

*Annual Report and Financial Statements
For the Year ended 31 March 2014*



A YEAR OF
GROWTH

Dreams
into reality



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Performance Highlights

Group Results

Turnover (KShs m)



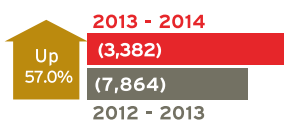
Operating Loss (KShs m)



Loss before Tax (KShs m)



Net Loss (KShs m)



Capital & Reserves (KShs m)



Loss per Share (KShs)

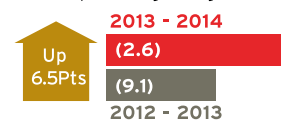


Key Financial Statistics

Net Debt/Equity ratio (%)



Operating Margin (%)



Interest Cover ratio (%)



EBITDAR Margin (%)



Operating Statistics

Passengers Carried



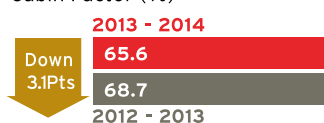
Available Seat Kilometres (m)



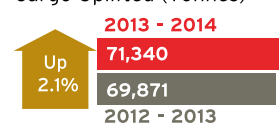
Revenue Passenger Kilometres (m)



Cabin Factor (%)

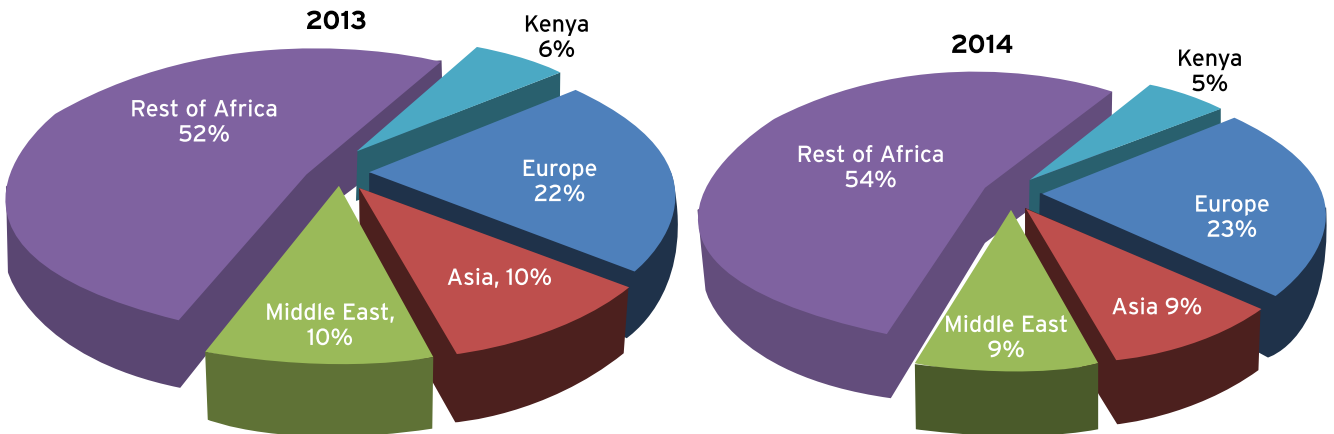


Cargo Uplifted (Tonnes)

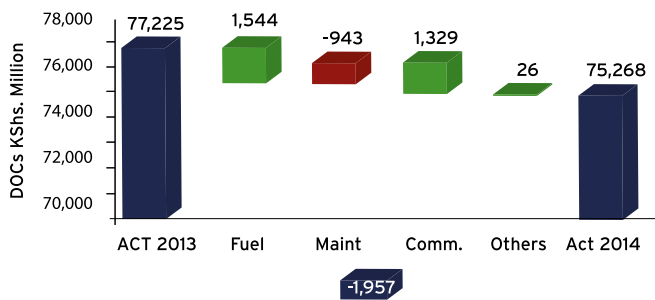
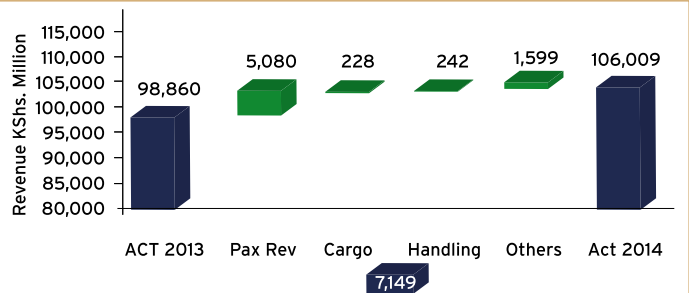


Performance Highlights

Turnover by Region

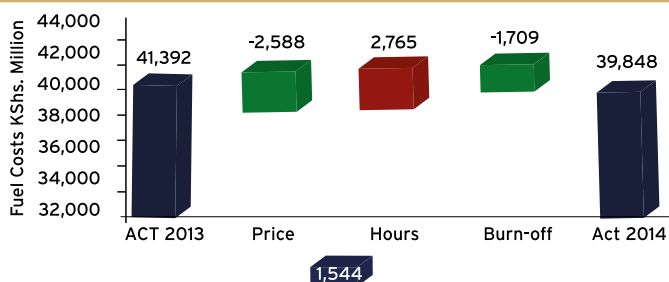
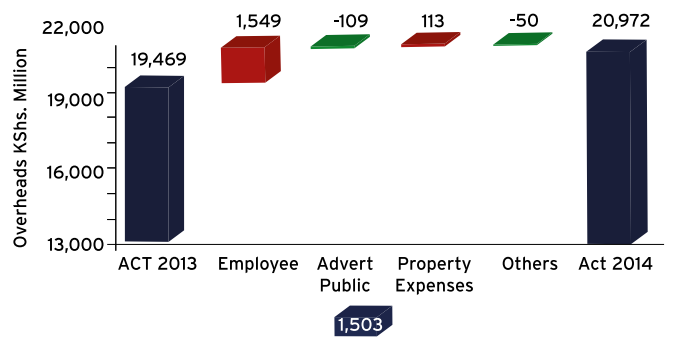


Turnover



Direct Operating Costs

Overheads



Fuel Costs

Performance Highlights

Three Year Summary of Financial Highlights

Financial Highlights

The Group	2014		2013		2012	
	KShs. Million	US\$ Million	KShs. Million	US\$ Million	KShs. Million	US\$ Million
Turnover						
Passenger	90,179	1,049.6	85,099	1,000.9	95,152	1,074.2
Freight & Mail	9,942	115.7	9,714	114.3	8,811	99.5
Handling	1,948	22.7	1,705	20.1	1,869	21.1
Other	3,941	45.9	2,342	27.5	2,065	23.3
Total	106,009	1,233.8	98,860	1,162.8	107,897	1,218.1
Direct costs	(75,268)	(876.0)	(77,225)	(908.3)	(77,217)	(871.7)
Fleet ownership costs	(12,490)	(145.4)	(11,178)	(131.5)	(9,970)	(112.6)
Overheads	(20,972)	(244.1)	(18,643)	(219.3)	(19,404)	(219.1)
Restructuring costs	-	-	(826)	(9.7)	-	-
Operating (loss) / profit	(2,721)	(31.7)	(9,012)	(106.0)	1,306	14.7
Operating Margin%	-2.6%		-9.1%		1.2%	
Net finance costs	(1,601)	(18.6)	(486)	(5.7)	(1,097)	(12.4)
Fuel Hedge Derivative	972	11.3	602	7.1	2,467	27.9
Share of results of associate	-	-	(230)	(2.7)	238	2.7
Other costs	(1,511)	(17.59)	(1,700)	(20.0)	(768)	(8.7)
(Loss)/profit before tax	(4,861)	(56.6)	(10,826)	(107.3)	2,146	24.2
Income tax credit /(expense)	1,479	17.2	2,962	34.8	(486)	(5.5)
(loss)/profit for the year	(3,382)	(39.4)	(7,864)	(72.5)	1,660	18.7
(Loss)/profit after tax margin%	(3.2%)		(8.0%)		1.5	
Dividends	-	-	-	-	374	4.2

Operating Statistics

	2014	2013	2012
Passengers	3,719,590	3,664,844	3,644,492
Revenue Passenger Kilometres (RPK's-Millions)	9,309	9,579	9,943
Available Seat Kilometres (ASK's - Millions)	14,188	13,937	13,875
Passenger Load Factor (%)	65.6	68.7	71.7
Cargo Tonnes	71,340	69,871	62,504
Pax yield/ RPK inc Fuel Surcharge (Usc)	10.47	9.81	9.90

Employees

Airline	3,449	3,470	3,563
Group	3,989	4,006	4,834

Aircraft in Service at Year End

Boeing 787-800	1	-	-
Boeing 777-300	1	-	-
Boeing 777-200	4	4	4
Boeing 767-300	6	6	5
Boeing 737-800	5	5	5
Boeing 737-700	4	4	4
Boeing 737-300	4	5	6
Embraer 190	15	12	4
Embraer 170	5	5	5
B747-400 Freighter	0	1	1
B737-300 Freighter	2	1	-
Total	47	43	34

Board of Directors



STANDING FROM LEFT TO RIGHT:

Alex Mbugua | Joseph Veenstra | Ayisi Makatiani | Joseph Nduva Muli
Dr. Titus Naikuni | Evanson Mwaniki | Pieter Elbers | Vincent Rague
Dinesh Kapila | Dr. Kamau Thugge | Amb. Dennis Awori | Ron Schipper



NOT IN THE PICTURE



Catherine Musakali

Board of Directors

continued

Evanson Mwaniki (75 years): Non Executive Chairman

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

Mr. Mwaniki has represented the oil industry in various influential forums. These include the Federation of Kenya Employers and the East Africa Association. Mr. Mwaniki 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.

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

Dr. Titus Naikuni (60 Years): Group Managing Director & Chief Executive Officer

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 Programme for Management Development (PMD71) and was awarded a Doctor of Science Degree in 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 position of Managing Director in 1995 and simultaneously served as Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996.

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

Dr. Naikuni received the COYA Manager of the Year Award from the Kenya Institute of Management in 2002. In 2009, during the 15th Aviation & Allied Business Leadership Conference in Addis Ababa, Ethiopia, Dr. Naikuni was awarded the 2009 Aviation & Allied Business Individual Achievement Award. In 2013, he received the 'Airline Business Award' during the Airline Strategy Awards 2013, which recognizes an individual who has made a lasting strategic contribution to the air transport business.

Dr. Naikuni was recently recognized for his contribution to the aviation industry in Africa. He was awarded the Lifetime Achievement Award for Outstanding Services to African Aviation Development during the recently concluded African Aviation Summit 2014 in Addis Ababa, Ethiopia. The summit coincided with the 23rd annual Air Finance for Africa' Conference & Exhibition.

Alex Wainaina Mbugua (50 years): Group Finance Director

Mr. Mbugua was appointed the Group Finance Director on 14th July 2008. He is an MBA graduate with specialization in Corporate Finance and a member of the Institute of Certified Public Accountants of Kenya. He is also an alumni of Harvard Business School having completed the Advanced Management Program (AMP 183) in October 2012. In the past 28 years, during his highly successful career, Mr. Mbugua has developed significant knowledge and expertise in the fields of finance, strategy, information technology and general management.

As Group Finance Director, Mr. Mbugua has been responsible for and overseen certain key milestones for KQ, including chairing of the KQ Ten Year Strategic Planning committee for the development of "Project Mawingu" and presiding over the capital raising for the project. This included the high profile 2012 rights issue offer that raised net proceeds of KES 13.8 billion.

Prior to his current position, Mr. Mbugua held the position of Chief Financial Officer of Africa Open Pit Mines, AngloGold Ashanti in Johannesburg. He also held board positions at AngloGold Holdings (UK) and also in 8 mining subsidiaries spread out in 5 African Countries. Other board positions have included Bain Hogg Ltd and Norfolk Holdings (K) Ltd together with KQ subsidiaries Kenya Airfreight Handling Ltd and JamboJet Ltd.

Board of Directors

continued

Dinesh Kapila (68 Years): Non-Executive Director

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 Securities Exchange. He has attended the Harvard Business School's executive program in corporate governance.

He has assisted in the restructuring, commercialization, strategic investment and privatisation of Kenya Airways and was duly recognised by the World Bank for his exceptional contribution. He has also been involved in the restructuring of Kenya Ports Authority as well as The National Cereals and Produce Board. He has advised the private sector in matters pertaining to telecommunications, railways, banking, hotels, properties, industries, farming etc. and is a director of several private companies. He was appointed to the Board of Kenya Airways in April 1991, and since October 1998 has been the Chairman of the Board's Audit and Risk Management Committee and is currently also Chairman of the Airline's subsidiary companies, Kenya Airfreight Handling Limited, African Cargo Handling Limited and Kencargo Airlines International Limited. In 2012, he was also appointed the Chairman of the Board's Committee set up to raise US\$.250 million through a Rights Issue.

Joseph William Nduva Muli, EBS (45 Years): Non Executive Director

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

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

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

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

Pieter J.TH. Elbers (44 Years): Non Executive Director

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

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

Previous positions held by Pieter include:

- Senior Vice President Network & Alliances;
- Vice President Network Planning;
- General Manager KLM Japan & Korea (based in Tokyo), and
- General Manager KLM Mediterranean (based in Athens).

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

Board of Directors

continued

Ambassador Dennis Awori (59 years): Non-Executive Director

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

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

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

Ron Kornelis Adriaan Schipper (68 Years): Non Executive Director

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

In 1986 Mr. Schipper was appointed General Manager Ghana and in 1989 he spent a brief period in France as interim General Manager based in Paris before returning to the Netherlands to take up the appointment of Executive Secretary of the Passenger Division. Thereafter he was seconded in 1991 to Antillean Airlines in Curacao as Managing Director. He returned to the continent close to his heart, Africa, in 1994 and held the position of Vice President and Area Manager Africa based in Johannesburg until he retired in 2008. He continues to live in Johannesburg.

Dr. Kamau Thugge (57 Years): Non Executive Director

Dr. Kamau Thugge is the Principal Secretary, National Treasury. He has previously worked as a Senior Economic Advisor in the Ministry of Finance from 2010 to 2013. Before that he was the Deputy Division Chief, International Monetary Fund from 2008 to 2010, and the Economic Secretary and Head of Economic Affairs Department, Treasury (Kenya) from 2005 to 2008. He also previously held the positions of Head of Fiscal and Monetary Affairs Department, Treasury (Kenya) from 2004 to 2005 and Economist/Senior Economist, IMF from 1985 to 2004. He has represented the Permanent Secretary, Finance on the Boards of the Central Bank of Kenya, the Monetary Policy Committee of the Central Bank of Kenya, the Kenya Revenue Authority and the Capital Markets Authorities.

Ayisi Boniface Makatiani (47 Years): Non Executive Director

Mr. Ayisi Makatiani is Head of Fanisi Capital Ltd, a company established in 2009 to manage a USD50M 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 of Kenya, and was a member of the UN Secretary General's Taskforce on ICT and was Vice-Chairman of Kenyatta University Council between 2009 and 2011. 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 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.

He chairs the Company's subsidiary JamboJet Limited and is a member of the Board's Audit and Risk Management Committee.

Board of Directors

continued

Joseph Bernadus Veenstra (47 Years): (Alternate to Mr. Pieter J.TH. Elbers & R.K Schipper)

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 for Air France-KLM, and in that position he is responsible for the monitoring of Air France's and KLM's holdings. He is a KLM appointed alternate Director of Kenya Airways and a member of the Audit and Risk Management Committee.

Vincent Rague (61 Years): Non Executive Director

Mr. Rague was until June 2013 Senior Financial and Private Sector Advisor to the National Treasury of Kenya. He sits on the Boards of three private equity funds. He has 24 years' experience at the IFC and World Bank spanning investments, project finance and banking in Africa, Europe and Asia. He was previously the Chief Investment Officer and Global Head of property finance at the IFC and served in a variety of senior management positions including being IFC's first regional representative to South Africa where he was responsible for setting up and managing IFC's office and operations in Southern Africa.

Prior to joining the World Bank, Mr Rague worked at the Ministry of Finance and the Central Bank of Kenya as well as serving on the Boards of several companies during his career abroad. He holds a BA (Hons) from Nairobi University, an MBA from Darden Business School, University of Virginia and an Executive Development Program (EDP) from Harvard Business School.

The Chairman's Statement

Kenya Airways recorded an improved performance during the 2013/14 financial year.



Evanson Mwaniki

The airline continues to operate against a challenging environment, with high fuel costs, escalating security concerns in its home market, weak global economic conditions and intense competition in the international market. All these factors continue to be a major concern to our business.

Industry Overview

According to IATA, international air travel markets in 2013 expanded at the average growth rate for the past 30 years, gaining 5.2% compared to 2012, despite high fuel costs and relatively slow global economic growth. Growth in air travel was driven by solid economic expansion in emerging regions.

International air travel results show that airlines in mature markets of Europe and North America experienced the slowest rates of expansion in 2013, rising 3.8% and 3.0% respectively. While economic performance in both regions picked-up in 2013, supporting some recovery in air travel growth, the pace of expansion was far slower than in emerging market regions. Carriers in the Middle East recorded the strongest increase in 2013, gaining 12.1% compared to 2012, reflecting strength of regional economies and solid growth in business-related premium travel. Airlines in Latin America saw growth of 8.1% in 2013, also reflecting strong performance of several local economies and continued expansion of trade activity, which has supported business-related international air travel.

The Chairman's Statement 2014

continued

IATA has further reported that the demand environment for air travel remains broadly positive, supported by recent improvements in the global economy, including in advanced markets like the US and Eurozone. Business confidence is rising and acceleration in world trade should continue to support growth in international air travel as well as business-related premium travel, which bodes well for airline profitability. Modest economic improvements in the Eurozone and rising consumer and business confidence have been providing a stronger demand base for international air travel.

In the US, recent economic indicators showed a solid fourth quarter in 2013, with manufacturing and services sector activity expanding at a rate only marginally slower than Q3, despite the disruption caused by the government shutdown in October. Moreover, employment growth picked-up as well as growth in consumer spending, both of which are critical to air travel demand.

Carriers in the Middle East recorded the strongest increase in 2013, gaining 12.1% compared to 2012, supported by continued strength of regional economies and solid growth in business-related premium travel, particularly to developing markets like Africa. Internationally trading industries will likely continue to see sustained growth as export orders suggest further gains in trade ahead. Solid performance of key economies like Saudi Arabia and the United Arab Emirates also supported strong expansion in both business and leisure travel to regions such as Europe.

Growth in international travel on Latin American carriers was also strong in 2013, gaining 8.1% compared to 2012. Airlines in this region also experienced robust growth in business related travel throughout 2013, driven by strong performance of economies like Colombia, Peru and Chile.

