveries to Gulf-based airlines. Latin American carriers saw the whole year demand grow by 8.2%. African carriers experienced a sharp rebound of nearly 12.9% in 2010, although load factors remained well below the industry average, at 69.1%. The year 2010 ended with December demand at 11.7% above previous year levels.

Chairman's Statement

Africa

Emerging from the effects of the global financial crisis, the Africa GDP growth stood at 4.7% in 2010 up from 2.3% in 2009. According to the IMF, the sub-Saharan Africa growth was particularly impressive at more than 6% buoyed by improved political environment, favourable external conditions and sound macroeconomic management. The per capita GDP also grew in 2010 by 2.4% for the whole continent.

As economic activity rebounded across Africa in 2010, the landscape remained uneven, a fact hidden behind Africa's aggregate GDP growth rate. According to UN's Economic Report on Africa - 2011, the strongest performing regions were East Africa and West Africa, which grew at 6.8 and 6.0% respectively. North Africa followed at 4.7%, Central Africa at 4.3% and Southern Africa at 3.3%.

The differences in growth rates can be explained by various factors including rising export demand, rising commodity prices, increased capital inflows, increase in tourist arrivals including the FIFA World Cup in South Africa, higher infrastructure investment, increased activity in the service sector and good harvests as a result of favorable weather conditions among others. As a result of the growing ties with Asia, commodity demand increased, especially from emerging economies such as India and China, and commodity prices rose boosting the economic growth.

As has been the trend over the last decade, oil exporting countries expanded more strongly than oil importing countries at 5.2% compared to 4% respectively. However, both have registered rapid growth in the non-oil and mineral sectors. In the UN Economic Report on Africa 2011, Kenya was singled out as an oil importing country that has experienced significant transformation and sustained growth rates without depending on commodities. Sectors such as information and communication technology (ICT), financial services, construction and transport sectors have emerged strongly to lead the traditional agricultural sector.

The world oil consumption grew by an estimated 2.3 million bbl/day in 2010 to a record-high level of 86.7million bbl/day. The price of fuel has steadily been rising, from US\$ 62/bbl in 2009 to US\$ 79/bbl in 2010. The political uprising in North Africa and Middle East poses a big threat to the global oil supply. According to IATA forecasts for 2011, the fuel price was revised to US\$ 96 per barrel (Brent) in March 2011 up from US\$ 84 forecast in December 2010. Africa's consumer price inflation decreased from 8.3 per cent in 2009 to 7.2 per cent in 2010 and is expected to decline further to 6.4 per cent in 2011. This is attributed to relatively stable food prices, helped by the weather conditions and



Chairman's Statement (cont'd)

abundant harvests, strength of several currencies, excess capacity and competitive pressures.

There was a notable increase in private capital flows. Foreign Direct Investments (FDI) to the extractive sector increased in 2010, reflecting a burgeoning mineral demand and prices. Remittances continued to represent a key source of capital inflows to Africa after FDI in 2010, equivalent to 4 per cent of African GDP. Aid flows to Africa grew by 4 per cent in 2010 despite economic difficulties faced by many donor countries. Some African countries also continued to benefit from debt relief.

Productivity rates increased across Africa, albeit below the world standards. The growth reflects, among other factors, the impact of structural reforms that led to increased FDI and public investment, giving room for possibly stronger growth in the future.

Africa achieved a tourist growth rate of 6.4% in 2010 compared 3.2% in 2009, partly due to the momentum created by world-wide publicity of the FIFA 2010 World Cup in South Africa and economic recovery in tourist-sending countries.

The economic outlook for Africa in 2011 is optimistic; the growth momentum is expected to continue. The GDP growth forecast stands at 5% buoyed by increased public spending and supportive fiscal and monetary stances. In sub-Saharan Africa, the IMF projects a robust growth of 5.5%. Inflation will rise driven by commodity prices increase and soaring oil prices, both attributed to the socio-political unrest in North Africa and the Middle East.

Kenya

Kenya economic growth recovery was maintained in 2010, after the decline that resulted from the 2007/8 post election shocks. The economy posted a robust growth of 5.6% in 2010 up from 2.6% in 2009. The turnaround was underpinned by several factors, including, the resurgence of activities in the tourism sector, the resilience of the building and construction and growth in transport and communication sectors. The agriculture sector also improved marginally owing to favorable weather conditions and government's efforts to boost the sector through expansion of land under irrigation. There was a marked growth in the tourism industry. The growth can be attributed to the aggressive campaigns by the Kenya Tourism Board to market the country as a leading tourist destination and the expansion of the international route network by Kenya Airways. The volume of international arrivals grew by 8.0% from 1.49 million visitors in 2009 to 1.61 million visitors in 2010.

The agriculture sector posted a robust performance in 2010. This was attributed mainly to increased production in the tea, horticulture and dairy sub-sectors. The total output growth for the agriculture sector in 2010 was 6.3% compared to a contraction of 2.6% in 2009.

The transport and communications sector recorded a growth of 5.9% compared to 6.4% in 2009. Excise duty on airtime grew by 12.5 per cent while passenger movements to and from local airports grew by 14.3 per cent and 10.1 percent respectively.

The building and construction sector grew at a decelerated rate of 4.5% in 2010 compared to 12.4% in 2009 supported by the ongoing infrastructure projects. The average annual inflation in 2010 was 4.5% down from a high of 10.5% recorded in 2009. However, there is increased pressure for inflation to surge upwards in 2011 as a result of the rise in crude oil prices and the rise in food prices, owing partly to insufficient rainfall.

According to the Central Bank of Kenya, the Shilling depicted mixed performance in December 2010. Against the US dollar the shilling exchanged at Kshs 80.57 to US dollar. The shilling appreciated against the Euro and Sterling pound exchanging at Kshs 106.54 and Kshs 125.65 respectively. Against the regional currencies, the shilling weakened to the Tanzania Shilling to trade at Tshs 18.17 to the Kenya shilling, while it strengthened against the Ugandan shilling to trade at Ushs 28.59 per Kenya shilling in December 2010.

The promulgation of the new constitution in August 2010 certainly had a positive effect to the economy and is expected to reduce the political risks and restore investor confidence.

Looking ahead Kenyan economic growth is projected at 5.7% against a backdrop of rising inflation and increased political risks in the run-up to the 2012 general elections. The growth will be spurred by increased public spending on infrastructure and private sector growth. Increasing internal demand and an expansionary fiscal policy are expected to put pressure on the current account and fiscal deficits to widen in 2011. However, weather-related shocks, such as the drought forecasted in early 2011, rising cost of fuel and depreciation of the shilling could dampen the growth outlook.

Company Performance

Kenya Airways recorded two historic milestones during the financial year ended 31 March 2011 despite the challenging economic and geopolitical environment witnessed in fourth quarter. For the first time in its history, the airline surpassed

the 3 million passenger mark during March 2011. In the same financial year, the airline turnover exceeded the one billion US dollar mark.

The Board is pleased to announce that Kenya Airways profits have continued to grow. The airline achieved a record turnover of KShs. 85.8 billion which represents a 21% increase on prior year turnover of KShs.70.7 billion. Profit after tax increased to KShs.3.538 billion compared to the prior year profit of KShs.2.035billion. This represents a net profit margin of 4.1%, up from 2.9% achieved in 2009/10. Earnings per share rose to KShs.7.65 from KShs.4.40 reported in the prior year.

Management continued to invest time and resources towards maintaining high levels of safety in all its operations during the period.

Revenues

Passenger

Capacity measured in terms of Available Seat Kilometre (ASK) increased by 5.5% largely as a result of increased frequencies and new destinations launched. Passenger traffic measured in terms of Revenue Passenger Kilometre (RPK) grew by 9.3% over prior year due to an improved world economic climate during the first three quarters of the year. Passenger yields in US cents increased by 6.7% and strengthened further to 10.3% when translated into Kenya Shillings, primarily due to a weaker Kenya Shilling in the period.

The passenger revenue for the year was KShs.75.4billion which is 20% above prior year. High Passenger traffic growth was achieved in the following regions: Southern Africa grew by 16.3% largely due to the World Cup and launch of operations into Nampula and Luanda during the year.

Traffic in Northern Africa grew by 25.1% due to the successful launch of operations to Juba. European traffic was up 12.8% due to improved demand out of London, Amsterdam, Paris and launch of Rome in quarter three, while Mid-East growth of 9.2% was largely due to the impact of new operations to Muscat. West & Central Africa realised a growth of 7.2%. Domestic Kenya total traffic grew by 13.7% as a result of increased capacity and frequencies on Mombasa route and the reintroduction of Malindi. Regions with traffic decline included East Africa (-5%) and the Far East with a marginal drop of (-1%). The high passenger traffic improved the overall cabin factor to 69.2% compared to 66.5% realised in the prior year.

Chairman's Statement (cont'd)

Cargo

Cargo tonnage was 2.2% above prior year coupled with a yield growth of 13.7%. This resulted in revenue growth of 16.7% over prior year. Regions with high growth in cargo tonnage volumes included Europe (+9.7%), Southern Africa (+5.9%), East Africa (+10.2%) and Domestic Kenya (+12.1%). West and Central Africa grew marginally by 1.6%.

The growth was mainly due to improved economic conditions and introduction of new destinations. Regions that recorded decline in cargo volumes included Mid-East (-11.2%), Far East (-12.9%) and North Africa (-3.5%). The decline in these regions was particularly sharp in the last quarter of the year due to political unrest in the Middle East and Northern Africa. The decline was also caused by capacity constraints due to excess baggage.

Exchange rate

The US Dollar strengthened against the Kenya Shilling with the average exchange rate for the period being KShs 79.69 to the US Dollar against a prior year average of KShs76.67 to the US Dollar. The strong US Dollar and the relative weakening of the Kenya Shilling over this period had a positive effect on foreign currency denominated revenues when reported in Kenya Shillings. These gains were however partly offset by the adverse effect on foreign currency denominated expenses.

Costs

Fuel Costs

Fuel cost, excluding hedge costs, increased by KShs 5.96billion or 31.7% compared to prior year. This significant increase was primarily driven by higher jet fuel prices from 216/cag in 2010 to 258/cag in 2011, an increase of 19.4%. The fuel price is US Dollar based. The weaker Kenya Shilling therefore negatively impacted fuel cost by 3.9%.The remaining increase of 8.4% is the result of increased consumption from increased operations.

Overheads

Overheads increased by Kshs. 1.55billion or 10.1%. The performance was adversely impacted by an increase in employee costs of Kshs.1.022billion and Kshs.532m on general administration and establishment cost mainly driven by introduction of new destinations

Prospects

According to IATA the high fuel prices, arising from the political turmoil in the Middle East and Northern Africa, will squeeze airline's profits in 2011. Traffic demand however remains robust with long haul network airlines being the best placed. Due to the foregoing the airline

Chairman's Statement (cont'd)

industry worldwide profits net of tax that was estimated at USD 9.1billion in 2011 will decrease to USD 8.6billion.

The Board has taken cognisance of the anticipated traffic demand in 2011 and the pressures on yields due to escalating fuel prices. This implies that Kenya Airways has to implement appropriate strategies to enhance growth and profitability. The main drivers of improved performance are passenger numbers, better yields and more stringent cost management. The airline will therefore continue opening new routes on a selective basis, investing in its fleet development, training staff and improving its systems. Management is committed to offering a more competitive product through, inter alia, improved on-time performance in order to meet and exceed customer expectations.

Kenya Airways profit after tax in the year 2010/11 compares favourably against prior year's profit. The Board is optimistic that the company's performance will continue improving in the following years.

Aero politics and Market Access

Kenya Airways continued opening Africa to the world during the period under review. Six (6) new routes were launched during the year, namely; Muscat-Oman, Juba - Southern Sudan, Luanda-Angola, Nampula - Mozambique, Rome-Italy and Malindi. These new destinations have increased the number of routes we serve to 53 from 47 in the prior year. By opening up new routes Kenya Airways has continued to contribute to the sustainable development of Africa by facilitating tourism and trade; generating economic growth, providing jobs and increasing revenues from taxes. The Bilateral Air Services team headed by the Ministry of Transport negotiated, reviewed and concluded several Bilateral Air Services Agreements (BASA) during the period under review.

The Government of Nigeria reviewed the current BASA and agreed to the commencement of four (4) weekly Kenya Airways direct flights from Nairobi to Abuja, and an increase of Kenya Airways' weekly flights to Lagos from ten (10) to fourteen (14). Agreements with Tanzania and Sudan were also reviewed and as regards Tanzania - frequencies for NBO-DAR were increased from 21 weekly frequencies to 42 and for Sudan, the 7 weekly frequencies were increased to unlimited frequencies and capacity. A notable milestone was achieved with the commencement of Kenya Airways operations into Luanda, Angola. Kenya Airways continues

to review existing BASAs and sign commercial partnerships with other carriers, with the view of expanding its network within Africa and beyond.

The Government and Kenya Airports Authority continue to support the local aviation industry. Notably, during the period under review, the JKIA airport expansion works were initiated. It has been recognised that JKIA is becoming saturated and major infrastructure improvements are needed. Such improvements will ensure that JKIA is able to enhance its position as a major hub in the region, in addition to it being able to accommodate future traffic growth.

With the liberalisation of air services in the East African community, Kenya Airways is poised to further expand its route network in the region in partnership with Precision Air and other industry partners. For the rest of Africa, despite the Yamoussoukro Declaration, many of the markets remain over regulated and Kenya Airways with the support of Government continues to pursue market access.

Shareholding

The number of shareholding on the Register of Members as at 31st March 2011 is 73,249. Out of these 32,923 shareholders 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 2011 is on page 103.

Final Dividend

The Board is recommending approval by shareholders of a final dividend of KShs 1.50 per share, payable to the shareholders of the company on the Register of Members at the close of business on 14th October 2011, which will be paid on or around 16th November 2011.

Appreciation

I take this opportunity to express my sincere appreciation to our customers, shareholders, the Government, management, staff and fellow board members for their continued support.

Directors

The members of the Board who have served during the year are shown in the report of the Directors on page 56.

EVANSON MWANIKI
CHAIRMAN

Taarifa ya Mwenyekiti

Nina furaha kutangaza kwamba, licha ya changamoto nyingi zilizokumba sekta ya usafiri wa ndege, Kenya Airways ilipata matokeo ya kufana katika kipindi cha matumizi ya fedha cha 2010/2011.

Maelezo kuhusu sekta hiyo

Kwa mujibu wa Chama cha Kimataifa cha Uchukuzi wa Ndege (IATA), sekta ya ndege ilianza 2011 na changamoto mpya. Faida ya Dola 15.1bilioni ambazo kampuni za ndege zilipata 2010 itapungua kwa asilimia 40 hadi Dola 9.1bilioni mnamo 2011 na faida ikadidimia hadi asilimia 1.5. Kiwango hiki duni cha faida ni kidogo mno ikilinganishwa na asilimia 7-8 inayohitajika kugharimia mtaji.

IATA ilitangaza kuwa, idadi kamili ya mwaka mzima 2010 ya waliosafiri kwa ndege ilionyesha nyongeza ya asilimia 8.2 katika biashara ya abiria na nyongeza ya asilimia 20.6 katika mizigo. Mahitaji yalizidi uwezo wa kutoa huduma kwa asilimia 4.4 kwa abiria na 8.9 kwa mizigo. Kiwango cha wastani cha uzani wa abiria kwa mwaka uliomalizika kilikuwa asilimia 78.4, ambayo ni kuimarika kwa asilimia 2.7 mnamo 2009. Kiwango cha wastani cha mzigo kilikuwa asilimia 5.2, na hivyo kuimarika hadi asilimia 53.8.

Kwa mujibu wa Giovanni Bisignani, Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa IATA, baada ya kupungua kwa idadi ya wasafiri kwa kiasi kikubwa katika historia ya sekta ya ndege mnamo 2009, watu walianza kusafiri na kuendesha shughuli zao za biashara tena 2010. Kampuni za ndege zilipata matokeo bora ikilinganishwa na mapema 2008, lakini faida ilikuwa kidogo kwa asilimia 2.7. Pia, alifafanua kuwa changamoto ni kugeuza mahitaji ya usafiri kuwa faida ya kutegemewa.

Kimaeneo, mashirika ya ndege ya Asia-Pacific yalipata nyongeza ya asilimia 9 ya wasafiri katika miezi 12, 2010, huku chumi za China na India zikiongoza juhudi za ufufuaji wa eneo hilo. Mashirika ya ndege ya Ulaya yalipata nyongeza ya asilimia 5.1 ya wasafiri katika muda wa miezi 12. Hata hivyo, utata kuhusu hali ya kiuchumi barani humo na janga kuhusu malimbikizo ya madeni yalichochea mapato madogo. Isitoshe, Ulaya iliathiriwa vibaya zaidi na hali mbaya ya hewa ambayo ilikwamisha ukuaji hadi asilimia 3.3 ikilinganishwa na ukuaji wa asilimia 7.8 uliopatikana Novemba. Mashirika ya ndege ya Amerika Kaskazini yalipata nyongeza ya asilimia 7.4 ya abiria mnamo 2010 katika muda wa miezi 12. Sifa muhimu katika 2010 kwa eneo hilo ni matumizi bora ya nafasi iliyopo, ambapo jumla ya idadi ya ndege iliongezeka kwa asilimia 3.9 (na hivyo kuimarika maradufu kwa faida). Mashirika ya ndege ya Mashariki ya Kati yaliripoti ukuaji mkubwa zaidi mwaka huo kwa asilimia 17.8 kutokana na kuimarika kwa nafasi

kwenye ndege kulikotokana na kununuliwa kwa ndege mpya na mashirika hayo yaliyoko eneo la Ghuba. Mashirika ya ndege Amerika Kusini kwa mwaka huo yalikuwa kwa asilimia 8.2. Mashirika ya ndege ya Afrika yalipata matokeo bora ya asilimia 12.9 mnamo 2010, ingawa mshinikizo kwenye ndege ulikuwa chini ya kiwango cha wastani katika sekta hiyo cha asilimia 69.1. Mwaka 2010 ulimalizika huku mahitaji Desemba yakiwa juu kwa asilimia 11.7 ya viwango vya mwaka uliotangulia.

Afrika

Kutokana na athari ya msukusuko wa kimataifa wa kiuchumi, jumla ya mapato ya Afrika yaliongezeka hadi asilimia 4.7 mnamo 2010 kutoka asilimia 2.3 mnamo 2009. Kulingana na IMF, ukuaji wa uchumi katika mataifa ya kusini mwa jangwa la Sahara ulivutia baada ya kuimarika kwa asilimia 6 kutokana na utulivu wa kisiasa, mazingira bora nje ya bara na usimamizi bora wa kiuchumi. Jumla ya mapato barani (GDP) pia yalipanda 2010 kwa asilimia 2.4.

Huku shughuli za kiuchumi zikiongezeka kote Afrika 2010, hali ilibakia na changamoto nyingi, hali iliyojisitiri kwenye jumla ya mapato ya Afrika. Kwa mujibu wa ripoti ya Umoja wa Mataifa kuhusu uchumi Afrika-2011, maeneo yaliyofanya vyema ni Afrika Mashariki na Afrika Magharibi ambayo yalikuwa kwa asilimia 6.8 na 6.0 mtawalia. Afrika Kaskazini ilifuata kwa asilimia 4.7, Afrika ya Kati 4.3 na Kusini mwa Afrika kwa asilimia 3.3.

Tofauti kwenye viwango vya ukuaji zinatokana na sababu tofauti, zikiwemo kupanda kwa mauzo katika nchi za nje, kupanda kwa bei za bidhaa, kuimarika kwa jumla ya mapato, kuongezeka kwa idadi ya watalii kikiwemo kinyang'anyiro cha Fifa cha Kombe la Dunia kilichoandaliwa Afrika Kusini, uwekezaji zaidi katika miundomsingi, kuongezeka kwa shughuli katika sekta ya huduma na mavuno bora kutokana na hali nzuri ya hali ya hewa miongoni mwa zingine. Kutokana na kuimarika kwa uhusiano na Asia, mahitaji ya bidhaa kutoka Afrika yaliongezeka, hasa katika chumi zinazokua kama vile India na China, huku bei ya bidhaa ikipanda na hivyo kuchangia katika ukuaji wa uchumi.

Kama ulivyokuwa mkondo katika muda wa mwongo mmoja uliopita, mataifa yanayouza mafuta katika nchi za nje yalistawi haraka kuliko mataifa yanayoagiza mafuta kwa asilimia 5.2 ikilinganishwa na asilimia 4 mtawalia. Hata hivyo, zote mbili zilikuwa kwenye sekta zisizotegemea mafuta na pia za madini. Kwenye Taarifa ya Kiuchumi ya Umoja wa Mataifa kuhusu Afrika 2011, Kenya ilitambuliwa kama nchi inayoagiza mafuta ambayo imepata mabadiliko makubwa na viwango vya juu vya ukuaji bila kutegemea bidhaa. Sekta kama Teknolojia ya Mawasiliano (ICT),

Taarifa ya Mwenyekiti (unaendelea)

huduma za kifedha, ujenzi na sekta ya uchukuzi zimeimarika na kushinda ile sekta ya kilimo iliyotegemewa kwa muda mrefu.

Matumizi ya mafuta duniani yalipanda kwa pipa 2.3 kwa siku 2010 na kufikia kiwango cha kihistoria cha pipa 86.7milioni kwa siku. Bei ya mafuta imekuwa ikipanda maradufu, kutoka Dola 62 mnamo 2009 hadi Dola 79 mnamo 2010. Msukosuko wa kisiasa Afrika Kaskazini na Mashariki ya Kati umekuwa tishio kwa usambazaji wa mafuta duniani. Kwa mujibu wa makadirio ya IATA kwa 2011, bei ya mafuta ilipanda hadi Dola 96 (yaliyosafishwa) kwa pipa mnamo Machi 2011 kutoka makadirio ya Dola 84 Desemba 2010.

Kiwango cha mfumko wa bei za bidhaa Afrika kilipungua kutoka asilimia 8.3 mnamo 2009 hadi 7.2 mnamo 2010 na kinatarajiwa kupungua zaidi hadi asilimia 6.4 mnamo 2011. Hii inatokana na bei nafuu ya vyakula, kutokana na hali nzuri ya hewa na mavuno tele, kuimarika kwa sarafu za nchi kadha, kuwa na nafasi ya kutosha na ushindani mkubwa.

Kulikuwa na nyongeza kubwa ya mtaji katika sekta binafsi. Uwekezaji wa moja kwa moja kutoka nje (FDI) katika sekta ya uchimbaji uliongezeka mnamo 2010, na hivyo kuashiria kushamiri kwa mahitaji ya madini na kuimarika kwa bei. Fedha zinazotumwa kutoka nje ya Afrika ziliendelea kuwa sehemu kubwa ya chanzo cha mapato ya mtaji Afrika baada ya FDI mnamo 2010, yaani asilimia 4 ya jumla ya mapato ya Afrika (GDP). Misaada kwa Afrika iliongezeka kwa asilimia 4 mnamo 2010 licha ya matatizo ya kiuchumi yanayokumba mataifa mengi yanayotoa misaada. Baadhi ya nchi za Afrika pia zilinfuika na kufutiliwa mbali kwa madeni yao.

Viwango vya uzalishaji viliongezeka kote Afrika, ingawa kidogo, ikilinganishwa na viwango vya kimataifa. Ukuaji huo unaashiria, miongoni mwa masuala mengine, athari ya mabadiliko ya usimamizi wa uchumi ambayo yalichangia kuongezeka kwa idadi ya wawekezaji wa kigeni na uwezekaji wa umma, na hivyo, kutoa nafasi ya uwezekano wa ukuaji madhubuti siku sijazo.

Idadi ya watalii waliozuru Afrika iliongezeka kwa asilimia 6.4 mnamo 2010 ikilinganishwa na asilimia 3.2 2009, kwa kiwango fulani kutokana na kuvumishwa kwa dimba la Kombe la Dunia Afrika Kusini na ukuaji wa uchumi katika mataifa wanakotoka watalii kwa wingi.

Makadirio ya uchumi wa Afrika kwa 2011 ni ya kutia moyo; kasi ya ukuaji wa uchumi inatarajiwa kudumishwa. Kiwango cha ukuaji wa jumla ya mapato kinakadiriwa kuwa asilimia 5 kutokana na nyongeza ya matumizi ya umma

na sera zifaazo za kifedha na usimamizi. Katika kusini mwa Jangwa la Sahara, IMF inakadiriwa ukuaji mahususi wa asilimia 5.5. Gharama ya maisha inatarajiwa kupanda kutokana na mfumko wa bei za bidhaa na kupanda kwa bei ya mafuta, zote zinazotokana na misukosuko ya kijamii na kisiasa Kaskazini mwa Afrika na Mashariki ya Kati.

Kenya

Harakati za ufufuaji wa uchumi wa Kenya zilidumishwa 2010, baada ya kudidimia kutokana na vurumai za baada ya uchaguzi mkuu 2007/8. Uchumi ulikua kwa asilimia 5.6 mnamo 2010 ikilinganishwa na kiwango cha awali cha asilimia 2.6 mnamo 2009. Matokeo hayo bora yalichochea na maswala kadha ikiwemo kuimarika kwa shughuli katika sekta ya utalii, uthabiti wa sekta ya ujenzi na ukuaji katika sekta ya uchukuzi na mawasiliano. Sekta ya utalii pia iliimarika, japo kwa kiwango kidogo kutokana na hali nzuri ya hewa na jitihada za Serikali za kuinua sekta hiyo kupitia upanuzi wa ardhi inayonyunyiziwa maji na kupunguza gharama za upalilaji na pembejeo.

Sekta ya utalii pia ilikua kwa kiwango kikubwa. Ukuaji huo unatokana na kampeni yenye hima iliyoendeshwa na Bodi ya Utalii Kenya kuvumisha nchi hii kama kivutio kikuu cha watalii na upanuzi wa mtandao wa kimataifa wa maeneo inakohudumu Kenya Airways. Idadi ya watalii wa kigeni iliongezeka kwa asilimia 8.0 kutoka wageni 1.49 milioni mnamo 2009 hadi wageni 1.61milioni mnamo 2010.

Sekta ya kilimo pia ilipata matokeo bora 2010. Hii ilitokana na nyongeza ya uzalishaji wa majani chai, maua na mboga na pia sekta ndogo ya maziwa. Jumla ya ukuaji katika sekta ya kilimo mnamo 2010 ilikuwa asilimia 6.3 ikilinganishwa na kiwango cha chini cha asilimia 2.6 mnamo 2009.

Sekta ya uchukuzi na mawasiliano iliimarika kwa asilimia 5.9 ikilinganishwa na 6.4 mnamo 2009. Ushuru ulipanda kwa asilimia 12.5 huku usafiri wa abiria kutoka na kuingia viwanja vya ndege vya humu nchini ukiimarika kwa asilimia 14.3 na 10.1 mtawalia.

Nayo sekta ya ujenzi na nyumba ilikua kwa kiwango cha chini cha asilimia 4.5 mnamo 2010 ikilinganishwa na 12.4 mnamo 2009 kutokana na miradi inayoendelea ya ujenzi wa miundomsingi. Kiwango cha wastani cha gharama ya maisha cha kila mwaka mnamo 2010, kilishuka kwa asilimia 4.5 kutoka kiwango cha juu mwaka uliotangulia cha 10.5. Hata hivyo, kuna shinikizo zaidi kwa mfumko wa bei za bidhaa kupanda 2011 kutokana na kuongezeka kwa bei ya mafuta katika soko la kimataifa na nyongeza ya bei za vyakula, kwa kiwango fulani, kutokana na mvua chache. Kwa mujibu wa Benki Kuu ya Kenya, Shilingi ilipata

mchanganyiko wa matokeo Desemba 2010. Dhidi ya Dola ya Amerika, Sh80.57 zilibadilishwa kwa kila dola. Shilingi iliimarika dhidi ya Uro na Pauni ya Uingereza huku ikibadilishwa kwa Sh106.54 na Sh125.65 mtawalia. Dhidi ya sarafu za mataifa ya Afrika Mashariki, thamani ya Shilingi ya Kenya ilipungua dhidi ya shilingi ya Tanzania ambapo Sh1 ya Kenya iliuzwa kwa Sh18.17 za Tanzania, ilhali iliimarika dhidi ya Shilingi ya Uganda ambapo iliuzwa kwa Sh28.59 kwa kila Shilingi ya Kenya mnamo Desemba 2010.

Uzinduzi wa katiba mpya Agosti 2010 bila shaka ulikuwa na matokeo bora kwa uchumi na unatarajiwa kupunguza hatari za kisiasa na kuimarisha imani ya wawekezaji.

Kuendelea mbele, ukuaji wa uchumi wa Kenya unakadiriwa kufikia asilimia 5.7 huku kukiwa na athari ya kupanda kwa gharama ya maisha na hatari za kisiasa huku uchaguzi mkuu wa 2012 ukikaribia. Ukuaji huo utachochea na matumizi zaidi katika miundomsingi na ukuaji wa sekta ya kibinafsi. Mahitaji zaidi ya kifedha nchini na harakati za kupanua sera ya usimamizi wa kifedha zinatarajiwa kuongeza shinikizo kwenye malimbikizo ya madeni 2011. Hata hivyo, athari za hali ya anga, kama vile kiangazi kilichotabiriwa mapema 2011, kupanda kwa bei ya mafuta na kupungua kwa thamani ya shilingi kunaweza kudidimiza matumaini ya ukuaji wa uchumi.

Matokeo ya Kampuni

Kenya Airways ilipata mafanikio mawili ya kihistoria katika kipindi cha matumizi ya fedha kilichomalizika Machi 31, 2011 licha ya hali ngumu ya kiuchumi na kisiasa iliyokuwepo katika miezi mitatu ya mwisho wa mwaka jana. Kwa mara ya kwanza katika historia yake, shirika hili lilipitisha idadi ya abiria milioni 3 katika Machi 2011. Katika kipindi hicho cha matumizi ya fedha, jumla ya mapato ya kampuni yalizidisha kiwango cha dola bilioni 1.

Bodi ina furaha kutangaza kuwa, faida ya Kenya Airways imeendelea kukua. Shirika hili lilipata jumla ya mapato ya Ksh85.8bilioni ambayo ni nyongeza ya asilimia 21 ya mapato ya mwaka uliotangulia ya Ksh70.7bilioni. Faida baada ya ushuru iliongezeka hadi Ksh3.538bilioni ikilinganishwa na faida ya Ksh2.035bilioni mwaka uliotangulia. Hii ni sawa na nyongeza ya asilimia 4.1 ya faida, kutoka ile ya 2.9 iliyopatikana 2009/10. Mapato kwa kila hisa yaliongezeka hadi Ksh7.65 kutoka Ksh4.40 yaliyoripotiwa mwaka uliotangulia.

Wasimamizi waliendelea kutumia muda na rasimali kudumisha viwango vya juu vya usalama katika operesheni zake zote katika muda huo.

Taarifa ya Mwenyekiti (unaendelea)

Mapato Wasafiri

Uwezo wa kusafirisha abiria unaopimwa kwa Kiti kilichopo kwa Kilomita (ASK) uliongezeka kwa asilimia 5.5 kwa kiasi kikubwa kutokana na kuimarika kwa safari za ndege na kuzinduliwa kwa maeneo mapya. Idadi ya wasafiri inayopimwa kwa Mapato ya Abiria kwa Kilomita (RPK) ilipanda kwa asilimia 9.3 ikilinganishwa na mwaka uliotangulia kutokana na kuimarika kwa hali ya uchumi wa dunia katika miezi tisa ya kwanza ya mwaka. Mapato kutoka kwa abiria kwa senti za Amerika yaliongezeka kwa asilimia 6.7 na kuimarika zaidi hadi asilimia 10.3 ilipobadilishwa kwa Shilingi za Kenya, haswa kutokana na thamani ya chini ya Shilingi ya Kenya katika kipindi hicho.

Mapato kutoka kwa wasafiri kwa mwaka yalikuwa Ksh75.4bilioni ambayo ni asilimia 20 zaidi ya mwaka uliotangulia.

Idadi kubwa ya wasafiri iliyopatikana katika maeneo yafuatayo: Kusini mwa Afrika iliimarika kwa asilimia 16.3, hasa kutokana na mechi za Kombe la Dunia na uzinduzi wa huduma zetu hadi Nampula na Luanda katika mwaka huo. Idadi ya wasafiri Kaskazini mwa Afrika ilipanda kwa asilimia 25.1 kutokana na uzinduzi wa operesheni zetu hadi Juba. Safari hadi mataifa ya Ulaya ziliongezeka kwa asilimia 12.8 kutokana na mahitaji ya kusafiri nje ya London, Amsterdam, Paris na uzinduzi wa usafiri hadi Rome katikati ya mwaka, ilhali ukuaji katika Mashariki ya Kati wa asilimia 9.2 ulitokana, hasa na athari ya huduma mpya hadi Muscat. Safari katika Magharibi na Afrika ya Kati zilikuwa kwa asilimia 7.2.

Idadi ya wasafiri wa humu nchini iliimarika kwa asilimia 13.7 kutokana na kuongezeka kwa ndege na safari zetu za Mombasa na kurejelea safari zetu Malindi.

Maeneo yaliyoshuhudia upungufu ni pamoja na Afrika Mashariki (-5%) na Mashariki ya Mbali (-1%).

Idadi kubwa ya wasafiri iliimarika kwa jumla matumizi ya nafasi ya viti vilivyopo hadi asilimia 69.2 ikilinganishwa na asilimia 66.5 ya mwaka uliotangulia.

Mizigo

Kiwango cha mizigo kilikuwa juu kwa asilimia 2.2 ikilinganishwa na mwaka uliopita pamoja na nyongeza ya mapato ya asilimia 13.7. Hii ilichangia nyongeza ya mapato ya asilimia 16.7 ikilinganishwa na mwaka uliotangulia. Maeneo yaliyoshuhudia ukuaji mkubwa wa shehena ni pamoja na Ulaya (+9.7%), Kusini mwa Afrika (+5.9%), Afrika Mashariki (+10.2%) na ile ya humu nchini (+12.1%). Afrika Magharibi na Kati zilimarika kwa kiwango kidogo



Taarifa ya Mwenyekiti (unaendelea)

cha asilimia 1.6. Ukuaji huo hasa ulitokana na kuimarika kwa hali ya kiuchumi na kuzinduliwa kwa maeneo mapya ya usafiri.

Maeneo yaliyorekodi upungufu wa kiwango cha mizigo ni pamoja na Mashariki ya Kati (-11.2%), Mashariki ya Mbali (-12.9%) na Afrika Kaskazini (-3.5%). Upungufu katika maeneo hayo hasa ulikuwa mkubwa katika miezi mitatu ya mwisho wa mwaka kutokana na misukosuko ya kisiasa katika Mashariki ya Kati na Afrika Kaskazini. Kudidimia huko pia kulitokana na ukosefu wa nafasi kutokana na mizigo mingi kupitia kiasi.

Kiwango cha ubadilishanaji wa fedha

Dola ya Amerika iliimarika dhidi ya Shilingi ya Kenya huku kiwango cha wastani cha ubadilishanaji kikiwa Dola1 kwa kila Ksh79.69 ikilinganishwa na kiwango cha mwaka uliotangulia cha Dola1 kwa Sh76.67. Kuimarika kwa Dola na kupungua kwa thamani ya Shilingi kulikuwa na matokeo bora kwenye mapato yanayotokana na fedha za kigeni yanapogeuzwa kwa Shilingi za Kenya. Matokeo hayo bora hata hivyo yaliathiriwa kwa kiasi fulani na gharama ambazo zilizilipiwa kwa kiwango kikubwa kwa fedha za kigeni.

Gharama

Gharama za mafuta

Gharama za mafuta, bila kujumuisha gharama za mkakati wa kukabiliana na mabadiliko ya bei ya mafuta, ziliongezeka kwa Ksh5.96bilioni au asilimia 31.7, ikilinganishwa na mwaka uliotangulia. Nyongeza hii kubwa ilitokana hasa na bei ya juu ya gharama ya mafuta ya ndege kutoka 216/cag mnamo 2010 hadi 258/cag mnamo 2011, nyongeza ya asilimia 19.4%. Shilingi ya Kenya iliyopungua thamani hivyo basi, iliathiri gharama ya mafuta kwa asilimia 3.9. Nyongeza iliyosalia ya asilimia 8.4 ilitokana na matumizi zaidi kutokana na kuongezeka kwa shughuli zetu.

Gharama za uendeshaji

Gharama za uendeshaji zilipanda kwa Ksh 1.55bilioni au asilimia 10.1. Matokeo yaliathiriwa vibaya na gharama za wafanyikazi za Ksh1.022bilioni na Ksh532milioni katika masuala ya jumla ya usimamizi na uzinduzi wa maeneo mapya ya usafiri.

Matarajio ya baadaye

Kwa mujibu wa IATA, bei ya juu ya mafuta, iliyotokana na misukosuko ya kisiasa Mashariki ya Kati na Afrika Kaskazini zitapunguza faida za shirika hili 2011. Kutokana na hali hiyo, makadirio ya faida katika mashirika ya ndege kote duniani ambayo yalitajarajiwa kuwa Dola 9.1bilioni mnamo 2011 yatapungua hadi Dola8.6bilioni. Bodi imetilila maanani nyongeza ya mahitaji ya usafiri yanayotarajiwa

kuongezeka na shinikizo kwa mapato kutokana na kupanda kwa bei ya mafuta. Hii inamaanisha kuwa, Kenya Airways ni lazima itekeleze mikakati ifaayo kuimarisha ukuaji na faida yake. Vichocheo vikuu vya ukuaji ni idadi kubwa ya wasafiri, mapato mazuri na mpango mahususi wa kupunguza gharama. Hivyo basi, shirika hili litaendelea kufungua njia mpya za kuhudumu kwa mpango, kununua ndege mpya, kutoa mafunzo kwa wafanyikazi na kuimarisha mitambo yake. Wasimamizi wanajitolea kutoa huduma zifaazo kupitia, miongoni mwa mengine, utenda kazi kwa wakati ili kutosheleza na kuzidisha matarajio ya wateja.

Faida ya Kenya Airways baada ya ushuru kwa 2010/11 ni bora ikilinganishwa na faida ya mwaka uliotangulia. Bodi ina matumaini kuwa matokeo ya kampuni yataendelea kuimarika katika miaka ijayo.

Mikataba ya angani na kufikia masoko

Kenya Airways iliendelea kufungua Afrika kwa mataifa mengine ya ulimwengu katika kipindi kinachotathminiwa. Njia 6 mpya zilizinduliwa mwaka huo nazo ni: Muscat-Oman, Juba - Kusini mwa Sudan, Luanda-Angola, Nampula - Mozambique, Rome-Italia na Malindi. Safari hizo mpya zimeongeza idadi ya maeneo tunakohudumu hadi 53 kutoka 47 mwaka uliotangulia.

Kwa kufungua maeneo mpya, Kenya Airways imeendelea kuchangia katika ustawi wa Afrika wa kutegemewa kwa kufanikisha utalii na biashara; kuchangia ukuaji wa uchumi, kutoa nafasi za kazi na kuongeza mapato kutokana na ushuru. Kundi la Pande mbili la Huduma za Angani linaloongozwa na Wizara ya Uchukuzi lilijadiliana, kutathmini na kupitisha mapatano kadha ya pande mbili kuhusu huduma za angani (BASA) katika kipindi kinachochunguzwa.

Serikali ya Nigeria ilichunguza mkataba wa sasa wa BASA na kukubali kuanzishwa kwa safari za moja kwa moja kutoka Nairobi hadi Abuja mara nne kwa wiki na Kenya Airways, na nyongeza ya safari za kila wiki hadi Lagos kutoka 10 hadi 14. Mapatano na Tanzania na Sudan pia yalichunguzwa upya, na kuhusiana na Tanzania, idadi ya safari kutoka Nairobi hadi Dar es Salaam ziliongezwa kutoka safari 21 kwa wiki hadi 42 na za zile saba za kila wiki kuelekea Sudan pia ziliongezwa bila kipimo na uwezo.

Ufanisi wa kihistoria ulipatikana kupitia kuanzishwa kwa operesheni za Kenya Airways hadi Luanda, Angola. Kenya Airways inaendelea kuchunguza makubaliano yaliyopo na kutia sahihi ushirikiano wa kibiashara na mashirika mengine, kwa lengo la kupanua mtandao wake Afrika na kwingineko duniani.



Taarifa ya Mwenyekiti (unaendelea)

Serikali na Shirika la Kusimamia Viwanja vya Ndege (KAA) zinaendelea kuunga mkono mashirika ya ndege ya humu nchini. Hasa katika kipindi kinachoangaziwa, shughuli za upanuzi wa uwanja wa JKIA zilianza. Imebainika kuwa JKIA inaendelea kuzidiwa, na miundomsingi inapaswa kuimarishwa. Mabadiliko hayo yatahakikisha JKIA inaimarisha hadhi yake kama kitovu cha kibiashara katika eneo hili, pamoja na kuwa na uwezo wa kuhudumia wasafiri zaidi.

Kutokana na utandawazi wa huduma za usafiri wa angani katika Jumuiya ya Afrika Mashariki, Kenya Airways inajitandaa kupanua mtandao wa maeneo inakohudumu kwa ushirikiano na Precision Air na washirika wengine katika sekta hiyo. Na katika sehemu zingine za Afrika, licha ya Uamuzi wa Yamoussoukro, masoko mengi bado yanadhibitiwa kupita kiasi na Kenya Airways kwa usaidizi wa Serikali, inaendelea kufuatilia masoko hayo.

Wenyehisa

Idadi ya wenyehisa kwenye Sajili ya Wanachama kufikia Machi 31, 2011 ni 73,249. Kati ya hizi, wenyehisa 32,923 wamekinda hisa zao dhidi ya hasara na kuchagua CDSC Nominees Limited na kufungua akaunti kwenye Central

Depositary System. Maelezo kuhusu wenyehisa kufikia Machi 31, 2011 yamo kwenye ukurasa 103.

Mgao wa faida wa mwisho

Bodi inapendekeza kuidhinishwa na wenyehisa mgao wa mwisho wa Ksh1.50 kwa hisa, kulipwa kwa wenyehisa wa kampuni walio kwenye Sajili ya Wanachama kufikia mwisho wa shughuli za siku mnamo Oktoba 14, 2011 ambazo zitalipwa mnamo au kufikia Novemba 16, 2011.

Shukrani

Ninachukua fursa hii kutoa shukrani zangu kwa wateja wetu, wenyehisa, serikali, wasimamizi na wafanyikazi na wakurugenzi wenzangu kwa ushirikiano wao wa kila mara.

Wakurugenzi

Wanachama wa Bodi waliohudumu mwaka uliomalizika wamo kwenye ripoti kuhusu Wakurugenzi katika ukurasa 56.

EVANSON MWANIKI MWENYEKITI

Management Team



From Left to Right

Mr. Alex W. Mbugua | Mohan Chandra | Mr. Tom S. Shivo | Kevin Kinyanjui | Mr. Tom Obonyo Kadoyo | Mr. Yves Guibert | Mr. Bram Steller | Dr. Titus Naikuni | Captain Paul K. Mwangi



Management Team

Dr. Titus Naikuni; **Group Managing Director & Chief Executive (57)**

Dr. Naikuni holds a Bachelor of Science Honours Degree in Mechanical Engineering from the University of Nairobi. He is also a graduate of the Harvard Business School's Management Development Programme (PMD71) and was awarded a Doctor of Science Engineering by the Jomo Kenyatta University of Agriculture and Technology in 2008, an honorary award in recognition of his contribution to development.

He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of that company in 1995 and Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996. Between August 1999 and March 2001 Dr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by retired President Moi to turn around the Kenyan economy. In this capacity Dr. Naikuni served as permanent secretary to the Ministry of Information, Transport and Communications and was a member of the Board of Kenya Airways during that period. He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director of Magadi Soda and Magadi Railway Companies, a position he held up to his present appointment with Kenya Airways in February 2003.

Dr. Naikuni has had extensive boardroom experience having served on various company boards including as a member of the board of Brunner Mond (South Africa), as Chairman of the Kenya Power & Lighting Company and as Chairman of Housing Finance Company of Kenya Limited. He received the Manager of the Year Award in Kenya in 2002. He is currently a board member of Maersk Kenya Ltd, Access Kenya Ltd, CFC Bank Kenya Limited, East African Portland Company and the Kenya Tourism Board, Deputy Chairman of Magadi Soda Company Ltd and a member of Unilever Africa Advisory Council and the Lafarge Advisory Board.

Mr. Bram Steller; **Chief Operating Officer (64)**

Mr Bram Steller holds Netherlands' Nationality and is an MBA graduate with specialization in Organizational Consultancy and Marketing Strategy. He also holds a Bachelors Degree in Electronics Engineering. He worked with Kenya Airways as Commercial Director in 2000/01 before moving on to Jet Airways in 2002/03 as the Executive Vice President, Commercial with Jet Airways in Mumbai, India and Managing Director of Trans-Maldivian Airways from 2003 to 2008. With a career spanning over

30 years in the aviation industry, 25 of which were served with KLM Royal Dutch Airlines, lastly as Vice President Middle East, Central and South Asia based in Dubai, UAE, Mr Steller has a wealth of experience in networking, scheduling, marketing, sales, cargo, in-flight and ground services. Previous postings were in Lagos, Nigeria between 1979 and 1982, Cairo, Egypt between 1984 and 1986 and Stockholm, Sweden between 1986 and 1990. He re-joined Kenya Airways on 15th August 2008.

Mr. Alex W. Mbugua; **Group Finance Director (47)**

Mr. Mbugua is a Member of both the Institute of Certified Public Accountants and Institute of Certified Public Secretaries of Kenya. He is also a holder of an MBA degree specializing in Corporate Finance. He has over 25 years experience in Finance, 9 of which were gained from the auditing and consulting profession and 16 from the commercial industry. He started his career in 1985 with KPMG Nairobi. In 1990, he joined the commercial world where he held senior financial positions with Lonrho East Africa and Bain Hogg Insurance. He then moved to Johannesburg, South Africa in 1999 to work as a Business Processing Consultant with PricewaterhouseCoopers.

Before joining Kenya Airways in July 2008, he was the Chief Financial Officer-Africa for AngloGold Ashanti's African operations for a period of 5 years, also based in Johannesburg. He has over 10 years boardroom experience gained from sitting in several boards in Kenya, across Africa and Europe.

He joined the board of Kenya Airways as Group Finance Director in August 2008.

Captain Paul K. Mwangi; **Director, Flight Operations (52)**

Captain Paul Mwangi is an alumnus of Alliance High School and a firm believer in the school's motto "strong to serve". He has served Kenya Airways in various capacities since 1984. As the Director of Flight Operations, he is responsible for the training and operations of crew (pilots and cabin crew) and for In-flight management. He joined the airline in 1984 at the age of 25, initially as a cadet officer and then as a co-pilot. He underwent progressive training in the flying of various fleets and recently checked out as Captain of Boeing 777. During his extensive flying career, he has flown a number of aircraft including Fokker 27s and 50s, Boeing 737s, the Airbus, Boeing 767 and now Boeing 777. He not only serves Kenya Airways as a Captain but also plays the role of instructor and examiner for the Kenya Civil Aviation



Management Team (cont'd)

Kenya Airways in April, 2009, he was managing its entire Ground Services, Training and In-Flight services operations.

Kevin Kinyanjui; **Information Systems Director (44)**

Mr. Kinyanjui has over 18 years experience in the Information Technology field. This includes 6 years at a management consulting firm PriceWaterhouse, 6 years at Bamburi Cement Ltd and a total of 4 years in the banking sector, most recently at Housing Finance Company of Kenya Limited. He has attended many technical IT and management courses both locally and abroad. As an IT management consultant he carried out numerous management consultancy assignments in the finance, hospitality, manufacturing and service industries in both private and public sector organisations. These organisations were spread out beyond Kenya and in other African countries including Uganda, Tanzania, Malawi and Ethiopia. At Bamburi Cement where he was the head of IT, initially for the cement company alone, and thereafter for all group companies in Kenya and Uganda he was instrumental in strategy formulation, shifting the group to an end user computing environment, integrating ERP systems and putting in place a complete IT organisation.

Mr. Kinyanjui was the first IT Director at Housing Finance Company of Kenya Limited where he oversaw similar planning and implementation activities for banking business systems. This included the evaluation and selection of a completely new banking system platform. In 2001 the Computer Society of Kenya awarded him the Chairman's Achievement Award in recognition of his achievements in the IT field.

Mr. Tom S. Shivo; **Ag. Group Human Resources Director (40)**

Mr. Shivo is a member of the Institute of Human Resources Management of Kenya. He is a holder of an MBA degree specializing in Human Resources, a Bachelors degree in Education, and a Higher Diploma in Human Resources Management.

He has 16 years working experience, 13 of which have been in the Human Resources field. He started his career in 1995 as a teacher with the Teachers Service Commission, and immediately joined the private sector as an Instructor on computer education at Futurekids International. In 1998, he joined KHI / Hawkins Associates as a Training Consultant, where he led numerous Human Resources consultancy assignments. In 2001, he joined Nairobi Hospital as the Deputy Human Resources Manager, and was later promoted to the HR Manager position in 2005.



Management Team *(cont'd)*

He then moved to Coca Cola Sabco (Nairobi Bottlers) as the Country Human Resources Manager in charge of the Kenya business in 2006, a position he held until joining Kenya Airways as the Head of Human Resources Relationships & Reward in November 2010.

Tom is currently acting in the role of Group Human Resources Director.

Mohan Chandra; **Commercial Director (60)**

Mohan Chandra joined Kenya Airways on 1st August 2009. Prior to joining Kenya Airways, Mohan was the Aviation Advisor and Chief Operating Officer for Emirates Post Group. He commenced his airline career with DNATA, then a brief stint with Air India and onward to KLM for 27 years as Regional Manager - United Arab Emirates,

Bangladesh, Sri Lanka, Maldives, Yemen and Oman. He has also worked in Senior Commercial Management positions with Qantas and Emirates. Besides various IATA and Management courses attended, Mohan holds a Diploma from the American Management Association (AMA), of which he is a member. He also holds an Aviation Airline Transport Diploma from the New Zealand Civil Aviation Authority and a New Zealand Commercial Pilot License for single and twin engine aircraft. Mohan has received accolades and recognition for outstanding performance throughout his airline career. Most notable were the Worldwide Emirates Aviation Sales Award (2005/2006), Certificate of Appreciation from The President of Civil Aviation and Chairman of Emirates Airline, H. H. Sheikh Ahmed Bin Saeed Al Maktoum, for dedicated service to Dubai International Airport (1999) and TQP KLM Award for turning extra seats into extraordinary Sales (1991/1992).

***We dreamed of opening up
Africa to a world of opportunity.***

And our dream came true.



Chief Executive's Statement



We are aware that simply responding to challenges is not enough – we have to anticipate them. For us to succeed we need to inculcate a sense of ceaseless change in the way we do business. This must involve re-designing our business processes to be more adaptable and customer-driven.

Dr. Titus Naikuni

The Financial year 2010/2011 was full of challenges for Kenya Airways. The aviation landscape in our market has indeed become more competitive, with several entrants in recent years having commenced operations to our home base in Kenya. We at Kenya Airways however, believe that as long as there is a level playing field, we are happy to compete. Competition is healthy and it's great for the Customer.

The high cost of jet fuel continues to pose a major risk to profitability in the aviation industry and regrettably, skyrocketing oil prices that followed the political unrest in parts of the Middle East and the military intervention in Libya are having an even bigger and more immediate impact on the industry.

The last quarter of the financial year ended with an average of USD 106 per barrel, which translates to a 33% increase on the \$79.4 average in the previous quarters. Fuel already accounts for about a third of an airline's cost structure and according to IATA, each dollar increase in the price of oil challenges airlines to recover \$ 1.6 billion in added costs.

Given this backdrop, it is commendable that Kenya Airways has continued to be profitable. The Kenya Airways' team however acknowledges that despite our impressive results, we must look forward to deal with the challenges that remain and those that will emerge in the future.

We are aware that simply responding to challenges is not enough – we have to anticipate them. For us to succeed, we need to inculcate a sense of ceaseless change in the way we do business. This must involve re-designing our business processes to be more adaptable and customer-driven.

COMMERCIAL HIGHLIGHTS

During the financial year 2010/11, Kenya Airways carried a total of 3.136 million passengers compared to 2.890 million passengers in the previous year, representing a growth of 8.5%. Passenger Revenue increased by 20% when compared with the previous year and this has been attributed to regained Customer loyalty, expanded route network and the increase of frequencies to certain destinations, and improved On Time Performance.

The cargo/mail sector achieved a tonnage to 56,401 tonnes compared to 55,201 tonnes in the previous year. Cargo revenue rose by 19.6% from prior year.