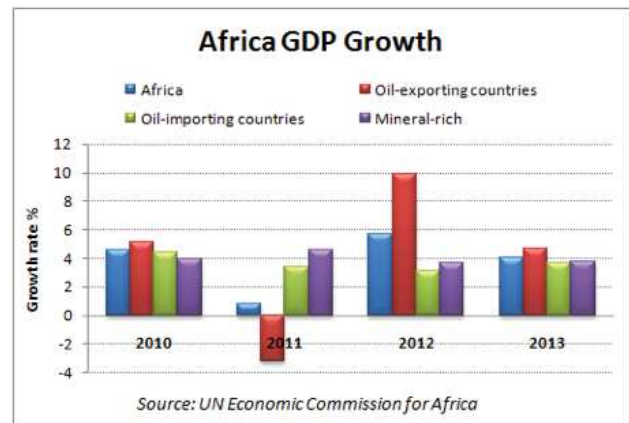
Asia Pacific airlines experienced a rise of 5.3% for the year as a whole, in line with performance in 2012. Carriers in the region saw a pick-up in demand in Q3, supported by stronger performance of major economies like China and Japan. Economic growth in China picked up towards the end of first half, benefiting other major Asian economies and providing a boost to regional trade volumes, which had incurred significant declines mid-year. In Japan, continued increases in business activity supported economic performance and helped employment grow for 5 consecutive months. These developments in turn helped support business-related air travel within the region and to connecting markets.

African airlines international air travel expanded by 5.5% in 2013, a solid result but slower than growth in 2012 (7.5%). Overall, the demand backdrop for carriers in the region was strong, with robust economic growth of local economies and continued development of internationally trading industries. But some parts of the continent showed weakness, including the South African economy which recently experienced a slowdown. There has also been some slowdown in regional trade growth. These developments have placed downward pressure on growth

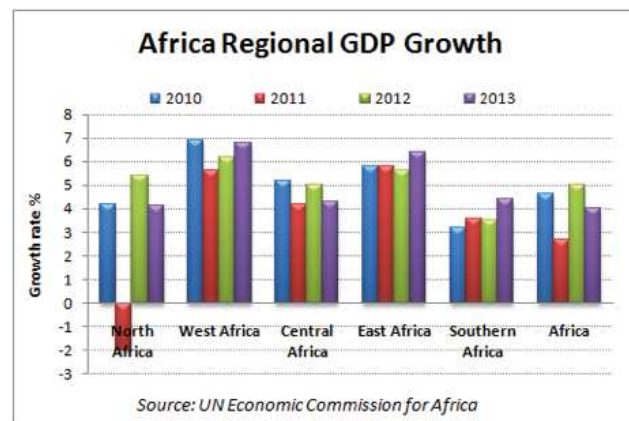
in demand for international air travel, which slowed in the second half of 2013 compared to earlier in the year.

AFRICA

Africa's GDP growth slowed from 5.7% in 2012 to 4.0% in 2013, against developing economies' average of 4.6% but stands well above the global average. The slowdown was mainly due to weakened global demand following the financial and debt crisis in the Eurozone area, sluggish growth in some emerging economies and political instability and civil unrest in major commodity-producing countries, especially in Central and North Africa. Economic activity in Africa was underpinned by relatively high commodity prices, increased trade and investment ties with emerging economies, greater domestic demand underpinned by new, urbanizing consumers with rising incomes, and large investments in infrastructure.



Growth varied among Africa's sub-regions in 2013 slightly more than in 2012, but remained respectable in all, mainly driven by investments. West Africa led, though its growth rate remained unchanged at 6.7% in 2013 boosted by investments in oil and mineral sectors. East Africa's growth also remained unchanged at 6.0% in 2013 spurred by stronger consumer spending and investments in exploration and construction. Growth in Southern Africa edged up from 3.5% in 2012 to 3.6% in 2013, mainly due to increased investment in the sub-region's mining sector. Growth decelerated in Central Africa and North Africa owing to political instability and violence and disruptions to oil output at 5.8% and 2.3% respectively.



The Chairman's Statement 2014

continued

Regional Integration is touted to improve the relatively low level of intra-regional trade. In East Africa, The Monetary Union Protocol signed by the Heads of State of the East African Community (EAC) countries (Burundi, Kenya, Rwanda, Tanzania, Uganda) on November 30, 2013, in Kampala, Uganda, represents a major milestone in the EAC regional integration process. It outlines a 10-year roadmap toward monetary union for an economic community with a combined GDP of more than US\$100 billion and a population of 145 million.

Political and civil unrest pose a threat in several African countries, including Central African Republic, Democratic Republic of Congo (DRC), Mali, Libya, Somalia, South Sudan and Tunisia, through their effects on Investment, trade and tourism. Weather-related shock also present downside risks for agriculture, as most economies in the region are agriculture based.

The near-term outlook is expected to remain favourable, despite the foregoing risks and uncertainties. In its World Economic Outlook of April 2014, the IMF projects that sub-Saharan Africa economy will expand by 5.5% in 2014.

KENYA

The Gross Domestic Product (GDP) in Kenya expanded 4.7 percent in 2013, a marginal increase from 4.6% growth recorded in 2012. This, according to the 2014 Economic Survey, was supported by stable macroeconomic environment for the better part of the year, low and stable inflation by improved supply of basic foods, lower international oil prices and lower costs of electricity, and Infrastructural development. The smooth running of elections in 2013 highlights major gains on political stability and restored investor confidence.

The number of international visitor arrivals decreased from 1.7 million in 2012 to 1.5 million in 2013. The decline in international arrivals may be attributed to travel advisories by traditional tourist markets due to security concerns, and Kenya Airways has particularly felt their impact. To mitigate the risks, Kenya will diversify and intensify efforts to attract visitors particularly from emerging economies such as China, India, Middle East and Brazil, amongst others.

The Jomo Kenyatta International Airport (JKIA) Nairobi fire in August 2013 was an indicator of the dangerous limitations of our disaster management system. What was initially a small fire escalated into a full-blown inferno that gutted the international arrivals hall and nearly paralysed entire operations at JKIA.

The Westgate Mall terror attack in September 2013, in Nairobi's upmarket further underpins Kenya's economic vulnerability. As we draw lessons from this crisis, it is clear that an appropriate counterterrorist response targeting Al Shabaab, which claimed responsibility for the attack, and the fragile nature of the Somali state, is necessary. Al Shabaab has targeted Kenya in retaliation for Kenyan troops fighting the group in its home base in Somalia.

The construction of the KShs 327 billion Standard Gauge Railway, from Mombasa to Nairobi is set to begin in August 2014. The Government's commitment to bringing positive reform in the trade logistics industry is, therefore, not in doubt. The Kenya Trade Network Agency (KenTrade) launched its flagship project, christened the National Electronic Single Window (e-SWS). The project's objective is to reduce cargo clearance time at key trade nodes like the Port of Mombasa, JKIA (for air freight) and borders. This will be achieved by implementing a single platform to process trade-related cargo clearance documentation.

Going forward, the IMF projects that Kenya's GDP will expand by 6.3% in 2014. For this growth to take place, security concerns, economic and weather-related shocks would have to be carefully managed in the near term. Barring the challenges mentioned above, Kenya's longer term prospects remain high.

Company Performance

Kenya Airways recorded an improved performance in the financial year 2013/14 driven by among others, the stabilisation of the Euro-zone economies; favourable prices of jet fuel and stable business environment in Kenya in the first half of the financial year following the country's peaceful elections.

The airline posted a profit in the first half of the financial year compared to a loss in the prior year. During the second half, the company made a loss largely driven by reduced passenger revenues. The main contributors to reduction in passenger numbers were:

- a) The fire incident at JKIA in August 2013 adversely impacted the traffic flow of transit passengers through Nairobi originating from other countries. Although concerted efforts by all stakeholders ensured that the problem was mitigated in record time, this incident continued to exert immense pressure in the sales front owing to bad publicity.
- b) The September 2013 terrorist attack at Westgate Mall in Nairobi followed by a series of other attacks in Kenya significantly eroded leisure travel from traditional markets.
- c) Travel advisories against travel to Kenya

Within the year, the airline successfully commenced operations to Livingstone in Zambia, Abu Dhabi in the United Arab Emirates and Blantyre in Malawi. However, changing market dynamics coupled with civil unrest in some countries led to suspension of operations to Libreville in Gabon; Bangui in Central African Republic; Ouagadougou in Burkina Faso and Cairo in Egypt.

The Board wishes to announce that Kenya Airways recorded a significant improvement in its operating results. The operating loss of KShs 2.7 billion shows a 70% recovery over last year's KShs 9.0 billion. The loss after tax of KShs 3.4 billion is 57 percent

The Chairman's Statement 2014

continued

better than previous year's KShs 7.8 billion. Turnover achieved in the year at KShs 106.0 billion indicates an increase of KShs 7.1 billion compared to last year mainly from increased passenger revenues. Direct operating costs at KShs 75.2 billion were lower than prior year by KShs 1.9 billion driven mainly by savings in fuel from lower prices.

REVENUE

Passenger

The airline offered to the marketplace a capacity of 14,188 million measured in Available Seat Kilometres (ASK) which represents a 1.8% growth against prior year same period. Uptake of this capacity measured in Revenue Passenger Kilometres (RPK) at 9,309 million indicates a year on year decline of 2.8%. However, the achieved Passenger yield in US cents grew by 7.9% arising from better revenue management. The Passenger revenue for the period of KShs 90.2 billion shows an improvement of KShs 5.1 billion compared to prior year. This was because of better yields and a marginal increase in passenger numbers.

Capacity offered into Europe grew by 5.9% driven by increased B777-200 operations to Amsterdam in place of the smaller B767-300. The delivery of B777-300 with a capacity of 400 seats, spurred growth into the Middle East and Far East regions by 7% following the introduction of daily flights to Guangzhou (4 weekly via Bangkok and 3 weekly direct from Nairobi). The entry of Abu Dhabi into the network coupled with increased frequencies to Mumbai mitigated any reductions caused by the withdrawal from Muscat and Jeddah. The airline strategy to continue providing seamless connections between intra Africa points to destinations in China and India is still on course and will be enhanced with the arrival of the Dreamliners.

Adjustments to capacity were made in the African region following the introduction of Livingstone and Blantyre into the network. These additions coupled with the commencement of a third daily frequency to Juba; night time flights to Lusaka and Lilongwe; daily early morning departures to Entebbe and night stop operations to Dar es Salaam have further improved connectivity within our network. However, market realities including civil unrest and management focus to improve performance necessitated the suspension of services to N'Djamena, Libreville, Bangui, Ouagadougou and Cairo ending up in a year on year net capacity reduction of 5% in Africa, excluding Kenya.

The domestic market registered a 16% growth in capacity from the introduction of additional two daily flights to Kisumu including a night stop as well as full year impact of Eldoret operations that were re-launched in October 2012.

Cargo

The volumes of cargo carried grew by 2.1% compared to prior year following the successful rollout of the intra Africa freighter operations after the conversion of two of the B737-300 from passenger airplanes to freighters, besides the B747-400 freighter that is jointly operated with MartinAir.

Exchange rate

During the period under review, the Kenya Shilling remained stable against the US Dollar with the average exchange rate at KShs 85.92 per US Dollar against a prior year average of KShs 85.95.

COSTS

Direct Operating Costs

Direct operating costs reduced to KShs 75.3 billion from KShs 77.2 billion due to reduced fuel prices and management's focus on procurement savings in maintenance contracts. Fuel cost, being the single largest driver at 38% of total operating costs, accounted for the biggest saving of KShs 1.5 billion from a 6% decline in average price of jet fuel per gallon in US cents compared to last year.

Overheads

Overheads at KShs 21.0 billion show an increase of 8% compared to prior year. The bulk of this increase was in employee costs that increased against last year by KShs 1.5 billion due to salary awards and leave provisions. However, non-employee costs reduced by KShs 47 million despite increased activity due to Management focus on savings and controlled costs.

PROSPECTS

The company is on course with its fleet renewal and turnaround program - the first of six B787-8 Dreamliner scheduled to arrive this year has already commenced operations into Paris. The airline expects to receive one Dreamliner each month from June to October 2014. The B767-300 fleet that is being replaced with the Dreamliners will be out of service by November 2014. The company also received its first B777-300 in November 2013 and expects a second and a third B777-300 in May and July respectively. The fleet renewal program is expected to improve the customer experience especially in the wide body fleet.

The security situation in Kenya remains a concern and this has negatively impacted on traffic especially from Europe. Measures are being taken by management to rationalise capacity in affected markets. At the same time, the network is being constantly reviewed to ensure that connectivity is optimised. The opening of Terminal 4 at JKIA is also expected to enhance customer experience. In addition to Terminal 4, work has commenced on a temporary terminal, International Arrivals and Greenfield terminal.

IATA, in its latest forecasts, projects the industry profit at USD 18.7 billion for 2014 with a net margin of 2.5%. This projection is informed by strengthened demand from the developed countries whose reduced budgetary tightening and loosened monetary policies have boosted business confidence and international trade.

The Chairman's Statement 2014

continued

Aero politics and Market Access

The Government of Kenya through Vision 2030 continues to support the local aviation industry and notable achievements are inter alia the construction of Terminal 4 which is scheduled to be completed by the second quarter 2014 and is expected to create the much needed space for Kenya Airways and further enhance JKIA as a regional hub. Kenya's election to the ICAO council in October 2013 to represent the Eastern Region will further boost its participation and influence on the international aero political affairs. The Council among other tasks also acts as arbiter between member states on matters concerning aviation and the provisions of the convention to maintain safety and regularity of international air transport. Additionally, the New Civil Aviation Act of 2013 created the National Civil Aviation Administrative Review Tribunal which has recently been established and will deal with complaints relating to all aviation matters to create a conducive operating environment.

In March 2014 Kenya, among other governments, agreed to ratify important changes to the Tokyo Convention 1963. The Tokyo Convention provides the legal framework for dealing with passengers whose unruly or disruptive behaviour leads to physical assault or possesses a threat to the safety of a flight. By extending the jurisdiction from the country of aircraft registration to the destination country, the protocol closes a loophole which allowed many serious offences to escape legal action. The agreed amendments to the Convention now give greater clarity to the definition of unruly behaviour and sets out provisions to deal with the recovery of significant costs arising from such unruly behaviour to the benefit of airlines. This is expected to reduce costs incurred by airlines that have to divert flights in cases of unruly behaviour. Kenya is also in the process of ratifying the Beijing Convention 2010 and the implementation of the treaty is expected to deal with the increased terror threats in the Country and to boost investor confidence.

The aviation industry recognises the need for reasonable, co-ordinated regulations on consumer protection and in June 2013, IATA's member airlines unanimously adopted a set of core principles on consumer protection. They are based on lessons learned from existing regimes and is an attempt to strike a balance between protecting passengers and ensuring industry competitiveness.

During the period under review a total of 20 Countries signed MOUs and initiated Bilateral air Service Agreements. The main areas of focus have been India, China, Congo DRC, Malawi, Nigeria and Tanzania. Kenya Airways also launched 3 new routes during the period under review. The receipt of Next generation aircraft B777, 787 Dreamliner and the opening up of the new subsidiary JamboJet will further enhance the capacity on these routes.

The Government of Kenya continues to support Kenya Airways by its continuous efforts to address issues of liberalization of market access and is currently represented on the ICAO Air Transport Regulation Panel.

Shareholding

The number of shareholding on the Register of Members as at 31st March 2014 was 77,837. Out of these 38,652 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 2014 is on page 61.

Dividend

The Directors do not recommend payment of a dividend.

Appreciation

I take this opportunity to express my sincere appreciation to our customers, shareholders, the Government, management, staff, suppliers and fellow board members for their dedicated contribution and support towards the growth of the airline.

Directors

The members of the Board who have served during the year are shown in the report of the Directors on page 64.



Evanson Mwaniki
Chairman

Kenya Airways iliwasilisha matokeo imara katika mwaka wa kifedha wa 2013/14. Shirika hili la ndege linaendelea kuendesha shughuli zake katika mazingira yaliyo na changamoto tele, kukiwa na bei ya juu ya mafuta, hali ya usalama inayozidi kuhangaisha humu nchini, hali mbaya ya kiuchumi uimwenguni na ushindani mkubwa katika soko la kimataifa. Mambo haya yote yanazidi kuleta wasiwasi mkubwa kwa biashara hii yetu.

Maelezo kuhusu sekta ya Ndege

Kwa mujibu wa IATA, masoko ya kimataifa ya usafiri wa ndege katika mwaka wa 2013 yalizidi kwa kima cha wastani kwa muda wa miaka 30 sasa, ikipanda kwa 5.2% ikilinganishwa na na mwaka wa 2012, licha ya bei ya juu ya mafuta na ukuaji wa kiasi kidogo wa uchumi ulimwenguni. Ukuaji wa usafiri wa ndege ulichochea na ustawi imara wa uchumi katika maeneo ibuka.

Matokeo ya usafiri wa ndege wa kimataifa yanaonyesha kuwa mashirika ya ndege katika masoko ya zamani ya Ulaya na Marekani Kaskazini yalipatwa na ukuaji wa kima cha chini mno katika 2013, ukipanda kwa 3.8% na 3.0% mtawalia. Huku utendaji wa kiuchumi katika maeneo haya mawili ukipanda katika 2013, na kusaidia kuleta afueni katika ukuaji wa usafiri wa ndege, hatua za upanuzi zilikuwa za chini zaidi kuliko katika masoko ya maeneo ibuka. Mashirika ya ndege ya Mashariki ya Kati yalipata ukuaji madhubuti katika 2013, na kuzidi kwa 12.1% ikilinganishwa na 2012, ikiakisi uwezo wa kiuchumi wa eneo hili na ukuaji imara wa biashara muhimu zihusuzo usafiri wa ndege. Mashirika ya ndege katika Latin America yalipata ukuaji wa 8.1% katika 2013, vile vile ikiakisi matokeo bora ya chumi mbali mbali za humo na kuzidi kukua kwa shughuli za kibiashara, ambazo zinasaidia biashara zinazohusu usafiri wa ndege wa kimataifa.

IATA ilizidi kuripoti kuwa hali ya mahitaji ya usafiri wa ndege bado ni wenye matumaini, ukisaidiwa na kusitawi kwa hivi karibuni kwa uchumi wa ulimwengu, ikiwa ni pamoja na masoko yaliyoendelea zaidi ya Marekani na Ulaya. Matumaini katika biashara yanazidi na kushika kasi kwa biashara ulimwenguni kunastahili kuendelea kusaidia ukuaji katika usafiri wa ndege wa kimataifa pamoja na biashara zinazohusiana na usafiri wa thamani ya juu, hali ambayo ina nadharia nzuri kwa upataji faida wa mashirika ya ndege. Ukuaji wa wastani wa uchumi wa eneo la Ulaya na kuongezeka kwa matumaini miongoni mwa watumiaji na biashara hivi vimekuwa vikizidisha kuhitajiwa kwa usafiri wa ndege wa kimataifa.