Chief Executive's Statement

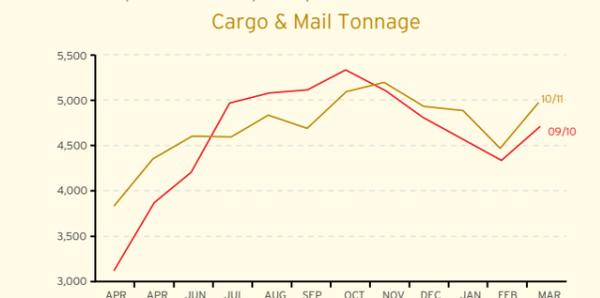
Passenger numbers graph Apr 2010 to Mar 2011 compared with the same period in the prior year.



Passenger Revenue



Cargo/Mail tonnage graph Apr 10 to Mar 11 compared with the same period in the prior year.



Cargo & Mail Revenue



Chief Executive's Statement (cont'd)

E-Commerce revenue was 108% higher than previous year and the revenue arising from web sales has continued this upward trend.



Contact Centre

During the period under review, Kenya Airways established a 24/7 call centre in Embakasi for its customers. The customer services provided at the call centre includes:

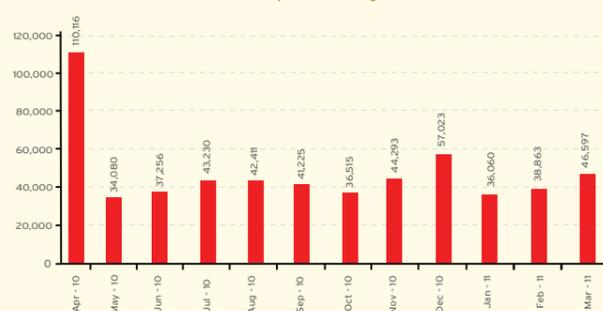
- Reservations for new bookings and re-bookings,
- Ticketing, where customers can purchase tickets using credit cards, Mpesa/Airtel funds and electronic funds transfer,
- Flying Blue Miles,
- Baggage enquiries,
- Sales support for internet sales, and
- General enquiries, compliments, complaints and claims.

All transactions relating to the above services are carried out over the phone. Sales opportunities are generated from both inbound and outbound calls and communication by email, thereby promoting efficiency and improvement in customer service.

The foregoing convenient form of communication with our customers has translated into steady growth in ticket sales from month to month, and opportunities for growth in sales continue to be identified and experienced by the KQ sales team.

Our customers have now become aware of the call centre's services, and their confidence in us continues to grow.

Monthly Incoming Calls - Reservations



Monthly Incoming Calls - Flying Blue



Sponsorships

Notable company sponsorships during the period under review were the Golf Safaris and the Kenya Rugby Team.

KQ Golf Safari

- The 2010-2011 KQ Golf Safari was initiated in Kampala - Uganda in August 2010. The final destination event was held in Johannesburg South Africa on 5th March 2011, followed by the final event held in Nairobi on 26th March 2011 at Muthaiga Golf Club. This final event involved winners of all twelve (12) destinations (countries in which the events were held, namely Uganda, Tanzania, Ethiopia, South Africa, Cameroon, Botswana, Zambia - both Lusaka & Ndola, Senegal, Zimbabwe, Nairobi and Malawi) and ten (10) club nights (Golf clubs) that participated in Kenya. This is one of the most sought after events in the Golf calendar and was a great success.

Kenya Rugby Team

The Kenyan Rugby team participated in the IRB series. The first leg of the series was held in Dubai and South-Africa, the second leg held in New Zealand and Vegas, USA, whilst the other series were held in Hong Kong (25th- 27th March 2011) and Australia (2nd -3rd April 2011). Prior to the departure of the Kenya Rugby Team for the second leg, the CEO Titus Naikuni, senior management and journalists held a training session, to encourage the team following a poor performance during the first leg.

The team performed well during the second leg thereby earning twelve points and as a result moved to ninth position in the series from the twelfth position. Notably, Collins Injera became the first Kenyan to join the elite club of world rugby players who have scored 100 tries in the international rugby board scores world series after scoring a hat trick against Guyana during the Las Vegas encounter. This performance greatly enhanced the team's performance and resulted in them gaining

Chief Executive's Statement (cont'd)

points to add to their total tally of 12 points during the IRB series season.

HUMAN CAPITAL

As at 31st March 2011, Kenya Airways' headcount stood at 4,355. The key focus of the Human Resource Department has been to drive a high performance culture, to ensure delivery of the Company Strategy. Key to this, is the improvement of people capabilities at all levels and working closely with all departments within the organisation to offer new and innovative training solutions that help drive a high performance culture. A new program "Strengthening our Pride" was offered to line managers to provide them with practical team leadership skills for dealing with day to day people issues.

Learning and Development

During the financial year 2010/11, the Learning and Development Team continued with its quest to develop people and capability whilst supporting the key company goals of growth and efficiency by increasing its commercial focus and delivering courses that responded to learning needs within the organisation.

Corporate Training

Building on the success factors (A behavioral competence framework with competencies defined at four levels of responsibility), developmental courses for all levels of staff within the organization were rolled out within the year. These programs included, Personal Effectiveness, where a total of 645 staff were trained, Learning to Lead and business Leadership where 161 and 13 staff respectively were trained. Other corporate courses aimed at addressing soft skills and the number of staff trained included; Presentation Skills (62), Finance for non-finance managers (97), HR for non-HR managers (38) and stress management (68).

Leadership and Executive Development

The foregoing programs are focused on building personal effectiveness and leadership capabilities whilst maintaining an emphasis on ensuring improvements in 'on-the-job' performance. This intervention greatly complimented the skill related training programs offered by the various divisions within Learning and Development, i.e. Flight Operations Training Team, Technical Training Team, Ground Services Training team and the Commercial Skills Training Team.

Flight Operations Training

Flight Operations made major strides in order to cope with the rapid expansion and efficiency of our operations during the year. During the period under review, Boeing

737-800 Full Flight Simulator was installed at the Pride Center Training facility. The introduction of the simulator has to date enabled the flight operations training team to make cumulative savings of 8% of the total investment in logistical fees and reduced the time pilots spend away from the operational base during conversion training.

At the end of March 2011, forty-six (46) cadets and thirty (30) qualified pilots had undergone conversion and refresher training, respectively. The simulator also availed more pilots to fly during their days of training without violating the stipulated duty period. Flight Operations Training unit recently recruited new trainers both for emergency procedures training and Type Rating for pilots. All were taken through Instructional techniques and Design, followed by team building, Instructor Refreshers and Syllabi reviews. The new syllabi are awaiting approvals by Kenya Civil Aviation Authority.

Most of the trainers have gone through Managerial modules i.e. management of training, project management, learning to lead; just to mention a few. The airline is currently planning to conduct flight operations officer courses in-house. This will have a positive effect on the company training budget.

Technical Training

During the year under review, the technical school conducted several functional courses that were aimed at supplying aircraft production with trained staff that could meet maintenance demands as a result of the company's fleet and network expansion. The school further trained newly recruited technicians from outstations (Lagos, Accra, Malawi and Duala) with a view of having them handle maintenance functions at these stations. The school conducted refresher courses for maintenance staff to ensure that they remained current. With the introduction of the E190 aircraft, the school trained enough engineers in time before the aircraft deliveries and this ensured that the aircraft commenced operations, having sufficient maintenance staff.

The school also conducted non functional courses like aircraft documentation and human factors for other staff and offered training for other departments to support operations. Those trained included, the Pride stars, Ground operation staff and cabin crew.

Ground Services Training

In pursuit of the business mission for 2010, of driving growth and efficiency while at the same time enhancing safety and security, ground services training focused on

Chief Executive's Statement (cont'd)

compliance in outstations, with regard to the mandatory training in Airside Safety, Dangerous Goods Regulations and Aviation security. All the outstation staff, including, dedicated ground handling agents were trained in the above three courses to enhance the safety of our operations in the outstations. This was also carried out in preparation of the opening of new routes to ensure that all staff in the new stations who handle our flights are adequately trained.

Ground services training unit also expanded its commercial training services, not only to include major airlines and ground handlers in the region, but also fresh school leavers, who can now access a range of courses at the Pride Centre. The implementation of commercial training for Ground Services courses was successful, with a total of 101 'Pride Stars' graduating with Certificates in Airline Passenger Services qualification during the period under review. This also introduced an additional revenue stream to the business.

Commercial Training

During the year the Commercial Business Skills Training team continued to offer training programs to other airlines on a commercial basis in addition to introducing more programs for Kenya Airways Staff. This was achieved by proper alignment of the training calendar to enable the training unit serve all the company's clientele.

The growth Kenya Airways experienced during the year came with a lot of internal progression for Kenya Airways staff, especially cabin crew. This provided an interesting challenge for the training team as the numbers were big and each individual needed to be certified before progressing to their new role.

A key project for the Commercial Business Skills Training team was the commercial training project for individuals interested in developing cabin crew careers. The Team successfully trained and graduated over 230 students in "The Certificate in Airline Cabin Course", thereby creating a ready pool of skilled staff for the aviation industry.

IATA Partnership

In addition to the above training, through partnership with IATA, KQ has begun offering specialised aviation related IATA courses at its Learning and development centre - The Pride Centre. Such courses were available in Europe but with the onset of the IATA/KQ partnership, airlines within the region can now benefit from the same high quality training and certification in a more cost efficient manner. With this partnership, The Pride Centre is now regarded

as the premier aviation training centre in the region. Nine (9) such courses were carried out during the year. The next financial year has even brighter prospects, with an increase in the number of courses scheduled to be run through this partnership.

Employee Relations

During the financial year 2010/11, the company actively engaged the two unions, Kenya Airline Pilots Association (KALPA) and Aviation and Allied Workers Union (AAWU) by holding scheduled meetings and continuous dialogue, with the view of strengthening industrial harmony.

AAWU: Various meetings between Management and AAWU on the Collective Bargaining Agreement (CBA) resulted in the signing of an MOU in April 2010 on Clause J of the "Return to Work Formula". This agreement provided for:

1. License and approval payments for engineers,
2. Productivity for cabin crew,
3. Flying allowance for engineers,
4. Night stop allowance for cabin crew, and
5. Guaranteed nights for cabin crew.

The dispute relating to the AAWU CBA is still pending before the Industrial Court, while mediation regarding the dispute with the Ministry of Labour is ongoing.

Job Evaluation: This was an important exercise in correcting perceived anomalies in job grading. The process was complicated and involved training of job evaluators and thereafter, an analysis of each job. This exercise was undertaken jointly by both management and AAWU union staff members. This process was concluded in April 2011 and payment for staff whose grades moved upwards, effected in May 2011.

KALPA: The Company submitted its 2010-2012 CBA proposals to KALPA in July 2010, and KALPA responded in January 2011. The CBA negotiations are currently in progress.

To further strengthen relations with KALPA, issues arising were dealt with, as and when they arose. Notably, the sign off of the MOU on operations of the six (6) sectors on the Embraer fleet was signed on 30th November 2010.

Monthly meetings with KALPA were held as well as quarterly meetings between KALPA and management under the chairmanship of the Group Managing Director & CEO, where various issues affecting the business were discussed and resolved.

Chief Executive's Statement (cont'd)

The Embakasi Housing Project: The housing project was handed over to the developer in July 2010 and construction has commenced. The project is expected to be completed within two (2) years from commencement of the construction.

The KQ Family and Fun Day: This event in the company calendar that gives the employees a chance to meet and bond outside of the work environment was held on 27th November 2010. On that day, 322 employees were recognized and awarded with appropriate Long Service Awards.

Medical and Occupational Health

There was a concerted effort in the medical Services Division to build in house capacity for emergency training. This was carried out in order to support the business in the training of Pride Stars as well as workplace First Aid. The division is approved as a Modified Basic Life Support (MBLS) and First Aid Trainer by both KCAA and the Directorate of Health and Safety (DOHSS).

A private public partnership (PPP) between GIZ Health Sector and Kenya Airways was finalised and a contract signed. The PPP project will enjoy the Technical support from GIZ in developing a curriculum and training for house keepers in First Aid for common emergencies at home, Nutrition, Baby care and Hygiene. The house keepers to be trained are those under the employment of company staff, thereby making the homes safer and reducing common illnesses such as common colds, and diarrheal diseases among dependants.

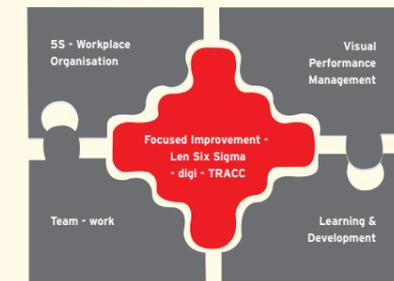
Wellness: There was a marked increase in awareness among staff on the services available in the Employee Assistance Program and a resultant increase in referrals and uptake of the same. Seven hundred and sixteen (716) crew were vaccinated against Hepatitis B as a part of health promotion.

WORLD CLASS OPERATIONS

The opportunity for the airline is to be able to learn from the current growth and apply the same to ring fence future and further growth.

The decision taken by the company in implementing World Class Operations (WCO) across the various sections and departments of the organization is fundamentally linked to the need for us to be exceptional at executing our strategies and plans, and to ensure that the results from our processes and activities are sustainable for the long term. To refresh our minds, the following practices have been identified, to enable Kenya Airways achieve world class status, that

is, 5S - exemplifies Work Place organization, Team Work - to ensure that we are all focused on what we need to achieve as a team; VPM - Visual Management - this helps to share our performance with all team members and to track progress and hold each other accountable as a team. Finally, Focused Improvement -through which the application of Lean Six Sigma Methodology, will assist us achieve structured problem solving.



World Class Operations - components

The below diagram communicates the components or practices critical for the realization of the implementation of World Class Operations. In implementing the practices, it is proof that our performance is improving and will continue to do; this only goes to emphasize the importance of remaining on track with our implementation.

A status check on the progress for each of the practices across all teams in the company is summarized as follows:

Practice	Status	Note
Team-Work		Most implementation teams are focusing on the Team-Work principles in line with the methodology.
5S Workplace Organization		We recognize the need for further improvement with regards to workplace organization and therefore more effort is required in this area across majority of the teams and team areas.
VPM		Majority of the teams have installed their Visual Measurement boards and are incorporating measures and targets for continuous review.
Focused Improvement		There is renewed focus to provide support for this practice by training of Yellow Belts and Green Belts.

Chief Executive's Statement (cont'd)

INFORMATION SYSTEMS (IS)

Integrated Operations Control Centre System (Sabre IOCC)

Kenya Airways contracted Sabre Airline Solutions (headquartered in USA) to implement an integrated operations control system. The suite of systems acquired by Kenya Airways from Sabre consists of; (1) Crew Scheduling, (2) Operations Control, (3) Ground Staff Rostering and Management, (4) Pricing (Fares management & Contract Composer), (5) Flight Explorer, (6) Maintenance Plan, (7) Maintenance Control, (8) Recovery Manager, (9) Flight Planning, (10) Crew Vacation Management, and (11) Airport Gate Management. All the modules for the foregoing systems save for items 8 -11 went live during the financial year 2010/11. It is planned that the implementation, integration of the latter will be carried out during the next financial year.

The benefits of implementing the integrated Sabre IOCC Systems include;

- Much better integration of aircraft movement control, crew scheduling and Airport Resource and Staff Management at JKIA;
- Pricing & Contract Composer has improved outstation sales staff access to pricing and contract information from head office;
- The crew have more access to their scheduling information online through the web from any device and anywhere in the world;
- IOCC staff are more efficient as they now have visibility of more information at the same time, including graphical display of all flights and their movement on large electronic displays.

The airline will derive more benefits from these integrated systems during the next financial year as their adoption continues.

Pricing and Revenue Optimisation Software (PROS)

During the year, the airline implemented PROS, a revenue maximization system that offers much better control of capacity, price and distribution. These three elements play a major role in the airline's profitability.

Amadeus Altea Inventory

Altea Inventory forms part of the Air France-KLM Group Mosaïque programme to implement Passenger Reservations & Ticketing, Inventory and Airport Departure Control from one integrated product suite from Amadeus. Altea Inventory was the second system in the suite to be implemented and went live in June 2010. The Inventory is the airlines central repository for space control and seat allocation based on set business rules in Schedules,

Inventory, Seating and Re-accommodation modules. Airport Departure Control will be implemented during the next financial year.

E-Freight

E-Freight is an IATA led initiative for the air cargo industry, intended to replace paper documents in the air freight forwarding and clearance processes. Kenya Airways was the first airline in sub-Saharan Africa to embrace e-freight. The E-freight project in Kenya kicked off in April 2010, with Kenya Revenue Authority (KRA) and Kenya Airways (KQ) as the key sponsors alongside other stakeholders like KIFWA (Freight Forwarders Association), Airline operators, ground handlers and other Government regulatory agencies. In December 2010, Kenya was declared by IATA an "e-freight live" location among six other countries, namely; Italy, South Africa, Ireland, Cyprus, Slovakia and Mexico. This was after the airline and the stakeholders successfully conducted WET and DRY runs on the Nairobi - Amsterdam - Nairobi route. Implementation of the e-freight programme will now be implemented on more routes throughout the financial year 2011/12.

Online Annual Report

Kenya Airways Annual Report was digitized during the year. The report which is normally printed and circulated in hard copies annually to the shareholders was fully digitized and made available via the Kenya Airways website. This enabled the shareholders access the annual company performance reports from anywhere, any time and at their convenience. Historical annual reports were also made available. This has improved efficiency and saved costs incurred in the annual report distribution to shareholders.

MPESA and Airtel Money Payment for air tickets

With the much higher usage of mobile phones, the company partnered with both Safaricom and Zain (now Airtel) in the implementation of mobile payment solutions. With the implementation of these technologies, customers are now able to pay for their tickets using MPESA and ZAP (Now Airtel Money) from anywhere in the country and at their convenience. This new solution has helped reach more customers in Kenya.

Network Connectivity in Africa

The airlines' outstations require high-speed broadband connectivity to systems hosted in head office, Nairobi, for instance, the Oracle ERP, Sabre IOCC and the communication collaboration systems. While this connectivity is readily available outside Africa, it is

Chief Executive's Statement (cont'd)

not available in Africa. The airline therefore has been rolling out either, VSAT installations or high speed fibre connectivity. Currently out of 44 cities targeted in Africa, Kenya Airways has managed to roll-out VSAT or high-speed connectivity to 32 cities. Work on the other 8 cities is in progress and is expected to be completed during the first half of the financial year 2011/12.

The above connectivity has allowed automated and streamlined transaction processes between outstations and head office on various systems. Kenya Airways has also reduced the cost of calls between head office and 9 cities in Africa by putting in place telephony to ride on the VSAT/high-speed network.

The airline has also connected redundant network links to all Kenya sales offices and airports which has reduced system-access down-times.

FLIGHT OPERATIONS

During the financial year, Flight Operations department continued to focus on increasing the crew headcount in order to support the airline's growth and efficiency mission. In this regard, a total of 32 direct entry pilots were successfully selected up from the initial plan of 24 pilots for the financial year. In order to enhance pilots' training, KQ partnered with the Co-operative Bank of Kenya in October 2010 to provide a financing facility for the Ab-initio trainee pilots for the aviation training program. A total of forty six (46) Ab-initio pilots were recruited during the year and are currently undergoing training in South Africa, 27 of whom are benefiting from the financing facility provided.

Kenya Airways plans to maximise on the financing facility and has increased its recruitment target for the next financial year to 100 Ab-initio pilots. During the period under review, Kenya Airways received 21 Ab-initio pilots



Ab-initio pilot trainees in flying school in South Africa

from South Africa following their completion of their training. This boosted our pilots' strength which closed at 377 pilots up from last year's level of 337. As regards cabin crew, the complement closed at 837 which included increased numbers in the different ranks, namely; pursers, senior flight attendants and premier world attendants.

Pilots

In January 2011, Kenya Airways took delivery of the Boeing 737NG simulator, which was certified by the United Kingdom Civil Aviation Authority in conjunction with the Kenya Civil Aviation Authority. Reports received from both regulatory bodies indicate that, "This simulator is a good representation of the Boeing 737-800 and has demonstrated a level of technology and capability that is considered to be equivalent to the European standards (JAR-FSTD A Level D Full Flight Simulator)". Recurrent simulator checks commenced in December 2010. On the other hand, the full simulator conversion training courses mainly for the 21 Ab-initio pilots who returned from South Africa commenced in February 2011. The simulator usage by end of March stood at 3 sessions per day and is scheduled to increase to 6 a day, effective May 2011 - a 24-hr operation, following the successful training of the new technicians.

In order to enhance communication within the department where majority of the staff are at any one time air borne, or in a foreign country, the airline introduced a bi-monthly communication bulletin to enable staff keep abreast with the company performance and planned developments such as fleet development and introduction of new routes. Kenya Airways continues to hold departmental staff forums fortnightly, in Nairobi for all staff and on quarterly basis in Bangkok and Accra, for foreign crew.

Other efficiencies introduced during the financial year include:

- (a) Enhanced relationship between the management



Chief Executive's Statement (cont'd)

and the Kenya Airline Pilots Association (KALPA) which resulted in the signing of a memorandum of understanding (MOU) allowing pilots to operate two (2) additional sectors per day without contravening the Kenya Civil Aviation Regulations (KCARS) and an initial breakthrough into the single pilots pay scale for the narrow-body fleet with no reference to aircraft operated, leading to increased productivity/crew resource utilization;

- (b) Reduced training periods for the captains, promotion of first officers from one fleet to the other and cabin crew training from rationalization of the training programs and processes resulting in increased crew productivity;
- (c) Kenya Airways continues to address the issue of over-catering for on-board passenger meals especially out of Nairobi that has reduced from 3.6% to 3.4% and the sourcing of the on-board products without compromising on quality and service, both resulting in reduced average catering cost per passenger.

GROUND HANDLING SERVICES

The company started the calendar year with the World cup frenzy and successfully handled football fans who used Nairobi as a transit point to South Africa. This increase in traffic was facilitated through the deployment of wide body aircraft on the airline's South African routes.

Towards the end of the year, Kenya Airport Authority (KAA) released additional space in the terminal building following the removal of some of the duty free concessions and outlets. This welcome move provided the much needed seating space for passengers and has facilitated the creation of an additional departure gate.

Following the increase in frequencies from 14 to 22 on the Mombasa-Nairobi route, the airline realigned its domestic ground handling services to the "shuttle concept" (Reduced check-in and gate closure and, space permitting, possibility to transfer on an earlier service).

The company achieved its revenue targets. In Mombasa, new entrants - Air Polska and RwandAir contracted Kenya Airways to handle them. At JKIA, the airline was contracted to handle the Mozambican airline - LAM with whom it has a commercial partnership. The airline was also contracted to handle the Saudi Arabian Airlines freighter operations which commenced in January 2011.

The early start of the trader season, combined with a favorable exchange rate, produced excess baggage revenues well in excess of the company's budget.

Service delivery

During the period under review, renovation of the passenger lounges at JKIA was initiated. Renovation works relating to the frequent flyer lounge in the international terminal will be carried out in phases to avoid the complete closure of the facility. The domestic terminal lounge was closed to facilitate refurbishment and it is anticipated that it will be opened in time for the forthcoming summer peak season. During the period under review, the airline consolidated improvement on baggage handling performance through:

- Daily measurement of the delivery time of the baggage to the belt upon arrival and implementation of corrective measures, we managed to achieve our target of 90% compliance on average, and
- Reduction of the level of baggage misconnection in Nairobi and the general company performance of mishandled baggage (MHB) remained within its target of ten (10) baggage mishandled per thousand passengers transported.



In December 2010, numerous flights were disrupted in Europe due to harsh cold weather conditions. This had a negative impact on passengers transiting through Paris and Amsterdam with baggage being reported lost.

The company during the year invested in the acquisition of additional Ground Support Equipment, received and commissioned three (3) additional passenger apron buses and two (2) pushback tractors. The additional equipment has significantly improved our handling capability.

Projects

Following the rolling out of the Hub control system (HCS), the airline initiated further integration of the system with other modules relating to employee management systems on leave management and the "clock-in" system.

With the cooperation of KQ Information System, Ground services launched other customer focused projects, including the replacement of the hotel booking system and the photo gallery of "unclaimed baggage".

Chief Executive's Statement (cont'd)

TECHNICAL

Safety continues to be Kenya Airways' top priority and staff are sensitised on this issue. All incidents are investigated and appropriate action taken to avoid repetition.

Constant improvements and focus aimed at delivering world class standard of on time performance and aircraft availability remains the airline's guiding principal. During the financial year 2010/11, the airline achieved 97% rating in both these areas. The targets set for the 2011/12 financial year stand at 99% for on time performance and 100% for aircraft availability. A maintenance support team has been set up to ensure that the foregoing set targets are achieved.

Most C-checks were carried out in house, save for the ones performed on the two (2) B767 aircraft and one (1) B737-300 aircraft. The two (2) B767 C-checks were outsourced due to capacity constraints at the KQ hangar, whilst the B737-300 C-check was outsourced due to a major structural repair that the technical department did not have the capability to handle. A "flow shift Model" check management process is being implemented in Base Maintenance to provide better control and checks' progress visibility to improve On Time Performance on C-checks.

During the financial year 2010/11, the KQ Technical School conducted regulatory and non regulatory training for both certifying and non certifying staff, other departments and outstation engineers. The apprentice program that was stopped in 2008 will be reinstated during the 2011/12 financial year. The company plans is to recruit 30 apprentices to beef up the number of maintenance engineers.

Integration between OASES and Sabre systems is currently underway. Phase one went live on 3rd May and phase two is expected to go live in June 2011. These two interfaces will facilitate the improvement of communication of flight and deferred defects data between technical and operations departments, for more accurate maintenance forecasting and improved dispatch reliability. Phases three and four will follow for various enhancements to the maintenance planning and improve synchronization of the master data used by the two systems.

The new OASES modules, AD/SB module, Aircraft Maintenance Program revision (AMP) and the Integrated

Maintenance Planning (IMP) are expected to be released and acquired this year for integration and efficiency.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Kenya Airways believes in transforming lives. This is achieved by building relationships with customers, giving back to the community, managing safety and security risks, attracting and retaining talented staff, and maintaining the company's visibility and reputation. The outcome of all the CSR activities is to create a positive change in society and support improvement in the lives of individuals. This complies with Kenya Airways' mission to maximize stakeholders' values whilst being committed to corporate and social responsibility. Kenya Airways' core purpose is contributing to sustainability development in Africa; which is made possible through various ways: increasing the visibility of Africa by enhancing travel into Africa and out of Africa, creating employment opportunities in the 44 countries that Kenya Airways operates and increasing our corporate social responsibility across the continent.