Nchini Marekani, viashirio vya hivi punde vya uchumi vinaonyesha kumarika katika robo ya nne ya 2013, huku shughuli katika sekta ya uzalishaji na utoaji huduma zikizidi kwa kima cha chini kuliko robo ya 3 pekee, licha ya kukatizwa kulikosababishwa na kufungwa fedha kwa serikali katika mwezi wa Oktoba. Zaidi ya hayo, ukuaji wa

kuajiri uliongezeka na vile vile ukuaji wa wahitaji kutumia pesa, mambo haya yote mawili ni muhimu kwa kuhitajiwa kwa usafiri wa ndege.

Mashirika ya ndege ya Mashariki ya Kati yaliripoti ongezeko kubwa katika 2013, yakizidi kwa 12.1% ikilinganishwa na 2012, ikiungwa mkono na uwezo wa chumi za humo na ukuaji imara wa biashara zinazohusiana na usafiri wa thamani ya juu, hasa kwenda katika nchi zinazoendelea kama za bara la Afrika. Viwanda vinavyofanya biashara ya kimataifa huenda vikaendelea kupata ukuaji imara wakati ambapo kuhitajika bidhaa nje kunaashiria kufanikiwa kwa biashara hapo mbeleni. Matokeo thabiti ya chumi muhimu kama vile za Saudi Arabia na United Arab Emirates pia unasaidia ukuaji imara kote katika usafiri wa kibiashara na wa mapumziko kwenda katika maeneo kama vile Ulaya.

Ustawi katika usafiri wa kimataifa kwa mashirika ya ndege ya Latin American pia ulikuwa imara katika 2013, ukiongezeka kwa 8.1% inapolinganishwa na 2012. Mashirika ya ndege katika eneo hili pia yalipata ukuaji thabiti katika usafiri wa ndege wa kibiashara kote katika 2013, ikichochea na matokeo imara ya chumi kama zile za Colombia, Peru na Chile.

Mashirika ya ndege ya Asia Pacific yalipata ukuaji wa 5.3% kwa wote kwa ujumla, ikiwa ni sawa na matokeo ya 2012. Mashirika katika eneo hilo yalishuhudia kuongeza kwa mahitaji katika robo ya 3, ikisaidiwa na matokeo mazuri ya chumi muhimu kama vile China na Japan. Ukuaji wa uchumi katika China uliongezeka ilipokaribia nusu ya mwisho ya mwaka, hii ikifaidi nchi zingine muhimu za Asian na kutoa kichocheo kwa ujazo wa biashara katika eneo hilo, ambalo lilikuwa limepata upungufu mkubwa katikati ya mwaka. Katika Japan, kuendelea kuimarika kwa shughuli za kibiashara kukiungwa mkono na matokeo mazuri ya uchumi na kusaidiwa kukuza nafasi za kazi kwa miezi 5 mtawalia. Matokeo haya upande mwingine yakisaidia kuunga mkono usafiri wa kibiashara katika eneo hili na masoko yanayoungana.

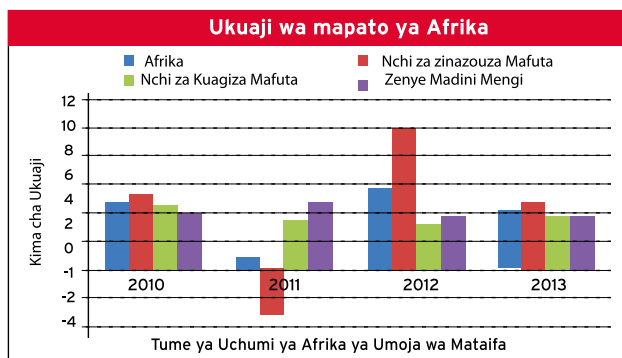
Usafiri wa ndege wa kimataifa wa mashirika ya ndege ya Africa ulizidi kwa 5.5% katika 2013, matokeo imara lakini ikiwa ni ukuaji uliyo chini kuliko ule wa 2012 (7.5%). Kwa ujumla, kuhitajika kwa mashirika haya ndege kulikuwa thabiti, kukiwa na uchumi unaokuwa kwa nguvu wa chumi za humo na kuendelea kustawi kimataifa kwa viwanda vya uzalishaji. Lakini sehemu zaidi za bara hili, zilionyesha kuffia kiuchumi, ikijumuisha nchi za Afrika ya Kusini ambazo hivi karibuni zilipatwa na udhoofu wa kiuchumi. Pia kumeshuhudiwa kwenda chini kwa ukuaji wa biashara katika eneo hili. Matukio haya yameweka shinikizo la kupeleka chini ukuaji wa kuhitajiwa kwa usafiri wa ndege wa kimataifa, ambao ulipungua mwendo katika nusu ya pili ya 2013 ikilinganishwa na mwanzo wa mwaka huo.

Taarifa Ya Mwenyekiti

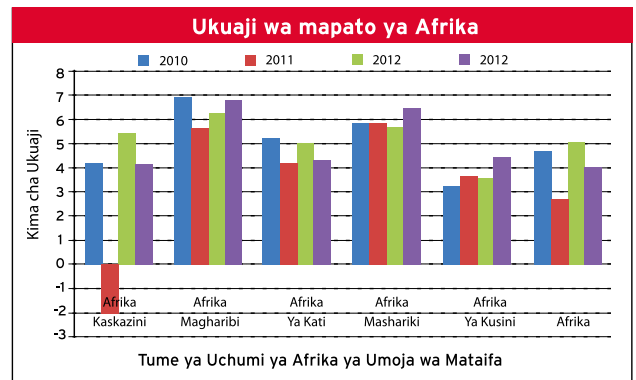
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AFRIKA

Ukuaji wa mapato la taifa katika Africa ulipungua kutoka 5.7% katika 2012 hadi 4.0% katika 2013, dhidi ya wastani wa nchi zinazoendelea wa 4.6% lakini ikiwa imesimama juu ya kima cha ulimwengu. Kupungua kasi huku kulisababishwa na kuzorota kwa mahitaji kutokana na matatizo ya kifedha na madeni yaliyokumba eneo la Ulaya, ukuaji dhaifu katika baadhi ya chumi ibuka na hali mbaya ya kisiasa na mizozo ya wenyewe kwa wenyewe, katika nchi muhimu za kuzalisha bidhaa, hasa katika Afrika ya Kati na ya Kaskazini. Shughuli za kiuchumi katika Afrika ziliaithiriwa na kupanda bei kwa bidhaa, kuzidi kwa mahusiano ya kibiashara na uwekezaji katika chumi ibuka, kuhitajika kwa bidhaa humu kunakochochewa na walaji wanya wa mijini wanaozidi kuwa na mapato makubwa, na wawekezaji wakubwa katika muundo-msingi.



Ukuaji ulikuwa tofauti miongoni mwa maeneo madogo ya Afrika katika 2013 ikiwa ni juu kidogo kuliko ilivyokuwa katika 2012, lakini ikibaki ya kuheshimika kote, hasa kwa kuchochewa na uwekezaji. Afrika ya Magharibi iliongoza, ijapokuwa kima cha ukuaji wake kilituwama bila ya kubadilika katika 6.7% mwaka wa 2013 ikisaidiwa na uwekezaji katika sekta za uchimbaji mafuta na madini. Ukuaji wa Afrika Mashariki pia haukuwa na mabadiliko katika 6.0% mwaka wa 2013 ukichochochewa na kutumia pesa zaidi kwa walaji na uwekezaji katika ugunduzi wa mafuta na ujenzi. Ukuaji katika Afrika ya Kusini uliongezeka kutoka 3.5% katika 2012 hadi 3.6% katika 2013, hasa zaidi kutokana na kuongezeka kwa uwekezaji katika sehemu ndogo ya sekta ya uchimbaji madini. Ukuaji ulififia katika Afrika ya Kati na Afrika Kaskazini kutokana na machafuko ya kisiasa na vita na kukatizwa uchimbuaji wa mafuta kwa kima cha 5.8% na 2.3% mtawalia.



Muungano wa maeneo unatarajiwa kuboresha viwango duni vya biashara miongoni mwa mataifa ya eneo. Katika Afrika Mashariki, makubaliano ya kutumia sarafu moja ya The Monetary Union Protocol yaliyosainiwa na marais watatu wa Muungano wa Nchi za Afrika Mashariki (EAC) (Burundi, Kenya, Rwanda, Tanzania, Uganda) mnamo Novemba 30, 2013, mjini Kampala, Uganda, ni tukio muhimu sana katika mfumo wa kuungana kwa nchi hizi za Afrika Mashariki. Huu unaweka mpango wa kufuata wa miaka 10 utakaopelekea kuwa umoja wa sarafu kwa eneo la kiuchumi lililo na pato la kitaifa ambalo linapojumlishwa linatimu zaidi ya US\$100 billioni na idadi ya watu inayofikia milioni 145.

Migogoro ya kisiasa na vita vya wenyewe kwa wenyewe ni tishio kubwa katika nchi nyingi za Afrika, ikiwa ni pamoja na nchi za Afrika ya Kati, Demokrasia ya Congo (DRC), Mali, Libya, Somalia, Sudan Kusini na Tunisia, athari zake zikiwa zinahujumu uwekezaji, biashara na utalii. Hali isiotabirika ya hewa pia inaleta mashaka kwa Kilimo, hasa kwa vile chumi nyingi katika eneo hili zinategemea kilimo.

Mtazamo wa karibu na muhula unatarajiwa kuendelea kuwa wa kuvutia, licha ya kuwepo kwa mashaka haya yote na hali isiyoyakinika. Katika ripoti ya Shirika la Kifedha Duniani yaani IMF ya World Economic Outlook ya Aprili 2014, inaonyesha katika miradi ya IMF kuwa uchumi wa eneo la Afrika chini ya Sahara unatarajiwa kupanda kwa asilimia 5.5 katika 2014.

Taarifa Ya Mwenyekiti

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KENYA

Pato la Taifa (GDP) hapa Kenya lilipanda kwa asilimia 4.7 katika 2013, likiwa ni ongezeko ndogo kutoka ukuaji wa 4.6% uliokuwepo katika 2012. Hii, kwa mujibu wa Utafiti wa Uchumi wa 2014, ulishadidiwa na hali ya uchumi mkubwa kwa ujumla katika muda mrefu mwakani, afueni na utulivu wa kupanda kwa gharama ya maisha kutokana na kufanya vizuri kwa ugavi wa chakula muhimu, kupungua kwa bei ya mafuta duniani na kupungua kwa gharama za umeme, pamoja na maendeleo katika muundo-msingi. Kufanyika kwa uchaguzi mkuu kwa njia ya amani mwaka wa 2013 kunaakisia ushindi mkubwa kwa utulivu wa kisiasa, na kurudisha matumaini kwa wawekezaji.

Idadi ya wageni wa kimataifa wanaowasili ilipungua kutoka milioni 1.7 katika 2012 hadi milioni 1.5 katika 2013. Kupungua huku kwa wageni wa kimataifa kunaweza kuhusishwa na ushauri unaotolewa kwa watalii kutozuru na nchi ambazo kawaida huleta watalii wengi kutokana na kuogopa hali mbaya ya usalama, na Kenya Airways imeathirika vilivyo ya jambo hili. Kupunguza athari za mashaka haya, Kenya itaangalia masoko mengine na kuongeza juhudi zake kuwavutia watalii hasa kutoka mataifa yenye uchumi ibuka kama vile China, India, Mashariki ya Kati na Brazil, miongoni mwa zingine.

Moto uliochoma uwanja wa kimatifa wa Jomo Kenyatta International Airport (JKIA) Nairobi mnamo Agosti 2013 ulikuwa ni kielelezo cha hatari ya udhaifu wa mfumo wetu wa kusimamia maafa yanapotokea. Moto ambao mwanzo ulikuwa mdogo ulizidi na kuwa mkubwa kabisa na kuunguza sehemu ya kumbi la kuwasilia kutoka nje na kukaribia kusitisha shughuli zote za uwanja wa JKIA.

Shambulizi la ugaidi la jumba la Westgate Mall mnamo Septemba 2013, jijini Nairobi katika eneo la watu wenye uwezo mkubwa wa kifedha, lilizidi kushinikiza urahisi wa kudhurika kwa uchumi Kenya. Tunapoendelea kupata mafunzo kutokana na majanga haya, ni dhahiri kuwa hatua zifaazo za kupambana na magaidi wa Al Shabaab, ambao ndio walikiri kuhusika na shambulio hili, na kuthibiti hali dhaifu ya taifa la Somali, kuwa ni jambo muhimu mno. Al-Shabab wanafanya mashambulizi Kenya kwa kulipiza kisasi kwa kuwepo kwa wanajeshi wa Kenya huko Somali ili kupambana na kundi hilo likiwa kwao nyumbani.

Ujenzi wa reli mpya ya kisasa ya Standard Gauge Railway itakayogharimu KShs Bilioni 327, kutoka Mombasa hadi Nairobi unatarajiwa kuanza katika mwezi wa Agosti 2014. Ahadi ya serikali ya kuleta mabadaliko ya kutumainisha katika utaratibu wa ugavi na usafirishaji inaonekana kuwa, si yenye shaka. Shirika la Kenya Trade Network Agency (KenTrade) lilizindua mradi wake wa kwanza, uliyoitwa National Electronic Single Window (e-SWS). Madhumuni ya mradi huu ni kupunguza muda wa uondoaji wa shehena vituo maalum vya shughuli hiyo kama vile Bandari ya Mombasa, JKIA (kwa shehena za ndege) na mipakani. Hii itafikiwa kwa kutekeleza ulingo mmoja wa kushughulikia nyaraka za kukagua na kuondoa shehena.

Tukienda mbele, shirika la IMF linatabiri kuwa mapato ya taifa la Kenya (GDP) yatapanuka kwa 6.3% katika 2014. Kwa ukuaji huu kufanyika, hali ya kusikitisha ya usalama, mashaka ya kuichumi na hali ya hewa yatabidi yasimamiwe kwa makini kwa haraka. Changamoto hizi zilizoangaziwa hapo juu zikithibitiwa, matumaini ya Kenya ya muda mrefu yataafikiwa.

Matokeo ya shirika

Kenya Airways ilishuhudia ustawi thabiti katika utendaji wake katika mwaka wa kifedha wa 2013/14 ikichochea miongoni mwa mengine na, uthabiti wa uchumi katika eneo la Ulaya; bei nzuri za mafuta ya ndege na kustawi kwa mazingira ya biashara hapa Kenya katika nusu ya kwanza ya mwaka wa kifedha baada ya uchaguzi mkuu wa taifa hili kumalizika kwa njia ya amani.

Shirika hili la ndege lilipata faida katika nusu ya kwanza ya mwaka wa kifedha ikilinganishwa na hasara katika mwaka uliyotangulia. Katika kipindi cha nusu ya pili, shirika lilipata hasara kutokana zaidi na kupungua mapato yatokanayo na abiria:

- Kuteketea kwa uwanja wa JKIA mnamo Agosti 2013 kuliathiri sana uingiaji wa abiria wanaopitia Nairobi wakiwa wametoka nchi zingine. Hata hivyo juhudi za pamoja za washikadau wote zilihakikisha kuwa tatizo hili limepunguzwa makali yake katika muda unaostahili sifa, tukio hili lilizidi kushinikiza sana mauzo kutokana na sifa mbaya.
- Shambulio la Septemba 2013 la magaidi katika Westgate Mall jijini Nairobi ikifuatiwa na mashambulizi mengine nchini Kenya yalidhoofisha pakubwa usafiri wa mapumziko kutoka masoko ya kawaida yaletayo watalii.
- Ushauri wa kuzuiya wasafiri kutokuja Kenya

Ndani ya mwaka huu, shirika hili la ndege lilifaulu kuanzisha shughuli kule Livingstone nchini Zambia, Abu Dhabi katika United Arab Emirates na Blantyre nchini Malawi. Hata hivyo, kubadilika kwa hali ya biashara pamoja na vita vya wenyewe kwa wenyewe katika baadhi ya nchi kulipelekea kusitishwa kwa shughuli katika Libreville nchini Gabon; Bangui nchini ya Afrika ya Kati; Ouagadougou nchini Burkina Faso na Cairo nchini Misiri.

Halmashauri ya wakurugenzi wangependa kutangaza ya kuwa Kenya Airways iliandikisha ufanisi wa maana katika matokeo ya shughuli zake. Hasara kutokana na shughuli ya KShs bilioni 2.7 yaonyesha 70% ya upataji afueni ikilinganishwa na ile ya mwaka jana ya KShs bilioni 9.0. Hasara baada ya kulipa kodi ya KShs bilioni 3.4 ni asilimia 57 ikiwa ni bora kuliko mwaka uliyopita ya KShs bilioni 7.8. Mapato ya matumizi yaliyopatikana katika mwaka ya KShs bilioni 106.0 yanaashiria ongezeko la KShs bilioni 7.1 ikilinganishwa na mwaka jana sana zaidi kutokana na kuongezeka kwa mapato kutokana na abiria. Gharama ya moja kwa moja ya kuendesha shughuli ilikuwa KShs bilioni 75.2 na chini kuliko ya mwaka uliyotangulia kwa KShs bilioni 1.9 ikisababishwa sana na uokoaji gharama kutokana na kupungua kwa bei ya mafuta.

Taarifa Ya Mwenyekiti

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MAPATO

Abiria

Shirika hili lilitoa sokoni ujazo wa milioni 14,188 ikiwa ni kipimo cha nafasi ya idadi ya viti ikilinganishwa na masafa, yaani Available Seat Kilometres (ASK) ambayo inawakilisha ukuaji wa 1.8% dhidi ya ule wa mwaka uliyopita wa kipindi kama hiki. Wepesi wa kupatikana ujazo huu kwa kipimo cha Revenue Passenger Kilometres (RPK) kwa milioni 9,309 inaonyesha kudorora mwaka hadi mwaka kwa 2.8%. Hata hivyo, mapato ya Abiria kwa kima cha senti ya Marekani yalipanda kwa 7.9% kutokana na usimamizi mwema wa fedha zilizokusanywa. Mapato haya yatokanayo na abiria kwa muda huo ya KShs bilioni 90.2 yanaonyesha kustawi kwa kiasi cha KShs bilioni 5.1 ikilinganishwa na mwaka uliyotangulia. Hii ni kwa sababu ya faida nzuri na ongezeko kidogo la idadi ya abiria.