Key Highlights and achievements during the financial year 2010/2011

- Investment in communities increased to KShs. 28m with the aim of enriching, empowering people and reducing poverty.
- Plant a Future: We planted 250,000 seedlings during the year with our partners Kenya Airforce, Moi Air Base and Kenya Wildlife Services.
- Environmental conservation: Kenya Airways became the first airline in Africa to join the European Union Emissions Tax system-EU ETS program.

Community Investment

Our commitment to peace in Africa is evidenced by our partnership with the The African Union Commission under the umbrella of the 2010 Year of Peace and Security in Africa. Under this partnership, Kenya Airways will provide communication and financial support to the "make



KQ staff climb the Ngong hills to plant trees

Chief Executive's Statement (cont'd)

peace happen campaign", thereby contributing towards the achievement of the objectives of the campaign. Kenya Airways is the first airline in Africa to respond to the call by the African Union Commission to the African airline sector to partner with it in the implementation of the Year of Peace and Security programme.

To enable Kenya Airways achieve its purpose for Africa, there is a need to foster global partnership with key stakeholders to ensure peace and security through various initiatives. Kenya Airways is in the process of signing a Memorandum of Understanding with United Nations Environmental Program (UNEP) with a view of creating environmental awareness and public education. Kenya Airways has an ambitious plan of planting half a million trees every year in an effort to enhance environmental conservation.

Kenya Airways' commitment to developing strong community partnerships continues to grow. With a focus on Education, Water, Health and Environment, the airline spent over KShs.10 million during the Financial Year 2010/11 in supporting over six (6) projects across the continent.

1. Customer Focus

As part of its efforts to broaden its reach in Africa, Kenya Airways sponsored the refurbishment of a traders lounge in Lagos Market in Nigeria. The refurbishment involved a complete makeover of the traders lounge at a cost of 7.5 million Naira (KShs.4 million).

The lounge is used by Mandilas United Traders Association (MUTA) which boasts 20,000 members. This gesture is a clear indication that Kenya Airways values relations with its customers. The lounge will go a long way in helping the association members work in a comfortable environment. MUTA was founded in 1999. Nigerian traders are frequent fliers on Kenya Airways flights to the Far East.



Mr. Mohan Chandra hands over the dining hall to the Ikuu School Principal Mr. Nyamu (centre) as the school patron looks on at the far right.

2. Health

The "Bombay Ambulance" initiative provides support for needy patients travelling overseas for medical treatment. The number of discounted tickets provided to the needy patients who travelled for medical treatment in year 2010/11 was 24.

3. Education

Kenya Airways has identified education as a means of promoting sustainable growth in the continent of Africa and for this reason we are giving back to the community across Africa by investing in education infrastructure, which is key to poverty reduction. Kenya Airways is committed to improving education facilities to facilitate the creation of a conducive learning environment.

- Kenya Airways donated desks to Iloirero Primary school within Amboseli National Park in Kajiado District. The primary school which is located within the Eselenkei group ranch received 70 desks at a cost of Kshs. 215,000 from the airline.
- Kenya Airways provided support to a school for children with special needs, by building a dining hall for them as part of its CSR initiatives. The school, located in Chuka, Eastern Kenya, is known as the Ikuu Special School for autistic and mentally handicapped children.
- Zambia - 'Education for all Campaign':- Kenya Airways partnered with the Zambian Ministry of Education to promote the 'Education for All Campaign'. The partnership sponsored Zambian pupils trip to Nairobi from Lusaka for an education exchange programme.
- Furniture- Chairs and desks were donated to Chaua Primary School and Chigodi Primary School in Malawi
- Tractors Donation - Kenya Airways donated 14 tractors to Youth Polytechnics across Kenya for use as learning materials for students pursuing motor vehicle related courses.

The airline also supported the following initiatives across Africa:

- Ngongo la mboto bombing victims in Tanzania: Kenya Airways provided assistance to the victims of a bombing incident at an army base in Dar es Salaam, Tanzania. The company gave a food donation worth Tsh.3,000,000.

Chief Executive's Statement (cont'd)

- Donation to Kenya Red Cross, Mombasa: Kenya Airways presented a donation of assorted food stuff, clothing, toys, shoes among other items, to the Kenya Red Cross, Mombasa Branch and Coast Region. The items were then distributed to the needy members of the society in the Coast Region.

Environmental Sustainability Initiatives

At Kenya Airways we recognize the impact of the airline's activities on the various sectors of the environment. Our strategy is to work towards minimizing the negative environmental effects of our activities and address major and related environmental concerns including climate change, air quality, noise and waste.

At the core of our environmental sustainability initiatives is to become a carbon neutral Company in line with the commitment by IATA. In aiding reduction of carbon emissions, Kenya Airways has employed technological and operational measures, including, continuously investing in fleet modernization and development, having taken delivery of two Embraer 170 jets one Embraer 190 and acquired two 737-300s from KLM. This has maintained the average age of our fleet at 12.5 years against the industry average of 25 years. New and well designed aircraft are more fuel efficient, and thereby reducing carbon emissions.

On the ground, Kenya Airways continues to acquire new and environmentally friendly ground handling equipment including, electric tow tractors and LPG propelled forklifts which emit very minimal environmental pollutants. Operationally, Kenya Airways employs fuel saving techniques, including optimal flight levels, continuous descent approach, optimal fuel take off, idle reverse on landing and single engine use during taxiing and out, hence less fuel burn.

Kenya Airways also launched a new voluntary Carbon Offsetting Program aimed at providing a channel for its

customers to contribute towards reducing the effect of carbon emissions, by supporting environmental sustainability initiatives. Under this unique initiative developed in cooperation with International Air Transport Association (IATA), the airline now offers its passengers the opportunity to participate directly in offsetting the Carbon dioxide (CO2) emissions related to their flights. Currently, Kenya Airways supports the green energy project - The Olkaria III geothermal power production. As regards environmental conservation, Kenya Airways, for the 4th year running, has participated in enhancing the Ngong Hills Ecosystem Restoration program, which is the airline's key initiative to clean the ecosystem. So far under the program, over 750,000 trees have been planted.

Kenya Airways recently joined the UNEP's Climate Neutral Network (CN Net), an initiative of the United Nations Environment Programme (UNEP). CN Net is at the forefront of the movement towards a global transition to low carbon economies and societies. Under this cooperation with UNEP, Kenya Airways will have the opportunity to implement further the existing strategies for the reduction and the offsetting of greenhouse gas emissions. The Company will also have access to climate neutral tools and resources and will be part of a forum to exchange knowledge and best practices in addressing the causes of climate change.

'Plant a future Phase 5' initiative

The last tree planting ceremony 'Plant a future, phase 5' took place on 16th April, 2011. We planted 252,000 seedlings with the assistance of Kenya Airforce, Moi Air base and the Kenya Wildlife Services. KLM has committed a contribution of 15,000 Euros towards the fencing exercise.

Kenya Airways is looking forward to working with the National Environment Management Authority (NEMA) and Kenya Forestry to monitor and evaluate the impact of the tree planting phase 5 exercise in August 2011.



Dr. Titus Naikuni, Kenya Airways Chief Executive Officer & Group Managing Director and Kenya Airways Group Financial Director Mr. Alex Mbugua plant a tree at the Ngong Hills during the annual Plant-a-future day.

Taarifa ya Afisa Mkuu Mtendaji

Kipindi cha matumizi ya fedha cha 2010/2011 kilikuwa na changamoto nyingi kwa Kenya Airways. Kumekua na ushindani mkubwa katika sekta ya usafiri wa ndege katika soko letu, huku washindani kadha wakianzisha huduma zao katika ngome yetu ya Kenya. Sisi katika Kenya Airways hata hivyo, tunaamini kuwa, mradi tu kuna mazingira sawa ya kuhudumu, tuko radhi kushindana. Mashindano ni bora na ni muhimu kwa Mteja.

Gharama ya juu ya mafuta ya ndege inaendelea kuwa tisho kubwa kwa faida katika sekta ya ndege na, kwa bahati mbaya, kupanda kwa bei ya mafuta kufuatia msukosuko wa kisiasa katika baadhi ya nchi za Mashariki ya Kati na mashambulizi ya kijeshi nchini Libya zimekuwa na athari kubwa na ya moja kwa moja kwa sekta hii.

Miezi mitatu ya mwisho ya mwaka ilimalizika huku pipa moja ya mafuta ikiuzwa kwa Dola 106, ambayo ni nyongeza ya asilimia 33, ikilinganishwa na kiwango cha wastani cha awali cha Dola 79.4 katika miezi minne iliyoanguliwa. Mafuta tayari yanachukua theluthi moja ya gharama za shirika hili na kulingana na IATA, kila nyongeza ya dola katika bei ya mafuta inatoa changamoto kwa mashirika ya ndege kupata Dola 1.6 bilioni kama gharama za ziada.

Kufuatia hali hii, ni jambo la kujivunia kwamba, Kenya Airways imeendelea kupata faida. Wahudumu wa Kenya Airways hata hivyo wanakiri kuwa, licha ya matokeo hayo mema, hatuna budi kukabiliana na changamoto zilizopo na zile zitakazoibuka siku sijazo.

Tunafahamu kuwa, kushughulikia tu changamoto hizo hakutoshi-tunapasa kujitarajia. Ili tuweze kufaulu katika sekta hii, tunapasa kukumbatia dhana ya mabadiliko ya mara kwa mara kuhusu namna tunavyoendesha shughuli zetu. Hii inapasa kuhusisha mabadiliko kwenye taratibu zetu za biashara ili kuwa rahisi kubadilika na kulenga kutosheleza mteja.

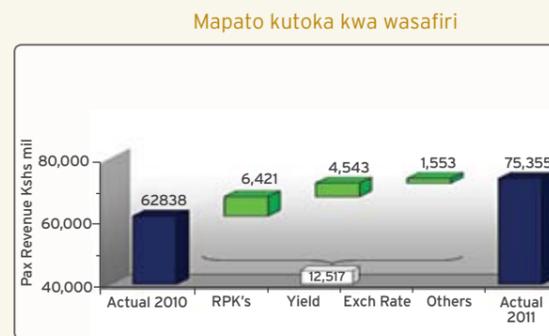
MAELEZO YA KIBIASHARA

Katika kipindi cha matumizi ya fedha cha 2010/11, Kenya Airways ilisafirisha jumla ya abiria 3.136 milioni ikilinganishwa na abiria 2.890 milioni mwaka uliotangulia, na hivyo kuimarika kwa asilimia 8.5. Mapato kutoka kwa abiria yaliongezeka kwa asilimia 20 ikilinganishwa na mwaka uliotangulia na hii imetokana na wateja waaminifu, upanuzi wa mtandao wa maeneo tunakohudumu na nyongeza ya idadi ya safari kwa maeneo fulani pamoja na kuimarika kwa utendakazi.

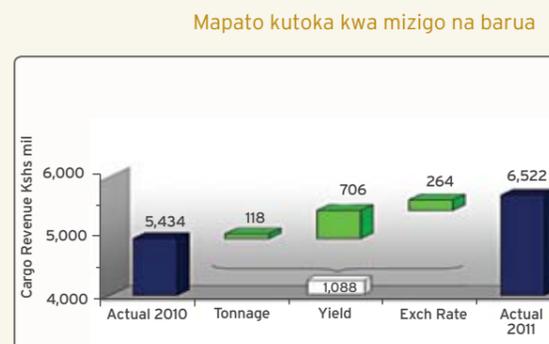
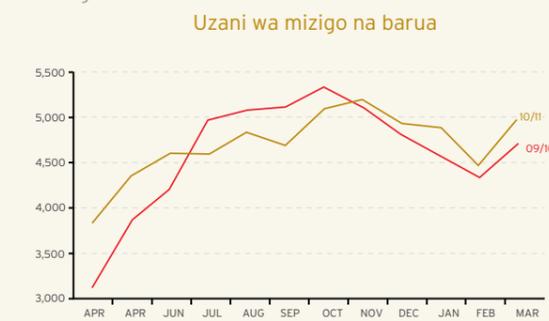
Kiwango cha mizigo pia kiligonga tani 56,401 ikilinganishwa na tani 55,201 mwaka uliotangulia. Mapato kutokana na

mizigo yalipanda kwa asilimia 19.6 kutoka mwaka uliopita.

Mchoro wa idadi ya abiria kutoka Aprili 10 hadi Machi 11 ikilinganishwa na kipindi sawa na hicho mwaka uliotangulia.

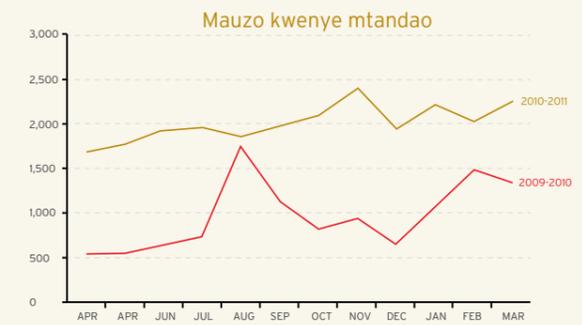


Mchoro wa tani za mizigo/vifurushi kutoka Aprili 10 hadi Machi 11 ikilinganishwa na kipindi sawa na hicho mwaka uliotangulia.



Taarifa ya Afisa Mkuu Mtendaji (unaendelea)

Mapato kutokana na huduma za biashara kupitia mtandao ziliimarika kwa asilimia 108, zaidi ya mwaka uliotangulia na mapato kutokana na mauzo kwenye mtandao yameendelea kukua.



Kituo cha mawasiliano

Katika kipindi tunachotathmini, Kenya Airways ilianzisha kituo cha mawasiliano kinachohudumu kwa masaa 24 eneo la Embakasi kwa wateja wake. Huduma kwa wateja zinazotolewa katika kituo hicho ni pamoja na:

- Kutuma maombi ya kuweka nafasi ya kusafiri
- Kukata tikiti, kwa wateja wanaoweza kununua tikiti wakitumia kadi zao, mfumo wa kutuma pesa kwa njia ya elektroniki kwa kutumia Mpesa/Airtel
- Wasafiri wa mara kwa mara,
- Maswali yoyote kuhusu mizigo
- Msaada kwa mauzo kupitia intaneti na,
- Maswali ya jumla, shukrani, malalamishi na madai.

Shughuli zote zinazohusiana na huduma zilizotajwa juu zinatekelezwa kupitia kwa simu. Nafasi za kibiashara zinapatikana kupitia simu za kutoka na kuenda nje ya kampuni na mawasiliano kupitia barua pepe, na hivyo kuimarisha utendaji kazi na huduma kwa wateja.

Njia hizo zilizoangaziwa za kuwasiliana na wateja wetu zimeongeza mapato kutokana na mauzo ya tikiti mwezi baada ya mwingine, na nafasi zaidi za mauzo zinaendelea kutambuliwa na kupatikana na kundi la mauzo la KQ.

Wateja wetu sasa wamefahamu kuhusu huduma zipatikanazo katika kituo chetu cha mawasiliano, na imani yao kwetu inaendelea kuimarika.



Simu zinazolingia kwa mwezi - Flying Blue



Ufadhili

Ufadhili wa kampuni katika kipindi kinachoangaziwa ulikuwa kwa Golf Safaris na timu ya raga ya Kenya.

KQ Golf Safari

KQ Golf Safari ya 2010-2011 iliyoanzishwa Kampala - Uganda mnamo Agosti 2010. Shindano la faili liliandaliwa Johannesburg, Afrika Kusini mnamo Machi 5, 2011, ikifuatiwa na faili zilizoandaliwa Nairobi mnamo Machi 26, 2011 katika Muthaiga Golf Club. Faili hizo zilihusisha washindi katika mataifa yote 12 (mataifa ambapo mashindano hayo yaliandaliwa kama vile Uganda, Tanzania, Ethiopia, Afrika Kusini, Cameroon, Botswana, Zambia - katika Lusaka na Ndola, Senegal, Zimbabwe, Nairobi na Malawi) na klabu kumi (vilabu vya gofu vilivyoshiriki) nchini Kenya. Hii ni mojawapo ya mashindano maarufu kwenye ratiba yetu na yalifanikiwa.

Timu ya raga ya Kenya

Timu ya Kenya ya raga ilishiriki kwenye msururu wa mashindano ya IRB. Mkondo wa kwanza wa msururu huo uliandaliwa Dubai na Afrika Kusini, mkondo wa pili ukaandaliwa New Zealand na Vegas, USA, ilhali mikondo mingine iliandaliwa Hong Kong (Machi 25- 27, 2011) na Australia (Aprili 2 -3 2011). Kabla ya kuondoka kwa timu ya raga ya Kenya kwa mkondo wa pili, Afisa Mkuu Mtendaji, Titus Naikuni, maafisa wa ngazi za juu na waandishi waliandaa kikao cha mafunzo, kuitia shime timu hiyo kufuatia matokeo duni kwenye mkondo wa kwanza.

Timu hiyo ilifanya vyema kwenye mkondo wa pili na hivyo kujizolea alama 12. Na kufuatia hali hiyo, kupanda hadi nafasi ya tisa kwenye msururu huo kutoka nafasi ya 12. Haswa, Collins Injera alikuwa Mkenya wa kwanza kujiunga na kundi maarufu duniani la wachezaji wa raga ambao wamefunga mabao 100 katika bodi ya kimataifa ya mabao ya raga, msururu wa dunia baada ya kufunga mabao matatu dhidi ya Guyana wakati wa pambano lililoandaliwa Las Vegas. Matokeo hayo yaliimarisha matokeo ya kikosi

Taarifa ya Afisa Mkuu Mtendaji (unaendelea)

hicho na kuwawezesha kupata alama zaidi na kuongezea jumla ya zile 12 wakati wa msimu wa msururu wa IRB.

WAFANYIKAZI

Kufikia Machi 31, 2011, Kenya Airways ilikuwa na wafanyikazi 4,355. Malengo makuu katika idara ya Masuala ya Wafanyikazi yamekuwa kuanzisha utamaduni unaolenga utendakazi wa hali ya juu, kuhakikisha ufanisi wa Mkakati wa Kampuni. Muhimu kwa hili, ni kukuza vipawa vya wafanyikazi katika ngazi zote na kushirikiana kwa karibu na idara zote katika kampuni kutoa mafunzo mapya ambayo yatafanikisha utamaduni wa kupata matokeo bora. Mafunzo mapya “Kuimarisha Hadhi yetu” yalitolewa kwa mameneja wasimamizi kuwapa vipawa vya kuwawezesha kushughulikia masuala ya watu ya kila siku.

Mafunzo na Maendeleo

Katika kipindi kilichomalizika cha kifedha cha 2010/11, kikundi cha Kutoa Mafunzo na Maendeleo kiliendelea na jitihada zake za kuinua watu na kukuza vipawa huku kikisukuma mbele malengo ya kampuni ya ukuaji na utendakazi bora kwa kuongeza malengo yake ya kibiashara na kutoa mafunzo yanayoambatana na mahitaji ya shirika hili.

Mafunzo katika Kampuni

Huku tukitegemea ufanisi wa awali (mfumo wa kubaini uwezo unaofanuliwa katika ngazi nne za uwajibikaji), kozi za maendeleo katika ngazi zote kwenye kampuni zilizinduliwa katika mwaka uliomalizika. Mafunzo hayo ni pamoja na uwezo wa utekelezaji, ambapo jumla ya wafanyikazi 645 walipewa mafunzo, Kujifunza Kusimamia na Usimamizi wa Biashara ambapo jumla ya wafanyikazi 161 na 13 walipewa mafunzo mtawalia. Mafunzo mengine yaliyotolewa ni pamoja na Vipawa vya Uwasilishaji (62), usimamizi wa fedha kwa wasiosimamia fedha (97), Usimamizi wa Wafanyikazi kwa maafisa wasiosimamia wafanyikazi (38) na kudhibiti shinikizo za kimawazo (68).

Mafunzo ya Uongozi na Usimamizi

Mafunzo hayo yanalenga kuimarisha uwezo wa mtu binafsi wa utendakazi na kukuza vipawa vya usimamizi yakidumisha msisitizo kuhusu kuimarika katika utekelezaji wa majukumu kazini. Mafunzo haya yaliambatana vyema na ile mipango mingine ya mafunzo inayoendeshwa na vitengo tofauti katika Mafunzo na Ustawi, yaani Kundi la Kutoa mafunzo kuhusu Operesheni za Kuruka, Kundi la Mafunzo ya Kiufundi, Kundi la Kutoa Mafunzo ya Huduma za Ardhini na Kundi la Kutoa Mafunzo kuhusu Biashara.

Mafunzo kuhusu operesheni za Kuruka

Kitengo hicho kilipiga hatua kubwa ili kuweza kuenda sambamba na upanuzi wa huduma na utendakazi

bora katika huduma zetu mwaka uliomalizika. Katika mwaka uliomalizika, mitambo ya kutoa mafunzo kwa marubani wanaojiunga na shirika hili kusafirisha ndege aina ya Boeing 737-800 iliwekwa katika taasisi yetu ya mafunzo ya Pride Center. Kuanzishwa kwa mitambo hiyo kumwezesha kundi letu la kutoa mafunzo kuhusu operesheni za kuruka kwa ndege kupunguza gharama kwa asilimia 8 ya jumla ya raslimali zinazotumika katika usafiri na pia kupunguza muda ambao marubani wanatumia nje ya vituo vyao wanapokea mafunzo ya kuwawezesha kubadilisha ndege.

Kufikia mwisho wa Machi, 2011, makadeti 46 na marubani 30 waliohitimu walipokea mafunzo ya kuwawezesha kubadilisha ndege wanazosafirisha na kuwapiga msasa mtawalia. Mitambo hiyo pia ilitoa nafasi kwa marubani zaidi kuendesha ndege nyakati zao za mafunzo bila kukiuka muda uliowekwa wa kuwa kazini.

Kitengo cha kutoa mafunzo kuhusu usafiri wa ndege hivi majuzi kiliwaajiri wakufunzi kuhusu taratibu za dharura na kuratibisha marubani. Wote walipitia mbinu za Maelezo na Ruwaza, na kufuatiwa na mtangamano, mafunzo mapya kwa wakufunzi na tathmini ya mukhtasari wa mafunzo. Silabasi mpya zinasubiri kuidhinishwa na Mamlaka yanayosimamia Safari za Ndege (KCAA).

Wengi wa wakufunzi wamepelewa mafunzo ya usimamizi, usimamizi wa miradi, kujifunza kuongoza, miongoni mwa mengine. Shirika hili kwa sasa linapanga kutoa mafunzo kwa maafisa wa shughuli za usafiri wa ndege humu humu tu. Hii itatoa nafuu kwa bajeti ya mafunzo ya kampuni.

Mafunzo ya kiufundi

Katika mwaka uliomalizika, taasisi ya kiufundi iliandaa mafunzo kadha yanayolenga kutoa wahudumu waliohitimu na wanaoweza kutimiza matakwa ya urekebishaji kutokana na kuongezeka kwa idadi ya ndege na upanuzi wa maeneo ambapo shirika linahudumu. Taasisi hiyo pia ilitoa mafunzo kwa mafundi wapya walioajirwa kutoka vituo vingine nje ya nchi (Lagos, Accra, Malawi na Duala) kwa lengo la kuwawezesha kutunza ndege katika vituo hivyo. Taasisi pia iliendesha mafunzo ya kuleta nguvu mpya miongoni mwa wafanyikazi wa utunzaji ili kuhakikisha wanafahamu mbinu za kisasa. Baada ya kuzindua ndege aina ya E190, taasisi hiyo iliwapa mafunzo wahandisi wa kutosha kwa wakati ufaao kabla ya ndege zenyewe kuwasili na hii ilihakikisha ndege hiyo zinaanza kuhudumu, zikiwa na wafanyikazi wa kutosha wa kuzitunza.

Taasisi hiyo pia ilitoa mafunzo katika kozi ambazo si za kimsingi kama vile hifadhi ya hati kuhusu ndege

Taarifa ya Afisa Mkuu Mtendaji (unaendelea)

na kufahamu mahusiano baina ya binadamu kwa wafanyikazi wengine na kutoa mafunzo kwa idara zingine kusaidia shughuli za idara hizo. Wale waliopewa mafunzo ni pamoja na wafanyikazi wa uwanjani na wale wanaohudumu ndani ya ndege.

Mafunzo ya Huduma za Ardhini

Katika harakati za kutekeleza malengo ya kibiashara 2010, ya kuimarisha ukuaji na utendakazi huku wakati huo tukiimarisha usalama, mafunzo kuhusu huduma za nyanjani yalilenga uzingatiji katika vituo vyetu vingine, kuhusiana na mafunzo ya lazima kuhusu usalama wa angani, Kanuni za Bidhaa Hatari na Usalama wa Usafiri wa Ndege. Wafanyikazi wote katika vituo hivyo, wakiwemo maajenti wote wa nyanjani walioteuliwa walipewa mafunzo katika kozi hizo tatu ili kuimarisha usalama katika huduma zetu katika vituo hivyo vidogo. Hii ilifanywa kama sehemu ya maandalizi ya ufunguzi wa maeneo mapya ya usafiri kuhakikisha wafanyikazi wote katika vituo vipya wanaoshughulikia safari zetu za ndege wamepelewa mafunzo ya kutosha.

Kituo cha mafunzo ya huduma za nyanjani pia kilipanua huduma zake na kuanza kutoa mafunzo kwa malipo na kujumuisha sio tu mashirika makubwa ya ndege na wahudumu wa nyanjani katika eneo hili, bali wanafunzi waliomaliza masomo yao ambao sasa wanaweza kupokea msururu wa mafunzo katika Pride Centre. Utekelezaji wa mpango wa kutoa mafunzo kwa wale wanaolipa ulifanikiwa, huku jumla ya wanafunzi 101 wakifuzu na kupewa vyeti katika Huduma za Wasafiri wa Ndege katika kipindi hicho. Hii pia iliongeza mapato ya ziada kwa biashara yetu.

Mafunzo ya Kibiashara

Katika mwaka uliomalizika, kundi la kutoa mafunzo ya kibiashara liliendelea kuwafunza wahudumu kutoka mashirika mengine ya ndege kwa malipo mbali na kuwapa mafunzo zaidi wafanyikazi wa Kenya Airways. Hii iliafikiwa kwa kutayarisha ratiba ya mafunzo kuwezesha kitengo hicho kuhudumia wateja wote wa kampuni.