Ujazo ulitolewa katika Ulaya ulikuwa kwa 5.9% ukichangiwa na shughuli za ndege ya B777-200 kwenda Amsterdam ikichukua nafasi ya ile ndogo aina ya B767-300. Kupokelewa kwa B777-300 yenye nafasi ya viti 400, kulichangamsha ukuaji kwenda Mashariki ya Kati na Mashariki ya Mbali kwa kima cha 7% baada ya kuanzishwa kwa safari za ndege za kila siku kwenda Guangzhou (4 kwa wiki kupitia Bangkok na 3 kwa wiki za moja kwa moja kutoka Nairobi). Kuingia kwa Abu Dhabi katika mtandao pamoja na kuongezeka kwa idadi ya safari kuelekea Mumbai kulisaidia kuziwa upungufu wowote uliosababishwa na kujiandoa kutoka Muscat na Jeddah. Mkakati wa shirika hili wa kuendelea na muunganisho laini wa safari kati ya miji ya Afrika hadi Uchina na India bado unaendelea kufuatiliwa na utaboreshwa baada ya kuja kwa ndege za aina ya Dreamliners.

Marekebisho ya nafasi yalifanywa katika eneo la Africa baada ya kuanzishwa kwa Livingstone na Blantyre kwenye mtandao wetu. Ongezeko hili pamoja na kuanzishwa kwa safari ya tatu kwenda Juba; safari za ndege za usiku kwenda Lusaka na Lilongwe; safari za kila siku za asubuhi mapema kwenda Entebbe na za kusimama usiku za kwenda Dar es Salaam zote hizi zimeboresha muunganisho katika mtandao wetu. Hata hivyo, hali halisi katika masoko ikiwa ni pamoja na migorogoro ya wenyewe kwa wenyewe na mtazamo wa usimamizi ili kuboresha utendakazi bora uliwezesha kusitishwa kwa huduma kwenda N'Djamena, Libreville, Bangui, Ouagadougou na Cairo umalizia ujazo kamili wa mwaka hadi mwaka ulipungua kwa 5% hapa Afrika, mbali na Kenya.

Soko la humu nchini liliwasilisha ukuaji wa 16% katika ujazo kutokana na kuanzishwa kwa safari mbili za kila siku za ziada kuelekea Kisumu ikijumuisha ya usiku ya kwenda kulala pamoja na juhudi za mwaka mzima za shughuli za Eldoret ambazo zilizinduliwa upya mnamo mwezi wa Oktoba 2012.

Uchukuzi wa Shehena

Viwango vya shehena iliyobebwa viliongezeka kwa 2.1% ikilinganishwa na mwaka uliopita kufuatia kuenezwa kulikofaulu kwa shughuli za uchukuzi wa mizigo ndani ya Afrika baada ya kubadilishwa kwa ndege mbili aina ya B737-300 kutoka kuwa za abiria na kuzigeza kuwa za uchukuzi mizigo, kando na ile ya B747-400 ambayo inaendeshwa kwa ushirikiano na shirika la MartinAir.

Ubadilishanaji wa pesa

Katika kipindi cha mwaka tunaouzungumzia, Shilingi ya Kenya iliimarika dhidi ya dola ya marekani kukiwa na kima cha ubadilishanaji cha wastani wa KShs 85.92 kwa Dola ya Marekani ikilinganishwa na mwaka uliotangulia cha wastani wa KShs 85.95.

GHARAMA

Gharama za uendeshaji

Gharama za moja kwa moja zilipungua hadi KShs bilioni 75.3 kutoka KShs bilioni 77.2 kutokana na kupungua kwa bei za mafuta na usimamizi uliozingatia kupuza gharama katika uagizaji na mikataba ya urekebishaji. Gharama ya mafuta, ikiwa ndiyo kichangi kimoja kikubwa kwa 38% ya jumla ya gharama ya kuendesha shuguli, ilichangia uokoaji fedha mkubwa wa kiasi cha KShs bilioni 1.5 kutokana upunguaji wa kiasi cha 6% cha bei ya mafuta ya ndege kwa kila galoni kwa senti za Marekani ikilinganishwa na mwaka jana.

Matumizi ya kawaida

Matumizi ya kawaida yalikuwa KShs bilioni 21.0 yakionyesha ongezeko la 8% ikilinganishwa na mwaka uliopita. Wingi wa ongezeko hili ulikuwa kutokana na gharama ya wafanyikazi iliyoongezeka dhidi ya mwaka jana kwa KShs bilioni 1.5 kwa ajili ya ongezeko la mishahara la tunzo na marurupu ya likizo. Hata hivyo, gharama zisizo za wafanyikazi zilipungua kwa KShs milioni 47 licha ya kuongezeka kwa shughuli kutokana na wasimamizi kuzingatia zaidi uokoaji pesa na uthibiti wa gharama.

MATARAJIO

Kampuni iko sawa katika mipango yake ya kuleta ndege mpya na kuharakisha shughuli - moja ya ndege aina ya B787-8 Dreamliner miongoni mwa zingine sita zinazotarajiwa kuwasili mwaka huu, tayari hiyo moja imeanza safari za kwenda Paris. Shirika hili linatarajia kupokea ndege moja ya Dreamliner kila mwezi kuanzia Juni hadi to Oktoba 2014. Zile ndege aina ya B767-300 zitabadilishwa na zile za Dreamliners kwa vile zitakuwa hazitumiki ifikapo Novemba 2014. Kampuni hii pia liliipokea ndege yake ya kwanza ya B777-300 mnamo Novemba 2013 na inatarajiwa kupokea ya pili na ya tatu ya B777-300 katika Mei na Julai mtawalia. Mpango wa kuleta ndege mpya unatarajiwa kuimarisha huduma kwa wateja wetu hasa kwa zile ndege za umbo kubwa.

Hali ya usalama ya hapa Kenya inaendelea kuwa ya wasiwasi na jambo hili linaathiri wageni kuja hasa kutoka Ulaya. Hatua zinachukuliwa na wasimamizi kuleta uwiano wa nafasi katika nchi zinazoathiriwa. Wakati huo huo, mtandao unaendelea kuchunguzwa mara kwa mara ili kuhakikisha muunganisho unaongezeka. Kufunguliwa kwa Kituo cha Terminal 4 katika uwanja wa JKIA pia kinatarajiwa kuimarisha huduma bora kwa wateja. Na kuongezea Kituo cha Terminal 4, kazi imeanza ya kutayarisha kituo cha muda cha Kimataifa kwa Wanaowasili na kile cha Greenfield terminal.

IATA, katika makisio yake ya hivi karibuni, inakadiri kuwa faida katika sekta hii itakuwa USD 18.7 billion kwa 2014 kukiwa na kiasi halisi cha 2.5%. Makisio haya yanaegemea kuimarika kwa mahitaji

Taarifa Ya Mwenyekiti

inaendelea

kutoka nchi zilizoendelea ambazo bajeti zao zimelegezwa pamoja na sera za kifedha kulikochangia kuimarika kwa matumaini katika biashara ya kimataifa.

Siasa ya mambo ya ndege na Ufikiwaji wa Soko

Serikali ya Kenya kupitia Ruwaza ya 2030 inaendelea kuunga mkono sekta ya usafiri wa ndege na mafanikio muhimu pamoja na mambo mengine ni ujenzi wa kituo cha Terminal 4 unaotarajiwa kukamilika ifikapo Julai 2014 na kinatarajiwa kuongeza nafasi zaidi inayohitajika mno kwa Kenya Airways na kuendelea kuboresha uwanja wa JKIA kama shina la eneo hili. Kuchaguliwa kwa Kenya katika baraza la ICAO katika mwezi wa Oktoba 2013 kuwakilisha eneo la Mashariki jambo ambalo litazidi kuhusika na kushinikiza maamuzi katika siasa ya mambo ya usafiri wa ndege katika nyanja ya kimataifa. Baraza hili miongoni mwa majukumu pia hufanya kazi ya upatanishi baina ya nchi wanachama kuhusu vigezo vya usafiri wa ndege vya baraza ili kudumisha usalama na usimamizi wa usafiri wa wa ndege wa kimataifa. Kuongezea, sheria mpya ya usimamizi wa usafiri wa ndege yaani New Civil Aviation Act of 2013 ilioundwa na mapatano ya mapitio ya usimamizi ya National Civil Aviation Administrative Review Tribunal ambayo yaliundwa hivi karibuni na kushughulikia malalamishi yanayohusu maswala ya usafiri wa ndege ili kuweka mazingira mazuri ya kuendesha shughuli.

Katika mwezi wa Machi 2014 Kenya, miongoni mwa serikali zingine, walikubaliana kuidhinisha kugeuza vigezo muhimu vya mkataba wa Tokyo Convention 1963. Mkataba huu wa Tokyo Convention unatoa muongozo wa kushughulikia abiria ambao tabia yao ya ukaidi au sumbufu inapelekea kushabulia au kutishia usalama wa wafanyikazi wa ndegeni. Kwa kupanua eneo la mamlaka kutoka nchi kulikosajiliwa ndege hadi kwa nchi kunakoelekewa, itifaki hii inasuluhisha tatizo la kuruhusu kosa kubwa kufanyika bila ya hatua za kisheria kuchukuliwa. Mageuzi yaliyoafikiwa katika makubaliano haya sasa yanafanua zaidi maana hasa ya tabia ya ukaidi na inaweka vigezo vya kutatua njia za ulipaji ridhaa kufidia tabia hizo za ukaidi kwa manufaa ya shirika la ndege. Hii inatarajiwa kupunguza gharama ya adhabu inayotowza shirika la ndege ya kughairi safari kutokana na visa vya tabia za ukaidi. Kenya pia iko katika mipango ya kuridhia mkataba wa Beijing Convention 2010 na utekelezaji wa mkataba huo na unatarajiwa kuangazia tishio linaloendelea la ugaidi hapa nchini na kuongeza matumaini kwa wawekezaji.

Sekta ya anga inatambua haja ya kuwa na sheria zenye busara, zilizoratibiwa ili kulinda wateja na katika mwezi wa Juni 2013, mashirika ya ndege wanachama wa IATA walikubaliana kwa

pamoja kuweka kanuni za kimsingi za kulinda watumiaji huduma. Kanuni hizi kimsingi zinatokana na uzoefu uliopatikana kutoka kwa mamlaka yalioko na ni jaribio la kuweka usawa baina ya kuwalinda abiria na hapa hapo kuhakikisha ushindani katika sekta.

Katika kipindi cha mwaka tunaoukariria jumla ya mataifa 20 yalitia saina miktaba ya MOU na ilianzisha makubaliano ya pande mbili ya huduma za usafiri wa ndege yaani Bilateral air Service Agreements. Maeneo yaliyopewa umuhimu yalikuwa India, China, Congo DRC, Malawi, Nigeria na Tanzania. Kenya Airways pia ilizindua njia 3 mpya za kusafiri katika mwaka tunaouzungumzia. Kupokewa kwa ndege za kisasa za B777, 787 Dreamliner na kufunguliwa kwa kampuni yetu mpya tanzu ya JamboJet yote haya yataendelea kuboresha uwezo wetu katika njia hizi za kusafiria.

Serikali ya Kenya inaendelea kuunga mkono Kenya Airways katika jitihada zake za kuangazia maswala ya kuweka huria ufikiwaji wa soko na hivi sasa ina uwakilishi katika jopo la ICAO Air Transport Regulation Panel.

Umiliki hisa

Idadi ya umiliki hisa kwa wanachama waliosajiliwa ilipofika 31 Machi 2014 ilikuwa 77,837. Miongoni mwa hii wanahisa 38,652 wamesitisha umiliki wao wa moja kwa moja na kuchagua shirika CDSC Nominees Limited kuwakilisha na kufungua akaunti kwa mfumo wa Central Depository System. Maelezo ya umilikihisa kufikia mnamo 31 Machi 2014 yamo katika ukurasa 61.

Mgao

Wakurugenzi hawapendekezi ulipaji wa mgao.

Shukrani

Nachukua fursa hii kutoa shukrani zangu za dhati kwa wateja wetu, wamiliki hisa, Serikali, wasimamizi, wafanyikazi, wauzaji na wanabodi wenzangu kwa kujitolea kuchangia na kuunga mkono juhudi za kukuza shirika hili la ndege.

Wakurugenzi

Wanachama wa Bodi ya ukurugenzi waliotumikia shirika katika mwaka huu wamechapishwa katika taarifa ya wakurugenzi kwenye ukurasa 64.



Evanson Mwaniki

Mwenyekiti



Over **17** Embraers



4 Boeings
737-700



5 Boeings
737-800



6 Boeings
737-300



6 new
Dreamliners

GROWTH



Management Team



STANDING FROM LEFT TO RIGHT:

Alex Mbugua | Yves Guibert | Cpt. Paul Mwangi | Tom Kadoyo

Dr. Titus Naikuni | Mbuvi Ngunze | Gerard Clarke | Chris Diaz | Frederick Sine

Kevin Kinyanjui | Alban Mwendar



Management Team

continued

Dr. Titus Naikuni (60 Years): Group Managing Director & CEO

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 Programme for Management Development (PMD71) and was awarded a Doctor of Science Degree in 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 position of Managing Director in 1995 and simultaneously served as Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996.

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

Dr. Naikuni received the COYA Manager of the Year Award from the Kenya Institute of Management in 2002.

In 2009, during the 15th Aviation & Allied Business Leadership Conference in Addis Ababa, Ethiopia Dr. Naikuni was awarded the 2009 Aviation & Allied Business Individual Achievement Award. In 2013, he received the 'Airline Business Award' during the Airline Strategy Awards 2013, which recognizes an individual who has made a lasting strategic contribution to the air transport business. Dr. Naikuni was recently recognized for his contribution to the aviation industry in Africa. He was awarded the Lifetime Achievement Award for Outstanding Services to African Aviation Development during the recently concluded African Aviation Summit 2014 in Addis Ababa, Ethiopia. The summit coincided with the 23rd annual Air Finance for Africa' Conference & Exhibition.

Alex Wainaina Mbugua (50 Years): Group Finance Director

Mr. Mbugua was appointed the Group Finance Director on 14th July 2008. He is an MBA graduate with specialization in Corporate Finance and a member of the Institute of Certified Public Accountants of Kenya. He is also an alumni of Harvard Business School having completed the Advanced Management Program (AMP 183) in October 2012. In the past 28 years, during his highly successful career, Mr. Mbugua has developed significant knowledge and expertise in the fields of finance, strategy, information technology and general management.

As Group Finance Director, Mr. Mbugua has been responsible for and overseen certain key milestones for KQ, including chairing of the KQ Ten Year Strategic Planning committee for the

development of "Project Mawingu" and presiding over the capital raising for the project. This included the high profile 2012 rights issue offer that raised net proceeds of KES 13.8 billion.

Prior to his current position, Mr. Mbugua held the position of Chief Financial Officer of Africa Open Pit Mines, AngloGold Ashanti in Johannesburg. He also held board positions at AngloGold Holdings (UK) and also in 8 mining subsidiaries spread out in 5 African Countries. Other board positions have included Bain Hogg Ltd and Norfolk Holdings (K) Ltd together with KQ subsidiaries Kenya Airfreight Handling Ltd and JamboJet Ltd.

Mbuvu Ngunze (46 Years): Chief Operating Officer

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

In 1998, he joined Bamburi Cement (a Lafarge subsidiary) as Finance Manager and was promoted to the Finance Director's position in February 1999. He held this position up to March 2002 when he was appointed Managing Director Hima Cement Uganda (Lafarge). In May 2006, he moved to the headquarters of Lafarge in Paris. He first took up the role of Mission Director in the Group Audit Department for six months, and then was appointed Group Vice President Internal Communications in November 2006. In March 2009, he was appointed General Manager for Lafarge's operations in Tanzania (Mbeya Cement). He joined KQ in September 2011 as Chief Operating Officer. In this role, he is responsible for Technical, Flight Operations, Ground Services, Integrated operations control and cargo business.

Mbuvu has extensive Board room experience having served on the Board of Bamburi Cement (from 1999), Hima Cement, Mbeya Cement, and serving as Secretary to the East African Cement Producers Association. He is currently also a board member of JamboJet Limited.

Captain Paul K. Mwangi (55 Years): Director Flight Operations

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

Management Team

continued

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

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

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

Yves Guibert (51 Years): Director Ground Services

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

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

Kevin Kinyanjui (47 Years): Informational Systems Director

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

Kenya and in other African countries including Uganda, Tanzania, Malawi and Ethiopia.

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

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

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

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

Gerard Clarke (51 Years): Commercial Director

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

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

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

Management Team

continued

Tom Obonyo Ouma Kadoyo (59 Years): Technical Director

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

Tom joined KQ in 1986 as a graduate trainee rising through the ranks as Development Engineer, Senior Development Engineer, Principal Development Engineer, Manager Engineering Development, Head of Base Maintenances and currently, Technical Director.

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

Tom has 26 years' experience with the airline industry.

Alban M. Mwendar (52 Years): Group HR Director

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

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

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

Alliance High School, and Assistant Chairman - Institute of HR Management of Kenya. He currently sits on the Council of the Agricultural Society of Kenya. He joined KQ in August 2011.

Chris Diaz (45 Years): Marketing Director

Chris Diaz was appointed Marketing Director of Kenya Airways on 7th November 2012. Along with his current position, Chris is a board member of the Brand Kenya Board and is involved in supporting the marketing of Kenya to the world. Chris is also a Trustee on the board of the Chartered Institute of Marketing in the UK, which is the largest professional marketing body in the world.

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

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

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

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

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

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

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

Frederick ("Rick") Sine (66 Years): Fleet and Asset Development Director

Frederick ("Rick") Sine is the Kenya Airways ("KQ") Fleet and Asset Development Director, responsible for the acquisition and disposal of aircraft for KQ, the oversight of major aircraft modification programs and the development of long term fleet plans. He brings to the position extensive executive airline, business and leadership experience, in operating and support

Management Team

continued

activities at both large and small companies, in US domestic and international markets. With a long career with several US airlines, has a broad background in the management of technical activities and in the buying, leasing, modifying, supporting and operating of transport category aircraft.

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

Rick was Vice President with Boeing Airplane Services for three years, where amongst other responsibilities; he negotiated

aircraft purchase and lease agreements, identified and managed third party support vendors and developed operating policies and procedures for major aircraft modification and support programmes.

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

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



Mood
light
cabins

Extra
leg room
seats



New release
of the
month on our
In-flight
Entertainment

Electronic
Devices
now allowed In-flight

GROWTH

Wider
range of
duty free
shopping



Chief Executive's Statement

Despite the challenging operating environment, Kenya Airways has maintained its strategy to expand its network, through partnerships with other airlines to enable it tap new market segments.



Dr. Titus Naikuni

The airline continues to review its network to better match capacity to demand and going forward, will push ahead with expanding to new destinations in Africa and Asia as well as modernize its fleet in line with its business strategy as detailed in "Project Mawingu". The airline will work towards capturing growth opportunities in the market, despite the uncertain global economic outlook. The ongoing fleet renewal programme aimed at maintaining a young and modernized fleet will go a long way in improving fuel efficiency which is anticipated to translate to increased cost savings for the Company. The new fleet will improve in-flight entertainment systems that measure up to industry benchmarks.

Customer service will not be overlooked. The Company has embarked on a number of initiatives aimed at enhancing our guests' on board experience. Going forward, the airline intends to continuously look into ways of improving and providing world class service at all customer touch points, not only in the cabin but also on the ground.

COMMERCIAL HIGHLIGHTS

During the financial year 2013/14, Kenya Airways carried a total of 3.719 million passengers compared to 3.664 million in the previous year. Passenger revenue including Fuel surcharge stood at USD 1049.6 Million compared to USD 1000.9 Million in the previous year, representing a 5% growth on prior year performance.

Chief Executive's Statement

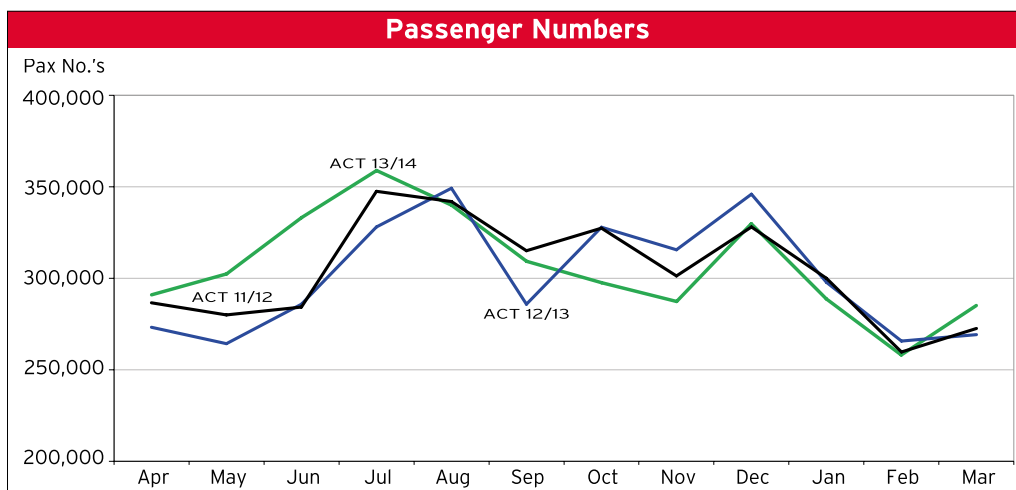
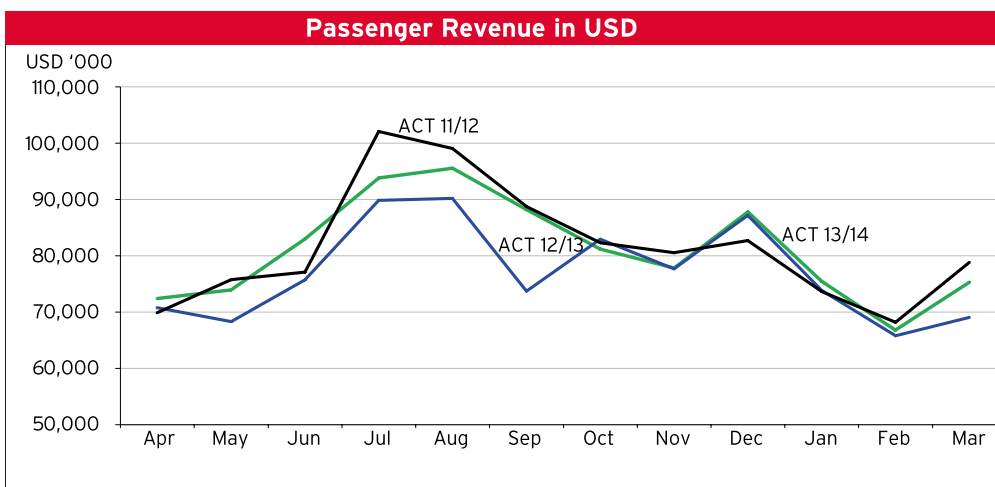
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The current year's performance was achieved despite adverse factors in the industry and home market. Some of these factors included; the JKIA airport fire incident that took place on 7th August 2013, in the middle of the peak season resulting in significant loss on transit traffic to alternative hubs of competitors. This was unfortunately followed by the Westgate terror attack in Nairobi on 21st September 2013 that resulted in advisories being issued against travel to our home market from tourist source markets of Europe, America and Australia.

During the period under review, the Commercial teams increased efforts to balance cabin factor percentage and the yield level.

They introduced more-segment focused strategies, especially on improved engagement with Corporate Travel Agents (CTA's) and around the SME (Traders) segment linked to the opening of the airline's first non-stop service to Guangzhou in China, designed to jointly lessen dependency on the in-bound leisure segment.

New operations started in the course of the year included; Livingstone (LVI) - Launched on 7th June 2013, three (3) flights a week, Abu Dhabi (AUH) - Launched on 1st July 2013, three (3) times a week and Blantyre (BLZ) - Launched on 2nd August 2013, three (3) times a week.



Contact Centre

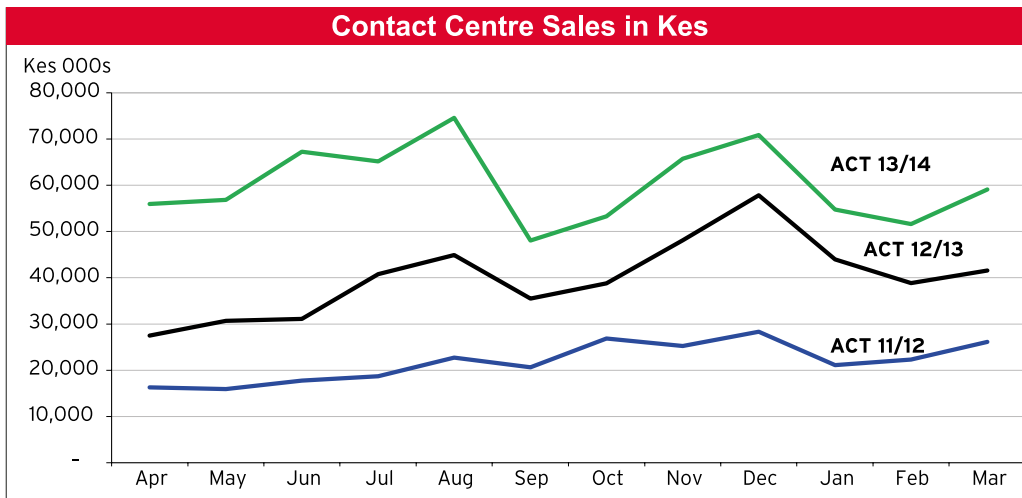
The Contact Centre has maintained a steady growth and closed the period under review with Kshs 723 million in hard sales. This was a 51% growth in comparison to prior year. This was achieved through maintaining high Service Levels (speed of answer) of an

average of 80% throughout the year, as well as 88% Efficiency levels (% of calls answered on first call out of the total incoming).

Below is the revenue trend of contact centre sales over the period 2011 to 2014.

Chief Executive's Statement

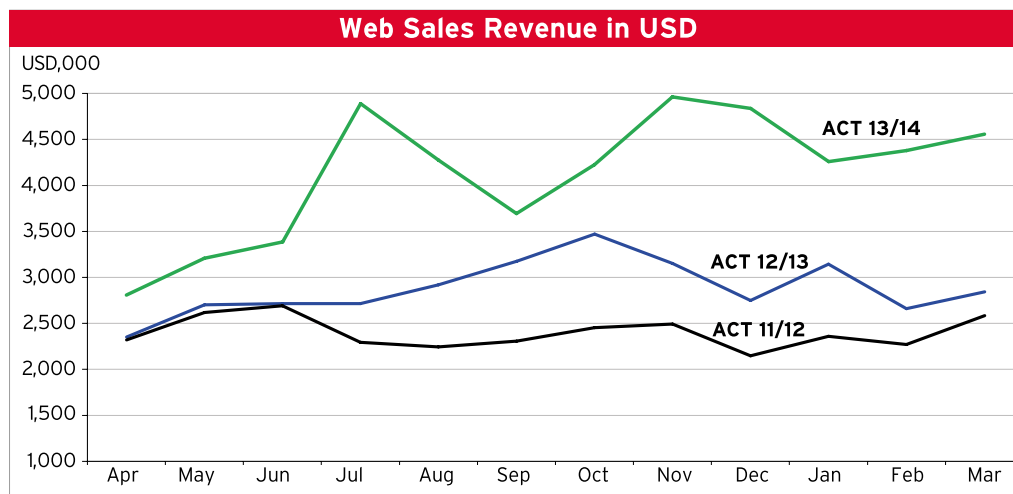
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E-Commerce

E-Commerce as a sales channel continued to register improvements in response to various initiatives put in place to drive online sales, namely; new homepage website which focus more on commercial services, user friendly payment processor

with additional form of payment e.g PayPal. During the financial year 2013/14, a total of USD 49.4 Million was driven through this channel, compared to USD 34.8 Million in the previous year, representing a growth of 42%.



Amadeus and Kenya Airways extend partnership with new Full Content Agreement

Effective 1st December 2013, Amadeus, a leading technology partner for the global travel industry, and Kenya Airways signed a long-term full content agreement that now enables the airline to reach the Amadeus' network of travel agencies across the world.

The agreement provides Amadeus subscribers worldwide with guaranteed access to the entire range of fares, schedules and availability from Kenya Airways. Users have access to the same content and under the same conditions as those offered through the airline's ticketing offices, call centres and website.

Kenya Airways and Amadeus have enjoyed a long term global distribution partnership for the past 20 years. During this period, the airline has implemented different Amadeus solutions

including Amadeus Altea IT suite to manage its reservations, ticketing and departure control processes, ticketing solutions including Electronic Miscellaneous Document and use of the Amadeus' E-Commerce booking technology for its website.

Kenya Airways and KLM Set up Joint Revenue Management Team in Amsterdam

In September 2013, KQ/KLM completed the implementation of the Expanded Joint Venture (JV) Commercial Roadmap.

This arrangement will expand to include markets within East Africa and Southern Africa under the JV. In addition, the JV will include additional points in Europe.

The benefits of this arrangement is the creation of a 'center of excellence' on JV issues within Europe while the extension of

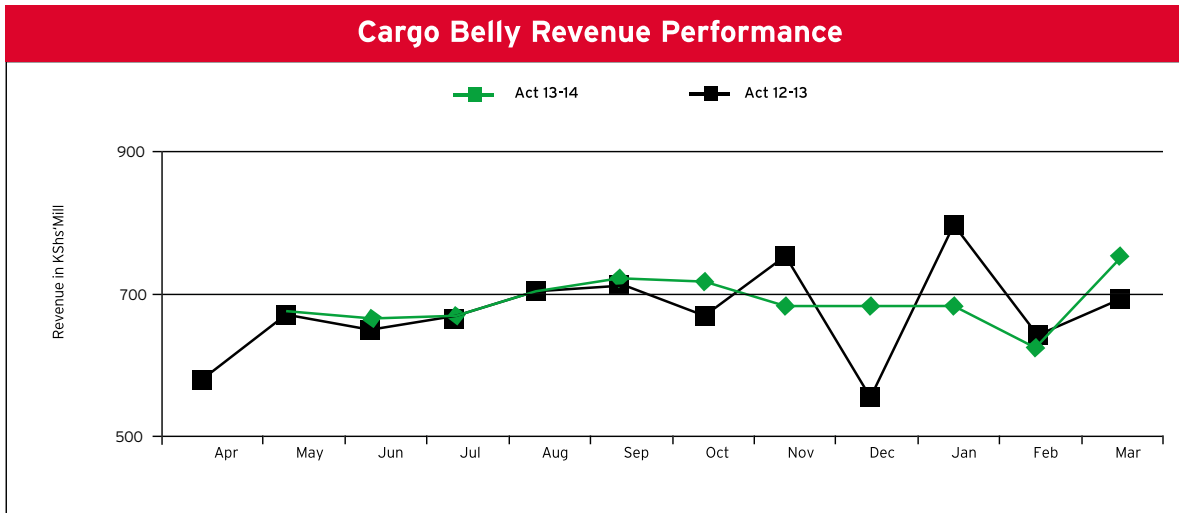
Chief Executive's Statement

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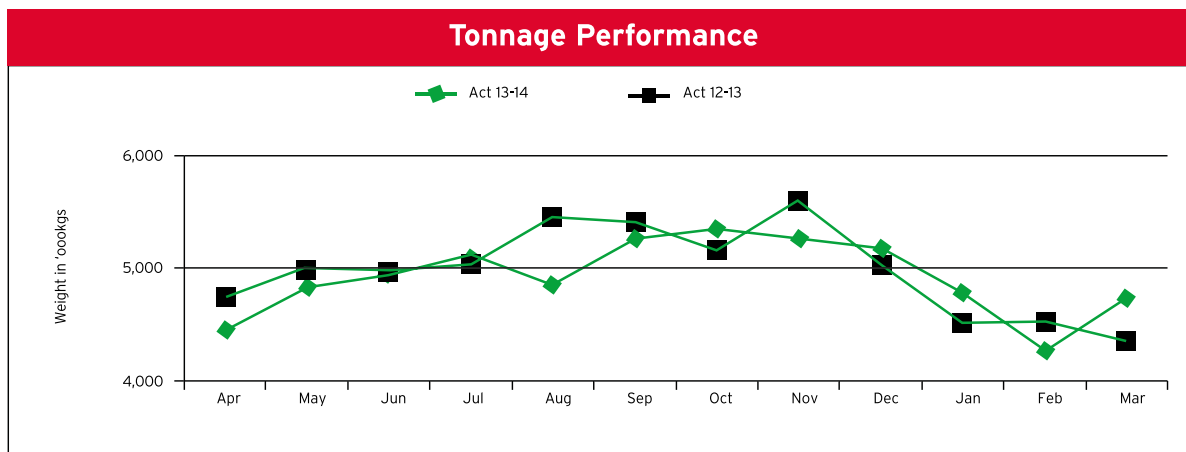
KQ office inside the KLM organization will enhance proximity to Europe sales environment for KQ. The teams will work on

commonly shared strategies and tactics with common JV targets.

CARGO AND MAIL



Cargo revenue performance achieved during the financial year 2013/14 was Kshs 9.002 Billion against a previous year performance of Kshs 8.14 Billion. This was broken down into Freight at Kshs 8.13Billion, Mail at Kshs 187.5Million and Courier at Kshs 682.5Million.



Cargo weight uplifted during the financial year 2013/14 was 59.1 million kilograms compared to 59.9 million kilograms in the previous year. This represents a 1% drop in performance. Various factors attributed to the decline including, uncertainty in the market as a result of both pre and post elections activities in Kenya.

Freighter Revenue

KQ Cargo Regional Freighter earned the KQ Group Kshs 940 Million during its first year of operation. The first freighter (5Y-KQC) entered into commercial operations in April 2013 and operated for the first six months as the only All-Cargo aircraft in the KQ fleet. The fleet grew to two aircraft in September 2013 with the conversion of the second B737-300 (5Y-KQD). Both aircraft were previously passenger jets within the KQ fleet. They have helped expand KQ Cargo's regional reach and are supporting trade between Africa and the world through the use of Nairobi as a cargo hub. The Freighter performance was short of budget due to some proposed routes not being activated owing to non-availability of suitable ground equipment at those stations or delayed security clearance.

Freighter Weight

Regional freighter weight uplifted during the financial year 2013/14 stood at 6.5 million kilograms.

Other KQ Cargo Highlights:

Airlift Of Simba Back To Africa

In February 2014 Simba, a lion rescued from a confined zoo in Europe, was transported by KQ Cargo from London through Nairobi to Lilongwe in Malawi where he was to be joined by Bella another lioness that had also been rescued from similar captivity. This was in conjunction with the Born Free Foundation. The two animals are now safe in a sanctuary where it is hoped they will be able to breed in a natural environment.

Chief Executive's Statement

continued

Air Cargo Awards:

At the Air Cargo News Awards for 2013, KQ Cargo was awarded the Best African Airline Award; this feat was repeated this year in 2014. Nominations and voting is carried out by Freight Forwarders as well as individual shippers from around the globe. This once again reflects the growing confidence and important recognition that KQ Cargo is gaining internationally, in the cargo industry.

OPERATIONS

On Time Performance (OTP) is the measure of consistency of our operations. During the year under review, the airline witnessed a marked improvement in the level of OTP consistency on a week to week basis. Our target is 85% at 15 minutes, and we achieved 83% in 2013/14 compared to 81% in 2012/13. We achieved an arrival OTP of 89% vs. 85% in prior year. This was achieved in spite of the disruption caused by the fire at JKIA in August 2013, and the attendant impact on infrastructure and connectivity. Since the fire, we progressively normalized our operations despite the constraints the airline faced on parking stands. We undertook extended bus operations on the ramp for both arriving and departing passengers, and handled bags over longer distances, particularly to the temporary arrivals terminal which circumstances have a direct impact on our ability to deliver a consistent performance.

TECHNICAL

During the period under review, the department successfully went through EASA continued airworthiness audit and expanded the airline's approval coverage. Aircraft brakes overhaul and survival equipment maintenance was added to our coverage. The next phase is to expand approval to Base and Line Maintenance. Audit is expected to take place during the next financial year in October.

The technical dispatch availability of aircraft for the financial year 2013/14 was at 97%. This is a 1% improvement compared to prior year. This was due to the introduction of predictive maintenance. Technical department undertook a diagnostic exercise with the assistance of an external consultant focusing on availability and reliability. The results of actions from the foregoing exercise will be progressively implemented during the next financial year.

Between May 2013 and April 2014, forty five (45) Engineers were successfully trained on B787-8 systems training at Boeing facility in three groups. Currently, two of the groups have completed their On the Job Training, to be followed by the third group. The trained engineers are now handling the B787-8 aircraft during its training flights, servicing and rectifications.

Wide body maintenance docks were commissioned successfully in December 2013. These docks were developed by the ZZ aircraft support industries in Shanghai and were designed to support heavy maintenance work on the Boeing 767, 777 and 787 aircraft. Hangar technicians can now easily and safely access the various areas on the Aircraft as required for light and heavy maintenance activities.

Due to the competitive nature of narrow body aircraft operations (domestic and regional), there is currently a demand for more flights during the day. This therefore presents a trend where aircraft are only available for maintenance at night. From January 2014, the airline commenced A-check night maintenance and this resulted in more revenue flights averaging to additional 140 hours every month. This has increased narrow body fleet availability for operation.

Our engineers have successfully gone through the B787 approved type course at the Boeing training facility in Seattle. Six (6) of them have been certified as assessors by Boeing and are currently taking engineers through an On Job Training program.