Ustawi wa Kenya Airways uliambatana na ufanisi wa wafanyikazi wake, hasa wale wanaohudumu ndani ya ndege. Hii ilitoa changamoto ya kipekee kwa wakufunzi kwa kuwa, idadi yao ni kubwa na kila mmoja wao alihitaji kupokea cheti kabla ya kuendelea na wajibu wao mpya.

Mradi muhimu kwa kikundi cha kutoa mafunzo ya kibiashara ulikuwa kutoa mafunzo kwa watu binafsi ambao walikuwa na nia ya kujiendeleza kwenye taaluma ya kuhudumu ndani ya ndege. Kundi hilo lilifanikiwa kutoa

mafunzo kwa wanafunzi 230 katika kozi ya kuhudumu kwenye ndege, na hivyo kuwa na kundi la wahudumu waliohitimu tayari kufanya kazi katika sekta ya ndege.

Ushirikiano na IATA

Mbali na mafunzo yaliyotajwa juu, kupitia kwa ushirikiano na IATA, KQ ilianza kutoa maafunzo maalumu yanayohusiana na kozi za IATA katika taasisi yake ya Pride Centre. Mafunzo hayo awali yalikuwa yakitolewa Ulaya, lakini baada ya ushirikiano kati ya IATA/KQ kuanza, mashirika ya ndege katika kanda hii yanaweza kunufaika na mafunzo hayo ya hali ya juu kwa gharama nafuu. Kutokana na ushirikiano huu, Pride Centre sasa inaheshimiwa kama taasisi kuu ya mafunzo ya usafiri wa ndege katika kanda hii. Kozi kama hizo tisa ziliandaliwa mwaka uliomalizika. Kipindi kijacho cha matumizi ya fedha kinatoa matumaini makubwa hata zaidi, huku idadi ya kozi zinazotarajiwa kuendeshwa chini ya mpango huu zikiongezeka.

Masuala ya Wafanyikazi

Katika kipindi cha matumizi ya fedha cha 2010/11, kampuni ilifanya mazungumzo na vyama viwili, kile cha marubani nchini (KALPA) na Wahudumu wa Ndege na Washirika wao (AAWU) kwa kufanya mazungumzo ya mara kwa mara kwa lengo la kuimarisha uthabiti katika sekta hii.

AAWU: Mikutano tofauti baina ya wasimamizi na AAWU kuhusu nyongeza ya mishahara (CBA) ilifanikiwa kitiwa sahihi kwa Mkataba wa Maelewano mnamo Aprili 2010 kuhusu Kipengele J cha “Utaratibu wa Kurejea Kazini.” Mwafaka huu uliangazia:

1. Kuwalipia wahandisi malipo ya leseni na idhini
2. Utenda kazi kwa wahudumu wa ndege,
3. Marupurupu ya kusafirisha ndege kwa wahandisi
4. Marupurupu ya usiku kwa wahudumu wa ndege
5. Hakikisho la ujira wa jioni kwa wahudumu wa ndege.

Mzozo kuhusu mkataba wa AAWU bado ungalipo kwenye Mahakama ya Kiviwanda, huku mapatano kuhusiana na mzozo huo yakiendelea katika Wizara ya Leba.

Tathmini ya Kazi: Hii ilikuwa shughuli muhimu katika kurekebisha dosari kwenye utaratibu wa kupanga madaraja ya kazi. Shughuli yenyewe ilikuwa ngumu na ilihitaji wachunguzi hao wa kazi wapewe mafunzo kwanza, kisha wachanganue kila moja ya kazi hizo. Shughuli hii iliendeshwa kwa pamoja na wasimamizi na wanachama wa AAWU. Shughuli hii ilikamilika Aprili 2011 na wafanyikazi ambao walipandishwa daraja kulipwa Mei 2011.

Taarifa ya Afisa Mkuu Mtendaji (unaendelea)

KALPA: Kampuni iliwasilisha mapendekezo yake ya 2010-2012 CBA kwa KALPA mnamo Julai 2010, na KALPA ikayajibu Januari 2011. Majadiliano kuhusu nyongeza ya mshahara bado yanaendelea.

Ili kuimarisha zaidi uhusiano na KALPA, masuala ibuka yalishughulikiwa, pindi tu yalipochipuka. Hasa, kupitishwa kwa Mkataba wa Maelewano kuhusu operesheni za sekta 6 kwenye msururu wa ndege aina ya Embraer ulitiwa sahihi Novemba 30, 2010.

Vikao vya kila mwezi na KALPA viliandaliwa pamoja na vile vya kila baada ya miezi mitatu kati ya KALPA na wasimamizi chini ya uenyekiti wa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji ambapo masuala tofauti yanayoathiri biashara yalijadiliwa na kutatuliwa.

Mradi wa nyumba wa Embakasi: Mradi huo wa nyumba ulikabidhiwa mstawishaji mnamo Julai 2010 na ujenzi tayari umeanza. Mradi huo unatarajiwa kumalizika katika muda wa miaka miwili kutoka tarehe ya kuanzishwa kwake.

Siku ya KQ ya familia na Tamasha

Shughuli hii kwenye orodha ya matukio ya kampuni inawapa wafanyikazi fursa ya kukutana na kutangamana nje ya mazingira ya kazi, iliandaliwa Novemba 27, 2010. Mnamo siku hiyo, wafanyikazi 322 walitambuliwa na kutunukiwa Tuzo za Kuhudumu Muda Mrefu.

Afya na matibabu kazini

Kulikuwa na jitihada katika Kitengo cha Huduma za matibabu kuanzisha kituo cha kutoa mafunzo ya kutoa huduma za dharura. Hii ilifanyika ili kusaidia shirika hili kutoa mafunzo ya Pride Stars pamoja na Huduma ya Kwanza. Kitengo hicho kimeidhinishwa kama Kifaa cha Kimsingi cha Matibabu ya Dharura (MBLS) na Mkufunzi wa Huduma ya Kwanza na KCAA na Idara ya Usimamizi wa Afya na Usalama (DOHSS).

Ushirikiano wa taasisi za umma na za kibinafsi (PPP) kati ya Sekta ya Afya ya GIZ na Kenya Airways ulikamilishwa na kandarasi kutiwa sahihi. Mradi wa PPP utanufaika na msaada wa kiufundi kutoka GIZ katika kuunda mtaala na mafunzo kwa wajakazi wa nyumbani katika kutoa Huduma ya Kwanza kwa hali za dharura za mara kwa mara nyumbani, lishe bora, malezi bora na usafi. Wajakazi watakaopewa mafunzo ni wale walioajiriwa na wafanyikazi wa kampuni na hivyo kufanya makazi kuwa salama na kupunguza maradhi ya kawaida kama vile homa, maradhi ya kuhara miongoni mwa familia.

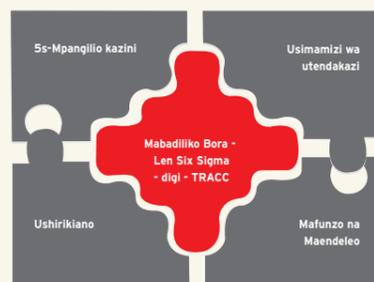
Afya bora: Uhamasishaji uliimarika miongoni mwa wafanyikazi kuhusu huduma zilizopo kwenye mpango wa kuwasadia wafanyikazi, hali iliyochangia wengi kunufanika na mpango huo. Wahudumu wa ndege 716 walipewa chanjo dhidi ya Hepatitis B kama sehemu ya mpango huo wa kuimarisha afya.

HUDUMA ZA HADHI YA KIMATAIFA

Nafasi ya kampuni hii ya ndege ni kuweza kujifunza kutokana na ukuaji wa sasa na kutumia maarifa hayo kuleta ukuaji zaidi siku za usoni.

Uamuzi wa kampuni wa kutekeleza Huduma za Hadhi ya Kimataifa (WCO) kote katika vitengo na idara mbali mbali za shirika hili unahusiana kabisa na haja yetu kuwa tofauti na wengine katika utekelezaji wa mikakati na mipango yetu, na kuhakikisha matokeo ya juhudi zetu yanadumishwa kwa muda mrefu. Ili kuchemsha bongo zetu, shughuli zifuatazo zimetambuliwa, ambazo zitawezesha

Kenya Airways kufikia hadhi ya kimataifa, nazo ni, 5S - huwa mfano bora wa mpangilio wa Mahali pa Kazi, Ushirikiano Kazini - ili kuhakikisha kwamba sote tunalenga tunachotaka kufikia tukiwa shirika; VPM - Usimamizi Uonekanao - hii husaidia kujulisha wenzetu kazini kuhusu hali ya kampuni na kufuatilia maendeleo na kuwezesha kila mmoja kuwajibika uwazi kama kundi. Hatimaye, Mabadiliko Bora Yaliyonuiwa - ambayo kwayo utumizi wa mbinu ya Lean Six Sigma utatusaidia kupata mpangilio mufti wa kusuluhisha matatizo.



Huduma za Hadhi ya kimataifa-Yanayojumuishwa

Mchoro ulio chini unaeleza yanayojumuishwa ama juhudi muhimu katika kuafikia utekelezaji wa Huduma za Hadhi ya Kimataifa. Katika utekelezaji wa juhudi hizo, ni ithibati kwamba, utendakazi wetu unaimarika na utaendelea kufanya hivyo, hii inasisitiza umuhimu wa kusalia katika mpango wa utekelezaji wetu.

Ukaguzi wa hali kuhusu maendeleo ya kila juhudi katika vikundi vyote ndani ya kampuni unafupishwa ifuatavyo:

Taarifa ya Afisa Mkuu Mtendaji (unaendelea)

Juhudi	Hali	Maelezo
Ushirikiano		Vikundi vingi vya utekelezaji vinalenga vigezo vya ushirikiano kuambatana na mbinu
5S Mpangilio wa Pahali pa Kazi		Tunatambua haja ya mabadiliko bora zaidi kuhusiana na mpangilio wa pahali pa kazi na hivyo basi juhudi zaidi zinahitajika katika kitengo hiki kote katika vikundi vingi na maeneo yao.
VPM		Vikundi vingi vimeweka vifaa vya upimaji wa kuonekana na vinajumuisha hatua na malengo ya uchunguzi wa kuendelea.
Mabadiliko bora Yaliyonuiwa		Kuna mwamko mpya wa kunuia kuunga mkono juhudi hii kwa kufunza Mikanda ya Manjano na Mikanda ya Kijani Kibichi

MIFUMO YA HABARI (IS)

Mfumo wa Kituo cha Kudhibiti Huduma Zilizojumuishwa (Sabre IOCC)

Kenya Airways iliipa kampuni ya Sabre Airline Solutions (iliyo na makao makuu Amerika) kandarasi ya kutekeleza mfumo wa kituo cha kudhibiti huduma zilizojumuishwa. Kituo cha mfumo kilichonunuliwa na Kenya Airways kutoka Sabre kinajumuisha; (1) Uratibishaji wa Wahudumu (2) Udhhibiti wa Shughuli, (3) Mpangilio wa Majukumu ya Wafanyikazi wa Viwanjani na Usimamizi, (4) Utozaji Ada (Usimamizi wa Nauli & Mtungaji Kandarasu), (5) Idara ya Kufuatilia Ndege Ziliko, (6) Mpango wa Ukarabati, (7) Udhhibiti wa Ukarabati, (8) Meneja wa Uokoaji, (9) Upangaji wa Ndege, (10) Usimamizi wa Likizo za Wafanyikazi, na (11) Usimamizi wa Lango la Kiwanja cha Ndege. Miundo yote ya mfumo iliyopita isipokuwa vipengee 8 -11 ilianza kutumika moja kwa moja wakati wa mwaka wa kifedha wa 2010/11. Imepangwa kuwa utekelezaji, ujumuishaji wa vipengee vilivyotajwa hapo mwisho utaanzishwa wakati wa kipindi cha mwaka ujao wa kifedha.

Manufaa ya kutekeleza mfumo iliyojumuishwa ya Sabre IOCC ni pamoja na;

- Ujumuishaji bora zaidi wa kudhibiti safari za ndege, uratibishaji wa wahudumu na usimamizi wa rasimali na wafanyikazi wa Uwanja vya ndege katika JKIA;

- Utozaji Ada & Mtungaji Kandarasu umeimarisha uwezo wa maafisa wa mauzo walio katika vituo vya nje kufikia habari kuhusu ada na kandarasi kutoka afisi kuu;
- Wahudumu wanaweza zaidi kufikia ratiba yao katika tovuti kupitia mtandao wakutumia kifaa chochote na wakiwa popote duniani;
- Wafanyikazi wa IOCC wanatekeleza majukumu yao kwa wakati ufaao zaidi kwa sababu sasa wana uwezo zaidi wa kuona habari zaidi kwa wakati sambamba, ikiwa ni pamoja na michoro inayoonyesha ndege zote na zinavyokwenda kupitia runinga kubwa.

Kampuni hii itapata manufaa zaidi kutoka mifumo hii iliyojumuishwa katika kipindi kijacho cha mwaka wa kifedha kadiri matumizi ya mifumo yenyewe yanavyoendelea.

Huduma ya Utozaji Ada na Uongezaji wa Mapato (PROS)

Katika mwaka uliopita, kampuni hii ilitekeleza PROS, mfumo wa uongezaji mapato ambao unawezesha udhibiti bora zaidi wa uwezo, ada na usambazaji. Vigezo hivi vitatu hutekeleza wajibu mkubwa katika kuletea kampuni faida.

Kubuniwa kwa Amadeus Altea

Altea Inventory ni kiungo cha mpango wa Mosaïque wa kampuni ya safari za ndege ya Air France-KLM Group wa kutekeleza huduma ya Kutengea Abiria Nafasi & Uuzaji Tiketi, Uvumbuzi na Udhhibiti wa Kupaa kwa Ndege kutoka Viwanjani kilichotoka kwa kampuni ya Amadeus. Altea Inventory ulikuwa mfumo wa pili katika mpango wa shughuli kujumlishwa katika eneo moja kutekelezwa na ulianza kutumika Juni 2010.

Uvumbuzi huo ndio amana kuu ya maelezo kuhusu udhibiti wa anga na ugavi wa viti kutegemea kanuni zilizopangwa za kibiashara katika miundo ya Ratiba, Uvumbuzi, Mpangilio wa Kuketi na Utoaji wa Malazi. Udhhibiti wa Kuondoka kwa Ndegebe kutoka Viwanjani utatekelezwa wakati wa kipindi cha mwaka ujao wa kifedha.

E-Freight

E-Freight ni mpango ulioongozwa na IATA kufaidi idara ya uchukuzi wa mizigo kwa ndege. Uliniwa kuchukua pahali pa stakabadhi za karatasi ambazo hutumika katika kitengo cha kuandaa mizigo ambayo inanuiwa kusafirishwa kwa ndege. Kenya Airways ilikuwa kampuni ya kwanza ya safari za ndege kusini mwa jangwa la Sahara kukubali mpango wa e-freight. Mradi huo wa E-freight nchini Kenya ulianzishwa April 2010, ukifadhiliwa kwa kiasi kikubwa zaidi na Kenya Revenue Authority (KRA) na Kenya Airways (KQ) pamoja na wadau wengine kama

Taarifa ya Afisa Mkuu Mtendaji (unaendelea)

KIFWA (Freight Forwarders Association), wahudumu wa kampuni za safari za ndege, wahudumu wa viwanjani na mashirika mengine ya udhibiti ya Serikali. Mnamo Desemba 2010, Kenya ilitangazwa na IATA kuwa eneo linalotekeleza mpango wa "e-freight live" miongoni mwa mataifa mengine sita ambayo ni Italia, Afrika Kusini, Ireland, Cyprus, Slovakia na Mexico. Hii ilikuwa baada ya kampuni hii na wadau hao kufanya majaribio ya safari kukiwa kukavu na wakati wa mvua katika njia ya Nairobi - Amsterdam - Nairobi. Utekelezaji wa mpango wa e-freight programme sasa utafanywa katika njia zaidi wakati wa kipindi kizima cha mwaka wa kifedha wa 2011/12.

Ripoti ya Mwaka Katika Mtandao.

Ripoti ya Mwaka ya Kenya Airways iliwekwa katika matini ya digital mwaka huu. Ripoti hiyo, ambayo kawaida huchapishwa katika karatasi na kusambazwa kila mwaka kwa wenyehisa, iliwekwa katika matini ya digital na ikawasilishwa kupitia tovuti ya Kenya Airways. Hatua hii iliwezesha wenyehisa kupata ripoti kuhusu matokeo ya shughuli za kampuni wakiwa popote, wakati wowote na wanapotaka. Ripoti za kila mwaka za kihistoria pia ziliwasilishwa katika tovuti hiyo. Hatua hii imeimarisha utenda-kazi kwa wakati na ikaondoa gharama ambazo hutokana na kusambaza ripoti ya mwaka kwa wenyehisa.

Malipo ya tiketi za ndege kwa MPESA na Airtel

Kutokana na matumizi mengi ya simu za rununu, kampuni ilishirikiana na Safaricom na Zain (sasa Airtel) katika utekelezaji wa mpango wa malipo ya tiketi kupitia simu. Kutokana na kutekelezwa kwa teknolojia hizi, wateja sasa wanaweza kulipia tiketi zao kwa kutumia MPESA na ZAP kutoka kokote waliko nchini na wanapotaka. Suluhisho hili jipya limewezesha kampuni kufikia wateja wengi nchini Kenya.

Kuunganishwa kwa afisi za Afrika kwa Mtandao

Vituo vya kampuni hii ya ndege vilivyo nje vinahitaji kuunganishwa na mifumo iliyo katika afisi kuu, Nairobi, kwa huduma za mtandao zilizo na kasi nyingi, kwa mfano, mifumo wa Oracle ERP, Sabre IOCC na mifumo ya ushirikiano wa kimawasiliano.

Huku kuunganishwa kwa mifumo kukipatikana wakati wowote nje ya Afrika, hakujapatikana barani Afrika.

Hivyo basi, kampuni hii imekuwa ikiweka ama mitambo ya VSAT au mtandao wa kasi unaotumia nyaya. Wakati huu, kati ya majiji 44 yanayolengwa barani Afrika, Kenya Airways imeweza kufikisha mitambo ya VSAT ama mtandao wa kasi katika majiji 32. Kazi inaendelea katika majiji mengine 8 na inatarajiwa kukamilika katika muda wa miezi sita wa mwaka wa kifedha wa 2011/12.

Kuunganishwa huko kumewezesha shughuli za kibiashara kufanywa kwa njia bora na mitambo kati ya vituo vilivyo nje na afisi kuu katika mifumo mbali mbali. Vile vile, Kenya Airways imepunguza gharama ya kupiga simu kati ya afisi kuu na majiji 9 barani Afrika kwa kuweka simu maalumu zinazofanya kazi kupitia VSAT/mtandao wa kasi.

Kampuni hii pia imeunganisha mitandao ambayo haikuwa ikitumika na afisi zote za mauzo nchini Kenya na nyanja za ndege, hatua ambayo imepunguza matatizo ambayo hutokea nyakati fulani ya kutoweza kutumia mifumo.

HUDUMA ZA NDEGE

Wakati wa mwaka huo wa kifedha, Idara ya Huduma za Ndege iliendelea kulenga kuongeza wafanyikazi ili wafanikishe mpango wa kampuni kukua na kutekeleza majukumu yake kwa wakati. Hivyo basi, kampuni ilifanikiwa kuteua jumla ya marubani 32, idadi ambayo ni ya juu kutoka marubani 24 iliyokusudiwa awali katika mwaka huo wa kifedha.

Ili kuwezesha mafunzo ya marubani, KQ ilishirikiana na Co-operative Bank of Kenya Oktoba 2010 kufadhili mafunzo ya marubani wanafunzi. Jumla ya marubani arobaini na sita (46) walisajiliwa katika mwaka huo na wanaendelea na mafunzo nchini Afrika Kusini, 27 miongoni mwao wakifaidi msaada wa kifedha kutokana na ushirikiano huo.

Kenya Airways inapanga kujinufaisha zaidi na mpango huo wa ufadhili kwa kusajili marubani zaidi wa mpango wa Ab-initio watakaoshiriki mafunzo hayo mwaka ujao wa kifedha wafikie 100.

Katika kipindi tunachotathmini, Kenya Airways ilipokea marubani 21 wa waliofuzu kutoka Afrika Kusini baada ya kumaliza mafunzo yao ya kuendesha ndege. Hatua hiyo iliongeza idadi yetu ya marubani wakafikia 377 kutoka idadi ya mwaka jana ya 337. Kuhusu wahudumu wa ndege, tulifunga mwaka idadi ikiwa 837, ikiwa ni pamoja na kuongezeka kwa idadi yao katika ngazi tofauti ambazo ni pursers (wahudumu wa kifedha), senior flight attendants (wahudumu wakuu wa kushughulikia matakwa ya abiria) na premier world attendants (ambao hushughulikia maslahi ya abiria mashuhuri).

Marubani

Mnamo Januari 2011, Kenya Airways ilipokea ndege maalumu aina ya Boeing 737NG za mafunzo, ambazo ziliidhinishwa na Mamlaka ya Safari za Ndege za Umma ya Uingereza ikishirikiana na Mamlaka ya Safari za Ndege za Umma ya Kenya. Ripoti zilizopokelewa kutoka mashirika hayo mawili ya usimamizi zilionesha kuwa, "Ndege hii

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maalumu ya mafunzo ni mfano mzuri wa ndege halisi ya Boeing 737-800 na imeonyesha kiwango cha teknolojia na uwezo ambacho kinachukuliwa kuwa sawa na viwango vya Uropa (JAR-FSTD A Level D Full Flight Simulator)". Mafunzo ya sasa yanayohusisha ndege maalumu za mafunzo ulianza Desemba 2010. Kwa upande mwingine, shughuli kamili ya kuhalisisha mafunzo yanayofanywa kwa ndege hizo maalumu, hasa ya marubani wanafunzi 21 waliorejea kutoka Afrika Kusini, ilianza Februari 2011. Mafunzo ambapo wanafunzi walitumia ndege hizo maalumu kufikia mwisho wa Machi yalikuwa vipindi 3 kwa siku na yalipangiwa kuongezwa hadi vipindi 6 kwa siku, kuanzia Mei 2011 - shughuli ya saa 24, kutokana na mafunzo ya kufana ya mafundi wapya wa mitambo.

Ili kuhamasisha mawasiliano katika idara hiyo ambapo wafanyikazi wengi huwa hewani katika ndege wakati mwingi, ama katika nchi ya kigeni, kampuni ilianzisha jarida la mawasiliano linalochapishwa kila baada ya miezi miwili ili kuwezesha wafanyikazi kuwa na ufahamu wa jinsi kampuni inavyoendelea na mipango ya kimaendeleo kama vile ongezeko la idadi ya ndege na safari katika maeneo mapya. Kenya Airways inaendelea kuandaa mikutano ya wafanyikazi kila baada ya wiki mbili, jijini Nairobi mikutano hiyo ni ya wafanyikazi wote na mara nne kwa mwaka katika majiji ya Bangkok na Accra, ambayo ni ya wafanyikazi wa kigeni.

Mipango mingine ya kufanikisha kazi ambayo ilianzishwa wakati wa mwaka huo wa kifedha ni pamoja na :

- (a) Kuimarishwa kwa uhusiano kati ya usimamizi wa kampuni na chama cha marubani cha Kenya Airline Pilots Association (KALPA) ambako kuliwezesha kutiwa saina kwa Mkataba wa maelewano (MOU) ulioruhusu marubani kuhudumu katika sekta mbili (2) za ziada kwa siku bila kukiuka kanuni za idara ya Kenya Civil Aviation (KCARS) na mafanikio ya mwanzo

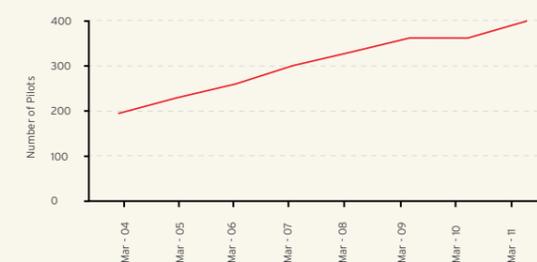
- ya nyongeza ya mishahara ya marubani wanaohudumu peke yao katika ndege ndogo bila kurejelewa kwa ndege zinazoelekezwa, tukio lililoimarisha matokeo ya utendakazi/matumizi zaidi ya maarifa ya wafanyikazi;
- (b) Kupunguzwa kwa vipindi vya mafunzo vya marubani, kupandishwa vyeo kwa maafisa kutoka aina moja ya ndege hadi nyingine na kubadilishwa kwa mafunzo ya wahudumu wa ndani ya ndege kutoka mtindo uliozoewa, hali iliyosababisha mapato yaongezoke kutokana na juhudi za wafanyikazi;
- (c) Kenya Airways inaendelea kushughulikia suala la kugawa vyakula na vinywaji zaidi katika ndege hasa nje ya Nairobi, mtindo ambao umepungua kutoka asilimia 3.6 hadi asilimia 3.4 na uagizaji wa bidhaa zinazotumika ndani ya ndege bila kushusha kiwango cha ubora wa bidhaa zenyewe na huduma, zote mbili zilisababisha kupungua kwa gharama ya jumla ya kuhudumia kila mteja.

HUDUMA ZA ARDHINI

Kampuni ilianzisha kalenda yake kukiwa na msisimko wa dimba la Kombe la Dunia na kuwahudumia mashabiki wa soka ambao walipitia Nairobi kwenda Afrika Kusini. Nyongeza hii ya wateja ilifanikiwa kwa kuongeza idadi ya ndege zilizotoa huduma za usafiri kwenda Afrika Kusini.

Kufikia mwishoni mwa mwaka uliopita, Halmashauri ya Safari ya Ndege ya Kenya (KAA) ilitoa nafasi ya ziada. Hatua hii ilitoa nafasi ya zaidi ya kuketi kwa abiria na kuwezesha kubuniwa kwa lango jingine la kutokea kwa abiria wanaoanza safari.

Kufuatia kuongezwa kwa safari za ndege kutoka 14 hadi 22 kutoka Mombasa -Nairobi, kampuni ilifanya marekebisho ya huduma zake za ardhini kuhusisha "dhana ya uchukuzi wa magari" (Ikapunguza idadi ya wateja waliofika katika uwanja wa ndege na ufunjaji wa lango na, kuruhusu nafasi, uwezekano wa kubadilisha safari hadi huduma ya awali).