FLEET DEVELOPMENT

Year in review:

The financial year 2013-14 saw the continued of the renewal of the KQ aircraft fleet. The airline took delivery of the first of three (3) new B777-300ER aircraft and the first of nine (9) new B787-8 Dreamliners. These eagerly awaited events were the result of several years of hard work by the entire KQ staff and management team, with a great deal of assistance and support from Boeing, General Electric, and a host of other suppliers, vendors and outside agencies. In addition, the last three (3) of the ten (10) new E190 regional aircraft arrived to bring that fleet to a total of 15, and the second 737-300F regional freighter entered the cargo fleet to support the expected cargo growth in the East Africa region. At the end of the fiscal year the fleet, including the B737-300F regional freighters and B737-300 aircraft being prepared for operation in support of the low cost operator JamboJet stood at 47 aircraft, up from 42 at the beginning of the year.

Aircraft Type	1 April, 2013	31 March, 2014
787-8	0	1
777-300ER	0	1
777-200ER	4	4
767-300ER	6	6
737-800	5	5
737-700	4	4
737-300	5	4
737-300F	1	2
E190	12	15
E170	5	5
Total	42	47

The year ahead:

The next financial year 2014/15 will see further changes in the fleet with fourteen (14) aircraft leaving the fleet and eleven (11) new aircraft joining. The B787-8 aircraft will replace the B767-300s on a one for one basis. The B777-300ERs provide growth in capacity. The B737-300s exit the fleet as JamboJet gains its Operating Certificate and determines its own fleet requirements. Two of the E170s will be returned to the lessor as will two B737-800s, which will be replaced with new leased aircraft.

Chief Executive's Statement

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Aircraft Type	1 April, 2014	31 March, 2015
787-8	1	6
777-300ER	1	3
777-200ER	4	4
767-300ER	6	0
737-800	5	6
737-700	4	4
737-300	4	0
737-300F	2	2
E190	15	15
E170	5	3
Total	47	43

The above changes reflect the commitment by KQ to update its aircraft fleet to provide a higher level of customer experience, greater operational reliability and much better economics through lower fuel consumption and better maintenance cost.

The future:

Using the guidance of the third edition of the Project Mawingu fleet plan, work is underway to further expand, modernize and simplify the KQ aircraft fleet. Over the next 10 years, the fleet is expected to grow to eighty two (82) aircraft, see the elimination of all aircraft over approximately 8 years old, and reduce from seven (7) major aircraft types to four (4).

MARKETING

Kenya Airways is focused on strongly positioning the brand and new products roll out supported by strategic marketing communications across the network.

During the period under review, to strengthen internal marketing strategies and enhance the Kenya Airways brand promise and values to all staff, the marketing department successfully implemented the Brand Ambassador program which saw the sales and non-sales staff and contact centre teams rewarded for targeted new business. It was highly commendable for non-sales staff to sell over 100 million Kenya shillings value of new business.

The state of the art B787-8 aircraft, the first of nine, which came into service at the end of the financial year, has been very well received by our guests who are looking forward to a world class customer experience. The new B787 will give our guests benefits which include large dimmable windows, dynamic lighting, lower cabin altitude, and cleaner cabin air.

Kenya Airways is working towards achieving a higher global rating under the Skytrax airline ranking. To facilitate this, the marketing team has launched a customer experience project. The marketing team will be supporting a new internal program dubbed, "Living the Kenya Airways Brand", which will be focused on delivering Brand excellence to our guests both internally and externally.

The new products, lounges, new developments at JKIA - Unit 4, being positive innovations around the entire customer journey have resulted in a more positive customer feedback from the marketing engagements and research from our guests.

To celebrate over 36 years of the KQ Brand, the company launched an external marketing promotion dubbed "Flight of a Lifetime Campaign" to highlight the new Dreamliner. This promotion was successfully executed and created a big awareness of the new product and celebrated the unveiling the aircraft brand name; the "Great Rift Valley" on the first B787. Many other events across the world continue to build exciting momentum for the state of the art products and services offered by the airline.

The airline won several internal awards including, for the second time, "Best Cargo Airline in Africa 2013/14", "Africa Leading Airline - Business Class 2013 World Travel Awards", "Best in Strategy by CEO", and for three consecutive months, "Best Airline on time performance out of Heathrow".

Sponsorship

Kenya Airways nurtures sports talent in Kenya

Kenya Airways continued to sponsor a number of activities in the industry and the country in general during the financial year 2013/14. Indeed Kenya Airways has distinguished itself in the extent of support that it lends to sports development in Kenya.

Every year, the airline devotes millions of shillings to supporting different sports. The airline's sports sponsorship portfolio, borne out of an acknowledgement of the need to harness the rich sporting talent in the country, includes Rugby, Athletics and Motorsports.

According to Kenya Airways' Group Managing Director & CEO - Dr Titus Naikuni, the airline recognises the unique role that sports plays in shaping the identity of the Kenyan nation and thus takes pride in supporting its development in the country.

Rugby

As a result of Kenya Airways' support to the Kenya National Rugby Sevens Team as its official sponsor over the past four years, rugby has grown to become one of the country's greatest sports. The team which has been able to turn professional with sponsorship from Kenya Airways is one of the greatest ambassadors of the Kenyan brand.

As a result of the 2013 International Rugby Board (IRB) Seven World Series, the Company has witnessed increased brand visibility globally. Consequently, the Kenyan team today holds a place on the global rugby map and is ranked among the world's ten finest in the Hongkong and Shanghai Banking Corporation (HSBC) World Sevens Series, which is one of the most prestigious leagues. The sport has gained one of the biggest fan bases and loyal support from Kenyans all over the globe. Rugby is no longer just a game, but a culture that has attracted support from other corporate bodies.

Chief Executive's Statement

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In demonstration of its commitment to supporting the sustainable development of rugby, during the period under review, Kenya Airways also sponsored the Independent Association of Prep Schools' Under-13 Sevens Rugby Team to participate in the Rosslyn Park Prep Schools Tournament, the world's largest rugby bonanza for schoolboys.

Athletics

The airline sponsored the annual Kenya Airways Maasai Mara Marathon in Lemek Conservancy in 2013, which has helped many budding athletes to launch their careers. This year, the top winners of the Maasai Mara Marathon 2013 took part in the London Marathon.

Besides developing athletics talent, the Maasai Mara Marathon provides a platform for supporting sports tourism in Kenya. The 21 kilometer half marathon race for individual runners and a 5 kilometer fun run for individual runners or corporate teams attracted both local and international participants, passionate for adventure chasing the thrill of running in the wild. The marathon also helped raise funds for key development projects in the area.

Motorsports

Kenya Airways supported the East Africa Safari Classic Rally, which was held in November 2013. The rally, dubbed "the most exacting test for man and machine yet devised in the world of rallying" by *Motoring New*, saw passionate participants ship in their classic automobiles from across the globe through the Indian Ocean just to be part of the acclaimed sport.

Kenya Airways has partnered with the East African Safari Classic Rally since the first rally event in 2003, in acknowledgement of the rally's rich heritage in East Africa and its role in promoting the region as a sports tourism attraction.

HUMAN CAPITAL

As at 31st March 2014, Kenya Airways' headcount stood at 3,989, with an additional 517 outsourced staff, primarily in Flight Operations and Ground Services departments. This represents no increase in headcount in permanent staff numbers over prior year. In a bid to control escalating employee costs, the Company has undertaken to closely scrutinize any additional headcount requirements, and reorganize any existing roles in order to avoid increases in headcount. A move to use more outsourced labour was undertaken.

Talent Management

During the period under review, in managing our talent, our key focus was to help the business restructure key areas and live within reduced staff numbers yet still deliver the Company objectives. During the year, succession planning was conducted to identify critical development needs of would-be successors to key positions in the business, and to create talent pipelines in each function. There was an increased emphasis on both psychometric and capability assessments both at recruitment

and for existing staff, so as to optimize placements and focus on appropriate development initiatives.



Learning and Development

During the year 2013/14 the team continued to help in the development of leadership capabilities and delivery of the already established programs.

Corporate Training

The delivery of the already existing leadership development programs continued within the year 2013/14. It is planned that these programmes, specifically 'Personal Effectiveness' and 'Learning to Lead' will in future be included for all staff moving into leadership/managerial roles, including pilots moving into command roles as Captains. The foregoing programs were complimented by courses in "managing Personal Finance" which were attended by 172 staff.

We have included Personal Finance as a course element to enable our staff adequately plan for their own financial resources. During the previous financial year we trained 322 staff members in the same program.

Coaching and mentoring

To enhance the already existing leadership development efforts, coaching and mentoring was introduced to the business. Our objective is to drive a coaching culture within the business. We equipped 88 senior managers with coaching and mentoring skills and assigned coaches and mentees to them. In prior year, the department trained 111 staff in the same program. The main advantage of the program is to provide employees with a way to connect, learn and grow within the Company along their own career paths.

Chief Executive's Statement

continued

Technical Training

During the financial year 2013/14, the Technical Training school continued to conduct courses that ensured that production had qualified staff that can support aircraft maintenance. These included Engineering run courses, transit courses, and other trainings that are specific to the E190/170 aircraft, especially in view of the expanded fleet.

The year under review saw continued delivery of refresher/continuous training courses for maintenance staff to ensure that they remained current as per the Kenya Civil Aviation Regulations. There was also specialized training both in Seattle and locally, in preparation of the entry into service of the B787 Dreamliner fleet.

	Course	Number of Attendees
1	Certificate in Airline Cabin Crew	109
2	Certificate in Airline Passenger Services	117
3	Certificate in Weights and Balance	7
4	Diploma in IATA Tourism and Travel - Foundation	33
5	Diploma in IATA Tourism and Travel - Consultant	25

In May 2013 KQ became the first training centre in the world to have 3 approved accreditations from IATA namely: Approved Training School for DGR & Cargo, Approved Training Centre & Regional Training Partner. Additionally, we signed a cooperation agreement with JKUAT for the use of our Pride Centre facilities for post-graduate programmes, and subsidized post-graduate programmes for KQ staff. The training school has also established its own website - www.kqpridecentre.com

Industrial Relations

Enhancing Industrial Relations between the Company and the Unions was in key focus, with the Company going into recognition with a newly registered Union, the Kenya Aviation Workers Union (KAWU), which now represents the bulk of the unionisable employees. The other Unions remain the Kenya Airline Pilots Association (KALPA), and National Union of Air Transport Employees (NUATE, Nigeria).

Kenya Airlines Pilots Association (KALPA)

We engaged with the Association's leadership through scheduled Group Managing Director/KALPA quarterly meetings, and Seniority and Promotion Committee meetings, as well as other meetings called on a need basis. All pilots were awarded a 7.5% salary increase during the year, which had been negotiated and signed off in 2012.

A key highlight for this financial year 2013/14 was the absorption into the business of apprentices recruited and initially trained at NYS Engineering College. They have primarily been absorbed into the production sections of Technical department for on-the-job experience.

Operational training

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

Aviation and Airport Services Workers Union (AASWU)

The Company still has a case in the Court of Appeal over the redundancies that were carried out during the 2012/13 financial year under the staff rationalization programme. The membership of AASWU has greatly diminished owing to the formation and registration of the newer Union, KAWU.

Kenya Aviation Workers' Union (KAWU)

The Company and the Union were able to conclude the overdue negotiations and register a retrospective CBA that awarded the Union members a 5% p.a. salary increase for the periods 2012 - 2014. Regular Management/Union meetings take place in order to appraise the Union leadership on business performance.

National Union of Air Transport Union (NUATE, Nigeria)

The Company conducted negotiations with the union in Nigeria and the parties have signed a one year Agreement with a 12% p.a. salary increase.

Chief Executive's Statement

continued

Amalgamated Transport and General Workers Union (ATGWU)

The Company recognised a new Union in Uganda - the Amalgamated Air Transport and General Workers Union, who have presented CBA proposals that are currently being reviewed. Uganda has 19 employees in unionisable roles (HI-H9).

INFORMATION SYSTEMS (IS)

Boeing 787 e-Enabling

The most important project for the Information Systems team during the year under review was the Boeing 787 e-Enabling project. The project was set up in February 2013 to implement the e-Enabling platform design recommended by Boeing for the B787 aircraft. The purpose of the e-Enabling platform is to ensure secure transfer of B787 Aircraft Software from Boeing servers to Kenya Airways servers and subsequently into the B787 aircraft.

The project consisted of full time dedicated cross-functional team members seconded from Information Systems, Technical and Flight Operations departments. A B787 dedicated primary data center was designed and set-up in October 2013 at KQ base. A successful Boeing Software Installation and e-Enabling ground system was completed in December 2013 in the primary data center. A secondary failover data center was designed and set-up in a remote location in March 2014.

Under the guidance of Boeing, the e-Enabling project team facilitated the compilation of e-Enabling business processes. Those processes were validated in January and February 2014 in both the Kenya Airways 787 Data Center and the Boeing e-Enabling Laboratory in Seattle, USA. As per the new 787 regulatory requirements the e-Enabling processes and procedures were approved by the Kenya Civil Aviation Authority in February 2014.

A successful Software load of Kenya Airways first 787 aircraft was carried out at Boeing's delivery Center by Boeing's Engineers together with the Kenya Airways e-Enabling Team on 31st March 2014. This was the culmination of the hard work and dedication of the e-Enabling team to ensure the readiness of the e-Enabling platform required to support the B787 Operations.

KQ Holidays and Pride Center Websites

During the year, we revamped the look of our website www.kqpridecentre.com to make it easier to navigate and focus on guest services. The KQ Holidays portion of the website was also developed and launched and its promotion is ongoing to enable our guests book holidays and hotels in the KQ worldwide network.

The Kenya Airways Training center - Pride Centre was placed on the world map when a new domain (www.kqpridecentre.com) was registered and launched in January 2014. This has enabled our guests book for courses at Pride Center online from wherever they are located.

Catering Invoice Reconciliation

The Information System team developed a catering invoice processing system dubbed "iCater system" and it was successfully launched in October 2013. This system has reduced the invoice reconciliation process from three (3) weeks to only three (3) days, which has no doubt translated to great improvement in the airline's efficiency.

Electronic Miscellaneous Document (EMD) and Airline Ancillary Services (AAS)

The Electronic Miscellaneous Document (EMD) is an IATA industry standard that all airlines were required to confirm compliance by end of December 2013. This initiative facilitates the transitioning from the paper documents such as MCOs (Miscellaneous Charges Orders) and EBTs (excess baggage tickets), that are a mode of payment for additional passenger services (ancillary services).

The Electronic Miscellaneous Document enables ancillary services (leg room, exit window, lounge access, merchandise,) to be distributed and sold across the major Global Distribution Systems and these platforms were enabled in January 2014.

Market Intelligence Data Tape (MIDT)

The MIDT system is a reporting tool that contains sales and marketing data for competitor airlines globally. This system has data and statistics that sales and marketing staff can use to track performance of both airlines and travel agents. MIDT is used by Sales Managers and Sales Executives to monitor their performance and compare with those of other competitors, to enable them come up with ideas that will assist in the setting new targets and approaches to improving sales in their respective markets.

Alternative ticket payment solutions

During the year under review, the company rolled out mobile payment solutions in Uganda (Airtel and MTN money), Tanzania (Vodacom Mpesa and Warid pesa) and Cameroon (MTN Money). In Kenya, the Mpesa payment option was integrated to the Altea Reservation system so that auto-ticketing was enabled in the event a guest makes payment by Mpesa. Further in Kenya, payment for tickets using bonga points was introduced. During the year, the Paypal online payment solution was integrated with web ticketing channel, thus providing customers with yet another alternative means of paying for tickets.

In the coming year, the company plans to introduce tickets payments through bank ATMs and Debit cards.

SkyTeam Automation

During the year, we delivered the following projects under the SkyTeam programme:

- **SkyTeam Lounge Access Management System (LAMS):** This system allows lounge staff to access customer information in real-time from other SkyTeam Airlines before allowing them to access the Sky Priority lounge at JKIA.

Chief Executive's Statement

continued

- SkyPriority Automation:** This project has enabled boarding passes printed for a guest who is either in business card or elite card holder to bear the wording 'SKYPRIORITY' thus allowing KQ staff to easily identify all SkyPriority guests, and give them the commensurate service required for such guest category.

Staff Travel System

During the year, a new system for managing staff travel was introduced. Dubbed "iSafari", it allows staff both active and retired to plan, request approval, book flights and apply for travel allowances and VISAs all at one go. The system has a workflow which allows staff requests to be channeled through defined approval hierarchies and allows for online approval of travel requests at any time and from anywhere. The system integrates with Altea reservation system and allows staff to pay for tickets via various payment options including, Mpesa, credit cards and over the counter.

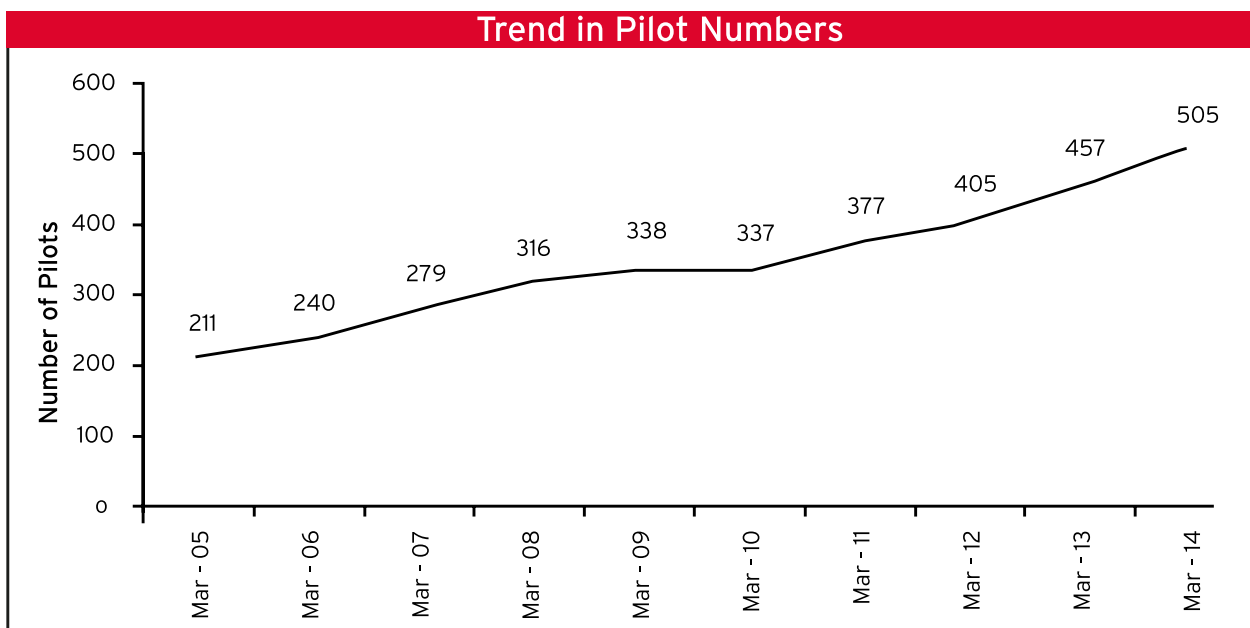
IT Security

The Information Systems team has continued to pursue the journey of increasing protection, maintaining confidentiality,

integrity and availability of KQ data and corporate resources. In this regard, two main initiatives during the year included the implementation of Mobile Device Management, and the piloting of an Information Security Management Framework in some key departments.

FLIGHT OPERATIONS

During the period under review, for the first time, the pilots complement surpassed the 500 mark to close at 505. A total of 26 first officers were promoted into command and twelve (12) direct entry captains were recruited from within the Kenyan and International markets. Further, ten (10) second officers were recruited from the local market within the financial year. Thirty three (33) Ab-Initio cadets successfully completed their assessments and were commissioned for training as pilots in South Africa. It is worth noting that a commendable number of first officers have presented their Air Transport Pilots' License (ATPL), a key pre-requisite for a pilot to be promoted into command in the coming year. The graph below shows the trend in pilot numbers for the last 10 years.



As we endeavor to delight our guests consistently, we increased the cabin crew numbers by outsourcing the recruitment of 157 additional flight attendants from Kenya and Ghana. The flight attendants were initially taken through an internship programme that encompasses training on ground and onboard for a period of 6 months.

Within the financial year, we commenced conversion training of both pilots and cabin crew in preparation for the new B787-8 aircraft. A total of ten (10) pairs of pilots successfully completed their simulator training and 100 cabin attendants comprising pursers and flight attendants completed their conversion training by end of March 2014.

The department continues to contain and manage its costs by optimizing the utilization of crew at home bases to reduce hotel costs, for example, Thai crew operating Bangkok-Hong Kong sectors, Ghanaian crew operating Accra-Monrovia and Accra-Freetown sectors. We have also managed to reduce our average cost per passenger on meals and drinks including provisioning costs onboard by 7% in comparison to prior year through waste reduction and improved management of catering equipment.

During the last quarter of the financial year, the use of Electronic Flight Bag (EFB) Class 3 for the Boeing 777 and Boeing 787 aircraft was approved by Kenya Civil Aviation Authority. The Electronic Flight Bag is an electronic display system intended primarily for cockpit use to place information at pilots' fingertips, provide an

Chief Executive's Statement

continued

Aircraft Performance Tool to the pilots and a link of the flight deck to aircraft maintenance. The expected benefits include operational efficiency, payload optimization, improved aircraft

engine life and reduced paper (weight) onboard. Implementation of EFB Class 1 on the Boeing 737 and Embraer fleet is currently work in progress.

Corporate Social Responsibility (CSR)

Kenya Airways is committed to the sustainable development of our environment and to supporting the communities in which we operate. Indeed, as a Company, our contribution towards the attainment of the sustainable development of Africa remains our core purpose.

During the year in review, we continued to support various educational, sports and other institutions in the form of free and rebated tickets, cash contributions as well as staff involvement. The airline has also continued to invest in improving the quality of life for communities in the different markets that we serve.

Kenya Airways runs a robust CSR programme. We have invested in projects that promote standards of education, improve access to water and health, and conserve our environment across Kenya Airways' expanding network.

During the period under review we partnered with like-minded organizations and implemented some of our CSR projects. To this end, among our partners were: the "Born Free Foundation" and the "Hands off Our Elephants" for wildlife conservation initiatives; as well as the "Lemek Conservancy Council", for the raising of funds to put up infrastructure in schools and hospitals, besides providing clean drinking water.

We are proud of the community initiatives which were accomplished during the financial year and these included the following:

- Education: KQ assisted in putting up school infrastructure including: a dormitory at Esageri School for the Deaf in Baringo County for Kshs 3.5 million; science laboratory at Songeni Mixed Secondary School in Makueni County for Kshs 3,089,459; two classrooms at Ongora Primary School in Rongor County for Kshs 5,000,000; and

a dining, laboratory, dormitory hall at Namunyak Girls Secondary School in Narok County for Kshs 11,400,000.

- Environment: We undertook the planting of indigenous tree seedlings at Ngong Hills through the Kenya Airways' "Plant a Future" initiative which started six years ago, which won the 2008 Eco Challenge award in the corporate sector. We are currently planning to plant an additional 250,000 trees to attain the 1 million target.
- The Company also Contributed Kshs 5 million for the "Hands off Our Elephants" campaign.
- KQ was involved in the implementation of the Carbon Offset Program developed in cooperation with IATA to offer guests an opportunity to offset the Carbon dioxide (CO₂) emissions related to their flights.
- Water: The Company contributed the sum of Kshs 3,000,000 towards the construction of a borehole in Tala, Mwala Constituency in Eastern Kenya.

Going forward, Kenya Airways' CSR programme will remain a key component of how we do business. As a responsible corporate citizen and a global carrier operating to more than 60 destinations, we will continue contributing to and investing in communities in the locations to which we operate.



Dr. Titus Naikuni

Group Managing Director & CEO

Corporate Social Responsibility (CSR)



Dr. Titus Naikuni hands over books to the headmistress of Namunyak Girls Secondary School in Narok County, KQ through the Maasai mara marathon is also building a dining hall, laboratory and a dormitory at the school.



Group Finance Director Alex Mbugua celebrates with the pupils of Esageri School for the Deaf in Baringo County after officially unveiling the construction of a dormitory.

Corporate Social Responsibility (CSR)



Kenya Rugby Sevens team in action, Kenya Airways continues to sponsor the 7s rugby team as part of the Company's Sports Sponsorship.



Licha ya kuweco changamoto katika mazingira ya biashara hii yetu, Kenya Airways imeweza kudumisha mkakati wake wa kupanua mtandao wake, kupitia ushirikiano na mashirika mengine ya ndege ili kuiwezesha kuingia katika masoko mapya. Shirika hili la ndege linaendelea kukagua mtandao wake ili kuuboresha zaidi uwe sawa na uwezo wa mahitaji na tunapoendelea mbele, tutatilia nguvu mpango wa kuongeza sehemu mpya za kusafiri katika Afrika na Asia pamoja na kuleta ndege mpya kuambatana na mkakati wetu kama ulivyofanuliwa katika mradi wa "Project Mwingu". Shirika hili la ndege litafanya juhudi za kufuatilia fursa za ukuaji katika soko hili, licha ya kuwepo kwa mandhari ya kiuchumi yaliyo geugeu ulimwenguni. Mpango wa kumiliki kundi la ndege mpya za kisasa unaoendelea ambao madhumuni yake ni kudumisha ndege changa za kisasa ambazo zitapelekea matumizi bora ya mafuta yanayotarajiwa kushadidi juhudi za Kampuni hii za kupunguza gharama. Ndege hizi mpya zitaboresha mifumo ya burudani la ndani ya ndege ili kufikia viwango teule vinavyohitajika katika biashara hii.

Huduma bora kwa wateja itazidi kupewa kipaumbele. Shirika hili limeanzisha mipango mbali mbali inayonuiya uboreshaji wa huduma kwa wageni wakiwa ndani ya ndege. Tunaposonga mbele, shirika hili la ndege linadhamiria kuzidi kutafuta mbinu za kuboresha na kutoa huduma za haadhi ya kimataifa katika sehemu zote tunakokutana na wateja wetu, wala sio tu wanapoingia ndegeni bali hata chini kabla ya kuabiri ndege.

MAELEZO YA BIASHARA

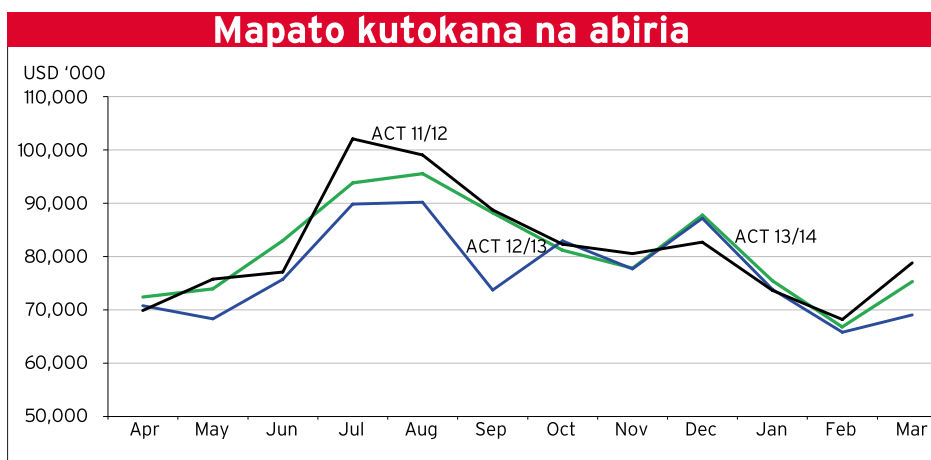
Katika mwaka huu wa kifedha wa 2013/14, Kenya Airways iliwabeba jumla ya abiria milioni 3.719 ikilinganishwa na idadi ya milioni 3.664 katika mwaka uliopita. Faida kutokana na uchukuzi wa abiria ikijumuisha malipo ya ziada ya Mafuta

ilifikia Dola Milioni 973 ikilinganishwa na Dola Milioni 939 kama ilivyokuwa katika mwaka uliopita, hii ikiwakilisha ukuaji wa 4% kutoka matokeo ya mwaka uliotangulia.

Matokeo mazuri katika mwaka huu tunaouzungumzia yalifikwa licha ya kuweco kwa hali mbaya katika biashara hii kwa ujumla na hata kwenye soko la humu. Baadhi ya matukio hayo ni pamoja na; tukio lile la moto ulioteketeza uwanja wa ndege wa JKIA lililotokea mnamo 7 Agosti 2013, muda huo ukiwa ndiyo kilele cha msimu na kusababisha hasara kubwa kutokana na abiria wanaopitia ambao ilibidi watafutiwe mapitio mbadala ya washindani wetu. Hili kwa bahati mbaya ilifuatiwa na mashambulizi ya kigaidi katika jumba la Westgate mjini Nairobi mnamo tarehe 21 Septemba 2013 iliyopelekea kutolewa kwa ushauri wa wageni kutozuru nchi yetu kutoka nchi ambazo ndio shina la kutuletea watalii kama zile za Ulaya, Marekani na Australia.

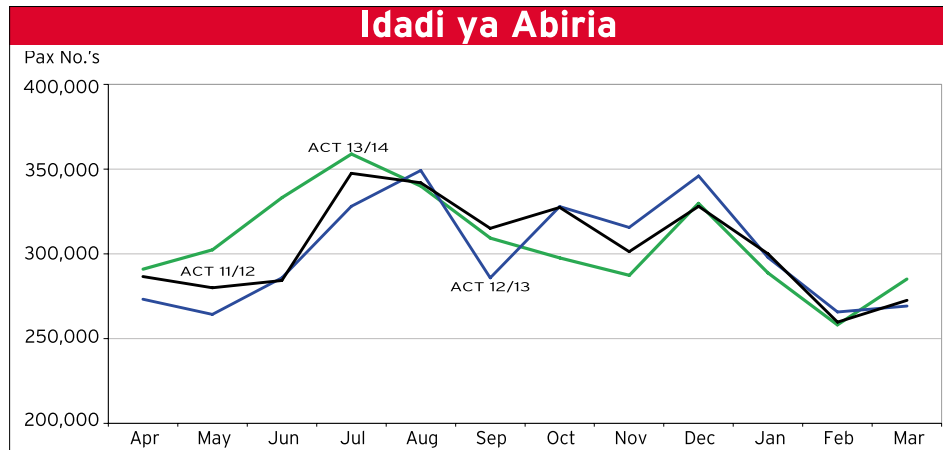
Katika kipindi cha mwaka huu tunaoukariria, makundi yetu ya uuzaji yaliongezea juhudi za kuvutia abiria na kuzidisha viwango vyao. Walizindua vitengo zaidi vinavyozingatia mipango iliyoafikiwa, hasa kuboresha uhusiano na muungano na mawakala wa usafiri yaani Corporate Travel Agents (TMC's) na kile kitengo cha wajasiria uchumi wadogo (Wafanyibiashara wadogo) iliyopelekea kuanzishwa kwa safari ya moja kwa moja kwenda Guangzhou nchini China, huduma iliyoundwa kupunguza mategemeo ya sehemu ya ndani ya ndege iliyotengwa ya starehe za ziada.

Maeneo mapya ya kusafiria tulioanzisha mwakani ni pamoja na; Livingstone (LVI) - Ilizunduliwa tarehe 7 Juni 2013, safari tatu (3) za ndege kwa wiki, Abu Dhabi (AUH) - Ilizunduliwa tarehe 1 Julai 2013, safari tatu (3) za ndege kwa wiki na Blantyre (BLZ) - Ilizunduliwa tarehe 2 Agosti 2013, safari tatu (3) za ndege kwa wiki.



Taarifa ya Afisa Mkuu Mtendaji

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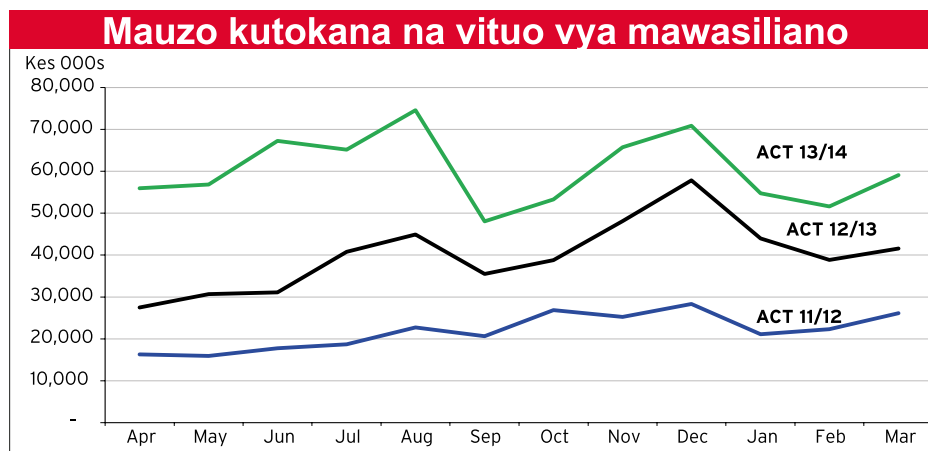


Kituo cha Mawasiliano na Mauzo

Kituo cha Mawasiliano na Mauzo kimeendelea kuwasilisha ukuaji maridhawa na wakati wa kutamatisha kipindi tunachokizungumzia kukipatikana Kshs Milioni 723 kutokana na mauzo thabiti. Hii ikiwa ni ukuaji wa 51% ikilinganishwa na mwaka uliotangulia. Haya yalifanikishwa na kudumishwa kwa viwango vya juu vya huduma (haraka ya kutatua) kwa wastani wa 80% kote mwakani,

pamoja na 88% ya viwango vya utendakazi bora (% ya simu zilizoitikiwa zilipopigwa mara moja tu miongoni mwa jumla ya simu zilizopigwa).

Jedwali hili hapa chini linaonyesha mwelekeo wa faida ya kituo cha mawasiliano na mauzo katika kipindi cha mwaka 2011 hadi 2014.



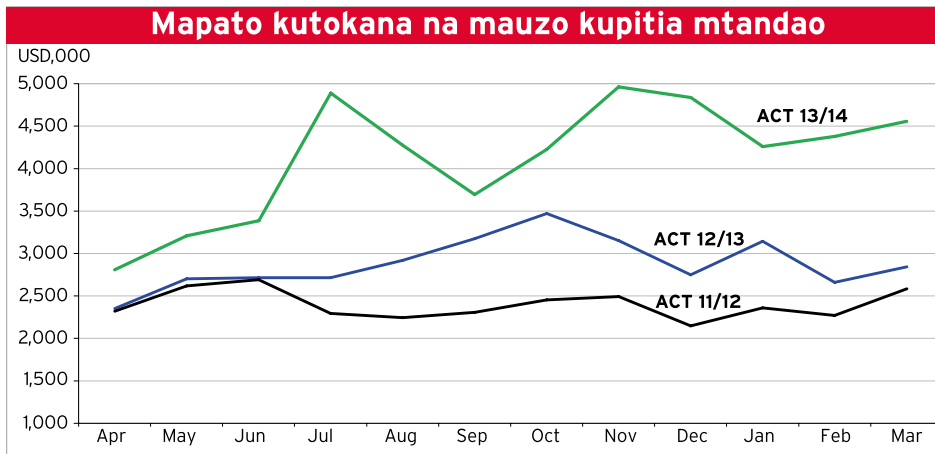
Biashara Kupitia Mtandao (E-Commerce)

Biashara kupitia mtandao wa internet kama njia ya mauzo imeendelea kuonyesha natija nzuri kwa mipango mbali mbali iliyowekwa kushinikiza shughuli za uzaji kupitia mtandao wa internet, yaani; ukurasa mpya katika tovuti gombo-kaya

inayozingatia zaidi huduma za uzaji, njia rahisi za kushughulikia malipo kukiwa mfumo mpya wa ziada wa malipo kwa mfano PayPal. Katika mwaka wa kifedha wa 2013/14, jumla ya Dola Milioni 49.4 ziliingia kupitia njia hii, ikilinganishwa na Dola Milioni 34.8 katika kipindi cha mwaka uliopita, hii ikiwakilisha ukuaji wa 42%.

Taarifa ya Afisa Mkuu Mtendaji

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Amadeus na Kenya Airways waendeleza ushirikiano wao kwa Mkataba mpya Ulio jaa yote

Kuanza tarehe 1 Disemba 2013, Amadeus, mshirika anayeongoza katika maswala ya teknolojia kwenye sekta hii ya usafiri ulimwenguni, na shirika la Kenya Airways walitia saini makubaliano ya kudumu yaliyosheheni kila kitu ambapo sasa shirika hili letu la ndege litaweza kunufaika na mtandao mkubwa uwakala wa usafiri wa Amadeus kote ulimwenguni.

Mkataba huu unawapa wateja wa Amadeus kote ulimwenguni hakikisho la kuweza kufikia aina zote za nauli, ratiba na hakikisho la kuweko safari kutoka Kenya Airways. Watumiaji wanapata huduma hizi zikiwa na yote yaliyomo na kwa hali sawa na kama yanavyotolewa kupitia ofisi za kuagiza tikiti za shirika hili la ndege, vituo vyake vya mauzo na kupitia tovuti. through the airline's ticketing

Kenya Airways na Amadeus wamenufaika na ushirika wa kudumu wa usambazaji kote ulimwenguni kwa muda wa miaka 20 sasa. Katika kipindi hiki, shirika limetekeleza programu mbali mbali za kusuluhisha za Amadeus ikijumuisha Amadeus Altea IT suite kusimamia sehemu ya uagizaji tikiti, ununuzi wa tikiti na mfumo wa kusimamia kuondoka kwa abiria, data za ukataji tikiti ikiwa pamoja na ile ya Electronic Miscellaneous Document na kutumia

teknolojia ya Amadeus ya biashara kupitia internet ya uagizaji tikiti katika tovuti yake.