Marubani wanafunzi wakiwa chuoni Afrika Kusini



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Kampuni pia ilitimiza malengo yake ya mapato. Huko Mombasa, huduma mpya za kampuni za ndege - Air Polska na RwandAir ziliipa Kenya Airways kandarasi kushughulikia huduma zao. Katika uwanja wa ndege wa JKIA, ndege za kampuni ilikodishwa kushughulikia Mozambican airline - LAM ambayo kwa pamoja, ina ushirika wa kibiashara. Kampuni pia ilikodishwa kushughulikia operesheni za ndege za Saudi Arabian Airlines zilizoanza Januari 2011.

Kuanza mapema kwa msimu wa biashara, pamoja na viwango vizuri vya ubadilishanaji wa sarafu kulisababisha mapato mazuri na ya ziada ya bajeti ya kampuni.

Utoaji wa huduma

Katika kipindi tunachokitathmini, ukarabati wa maeneo ya abiria katika uwanja wa ndege wa JKIA ulianzishwa. Shughuli za ukarabati kuhusu eneo la abiria wanaosafiri kwenda nchi za kigeni zitaendelea katika awamu ili kuepuka kufunga kabisa eneo hilo. Eneo la abiria wa safari za humu nchini lilifungwa kwa minajili ya kuimarishwa na inatumainiwa kwamba, litafunguliwa kwa wakati unaofaa kutumika katika msimu ujao wa kiangazi wakati ambapo kutakuwa na abiria wengi wanaosafiri. Katika kipindi hicho tunachotathmini, kampuni iliimarisha utendajikazi wake kuhusu mizigo kupitia:

- Upimaji wa kila siku wa muda wa kuwasilisha mizigo kwenye mikanda pindi tu baada ya kuwasili na utekezaji wa hatua za uboreshaji huduma, tulifanikiwa kufikia lengo letu la 90% kwa wastani, na;
- Upunguzaji wa makosa ya kusahau mizigo jijini Nairobi na utendajikazi wa kijumla wa kampuni kuhusu mizigo hiyo (MHB) ilisalia katika lengo lake la mizigo kumi (10) ambayo ilisahauliwa kwa kila abiria elfu moja waliosafirishwa:



Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kenya Airways, Dkt Titus Naikuni apokea mchoro wa mradi wa nyumba kutoka kwa Bw Varsani Ramji wa Ebc Builders Limited. Aliyekuwa Mkurugenzi wa Masuala ya Wafanyakazi Bw Paul Kasimu atazama.

Mnamo Desemba 2010, safari kadha za ndege zilitatizwa barani Ulaya kwa sababu ya hali mbaya ya hewa yenye baridi nyingi. Hali hiyo ilikuwa na athari hasa kwa abiria waliokuwa safarini kupitia Paris na Amsterdam huku mizigo yao ikipotea.

Katika mwaka huo, kampuni iliwekeza kwenye ununuzi wa Vifaa vya Huduma za Uwanjani, vilivyopokelewa na kununua mabasi matatu ya abiria na matrekta mawili. Vifaa hivyo vya ziada vimeboresha huduma.

Miradi

Kufuatia kuanzishwa kwa mfumo wa Hub control system (HCS), kampuni pia ilianzisha mfumo zaidi wa kuunganisha mfumo huo na mingine inayohusu usimamizi wa wafanyakazi.

Kwa ushirikishi wa mfumo wa Habari wa KQ, kitengo cha Huduma za ardhini kilizindua miradi mingine, ukiwemo mfumo wa ukodishaji wa hoteli na ukumbi wa picha za mizigo ambayo inakosa kuchukuliwa na wenyewe.

UFUNDI

Suala la usalama linaendelea kupewa kipaumbele na Kenya Airways na wafanyakazi wanahamasishwa kuhusiana na suala hili. Kila ajali huchunguzwa na hatua madhubuti kuchukuliwa ili kuepusha kutokea tena.

Uimarishaji wa huduma unaolenga kufikia viwango vya kimataifa kuhusu wakati na uwepo wa ndege za kutosha vinasalia kuwa vigezo vinavyoongoza kampuni hii. Katika kipindi cha fedha cha mwaka wa 2010/11, kampuni ilifikia kiwango cha 97% katika maeneo haya. Malengo yaliyowekwa katika kipindi cha fedha cha 2011/12 yamefikia 99% kuhusiana na wakati na 100% kuhusu uwepo wa ndege. Mpango umeanzishwa kuhakikisha kwamba malengo yaliyowekwa yanatimizwa.



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Ukaguzi mwingi wa 'C-checks' ulifanywa kwenye kampuni, isipokuwa ule uliofanywa katika ndege mbili (2) B767 na moja (1) kwenye ndege ya B737-300. Ukaguzi huo mara mbili wa B767 C-checks ulifanywa na kampuni kutoka nje katika maegesho ya KQ, huku ule wa B737-300 C-check ukifanywa na kampuni kutoka nje kwa sababu ya ukarabati mkubwa ambao idara ya kiufundi haikuwa na uwezo wa kutekeleza. Mkabala wa "flow shift Model" wa usimamizi unatekelezwa katika Uhifadhi wa Kimsingi ili kuimarisha ukaguzi huhusiana na muda.

Kwenye kipindi cha mwaka wa fedha cha 2010/11, KQ Technical School ilitoa mafunzo kwa wafanyakazi, idara nyingine na wahandisi. Mpango wa mafunzo kwa makuruta uliositishwa mnamo 2008 utanzishwa tena katika kipindi cha makadirio ya fedha cha 2011/12. Kampuni inapanga kuajiri makuruta 30 ili kuongeza idadi ya wahandisi.

Muungano baina ya mifumo ya OASES na Sabre kwa sasa unaendelea kutekelezwa. Awamu ya kwanza ilianza Mei, 3 na awamu ya pili inatarajiwa kuanza Juni 2011.

Awamu hizi mbili zinatarijiwa kuboresha mawasiliano kuhusu kuanza kwa safari ya ndege na uhairishwaji wa safari. Awamu ya tatu na nne zitafuatia.

Programu mpya za OASES e, AD/SB, na Aircraft Maintenance Program revision (AMP) pamoja na Integrated Maintenance Planning (IMP) zinatarijiwa kutolewa na kutekelezwa mwaka huu kwa lengo la kuimarisha utendajikazi.

HUDUMA ZA KAMPUNI KWA JAMII (CSR)

Kenya Airways inaamini katika kubadilisha maisha. Lengo hili linatimizwa kwa kuimarisha uhusiano mzuri na wateja, na kuihudumia na kuisaidia jamii, kudhibiti usalama, kuvutia na kuhifadhi wafanyakazi wenye vipawa, na kudumisha hadi na sifa ya kampuni.

Matokeo ya mwisho kuhusu shughuli za CSR ni mabadiliko muhimu katika jamii na maisha ya watu binafsi. Hii inaendana na lengo la Kenya Airways la kutumia kikamilifu thamani za washikadau huku ikijitolea kuihudumia jamii.

Lengo kuu la Kenya Airways ni kuchangia maendeleo mwafaka barani Afrika; na hii inawezeshwa kupitia njia mbalimbali: kuongeza huduma zake barani Afrika na nje ya Afrika, kubuni nafasi za ajira katika nchi 44 ambazo Kenya Airways uhudumu na mwisho, lakini sio mwisho kabisa, kuongeza huduma zetu kwa jamii katika bara hili.

Mafanikio muhimu mnamo 2010/2011

- Uwekezaji katika jamii uliongezeka na kufikia Shilingi 28 milioni, kwa lengo la kutajirisha, kuwawezesha watu na kupunguza umaskini.
- Kupanda miti: Tulipanda miche 250,000 mwaka huu pamoja na washirika wetu, Kenya Airforce, Moi Air Base na Shirika la Huduma kwa Wanyamapori la Kenya.
- Uhifadhi wa mazingira: Kenya Airways ilikuwa kampuni ya ndege ya kwanza Afrika kujiunga na mfumo wa Ushuru wa Jumuiya ya Ulaya EU ETS.

Uwekezaji katika Jamii

Kujitolea kwetu kudumisha Amani Afrika kunadhihirika kwa ushirikiano wetu na Tume ya Umoja wa Afrika chini ya mwavuli wa 2010 Year of Peace and Security in Africa. Chini ya mkataba huu, Kenya Airways itaunga mkono mawasiliano na kutoa msaada wa fedha kwenye kampeni za amani, na hivyo basi kuchangia kuafikia kwa malengo ya kampeni hiyo. Kenya Airways ndiyo kampuni ya kwanza ya ndege Afrika kuitikia mwito wa Tume hiyo kwa sekta ya uchukuzi wa ndege kushirikiana nayo katika kutekeleza mpango huo.

Ili Kenya Airways itimize lengo lake kuhusu Afrika, ipo haja ya kuimarisha ushirikiano wa kiulimwengu



Wanafunzi kutoka shule ya Ikuu Special School kwenye hafla ambapo Kenya Airways ilijenga chumba cha maakuli shuleni humo.

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na washikadau wakuu ili kuhakikisha kwamba amani na usalama vinadumishwa kupitia miradi mbalimbali. Kenya Airways ipo kwenye mchakato wa kutia sainsi Mkataba wa Maelewano na Shirika la Umoja wa Mataifa kuhusu Mazingira (UNEP) ili kuhamasisha umma kuhusu mazingira katika eneo hili.

Kenya Airways ina mpango mkubwa kuhusu upanzi wa miche nusu milioni kila mwaka kwenye juhudi za kuimarisha uhifadhi wa mazingira.

Kenya Airways imejitolea katika kukuza ushirikiano imara wa kijamii. Huku tukiyapa kipaumbele masuala ya Elimu, Maji, Afya na Mazingira, kampuni hii ilitumia zaidi ya shilingi milioni 10 katika kipindi cha fedha cha 2010/11 katika kufadhili miradi zaidi ya sita kote barani Afrika.

1. Maslahi ya Wateja

Fahari ya Afrika katika sehemu hii inafanya juhudi kupanua huduma zake kote Afrika kwa kufadhili upanuzi wa ukumbi wa biashara katika Lagos Market nchini Nigeria. Mradi huo uliharimu shilingi milioni 4 za Kenya na Naira milioni 7.5. Ukumbi huo unatumia na Mandilas United Traders Association (MUTA) ambacho nichamachenye wanachama 20,000. Ukumbi huo utawasaidia sana wanachama hao katika kufanya kazi katika mazingira mazuri. MUTA ni chama kilichoanzishwa mnamo 1999. Wafanyibiashara wa Nigeria ni wateja wakubwa ambao husafiria ndege za Kenya Airways kwenda Mashariki ya Mbali.

2. Afya

Mradi wa "Bombay Ambulance" unawasaidia wagonjwa maskini wanaosafiri kwenda nga'mbo kwa matibabu. Idadi ya tikiti bila malipo zilizopewa wagonjwa waliosafiri kwenda nga'mbo kwa minajili ya matibabu katika kipindi cha mwaka wa fedha cha 2010/11 ilikuwa 24.

3. Elimu

Kenya Airways imebaini kuwa elimu ndiyo nyenzo ya kuimarisha maendeleo barani Afrika, na kwa sababu hii, tunarudisha mkono kwa jamii kote barani kwa kuwekeza katika muundomsingi wa elimu ambayo ndiyo muhimu katika kukabiliana na umaskini.

Kenya Airways imejitolea katika kuboresha elimu ili kubuni mazingira mazuri ya kusoma. Kampuni inaamini katika kurudisha mkono kwa jamii kwa kuwekeza katika elimu ambayo ndiyo nguzo muhimu katika kuondolea mbali umaskini.

- Kenya Airways ilitoa msaada wa madawati kwa Iloirero Primary school iliyoko Amboseli National Park, wilayani Kajiado. Shule hiyo ambayo inapatikana karibu na ranchi ya Eselenkei ilipokea madawati 70 ya gharama ya shilingi 215,000 kutoka kwa kampuni hii.
- Kenya Airways ilitangaza kufadhili shule ya watoto wenye mahitaji maalum kwa kujenga chumba cha maakuli kama mojawapo wa majukumu yake ya kijamii. Shule hiyo inayopatikana mjini Chuka, Mashariki mwa Kenya, inajulikana kama Ikuu Special School ambayo inawahudumia watoto wenye akili taahira.
- Kampeni ya Zambia- Education for all Campaign:- Kenya Airways ilishirikiana na Wizara ya Elimu ya Zambia katika kuendeleza kampeni ya "Education for All Campaign". Ushirikiano huo ulichangia katika wanafunzi kutoka Zambia wakisafiri kwa ndege hadi Nairobi kutoka Lusaka kwenye mpango wa ubadilishanaji katika elimu.
- Fanicha au samani - viti na madawati yalitolewa kwa Chaua Primary School na Chigodi Primary School nchini Malawi.
- Mchango wa Trekta- Kenya Airways ilitoa mchango wa trekta 14 kwa Vyuo vya Kiufundi kote nchini



Wanafunzi kutoka Zambia wakiwa na Afisa Mkuu Mtendaji wa Kenya Airways Dkt Titus Naikuni wakati wa kampeni ya "elimu kwa wote"

Taarifa ya Afisa Mkuu Mtendaji (unaendelea)

kutumiwa kama vifaa vya kujifundisha miongoni mwa wanafunzi wanaosoma masomo yanayohusu ufundi magari.

Kampuni hii pia ilifadhili mipango ifuatayo kote Afrika:

- Waathiriwa wa mkasa wa bomu wa Ngongo nchini Tanzania-
- Kenya Airways ilitoa msaada kwa waathiriwa wa mkasa wa hivi majuzi katika kituo cha kijeshi mjini Dar es Salaam, Tanzania. Kampuni ilitoa msaada wa chakula wa thamani ya Tsh.3,000,000. (Ksh180,000)

Msaada kwa Chama cha Msalaba Mwekundu Mombasa- Kenya Airways ilitoa mchango wa vyakula mbalimbali, nguo, wanasesere na viatu miongoni mwa bidhaa nyingine kwa tawi la Chama cha Msalaba Mwekundu la Mombasa na Eneo la Pwani. Vifaa hivyo viligawiwa watu maskini katika eneo la pwani.

Miradi ya Uhifadhi wa Mazingira

Katika Kenya Airways tunatambua athari mbalimbali kwenye sekta za kimazingira ambazo kampuni hii inaweza kuchangia. Mikakati yetu ni kuchangia katika kupunguza athari za shughuli zetu katika mazingira na kuangazia masuala yanayohusiana na mazingira kama vile mabadiliko ya hali ya anga, usafi wa hewa, kelele na takataka.

Katika mipango yetu kuhusiana na uhifadhi wa mazingira tunatilia maanani shughuli za kuwa kampuni isiyotoa gesi ya kaboni kuwa ushirikiano na IATA. Katika kuchangia upunguzaji wa viwango vya gesi ya kaboni, Kenya Airways imechukua hatua za kiteknolojia pamoja na za kiutendajikazi ikiwemo kuwekeza katika teknolojia ya kisasa kwa kununua ndege ya Embraer 170 na nyingine ya Embraer 190, na pia kununua nyingine mbili za 737-300s kutoka KLM.

Hii imetwezesha kuwa na umri wa wastani wa ndege zetu wa miaka 12.5 dhidi ya miaka 25 katika sekta ya uchukuzi wa ndege; ndege mpya na zenye miundo mizuri hutumia mafuta vizuri na hivyo basi hutoa moshi kidogo. Ardhini, Kenya Airways inaendelea kutumia vifaa vikiwemo trecta za uburutaji za umeme na mashine za kuinua mizigo zinazoendeshwa na nguvu za LPG ambazo huo kiasi kidogo mno cha moshi na hivyo basi tunazingatia usafi wa mazingira.

Kenya Airways hutumia pia mbinu za matumizi ya kiasi kidogo cha mafuta wakati ndege inapoanza kupaa na kutua. Kenya Airways pia ilizindua Mpango wa Hiari wa Kupunguza Kaboni unaolenga katika kutoa kuwawezesha wateja wake kuchangia na kuunga mkono utunzaji wa mazingira.

Katika mpango huo wa kipekee ulioanzishwa kwa ushirikiano na Chama cha Kimataifa kuhusu Uchukuzi wa Ndege (IATA), kampuni hii sasa huwapa abiria wake fursa kushiriki moja kwa moja katika kupunguza utoaji wa gesi ya kaboni (CO2) unaohusiana na safari zao; kwa sasa Kenya Airways inaunga mkono mradi wa kawi ya mvuke utokao ardhini wa Olkaria III.

Aidha katika kuunga mkono uhifadhi wa mazingira, kwa mwaka wan ne mfululizo, Kenya Airways imekuwa ikishiriki kikamilifu katika mpango wa Ngong Hills Ecosystem Restoration, ambao kampuni hii inasafisha mazingira ya milima hiyo. Kufikia sasa mpango wa upanzi wa miche wa Plant a future umepanda zaidi ya miti 750,000.

Kenya Airways hivi karibuni imejiunga na mtandao wa UNEP's Climate Neutral Network (CN Net), ulioanzishwa na Shirika la Umoja wa Mataifa kuhusu Mazingira (UNEP). CN Net ni mtandao ulio katika msitari wa mbele katika kupunguza kiwango cha kaboni ulimwenguni.



Mkurugenzi wa Masuala ya Biashara wa Kenya Airways Mohan Chandra (kulia) amkabidhi kaimu kamishna wa eneo hili Said Meck Sadick (kushoto) pakiti ya mchele kama sehemu ya mchango wa chakula wa thamani ya TSh3,000,000. Anayetazama ni Bi Lucy Malu, meneja wa Kenya Airways Tanzania.



Taarifa ya Afisa Mkuu Mtendaji *(unaendelea)*

Katika ushirikiano huu na UNEP, Kenya Airways itakuwa na fursa ya kutekeleza mikakati mingine iliyopo katika kupunguza utoaji wa gesi hiyo. Kampuni hii itahitajika kutumia vifaa na raslimali visivyochafua mazingira na itashiriki kwenye makongamano ya kubadilishana maarifa kuhusu masuala yanayoangazia mabadiliko ya hali ya anga.

Awamu ya 5 ya Mpango wa "Plant a future"

Sherehe ya mwaka ujao ya upanzi wa miche (Plant a future, awamu ya 5) ilifanyika mnamo Aprili 16, 2011. Tulipanda

miche 252,000 kwa kusaidiwa na Kenya Airforce, Moi Air base na Shirika la Huduma kwa Wanyamapori la Kenya. KLM imetenga Yuro 15,000 kutumika kwenye shughuli ya kuzungusha ua.

Kenya Airways inatarajia kuwa Halmashauri ya Kitaifa kuhusu Mazingira (NEMA) na Idara ya Misituta ya Kenya kuchunguza na kutathmini athari ya upanzi wa miche katika awamu hiyo ya tano mnamo Agosti 2011.



Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kenya Airways Dkt Titus Naikuni aweka msingi wa mradi wa ujenzi wa nyumba za wafanyikazi katika Embakasi.

We dreamed of operating Africa's first IATA certified training centre.

And our dream came true.



Corporate Governance

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

Board of Directors

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

Nine out of the eleven members of the Board are non-executive including the Chairman of the Board, and all others except the Group Managing Director, Group Finance Director and two KLM Directors are subject to periodic reappointment in accordance with the company’s Articles of Association. 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. Mr. Dinesh Kapila, an independent non executive Director chairs this sub committee whose other members include Mr. Joseph Kinyua, Mr. Jos Veenstra and Mr A. Makatiani. Its responsibilities include review of the integrity of the financial statements and formal announcements relating to the group’s financial performance, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The external and internal 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. Denis Afande, also an independent non executive Director and Chairman, Mr. Ron Schipper and Ms Salma Mazrui-Watt. The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management, including the Group Managing Director, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non executive Directors. The Group Managing Director and the 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. Denis Afande. The committee meets once a year or more if necessary. The committee is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. In so doing, consideration is given to succession planning, taking into account the challenges and opportunities facing the company and to ensure the necessary skills and expertise are available on the Board in the future. 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.

Corporate Governance (cont’d)

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

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.

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

Directors Emoluments and loans

The aggregate amount emoluments paid to Directors for services rendered during the financial year 2010/11 are disclosed in the notes 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 transactions in the company’s shares.

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

There were no Directors loans at any time during the year. Directors interests in the shares of the company, the distribution of the company’s shareholding and analysis of the ten largest shareholders as at 31st March 2011 were as follows:-

Directors’ Interests

Name of Director	Number of Shares
Permanent Secretary to the Treasury	106,171,561
Evanson Mwaniki	10,090
Ayisi Makatiani	5,700
Dinesh Kapila	4,036
Salma Mazrui-Watt	1,000 (joint shareholding)
Alex Mbugua	6,054



Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st March 2011, in accordance with Section 157 of the Kenyan Companies Act, which discloses the state of affairs of the Group and of the Company.

PRINCIPAL ACTIVITIES

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

The group operates domestic flights and flies to 53 destinations in Africa, the Middle East, Asia and Europe.

As at 31st March 2011, the group had 31 aircraft, either owned or on operating leases. These comprised four Boeing 777 wide body jets, six Boeing 767 wide body jets, fifteen Boeing 737 narrow body jets, and six Embraer regional jets.

RESULTS AND DIVIDENDS

The net profit for the year of KShs 3,538 million (2010: KShs 2,035 million) has been added to retained earnings. The directors recommend the approval of a final dividend of KShs 1.50 per share, totalling KShs 693 million (2010: KShs.1: KShs 462 million) at the annual general meeting.

DIRECTORS

The directors who held office during the year and to the date of this report were:

EXECUTIVE DIRECTORS

Dr. T. T. Naikuni	-	Managing Director
A.W. Mbugua	-	Group Finance Director

NON EXECUTIVE DIRECTORS

E. Mwaniki	-	Chairman
D. Kapila		
J. Kinyua		
D. D. Afande		
R. Schipper		
P. F. Hartman		
A. Makatiani		
C. Njiru		
S. Mazrui		
J. Veenstra	-	Alternate to R.Schipper and P.F.Hartman

AUDITOR

The Company's auditor, PricewaterhouseCoopers, was appointed on 24th September 2010 and continues in office in accordance with section 159(2) of the Kenyan Companies Act.

By order of the Board

SECRETARY
01 June 2011
Nairobi



Statement of Directors' Responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that 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 profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Evanson Mwaniki
Director

Titus Naikuni
Director

01 June 2011
Nairobi

Auditor's Report

Report on the financial statements

We have audited the accompanying consolidated financial statements of Kenya Airways Limited (the Company) and its subsidiaries (together, the Group), as set out on pages 59 to 102. These financial statements comprise the consolidated statement of financial position as at 31st March 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, together with the statement of financial position of the company standing alone as at 31st March 2011 and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal controls, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31st March 2011 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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



Certified Public Accountants
02 June 2011
Nairobi

Consolidated Income Statement

	Notes	Year ended 31 March	
		2011 KShs million	2010 KShs million
Revenue	5(b)	85,836	70,743
Direct costs	6(a)	(53,419)	(44,376)
Fleet ownership costs	6(b)	(9,622)	(9,102)
Overheads	6(c)	(16,980)	(15,426)
Operating profit		5,815	1,839
Finance costs	7	(1,379)	(1,485)
Finance income	7	172	372
Realised gains/(losses) on fuel derivatives	8	298	(3,771)
Fair value gains on fuel derivatives	8	30	6,140
Other gains/(losses)	9	254	(501)
Share of results of associate	18(c)	(188)	77
Profit before income tax	10	5,002	2,671
Income tax expense	11	(1,464)	(636)
Profit for the year	12	3,538	2,035
Attributable to:			
Equity holders of the company		3,535	2,034
Non-controlling interest		3	1
		3,538	2,035
Earnings per share attributable to the equity holders of the company			
- basic and diluted (KShs per share)	13	7.65	4.40

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 March	
		2011 KShs million	2010 KShs million
Profit for the year	12	3,538	2,035
Other comprehensive income for the year			
(Loss)/gain on hedged exchange differences on borrowings (Note 28)		(2,021)	1,280
Gain on hedged fuel contracts		2,155	398
Deferred taxation on cash flow hedges		(40)	(503)
Total comprehensive income for the year		3,632	3,210
Attributable to:			
Equity holders of the company		3,629	3,209
Non-controlling interest		3	1
Total comprehensive income for the year		3,632	3,210

Consolidated Statement of Financial Position

ASSETS	Notes	As at 31 March	As at 31 March
		2011 KShs million	2010 KShs million
Non-current assets			
Property, plant and equipment	15	50,794	51,489
Intangible assets	16	1,029	899
Prepaid operating lease rentals	17	5	6
Investment in associate	18(c)	338	526
Aircraft deposits	20	2,797	2,351
Deferred tax asset	29	26	32
Fuel derivatives	21	132	100
		55,121	55,403
Current assets			
Inventories	22	1,907	1,543
Trade and other receivables	23	11,159	9,053
Current income tax recoverable	11	840	832
Fuel derivatives	21	2,462	309
Bank and cash balances	24	7,254	6,123
		23,622	17,860
TOTAL ASSETS		78,743	73,263
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	25	2,308	2,308
Reserves	26	20,089	17,153
Proposed dividend		693	462
		23,090	19,923
Non controlling interest	27	53	50
		23,143	19,973
Non-current liabilities			
Borrowings	28	21,750	23,386
Deferred tax	29	8,303	6,918
Deferred income	30	2,232	2,406
Finance lease obligations	31	1,101	-
		33,386	32,710
Current liabilities			
Sales in advance of carriage	32	9,010	8,700
Finance lease obligations	31	335	-
Trade and other payables	33	8,882	8,063
Deferred income	30	174	174
Unclaimed dividends	14	109	109
Borrowings	28	3,699	3,534
Current income tax payable	11	5	-
		22,214	20,580
		55,600	53,290
TOTAL EQUITY AND LIABILITIES		78,743	73,263

The notes on pages 66 to 102 form part of these financial statements. The financial statements on pages 59 to 102 were approved for issue by the board of directors on 1st June 2011 and signed on its behalf by:

Evanson Mwaniki (Director)

Titus Naikuni (Director)

Company Statement of Financial Position

ASSETS	Notes	As at 31 March	As at 31 March
		2011	2010
		KShs million	KShs million
Non-current assets			
Property, plant and equipment	15	50,303	51,029
Intangible assets	16	1,021	899
Prepaid operating lease rentals	17	5	6
Investment in subsidiaries	18(a)	454	454
Investment in associated company	18(c)	155	155
Aircraft deposits	20	2,797	2,351
Fuel derivatives	21	132	100
		54,867	54,994
Current assets			
Inventories	22	1,907	1,543
Trade and other receivables	23	14,364	11,671
Current income tax recoverable	11	817	782
Fuel derivatives	21	2,462	309
Bank and cash balances	24	7,168	6,066
		26,718	20,371
TOTAL ASSETS		81,585	75,365
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	25	2,308	2,308
Reserves	26	17,662	14,807
Proposed dividend		693	462
		20,663	17,577
Non-current liabilities			
Borrowings	28	21,750	23,386
Deferred tax liability	29	8,303	6,918
Deferred income	30	2,232	2,406
Finance lease obligations	31	1,101	-
		33,386	32,710
Current liabilities			
Sales in advance of carriage	32	9,010	8,700
Finance lease obligations	31	335	-
Trade and other payables	33	14,209	12,561
Deferred income	30	174	174
Unclaimed dividends	14	109	109
Borrowings	28	3,699	3,534
		27,536	25,078
		60,922	57,788
TOTAL EQUITY AND LIABILITIES		81,585	75,365

The notes on pages 66 to 102 form part of these financial statements. The financial statements on pages 59 to 102 were approved for issue by the board of directors on 1st June 2011 and signed on its behalf by:

Evanson Mwaniki (Director)

Titus Naikuni (Director)

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company				Total equity
	Share capital	Reserves	Proposed dividends	Non Controlling interest	
	KShs Mill	KShs Mill	KShs Mill	KShs Mill	KShs Mill
Year ended 31 March 2010					
At start of year	2,308	14,406	462	-	17,176
Comprehensive income					
Profit for the year	-	2,034	-	1	2,035
Other comprehensive income:					
Gains on hedged exchange differences on borrowings (note 28 (c))	-	1,280	-	-	1,280
Gains on hedged fuel contracts	-	398	-	-	398
Deferred taxation on cash flow hedges	-	(503)	-	-	(503)
Total comprehensive income	-	3,209	-	1	3,210
Transactions with owners					
Dividend:					
- Final for 2009 paid	-	-	(462)	-	(462)
- Proposed for 2010	-	(462)	462	-	-
Shares issued to non controlling interest	-	-	-	49	49
Total transactions with owners	-	(462)	-	49	(413)
At end of year	2,308	17,153	462	50	19,973
Year ended 31 March 2011					
At start of year	2,308	17,153	462	50	19,973
Comprehensive income					
Profit for the year	-	3,535	-	3	3,538
Other comprehensive income					
Losses on hedged exchange differences on borrowings (note 28 (c))	-	(2,021)	-	-	(2,021)
Gains on hedged fuel contracts	-	2,155	-	-	2,155
Deferred taxation on cash flow hedges	-	(40)	-	-	(40)
Total comprehensive income	-	3,629	-	3	3,632
Transactions with owners					
Dividend:					
- Final for 2010 paid	-	-	(462)	-	(462)
- Proposed for 2011	-	(693)	693	-	-
Total transactions with owners	-	(693)	693	-	-
At end of year	2,308	20,089	693	53	23,143



Company Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend	Total equity
	KShs Mill	KShs Mill	KShs Mill	KShs Mill
Year ended 31 March 2010				
At start of year	2,308	12,972	462	15,742
Comprehensive income				
Profit for the year	-	1,122	-	1,122
Other comprehensive income:				
Gains on hedged exchange differences on borrowings (note 28 (c))	-	1,280	-	1,280
Gains on hedged fuel contracts	-	398	-	398
Deferred taxation on cash flow hedges	-	(503)	-	(503)
Total comprehensive income	-	2,297	-	2,297
Transactions with owners				
Dividend:				
- Final for 2009 paid	-	-	(462)	(462)
- Proposed for 2010	-	(462)	462	-
Total transactions with owners	-	(462)	-	(462)
At end of year	2,308	14,807	462	17,577
Year ended 31 March 2011				
At start of year	2,308	14,807	462	17,577
Comprehensive income				
Profit for the year	-	3,454	-	3,454
Other comprehensive income:				
Losses on hedged exchange differences on borrowings (note 28 (c))	-	(2,021)	-	(2,021)
Gains on hedged fuel contracts	-	2,155	-	2,155
Deferred taxation on cash flow hedges	-	(40)	-	(40)
Total comprehensive income	-	3,548	-	3,548
Transactions with owners				
Dividend:				
- Final for 2010 paid	-	-	(462)	(462)
- Proposed for 2011	-	(693)	693	-
Total transactions with owners	-	(693)	693	-
At end of year	2,308	17,662	693	20,663



Consolidated Statement of Cash Flows

	Notes	Year ended 31 March	
		2011	2010
		KShs million	KShs million
Cash flows from operating activities			
Cash generated from operations	35	10,537	7,801
Interest received	7	172	372
Interest paid	7	(1,379)	(1,485)
Income tax paid	11	(116)	(209)
Net cash from operating activities		9,214	6,479
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(3,186)	(3,819)
Proceeds from disposal of property, plant and equipment		47	209
Deposits refunds received		-	55
Purchases of intangible assets	16	(371)	(110)
Deposits paid for aircraft purchases	20	(287)	(72)
Net cash used in investing activities		(3,797)	(3,737)
Cash flows from financing activities			
Repayments of borrowings	28	(3,687)	(3,676)
Repayment of finance lease obligations	31	(137)	-
Dividends paid to Company's shareholders	14	(462)	(393)
Proceeds of maturity of short term deposits maturing over 90 days	24	807	2,066
Net cash used in financing activities		(3,479)	(2,003)
Net increase in cash and cash equivalents		1,938	739
Cash and cash equivalents at beginning of year		3,112	2,373
Cash and cash equivalents at end of year	35	5,050	3,112

Notes to the Financial Statements

1 General information

Kenya Airways Limited is incorporated in Kenya under the Companies Act as a public limited liability company, and is domiciled in Kenya. The address of its registered office is:

P. O Box 19002-00501
Nairobi
Kenya

The Company's shares are listed on the Nairobi Stock Exchange.

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

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, and apply to both the group and the company unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and derivative instruments at fair value through profit or loss. The financial statements are presented in Kenyan Shillings (KShs), rounded to the nearest million.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 April 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated

and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9, 'Financial instruments' - effective 1 January 2013. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. It introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

IAS 24 (Revised) 'Related party disclosures' - effective 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the subsidiaries of the Group will need to disclose any transactions between itself and associates of its parent company.

Notes to the Financial Statements (cont'd)

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' - effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Group's financial statements.

Prepayments of a minimum funding requirement' (amendments to IFRIC 14). - effective 1 January 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments should be applied retrospectively to the earliest comparative period presented.

Annual improvements 2009 and 2010 - This is a collection of amendments to 12 standards as part of the IASB programme to annual improvements.

There were other standards that were issued however their effects are not likely to be relevant on the group and company.

(b) Revenue recognition

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

older than two years. Other operating revenue is recognised at the time the service is provided.

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

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

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

(c) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The excess of the fair value of the consideration transferred, the amount of any non-



Notes to the Financial Statements (cont'd)

controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's

investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates are recognised in the income statement.

(d) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kenyan Shillings (KShs)', which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign currency exchange

gains and losses are presented in the income statement within 'other income' or 'other expenses'.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(e) 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 statement of financial position. 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 is presented separately in the statement of financial position.

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

(f) Leases

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

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

Rentals payable under operating leases are charged to

profit or loss on the straight line basis over the term of the lease.

(g) Borrowing costs

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

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

(h) Employee entitlements

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

(i) Retirement benefits costs

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

The group's obligations to the staff retirement benefit plans are charged to profit or loss as they fall due. The group has no further payment obligations once the contributions have been paid.

(j) Current and deferred income tax

Income tax expense represents the sum of the current and deferred income tax. The income tax currently payable is



Notes to the Financial Statements (cont'd)

Notes to the Financial Statements (cont'd)

based on taxable profit for the year. Taxable profit differs from pre tax 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 end of the reporting period.

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

Deferred income 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 income 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 income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred income 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 income tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred income 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 income tax assets and liabilities on a net basis.

(k) 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.

(l) Property, plant and equipment

Properties held for use in the production or supply of goods and services, or for administrative purposes and properties in the course of construction are carried as 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.

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:

Aircraft	%
Boeing 777, 737-300 & 737-700	5.56
Simulator	5.00

Vehicles and equipment	%
Ground service equipment	25.00
Motor vehicles	25.00
Communication assets	12.50
Other assets	20-30

Notes to the Financial Statements (cont'd)

Leasehold improvements and buildings are depreciated over the terms of the related leases. Aircraft spare engines 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 through profit or loss.

(m) Intangible assets-computer software costs

Costs incurred on computer software are initially accounted for at cost and subsequently at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight line basis over the estimated useful lives not exceeding a period of 5 years.

(n) Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(o) Leasehold land

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

(p) Derivative financial instruments

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

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

are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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

(q) Hedge accounting

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

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

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

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

Notes to the Financial Statements (cont'd)

transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

(r) Manufacturers' compensation (credits)

The group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. These credits are offset against the cost of new aircraft.

(s) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss (the derivative financial instruments), loans and receivables. The directors determine the appropriate classification of the financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', and 'bank and cash balances' in the statement of financial position. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash receipts (including all fees, transaction costs and premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment individually. Objective evidence of impairment for receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to the Financial Statements (cont'd)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(t) Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(u) Financial liabilities and equity instruments issued by the group

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

Classification as debt or equity

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

Financial liabilities

Financial liabilities are classified in the category of trade payables and other financial liabilities.

Other financial liabilities

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

Effective interest method

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

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

(v) 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 obligation and a reliable estimate can be made of the amount of the obligation.

(w) Frequent Flyer programmes

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

Notes to the Financial Statements (cont'd)

(x) Segment reporting

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

(y) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

(z) Comparatives

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

3 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 directors to exercise judgement in the process of applying the group accounting policies.

In the process of applying the group's accounting policies, directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial periods.

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:

(i) Critical accounting estimates and assumptions

Impairment of aircraft

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

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

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

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

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 and 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.

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.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, the directors have made judgements in determining:

- the classification of financial assets and leases
- whether financial and non-financial assets are impaired
- the functional currency of the company.

4 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.

Notes to the Financial Statements (cont'd)

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

(a) Market risk

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

i) Interest rate risk

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

Most of the group's debts are asset related, reflecting the capital intensive nature of the airline industry. At 31 March 2011, all the group's borrowings were at fixed rates of interest and there were no borrowings at floating rates.

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

ii) Jet fuel price risk

The group's fuel risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices. To meet this objective, the company 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 2011. As at 31 March 2011 the group had in place fuel hedging contracts for

80 percent of its anticipated fuel requirements for the period up to 31 December 2011 and 24 percent of anticipated fuel requirements for the period to 31 March 2012.

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

	2011		2010	
	KShs million Effect on profit	KShs million Effect on equity	KShs million Effect on profit	KShs million Effect on equity
Fuel price				
-1% Movement	248	248	188	188
+1% Movement	(248)	(248)	(188)	(188)

iii) 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 Shilling.

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

	Group		Company	
	2011 KShs million Effect on profit /equity	2010 KShs million Effect on profit /equity	2011 KShs million Effect on profit /equity	2010 KShs million Effect on profit /equity
Currency-UK pounds				
+1 KShs Movement	83	68	81	66
-1 KShs Movement	(83)	(68)	(81)	(66)
Currency-Euro				
+1 KShs Movement	64	50	62	49
-1 KShs Movement	(64)	(50)	(62)	(49)
Currency-American dollars				
+1 KShs Movement	106	62	99	59
1 KShs Movement	(106)	(62)	(99)	(59)

Notes to the Financial Statements (cont'd)

Below is a summary of the financial assets and liabilities of the group denominated in various currencies at their carrying amounts at 31 March 2011:

Closing rate Currency	1	83.25	115	128	-	Total
	KES	USD	EUR	GBP	Others	
	KShs million	KShs million	KShs million	KShs million	KShs million	KShs million
Financial assets:						
Bank balances	1,015	891	99	42	3,003	5,050
Term deposits	2,204	-	-	-	-	2,204
Trade and other receivables	3,714	4,213	152	682	2,398	11,159
Derivative financial instruments	-	2,594	-	-	-	2,594
Total	6,933	7,698	251	724	5,401	21,007
Financial liabilities:						
Trade and other payables	4,326	3,217	398	99	842	8,882
Borrowings	-	25,449	-	-	-	25,449
Finance lease obligations	-	1,418	18	-	-	1,436
Total	4,326	30,084	416	99	842	35,767

Below is a summary of the financial assets and liabilities of the company's denominated in various currencies at their carrying amounts at 31 March 2011:

Closing rate Currency	1	83.25	115	128	-	Total
	KES	USD	EUR	GBP	Others	
	KShs million	KShs million	KShs million	KShs million	KShs million	KShs million
Financial assets:						
Bank balances	968	852	99	42	3,003	4,964
Term deposits	2,204	-	-	-	-	2,204
Trade and other receivables	6,973	4,159	152	682	2,398	14,364
Derivative financial instruments	-	2,594	-	-	-	2,594
Total	10,145	7,605	251	724	5,401	24,126
Financial liabilities:						
Trade and other payables	9,683	3,187	398	99	842	14,209
Borrowings	-	25,449	-	-	-	25,449
Finance lease obligations	-	1,418	18	-	-	1,436
Total	9,683	30,054	416	99	842	41,094

Notes to the Financial Statements (cont'd)

Below is a summary of the financial assets and liabilities of the group denominated in various currencies at their carrying amounts at 31 March 2010:

Closing rate Currency	1	76.50	105	118	-	Total
	KES	USD	EUR	GBP	Others	
	KShs million	KShs million	KShs million	KShs million	KShs million	KShs million
Financial assets:						
Bank balances	589	711	6	136	1,670	3,112
Term deposits	3,011	-	-	-	-	3,011
Trade and other receivables	2,468	5,897	338	332	18	9,053
Derivative financial instruments	-	409	-	-	-	409
Total	6,068	7,017	344	468	1,688	15,585
Financial liabilities:						
Trade and other payables	4,933	2,489	256	136	249	8,063
Borrowings	-	26,920	-	-	-	26,920
Total	4,933	29,409	256	136	249	34,983

Below is a summary of the financial assets and liabilities of the company denominated in various currencies at their carrying amounts at 31 March 2010:

Closing rate Currency	1	76.50	105	118	-	Total
	KES	USD	EUR	GBP	Others	
	KShs million	KShs million	KShs million	KShs million	KShs million	KShs million
Financial assets:						
Bank balances	560	683	6	136	1,670	3,055
Term deposits	3,011	-	-	-	-	3,011
Trade and other receivables	5,092	5,891	338	332	18	11,671
Derivative financial instruments	-	409	-	-	-	409
Total	8,663	6,983	344	468	1,688	18,146
Financial liabilities:						
Trade and other payables	9,434	2,486	256	136	249	12,561
Borrowings	-	26,920	-	-	-	26,920
Total	9,434	29,406	256	136	249	39,481

Notes to the Financial Statements (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The group 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 end of the reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows:

31 March 2011

	Less than 1 year	2 - 5 years	Over 5 years	Total
	KShs	KShs	KShs	KShs
	million	million	million	million
Borrowings	3,699	19,228	2,522	25,449
Finance lease obligations	335	1,101	-	1,436
Trade and other payables	8,882	-	-	8,882
Due to related parties	43	-	-	43

31 March 2010

	Less than 1 year	2 - 5 years	Over 5 years	Total
	KShs	KShs	KShs	KShs
	million	million	million	million
Borrowings	3,534	14,460	8,926	26,920
Trade and other payables	8,063	-	-	8,063

(c) Credit risk

The group is exposed to credit risk which is the risk that the counter party will cause a financial loss to the group by failing to discharge an obligation. Credit risk arises mainly from surpluses funds held in the form of bank balances or short term deposits. 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 are maintained 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 programme's broad diversification. The group's accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services. Majority of these sales are in accounts receivable which are generally short term in duration. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the group has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The 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.

Notes to the Financial Statements (cont'd)

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

	Neither past due nor impaired	Past due	Impaired
	KShs million	KShs million	KShs million
At 31 March 2011			
Trade and other receivables	8,500	285	556
Short term deposits	2,204	-	-
Bank and cash balances	5,050	-	-
Derivative financial instruments	2,594	-	-

	Neither past due nor impaired	Past due	Impaired
	KShs million	KShs million	KShs million
At 31 March 2010			
Trade and other receivables	4,494	844	2,010
Short term deposits	3,011	-	-
Bank and cash balances	3,112	-	-
Derivative financial instruments	409	-	-

(d) Fair value hierarchy

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi stock exchange.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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

	Level 1 KShs million	Level 2 KShs million	Level 3 KShs million	Total KShs million
31 March 2011				
Financial assets				
Derivative financial instruments	-	2,594	-	2,594
31 March 2010				
Financial liabilities				
Derivative financial instruments	-	409	-	409

Notes to the Financial Statements (cont'd)

(e) Operational risk

The group's operations are based on a rigorous Operational safety culture, which is maintained through continuous and long-term implementation of the Safety Management & Quality Management Systems. The company is subject to regular Industry Operational safety audits namely IATA Operational Safety Audits (IOSA) & IATA Safety Audit of Ground Operations (ISAGO) 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. Operational 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.

(f) Capital risk management

The airline monitors the return on shareholder's funds which is defined as the profit for the year expressed as a percentage of average shareholder's equity. The group 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 2011 Kenya Airways achieved a return on shareholder's equity of 15% (2010: 10%) in comparison to an effective interest rate of 5.3% incurred (2010: 5.3%) on borrowings.

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

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

	2011 KShs million	2010 KShs million
Equity*	23,143	19,973
Total borrowings	25,449	26,920
Less: Bank and cash balances	(5,050)	(3,112)
Deposits with financial institutions	(2,204)	(3,011)
Net borrowings	18,195	20,797
Net debt to equity ratio	79%	104%

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

	2011 KShs million	2010 KShs million
Equity*	20,663	17,577
Total borrowings	25,449	26,920
Less: Bank and cash balances	(4,964)	(3,055)
Deposits with financial institutions	(2,204)	(3,011)
Net borrowings	18,281	20,854
Net debt to equity ratio	88%	119%

*Equity includes all capital and reserves of the group.

Notes to the Financial Statements (cont'd)

5 Segment Information and Revenue

(a) Segment information

The accounting policies of the reportable segments are the same as the group's accounting policies applied in the last audited financial statements for the year ended 31 March 2010.

Directors have determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

Segment profit represents the profit earned by each segment without allocation of share of profits of associates, investment revenue and finance costs, and income tax expense.

The major part of the business of the group falls under the category of aviation transport with income from other categories comprising less than 2% of total income.

Analysis of turnover according to business segments for the year ended 31 March 2011:

	Passenger KShs million	Freight and mail KShs million	Handling KShs million	Others KShs million	Total KShs million
Domestic	3,715	25	6	680	4,426
Foreign	71,640	6,497	1,486	1,787	81,410
	75,355	6,522	1,492	2,467	85,836

Analysis of turnover according to business segments for the year ended 31 March 2010:

	Passenger KShs million	Freight and mail KShs million	Handling KShs million	Others KShs million	Total KShs million
Domestic	3,109	15	4	3	3,131
Foreign	59,729	5,419	1,308	1,156	67,612
	62,838	5,434	1,312	1,159	70,743

Apart from Nairobi - Amsterdam and Nairobi - London routes which contribute 22% of turnover in aggregate, no other single route contributes more than 10% of the total group revenues.

Analysis of operating profit per business segments

	31 March 2011	31 March 2010
Passenger	3,083	975
Freight, mail and other	2,732	864
	5,815	1,839

Profit by business segment is only analysed between "passenger" and "freight, mail and other".

Notes to the Financial Statements (cont'd)

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 operating segments. We are also not able to provide information on non current assets by geographical and business segments is not considered meaningful.

No single external customer contributes 10% or more of the group's revenues.

	2011 KShs million	2010 KShs million
(b) Revenue		
Passenger	75,355	62,838
Freight and Mail	6,522	5,434
Handling	1,492	1,312
Others	2,467	1,159
	85,836	70,743
6 Expenses by nature		
(a) Direct costs		
Aircraft fuel and oil	24,778	18,819
Aircraft landing, handling and navigation	8,486	8,530
Aircraft maintenance	6,835	5,028
Passenger services	4,683	4,445
Commissions on sales	2,785	3,246
Aircraft, passenger and cargo insurance	487	366
Crew route expenses	2,221	1,742
Central reservation system and frequent flyer programme	2,561	1,805
Others	583	395
	53,419	44,376
(b) Fleet ownership costs		
Hire of aircraft and engines	5,902	5,920
Depreciation on aircraft and engines	3,622	3,094
Depreciation on rotables	272	262
Aircraft purchase subsidy (Note 30)	(174)	(174)
	9,622	9,102

Notes to the Financial Statements (cont'd)

(c) Overheads

	2011 KShs million	2010 KShs million
Administration		
Employee costs (Note 6 (d))	11,197	10,175
Legal and professional fees	306	348
Directors' remuneration	78	73
Audit fees	11	11
General expenses	1,906	1,492
	13,498	12,099
Establishment		
General maintenance and supplies	1,264	1,163
Depreciation on buildings, vehicles and other equipment	966	860
Amortisation of intangible assets and prepaid operating lease	283	364
	2,513	2,387
Selling		
Advertising and publicity	607	665
Bad debts expense	362	216
Impairment on assets (Note 15)	-	54
Provisions on aircraft deposits (Note 23)	-	5
	969	940
Total overheads	16,980	15,426

(d) Employee costs and number

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

	2011 KShs million	2010 KShs million
Costs		
Wages and salaries	8,379	7,578
Contributions to retirement benefits	550	462
NSSF	9	9
Leave pay provision	498	561
Others	1,761	1,565
	11,197	10,175
Numbers		
Kenya	3,952	3,693
Overseas	403	440
	4,355	4,133

Notes to the Financial Statements (cont'd)

7 Net finance costs

	Group	
	2011 KShs million	2010 KShs million
Finance costs		
Interest payable on long term borrowings	(1,379)	(1,485)
Finance income		
Interest income on short term bank deposits	172	372
	(1,207)	(1,113)

8 Fuel derivatives gains /(losses)

	Group	
	2011 KShs million	2010 KShs million
(a) Realised gains/(losses) - Net receipt/(payment)	298	(3,771)

The realised gains/(losses) on the fuel derivatives represent receipts from/(payments) to counter parties for fuel derivatives that matured during the financial year.

	Group	
	2011 KShs million	2010 KShs million
(b) Fair value movements		
Fair value gains due to mark to market	30	6,140

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

9 Other gains/(losses)

	Group	
	2011 KShs million	2010 KShs million
Foreign currency exchange gains/(losses)	361	(389)
Other costs	(107)	(112)
	254	(501)

10 Profit before income tax

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

	2011 KShs million	2010 KShs million
Employee costs	11,197	10,175
Depreciation of property, plant and equipment	4,857	4,216
Amortisation of intangible assets	285	343
Auditor's remuneration	11	11
Directors' remuneration:		
Fees	12	10
Other emoluments	66	63
Inventories expensed	932	661
Manufacturer's compensation on aircraft	(174)	(174)
Loss /(profit) on disposal of property, plant and equipment	543	(15)

Notes to the Financial Statements (cont'd)

11 Income tax expense

	Group	
	2011 KShs million	2010 KShs million
Current income tax		
Current tax on profits for the year	113	98
Deferred income tax		
Current year	1,290	585
Adjustments in respect of prior years	61	(47)
	1,464	636

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group	
	2011 KShs million	2010 KShs million
Profit before income tax	5,002	2,671
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2010: 30%)	1,500	801
Tax effect of:		
Income not subject to tax	(106)	(209)
Expenses not deductible for tax purposes	120	96
Utilisation of previously unrecognised tax losses	11	(5)
Prior year deferred tax on overprovision	(61)	(47)
Income tax expense	1,464	636

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
Taxation recoverable				
At start of year	832	721	782	714
Charge for the year	(113)	(98)	-	-
Paid during the year	116	209	35	68
At end of year	835	832	817	782
Analysed:				
Taxation recoverable	840	832	817	782
Taxation payable	(5)	-	-	-
Net tax recoverable	835	832	817	782

12 Profit for the year

The profit for the year amounted to KShs 3,538 million (2010: KShs 2,035 million) of which KShs 3,454 million (2010: KShs 1,122 million) has been dealt with in the accounts of the company.

Notes to the Financial Statements (cont'd)

13 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2011	2010
Profit attributable to equity holders of the company (KShs million)	3,535	2,034
Weighted average number of ordinary shares (million)	462	462
Basic earnings per share (KShs)	7.65	4.40

There were no potentially dilutive shares outstanding as at 31 March 2011 or 2010. Diluted earnings per share are therefore the same as basic earnings per share.

14 Dividends

	2011	2010
Dividends - proposed (KShs million)	693	462
Number of ordinary shares (million)	462	462
Dividend per share (KShs)	1.5	1

A dividend of KShs 1 per share amounting to KShs 462 million relating to the year ended 31 March 2010 was approved at the last Annual General Meeting and paid during the year.

In respect of the current financial year, the directors propose a first and final dividend of KShs 1.5 per ordinary share (totalling KShs 693 million). This proposal will be presented for formal approval by shareholders' at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

Dividend per share is arrived at by dividing the dividends payable by the number of shares in issue at the end of the reporting period.

The movement in the unclaimed dividends account is as follows:

	2011 Kshs million	2010 Kshs million
At start of year	109	40
Declared during the year	462	462
Paid during the year	(462)	(393)
At end of year	109	109

Notes to the Financial Statements (cont'd)

15 Plant, property and equipment

(a) Group	Freehold land and Buildings	Aircraft engines and rotables	Vehicles & ground service equipment	In-complete projects	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Cost					
At 1 April 2009	1,902	61,552	5,900	899	70,253
Additions	154	1,574	681	1,410	3,819
Aircraft deposit capitalized	-	30	-	-	30
Transfer from incomplete projects	-	-	501	(1,052)	(551)
Disposals	-	(872)	(52)	-	(924)
Transfer to intangible assets	-	-	(39)	-	(39)
Reclassification from operating lease rentals	1,684	-	-	-	1,684
At 31 March 2010	3,740	62,284	6,991	1,257	74,272
Depreciation					
At 1 April 2009	360	14,735	4,107	-	19,202
Charge for the year	65	3,356	795	-	4,216
Eliminated on disposal	-	(673)	(57)	-	(730)
Transfer to intangible assets	-	-	(8)	-	(8)
Impairment	-	-	-	54	54
Reclassification from prepaid lease rentals	49	-	-	-	49
At 31 March 2010	474	17,418	4,837	54	22,783
Net Book Value					
At 31 March 2010	3,266	44,866	2,154	1,203	51,489
Cost					
At 1 April 2010	3,740	62,284	6,991	1,257	74,272
Additions	337	1,770	718	361	3,186
Aircraft deposit capitalized	-	86	-	-	86
Assets purchased through finance lease obligations	-	1,491	35	-	1,526
Transfer from incomplete projects	69	353	255	(716)	(39)
Disposals	(24)	(1,574)	(27)	-	(1,625)
Transfer to intangible assets	-	-	(5)	-	(5)
At 31 March 2011	4,122	64,410	7,967	902	77,401
Depreciation					
At 1 April 2010	474	17,420	4,837	54	22,785
Charge for the year	101	3,894	862	-	4,857
Eliminated on disposal	(8)	(1,000)	(27)	-	(1,035)
At 31 March 2011	567	20,314	5,672	54	26,607
Net Book Value					
At 31 March 2011	3,555	44,096	2,295	848	50,794

Notes to the Financial Statements (cont'd)

(b) Company	Freehold land and Buildings	Aircraft engines and rotables	Vehicles & ground service equipment	In-complete projects	Total
	KShs million	KShs million	KShs million	KShs million	KShs million
Cost					
At 1 April 2009	1,401	60,752	5,631	899	68,683
Additions	154	1,574	680	1,317	3,725
Aircraft deposit capitalized	-	30	-	-	30
Transfer from incomplete projects	-	-	501	(1,052)	(551)
Disposals	-	(72)	(52)	-	(124)
Transfer from intangible assets	-	-	(39)	-	(39)
Reclassification from operating lease rentals	1,682	-	-	-	1,682
At 31 March 2010	3,237	62,284	6,721	1,164	73,406
Depreciation					
At 1 April 2009	235	14,109	3,838	-	18,182
Charge for the year	52	3,356	795	-	4,203
Eliminated on disposal	-	(45)	(57)	-	(102)
Transfer to intangible assets	-	-	(8)	-	(8)
Impairment	-	-	-	54	54
Transfer from operating prepaid lease rentals	48	-	-	-	48
At 31 March 2010	335	17,420	4,568	54	22,377
Net Book Value					
At 31 March 2010	2,902	44,864	2,153	1,110	51,029
Cost					
At 1 April 2010	3,237	62,284	6,721	1,164	73,406
Additions	337	1,770	676	348	3,131
Aircraft deposit capitalized	-	86	-	-	86
Purchase through finance lease	-	1,491	35	-	1,526
Transfer from incomplete projects	69	353	161	(621)	(38)
Transfer to intangible assets	-	-	(5)	-	(5)
Disposals	(24)	(1,574)	(27)	-	(1,625)
At 31 March 2011	3,619	64,410	7,561	891	76,481
Depreciation					
At 1 April 2010	335	17,420	4,568	54	22,377
Charge for the year	89	3,894	853	-	4,836
Eliminated on disposal	(8)	(1,000)	(27)	-	(1,035)
At 31 March 2011	416	20,314	5,394	54	26,178
Net Book Value					
At 31 March 2011	3,203	44,096	2,167	837	50,303

For both group and company, the net book value of aircraft charged as security for loans obtained to finance the purchase of the aircraft is KShs 41,076 million (2010 : KShs 44,577 million).

Notes to the Financial Statements (cont'd)

16 Intangible assets

	Group		Company	
	2011	2010	2011	2010
	KShs million	KShs million	KShs million	KShs million
Cost				
At start of year	1,720	1,020	1,708	1,008
Additions for the year	371	110	362	110
Transfer from incomplete projects	39	551	38	551
Transfer from property plant and equipment	5	39	5	39
At end of year	2,135	1,720	2,113	1,708
Amortisation				
At start of year	821	470	809	458
Amortisation for the year	285	343	283	343
Transfer from property plant and equipment	-	8	-	8
At end of year	1,106	821	1,092	809
Net Book Value	1,029	899	1,021	899

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.

17 Prepaid operating leases

	Group		Company	
	2011	2010	2011	2010
	KShs million	KShs million	KShs million	KShs million
Cost				
At start of year	8	1,692	8	1,690
Reclassification to property, plant and equipment	-	(1,684)	-	(1,682)
At end of year	8	8	8	8
Amortisation				
At start of year	2	30	2	29
Amortisation during the year	1	21	1	21
Reclassification to property, plant and equipment	-	(49)	-	(48)
At end of year	3	2	3	2
Net Book Value	5	6	5	6

Prepaid operating lease rentals relate to the cost incurred to acquire interests in leasehold buildings. The costs are carried in the financial statements as long term prepayments and amortised to profit or loss on the straight line basis over the terms of the related buildings.

Notes to the Financial Statements (cont'd)

18 Investments

(a) Investment in subsidiaries

Details of investment	Country of incorporation	Activity	2011	2010	2011	2010
			% of Equity interest	% of Equity interest	KShs million	KShs million
Kenya Airfreight Handling Limited (2,550,000 shares of KShs 20 each)	Kenya	Cargo handling for perishable products	51%	100%	51	51
Flamingo Airlines Limited (5,000 shares of KShs 20 each)	Kenya	Dormant	100%	100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Dormant	100%	100%	19	19
African Cargo Handling Limited (5,753,822 shares of KShs 100 each)	Kenya	Cargo handling	100%	100%	384	384
At 31 March					454	454

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

(b) Other Investments

	2011 KShs million	2010 KShs million
(i) African Tours and Hotels Limited: (100,398 ordinary shares of KShs 20 each)	2	2
Less: provision for impairment	(2)	(2)
Carry value	-	-

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

(i) SITA SC:

The company holds 9 (2010:9) shares in SITA SC loyalty programme. These shares were acquired at nil consideration and therefore the investment has no corresponding value in the financial statements. In the assessment of the directors, the fair value of the investment is negligible.

Notes to the Financial Statements (cont'd)

(c) Investment in associates

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
Precision Air Services Limited:				
At start of year	526	449	155	155
Share of net results for the year	(188)	77	-	-
At end of year	338	526	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.

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

	2011 KShs million	2010 KShs million
Total assets	9,902	8,108
Total liabilities	(8,743)	(7,034)
Net assets	1,159	1,074
Group's share of net assets of associate	338	526
Total revenue	5,781	5,269
(Loss)/profit for the year	(384)	158
Groups share of (loss)/profit of associate	(188)	77
Groups share of associate's contingent liabilities	37	6

19 Deferred expenditure

At start of year	299	299
Disposals	(299)	-
At end of year	-	299
Amortisation		
At start of year	299	299
Eliminated on disposal	(299)	-
At end of year	-	299
Net Book Value	-	-

The deferred expenditure relates to costs incurred in preparation of refurbishment of a leased Boeing 767 (5Y KQQ). The costs were amortised on a straight line basis over the term of the lease. The aircraft was re-delivered to the lessor in October 2010.

Notes to the Financial Statements (cont'd)

20 Aircrafts deposits

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
Deposits for aircraft leases under long-term operating leases	631	757
Deposits paid towards acquisition of aircraft	2,166	1,594
	2,797	2,351

The deposits under long-term operating leases relate to lease of aircraft and engines of Boeing 767's, Boeing 737's, Embraer E170's and Embraer E190's.

The deposits paid towards acquisition of aircraft represent amounts paid to Boeing Corporation towards acquisition of six Boeing 787-8 aircraft scheduled for delivery between 2013 and 2016. These deposits do not earn any interest and are carried at amortised cost.

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
At start of year	2,351	2,532
Additional deposits paid	287	72
Deposit refunded	-	(55)
Amortisation*	17	20
Capitalised deposit (note 15) **	(86)	(30)
Provision for maintenance deposits	-	(5)
Foreign exchange differences	228	(183)
At end of year	2,797	2,351

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

** Capitalised deposit relates to deposits paid on an aircraft acquired in year 2007 awaiting refund by Wellsfargo Bank. However, since the Cape Town Convention has not been domesticated in Kenya, the amount was remitted to Exim Bank. The amount in the previous year relates to security deposits paid on another aircraft acquired in year 2010.

21 Fuel derivatives - Group and company

In the normal course of its business, the group uses fuel derivatives with approved counter parties to protect it against sudden and significant increases in fuel prices. The table below analyses the fuel derivatives into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity.

Notes to the Financial Statements (cont'd)

(a) Maturity analysis

Maturity analysis of derivatives at fair value through profit or loss:

	1-6 months	7-9 months	10-12 months	1-2 years	Total
	KShs	KShs	KShs	KShs	
	million	million	million	million	
31 March 2011					
Swaps	898	449	-	-	1,347
Options	835	140	140	132	1,247
	1,733	589	140	132	2,594
31 March 2010					
Swaps	94	47	48	-	189
Options	60	30	30	100	220
	154	77	78	100	409

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
(b) Derivative asset		
Within one year	2,462	309
Between one and two years	132	100
	2,594	409

22 Inventories

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
Aircraft consumables inventories	1,506	1,263
Other inventories	401	280
	1,907	1,543

23 Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	KShs	KShs	KShs	KShs
	million	million	million	million
Trade and other receivables	11,715	11,063	15,529	14,289
Less: Provision for impairment	(556)	(2,010)	(1,165)	(2,618)
	11,159	9,053	14,364	11,671
Analyzed as follows:				
Trade - airlines	952	1,670	927	1,650
Trade - agents	6,906	3,191	6,836	3,142
Trade - others	812	2,281	764	2,272
Trade - government ministries and parastatals	70	37	70	37
Prepayments	1,818	1,705	1,812	1,702
Staff receivables	68	111	68	111
Other receivables	533	52	534	52
Due from related parties	-	6	3,353	2,705
	11,159	9,053	14,364	11,671

Notes to the Financial Statements (cont'd)

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
At start of year	2,010	2,264	2,618	2,257
Provision in the year*	362	216	358	831
Receivables written off during the year as uncollectible	(1,816)	-	(1,811)	-
Unused amounts reversed	-	(470)	-	(470)
At end of year	556	2,010	1,165	2,618

*Included in the company's provision in the year 2010 are related party balances amounting to Kshs 618 million which cancel out upon consolidation.

24 Bank and cash balances

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
Cash in hand and at bank	4,545	2,910	4,459	2,853
Short term deposits maturing within 90 days	505	202	505	202
Short term deposits maturing between 90 and 182 days	2,204	3,011	2,204	3,011
	7,254	6,123	7,168	6,066

The effective interest rates on short term deposits ranged from 4% - 6.5% (2010: 6% - 8.7%) depending on the country where the deposit has been placed.

25 Share capital

Group and Company	Number of shares (Thousands)	Ordinary shares KShs million	Total KShs million
Authorised: 1,000,000,000 ordinary shares of KShs 5 each	1,000,000	5,000	5,000
As at 1 April 2009, 31 March 2010 and 31 March 2011			
Issued and fully paid: 461,615,484 ordinary shares of KShs 5 each	461,615	2,308	2,308

Notes to the Financial Statements (cont'd)

26 Reserves

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
Revenue reserves	20,021	17,179	17,594	14,833
Cash flow hedging reserve				
Hedged exchange losses on borrowings	(1,718)	(305)	(1,718)	(305)
Fuel hedge contracts	1,786	279	1,786	279
	68	(26)	68	(26)
	20,089	17,153	17,662	14,807

Revenue reserve represents cumulative retained surpluses available for distribution to the shareholders of the company. The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis of adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Losses of KShs 195 million have been transferred from equity into profit or loss during the year.

27 Non controlling interests

	2011 KShs million	2010 KShs million
Stamina Group B.V		
At start of year	50	-
Shares issued during the year	-	49
Share of profit for the year	3	1
At end of year	53	50
Represented by:		
Holding in Kenya Airfreight Handling Limited	49%	49%

28 Borrowings

(a) Analysis of interest bearing loans and borrowings:

	2011 Average interest rates	2011 Maturities	Group and Company	
			2011 KShs million	2010 KShs million
PEFCO Aircraft Loans	6.6%	2010-2011	-	283
Barclays Bank PLC Aircraft Loans	4.5%	2005-2014	18,617	19,748
ABN AMRO Bank Aircraft Loans	5.37%	2007-2019	6,832	6,889
			25,449	26,920

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

Notes to the Financial Statements (cont'd)

28 Borrowings (continued)

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.

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

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
The borrowings are made up as follows:		
Within one year	3,699	3,534
Between two and five years	19,228	14,460
Later than 5 years	2,522	8,926
	25,449	26,920

(c) The movement in the borrowings is as follows:

	2011	2010
	KShs	KShs
	million	million
At start of year	26,920	32,108
Repaid in the year	(3,687)	(3,676)
Exchange difference	2,216	(1,512)
At end of year	25,449	26,920

The exchange differences have been dealt with as follows:

	2011	2010
	KShs	KShs
	million	million
Total exchange differences on borrowings	(2,216)	1,512
Realised on settlement of loans	195	(232)
Net effect on equity	(2,021)	1,280

The group has multi-currency credit line facilities with a total value of KShs 21,780 million (2010: KShs 5,953 million) with various local and international banks for tenures of one year and renewable. At 31 March 2011, the group had utilised guarantees amounting to KShs 1,757 million (2010: KShs 1,189 million) against these facilities leaving an unutilised facility of KShs 20,023 million (2010: KShs 4,764 million).

Notes to the Financial Statements (cont'd)

29 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2010: 30%). The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2011	2010	2011	2010
	KShs	KShs	KShs	KShs
	million	million	million	million
Deferred tax assets				
Leave pay provision	(208)	(376)	(209)	(373)
Other provisions	(231)	(285)	(230)	(279)
Tax losses	(224)	(1,622)	(219)	(1,622)
Hedged losses	-	(11)	-	(11)
	(663)	(2,294)	(658)	(2,285)
Deferred tax liabilities				
Accelerated capital allowances	8,799	8,991	8,820	9,014
Unrealised exchange gain	111	66	111	66
Fuel derivative gains	30	123	30	123
	8,940	9,180	8,961	9,203
Net deferred tax liability	8,277	6,886	8,303	6,918

	Group		Company	
	2011	2010	2011	2010
	KShs	KShs	KShs	KShs
	million	million	million	million
Comprising:				
Deferred tax asset	(26)	(32)	-	-
Deferred tax liability	8,303	6,918	8,303	6,918
Net deferred tax liability	8,277	6,886	8,303	6,918

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

	Group		Company	
	2011	2010	2011	2010
	KShs	KShs	KShs	KShs
	million	million	million	million
At start of year	6,886	5,845	6,918	5,871
Income statement charge (note 11)	1,351	538	1,345	544
Deferred tax dealt with in other comprehensive income	40	503	40	503
At end of year	8,277	6,886	8,303	6,918

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable.

Notes to the Financial Statements (cont'd)

30 Deferred income - compensation from manufacturer

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
At start of year	2,580	2,754
Released to income	(174)	(174)
At end of year	2,406	2,580
Deferred income comprises		
Amounts due within one year	174	174
Amounts due after one year	2,232	2,406
Total deferred income	2,406	2,580

31 Finance lease obligations

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
At start of year	-	-
Additions	1,526	-
Repaid in the year	(137)	-
Exchange difference	47	-
At end of year	1,436	-

During the year the group acquired two Boeing 737 aircraft as well as ground handling equipment through finance lease. These leases are repayable over a period of four and two years respectively.

Finance lease obligations comprises:

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
Amounts due within one year	335	-
Amounts due after one year	1,101	-
Total finance lease obligations	1,436	-

32 Sales in advance of carriage

	Group and Company	
	2011	2010
	KShs	KShs
	million	million
Passengers	8,705	8,533
Cargo	305	167
	9,010	8,700

Notes to the Financial Statements (cont'd)

33 Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	KShs	KShs	KShs	KShs
	million	million	million	million
Trade payables	6,254	5,529	6,115	5,516
Other payables and accruals	1,880	1,281	1,773	1,100
Accruals for staff leave entitlements	706	1,253	698	1,242
Due to related parties (note 36)	42	-	5,623	4,703
	8,882	8,063	14,209	12,561

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

34 Accruals for staff leave entitlements

	Group		Company	
	2011	2010	2011	2010
	KShs	KShs	KShs	KShs
	million	million	million	million
At start of year	1,253	741	1,242	733
Leave entitlement for the year	499	554	493	549
Amounts utilised during the year	(1,046)	(42)	(1,037)	(40)
At end of year	706	1,253	698	1,242

35 Cash generated from operations

(a) Cash generated from operations

	Group	
	2011	2010
	KShs	KShs
	million	million
Profit before income tax	5,002	2,671
Adjustments for:		
Depreciation (note 15)	4,857	4,216
Impairment (note 15)	-	54
Amortisation of intangible assets (note 16)	285	343
Amortisation of prepaid lease rentals (note 17)	1	21
Provision for maintenance deposits	-	5
Aircraft purchase subsidy released to income (note 30)	(174)	(174)
Loss / (profit) on disposal of property, plant and equipment	543	(15)
Share of results of associated company (note 18 (c))	188	(77)
Amortisation of aircraft deposits (note 20)	(17)	(20)
Unrealised exchange differences	16	-
Fair value movements on fuel derivatives (note 8)	(30)	(6,140)
Interest payable (note 7)	1,379	1,485
Interest receivable (note 7)	(172)	(372)
Working capital changes:		
Increase in inventories	(364)	(69)
(Increase)/decrease in trade and other receivables	(2,106)	998
Increase in sales in advance of carriage	310	1,814
Increase in trade and other payables	819	3,061
	10,537	7,801

Notes to the Financial Statements (cont'd)

(b) Cash and cash equivalents

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

	Group	
	2011 KShs million	2010 KShs million
Cash in hand and at bank	4,545	2,910
Short term deposits maturing within 90 days	505	202
	5,050	3,112

Cash and cash equivalents in the statement of cash flows, excludes deposits with financial institutions amounting to KShs 2,204 million (2010: Kshs 3,011 million) with a maturity period greater than 90 days but less than one year.

Balance inclusive of investments with maturity greater than 90 days but less than one year. 7,254 6,123

36 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. Details of 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:

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
Due from related companies:				
Precision Air Services Limited	-	6	-	6
Kenya Airfreight Handling Limited	-	-	83	58
African Cargo Handling Limited	-	-	3,270	2,641
	-	6	3,353	2,705

Notes to the Financial Statements (cont'd)

Due to related companies

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
African Cargo Handling Limited	-	-	5,575	4,655
Kenya Airfreight Handling Limited	42	-	48	48
	42	-	5,623	4,703

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. It also includes an amount of Ksh 20.4 million loan secured by KAHL from Kenya Airways. The amounts due to African Cargo Handling Limited represent funds transferred to the parent company for investment.

(c) Remuneration for directors and key management compensation

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

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
Salaries and other benefits	213	195	204	180
Non monetary benefits	10	10	9	9
	223	205	213	189

Directors remuneration (included in key management compensation above):

	Group		Company	
	2011 KShs million	2010 KShs million	2011 KShs million	2010 KShs million
As executives	66	63	66	63
As non executives	12	10	12	10
	78	73	78	73
Non - monetary benefits	5	5	5	5
	83	78	83	78

37 Capital expenditure commitments

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

	Group	
	2011 KShs million	2010 KShs million
Authorised and contracted for	96,673	88,835
Authorised but not contracted for	4,646	4,273
	101,319	93,108

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

Notes to the Financial Statements (cont'd)

38 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	
	2011	2010
	KShs	KShs
	million	million
Within one year	5,698	4,832
After one year but not more than five years	15,035	13,378
More than five years	1,964	2,459
	22,697	20,669

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.

39 Contingencies

(a) Contingent liabilities

	Group	
	2011	2010
	KShs	KShs
	million	million
Guarantees	1,757	1,189
Litigation	419	305
	2,176	1,494

Guarantees

In the ordinary course of business, the group's bankers have given guarantees on behalf of the group in favour of third parties. In the opinion of the directors, no liability is expected to crystallise in respect of these guarantees.

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 disclosures have not been made for each case as these may be prejudicial to the position of the group.

Kenya Revenue Authority tax assessment

The Kenya Revenue Authority (KRA) has issued an assessment to the company in respect of various indirect taxes for prior years which the company has disputed. Negotiations with KRA are ongoing. On the basis of professional advice received from company's lawyers and tax advisors, management believes no liability will crystallise beyond the amounts already provided for in the financial statements.

(b) Contingent assets

	Group	
	2011	2010
	KShs	KShs
	million	million
Litigation	170	170

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

Principal Shareholders

The ten largest shareholdings in the company and the respective number of shares held at 31st March 2011 are as follows:

Name of shareholder	Number of shares
1. Koninklijke Luchtvaart Maatschappij N.V (KLM)	120,020,026
2. Permanent Secretary to the Treasury	106,171,561
3. Standard Chartered Nominees Limited a/c 9318	13,317,028
4. Standard Chartered Nominees Ltd Non Resident a/c 9057	9,260,200
5. Standard Chartered Nominees Ltd Non Resident a/c 9301	8,693,100
6. Standard Chartered Nominees Ltd Non Resident a/c 9054	3,064,900
7. Stanbic Nominees Kenya Ltd A\C NR13001	3,000,000
8. Standard Chartered Nominee Limited a/c 9389	2,917,100
9. Stanbic Nominees Kenya Ltd A\C NRO0304	2,901,100
10. Stanbic Nominees Kenya Ltd A\C NR13301	2,891,300
11. Other shareholders	189,379,168
Total	461,615,483

Distribution of shareholders

	Number of shareholders	Number of shares	% Shareholding
Less than 500 shares	34,278	13,734,064	2.98
500 - 5,000 shares	36,068	49,796,285	10.79
5,001 - 10,000 shares	1,389	10,294,902	2.23
10,001 - 100,000 shares	1,314	34,918,959	7.56
100,001 - 1,000,000 shares	173	51,093,395	11.07
Over 1,000,000 shares	27	301,777,878	65.37
Total	73,249	461,615,483	100.00

Distribution of shareholders by region:

	Number of shareholders	Number of shares	% Shareholding
Foreign Institutions	50	180,143,630	39.02
Foreign Individuals	484	3,283,304	0.71
Local Institutions	3,416	175,979,437	38.12
Local Individuals	69,299	102,209,112	22.14
Total	73,249	461,615,483	100.00

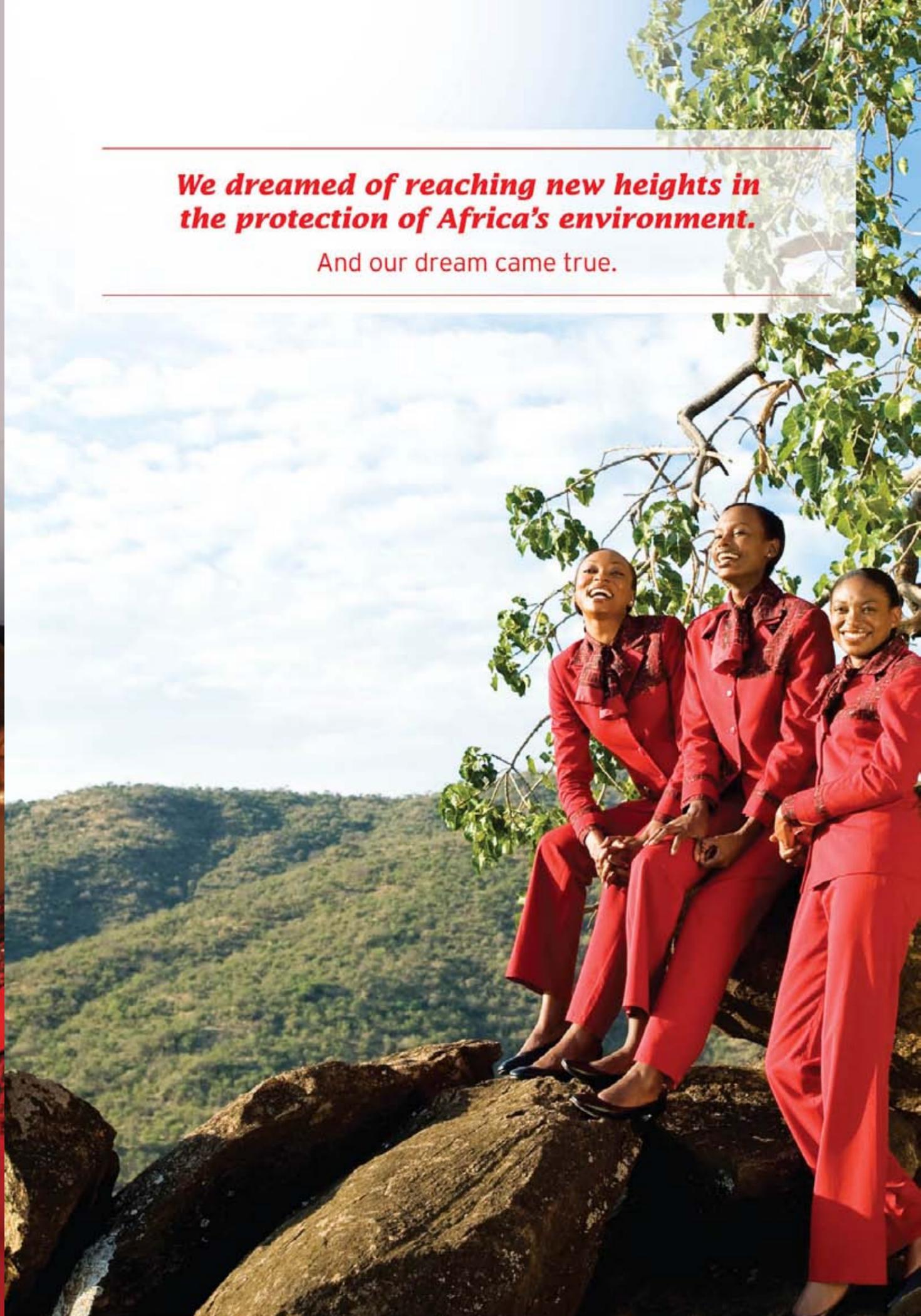
We dreamed of teaching our pilots on the most advanced training simulator in Africa.

And our dream came true.



We dreamed of reaching new heights in the protection of Africa's environment.

And our dream came true.



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