Kenya Airways na KLM waanzisha Timu ya Usimamizi wa Mapato mjini Amsterdam

Mnamo Septemba 2013, KQ/KLM walikamilisha utekelezaji mpango mpana wa kufanya kazi kwa ushirikiano wa pamoja uitwao Expanded Joint Venture (JV) Commercial Roadmap.

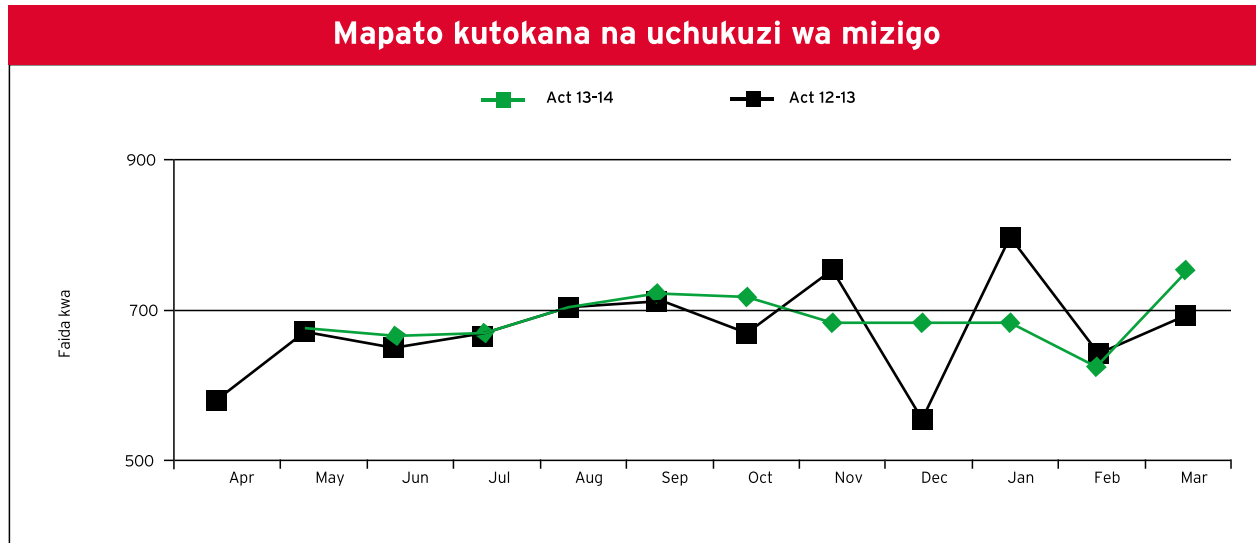
Mpango huu utaenezwa zaidi ili kujumuisha maeneo yote katika Afrika Mashariki na Afrika ya Kusini kuwa chini ya mpango huu wa kufanya kazi pamoja (JV). Na si hayo tu, hii JV itajumuisha sehemu zingine ziada za Ulaya.

Manufaa ya mpango huu ni kubuniwa kwa 'kituo cha ubora' kushughulikia maswala ya JV katika maeneo ya Ulaya na huku kuzidishwa ndani ya ofisi za Shirika la KLM kutaleta karibu zaidi mazingira ya mauzo ya Ulaya ya KQ. Timu hizi zitatekeleza mikakati ya pamoja na mbinu kwa kulenga matarajio ya pamoja ya JV.

Taarifa ya Afisa Mkuu Mtendaji

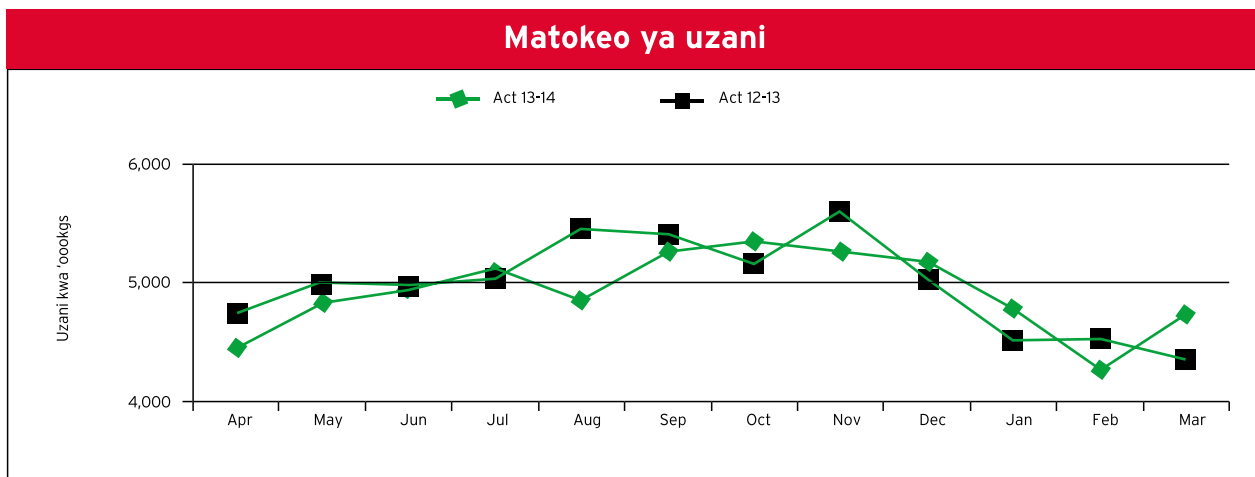
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MIZIGO NA BARUA



Mapato kutokana na uchukuzi iliyopatikana katika kipindi cha mwaka wa kifedha wa 2013/14 ilikuwa Kshs Bilioni 9.002 ikilinganishwa na ile ya mwaka uliyotangulia ya Kshs Bilioni 8.14. Hii iligawanywa katika uchukuzi shehena kwa kiasi cha Kshs Bilioni 8.13, Barua kwa Kshs Milioni 187.5 na Utarishi kwa Kshs Milioni 682.5.

Matokeo ya Uzani



Uzani wa shehena iliyohawilishwa katika kipindi cha mwaka wa kifedha wa 2013/14 ulikuwa kilogramu Milioni 59.1 ikilinganishwa na kilogramu Milioni 59.9 katika mwaka uliotangulia. Hii ikionyesha kupungua kwa 1% katika matokeo haya. Mambo mbali mbali yalichangia upunguaji huyu ikiwa ni pamoja na, hali isoaminika kwenye soko hili kutokana na shughuli za kabla na baada ya Uchaguzi mkuu wa Kenya.

Faida kutokana na Uchukuzi Shehena

Ndege za KQ za uchukuzi shehena katika eneo hili zililetea Kundi la KQ Kshs Milioni 940 katika mwaka wake wa kwanza wa shughuli. Ndege yake ya kwanza ya uchukuzi shehena (5Y-KQC) iliingia katika shughuli za biashara mnamo mwezi wa Aprili 2013 na kuendesha shughuli kwa miezi sita ya kwanza kama ndege ya pekee ya kubeba shehena miongoni mwa ndege zote za KQ. Idadi

ya ndege iliongezeka na kufika mbili katika mwezi wa September 2013 pale ndege ya pili aina ya B737-300 (5Y-KQD) ilipogeuzwa kuwa ya uchukuzi mizigo. Ndege zote mbili zilikuwa za kubeba abiria hapo awali miongoni mwa ndege za KQ. Hizi zimechochea ukuaji wa biashara ya uchukuzi ya KQ katika eneo hili na inasaidia kudumisha biashara baina ya Afrika na ulimwengu kwa kutumia Nairobi kama shina la uchukuzi shehena. Matokeo ya ndege hizi za uchukuzi yalikuwa chini ya makisio kutokana na baadhi ya sehemu za kusafiria kutoanzishwa kwa ajili ya kutokuwepo kwa zana za upakuji katika vituo hivyo au kucheleweshwa kwa uchunguzi wa kiusalama.

Uzani wa Shehena

Jumla ya uzani wa shehena iliyosafirishwa katika eneo hili, mwaka wa kifedha wa 2013/14 ulifikia Kilogramu Milioni 6.5.

Taarifa ya Afisa Mkuu Mtendaji

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Mengine Muhimu kuhusu Uchukuzi wa KQ:

Kubebwa kwa Simba kurudishwa Afrika

Katika mwezi wa Februari 2014 Simba, simba aliyeokolewa kutoka bustani la wanyama pori kule Ulaya, alisafirishwa na Ndege ya mizigo ya KQ kutoka London kupitia Nairobi hadi Lilongwe nchini Malawi ambako aliungana na Bella, simba jike ambaye pia yeye aliyeokolewa kutokana na hali ya kufungiwa kama hii. Haya yalifanyika kwa ushirikiano na Born Free Foundation. Wanyama hawa wawili hivi sasa wako salama katika mbuga ya pori ambapo wanatarajiwa kujamiiana na kuzaa katika mazingira yao asilia.

Tuzo za Uchukuzi wa Shehena kwa ndege:

Katika mashindano ya Air Cargo News Awards ya 2013, kitengo cha KQ Cargo kilishinda tuzo la ubora la Best African Airline Award; ushindi huu ulirudiwa tena mwaka huu wa 2014. Uteuzi na upigaji kura hutekelezwa na kulingana na mashirika ya kusafirisha Shehena pamoja na wasafirishaji binafsi kutoka kote ulimwenguni. Hii kwa mara nyingine tena inadhahirisha kuaminika kwetu kunakozidi na kutambulika kwa KQ Cargo katika nyanja ya kimataifa, kwenye sekta ya uchukuzi.

UTENDAJI

Mfumo huitwao On Time Performance (OTP) hutumika kama kigezo cha uthabiti wa utenda kazi. Katika mwaka huu tunaouangazia, shirika hili la ndege limeonyesha kuimarika katika vigezo hivi vya OTP inapoegezewa wiki hadi wiki. Shabaha yetu ilikuwa 85% kwa dakika 15, na tuliweza kufikia 83% katika mwaka wa 2013/14 ikilinganishwa na 81% katika 2012/13. Tuliweza kupata ufanisi wa OTP ya 89% ikilinganishwa na 85% katika mwaka uliotangulia. Ufanisi ulifikiwa licha ya kuwepo kwa ukatizaji shughuli kutokana na ule moto JKIA mnamo Agosti 2013, na athari zake kwa muundo msingi na uunganishaji. Tangu kutokea kwa moto huo, tumefaulu kurudisha hali ya kawaida licha ya vikwazo vilivyokabili shirika hili vya kupata sehemu za kuegesha ndege. Tulianzisha usafiri wa mabasi wa masafa yalozidi ya uwanjani hadi jukwani kwa abiria wa kuingia na wa kutoka, na kushughulikia mifuko ya abiria kwa masafa yalozidi, hasa zaidi kwenda katika kituo cha muda cha kulaki wanaoingia hali ambayo ilikuwa na athari ya moja kwa moja dhidi ya uwezo wetu wa kuwasilisha uthabiti katika utendakazi wetu.

IDARA YA KIUFUNDI

Katika kipindi cha mwaka tunaoukariria, idara hii ilifanikiwa na kuidhinishwa katika ukadriaji unaoendelea wa EASA wa uwezo wa ndege kuwa hewani na kuongezea sehemu zaidi za kukadiriwa. Kubadilishwa kwa breki za ndege na usimamizi wa vifaa vya uokoaji ziliongezwa kama maeneo ya kukadiriwa. Muhula unaofuata tunatarajia eneo la ukadriaji hadi kwa Urekebishaji ule wa Base and Line Maintenance. Ukadriaji unatarajiwa kutekelezwa katika mwaka wa kifedha unaokuja kuanzia Oktoba.

Utumaji wa kiufundi uliokuwepo wa ndege kwa mwaka wa kifedha 2013/14 ulikuwa 97%. Hii ni ongezeko la 1% ikilinganishwa na mwaka uliyotangulia. Hii ilitokana na kuanzishwa kwa urekebishaji

wa kutabiria. Idara ya kiufundi ilianzisha shughuli ya kuchunguza kubainisha makosa kwa usaidizi wa washauri kutoka nje wakitia mkazo upatikanaji na kutegemewa. Matokeo ya shughuli hii inayoendelea yatatekelezwa tunapoendelea mwakani.

Kati ya Mei 2013 na Aprili 2014, Wahandisi arobaini na tano (45) walifanikiwa kupata mafunzo ya mitambo ya B787-8 katika kituo cha Boeing katika makundi matatu. Hivi sasa, mawili kati ya makundi hayo wamekamilisha mafunzo wakiwa kazini, halafu watafuatiliwa na kundi la tatu. Wahandisi hawa walipata ujuzi sasa wanatumia ndege aina ya B787-8 wakati wa mafunzo yao ya kupaa, ukaguzi na urekebishaji.

Ukaguzi wa maumbo mapana sehemu katika za kuunganishia ulifanikiwa kuanzishwa mnamo Disemba 2013. Sehemu hizi za kuunganishia zilitayarishwa na shirika la ZZ aircraft support industries mjini Shanghai na zilibunwa ili kuhimili kazi nzito ya urekebishaji kwenye ndege za Boeing 767, 777 na 787. Mafundi wa kurekebisha ndege zinakoegeshwa sasa wanaweza kufikia kwa urahisi na kwa njia salama maeneo mbali mbali katika ndege kama inavyohitajika kwa urekebishaji mdogo na mkubwa.

Kutokana na hali ya ushindani iliyoko katika biashara ya ndege ndogo (humu nchini na katika eneo), hivi sasa kunahitajika safari zaidi za ndege wakati wa mchana. Kwa hivyo hii inaleta mwenendo mwingine ambapo urekebishaji wa ndege unaweza tu kufanyika usiku. Kuanzia Januari 2014, shirika lilianzisha mfumo wa ukaguzi wa usiku wa A-check ambao umeweza kuleta faida zaidi kwa safari za ndege kwa takriban masaa 140 zaidi kila mwezi. Hii imesababisha kupatikana zaidi kwa ndege za umbo dogo kuendeshea shughuli.

Wahandisi wetu wamefanikiwa kupitia mafunzo ya kozi yalioidhinishwa ya B787 katika kiwanda cha Boeing cha mafunzo kule Seattle. Sita (6) miongoni mwao tayari wameidhinishwa kama wakadriaji na Boeing na hivi sasa wanawafunza wahandisi katika mpango wa mafunzo huku wakiwa kazini.

ONGEZEKO LA IDADI YA NDEGE

Mwaka unaokaririwa:

Katika mwaka huu wa kifedha wa 2013-14 kulishuhudiwa ongezeko la idadi ya ndege za KQ. Shirika lililipokea ndege mpya za kwanza tatu (3) aina ya B777-300ER na moja miongoni mwa tisa (9) mpya aina ya B787-8 Dreamliners. Tukio hili lililokuwa linatarajiwa kwa muda mrefu lilifanikiwa baada ya jitihada za miaka kadhaa pamoja za wafanyakazi wote wa KQ na timu ya wasimamizi wao, kukiwa na usaidizi mkubwa kutoka Boeing, General Electric, wagawaji wengine, wauzaji na mawakala wengine wa nje. Kuongezea, ndege tatu (3) mpya miongoni mwa zingine kumi (10) aina ya E190 za kutumika katika eneo ziliwasilili na kuongeza idadi ya ndege kufika 15, na ndege ya pili aina ya 737-300F ya uchukuzi wa mizigo eneo hili kusaidia ukuaji unaotarajiwa wa uchukuzi shehena katika eneo la Afrika Mashariki. Mwisho wa mwaka wa kifedha idadi ya ndege, ikijumuisha B737-300F ndege ya uchukuzi katika eneo hili na ile ya B737-300 inayotayarishwa kuanza safari ili kusaidia kampuni yetu tanzu ya malipo nafuu ya JamboJet ilikuwa idadi ya ndege 47, ikiwa ni ongezeko kutoka 42 mwanzoni wa mwaka.

Taarifa ya Afisa Mkuu Mtendaji

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Aina ya Ndege	1 Aprili, 2013	31 Machi, 2014
787-8	0	1
777-300ER	0	1
777-200ER	4	4
767-300ER	6	6
737-800	5	5
737-700	4	4
737-300	5	4
737-300F	1	2
E190	12	15
E170	5	5
Jumla	42	47

Mwaka tunaoukabili

Katika mwaka ujao wa kifedha wa 2014/15 kunatarajiwa kuwa na mabadiliko zaidi katika idadi ya ndege kukiwa na ndege kumi na nne (14) zitakazoondolewa katika idadi na zingine kumi na moja (11) mpya zikijiunga. Ndege za B787-8 zitachukua nafasi ya zile za B767-300 kwa mfumo wa moja kwa nyingine. Zile za B777-300ERs husaidia ukuaji wa ujazo. Aina ya B737-300s zinaondoka wakati ule JamboJet inapopata cheti cha Kuendesha shughuli na kuweza kujiamulia aina ya ndege inazohitaji. Mbili ya zile za E170s zitarudishwa kwa mkodishaji na mbili aina ya B737-800s, zitabadilishwa kwa ndege mpya za kukodisha.

Mabadiliko haya hapo juu yanaonyesha kujitolea kwa KQ kuleta ndege mpya ili kutoa huduma za hali ya juu kwa wateja wake, kuwa za kutegemewa zaidi na njia bora za kupunguza gharama kupitia matumizi mazuri ya mafuta na usamamizi bora wa gharama.

Mustakabala:

Kwa kutumia toleo la tatu la mradi wa usimamizi kundi la ndege wa Project Mawingu kama muongozo, kazi karibu itaanza ya kupanua zaidi, kufanya za kisasa na kurahisisha kundi la ndege za KQ. Katika muda wa miaka 10 ijayo, idadi ya ndege inatarajiwa kuongezeka hadi ndege themanini na mbili (82), kushughulikia uondoaji wa ndege zote zilizodumu kwa muda wa takriban miaka 8, na kupunguza saba (7) miongoni mwa aina ya ndege muhimu hadi aina ya nne (4).

SHUGHULI ZA MAUZO

Kenya Airways wanatilia mkazo zaidi juhudi za kuiweka nembo katika nafasi thabiti na kubuni huduma mpya ikiungwa mkono na mkakati wa matangazo ya mauzo kote katika mtandao wake.

Katika kipindi cha mwaka tunaouzungumzia, ili kushadidi mipango ya shughuli za mauzo ya humu na kuboresha ahadi ya chapa ya Kenya Airways na maadili kwa wafanyikazi wake wote, idara ya mauzo ilifanikiwa kutekeleza mpango wa kuwa na Balozi mwakilishi wa Chapa iliyopelekea wafanyikazi wa mauzo na wasiokuwa wa idara ya mauzo na makundi ya huduma kwa wateja kuzawadiwa kwa kuwasilisha biashara mpya iliyolengwa kwa viwango vilivyowekwa. Ni jambo linalostahili pongezi nyingi kwa

wafanyi kazi wasio wa mauzo kuweza kuuza thamani ya Shilingi Milioni 100 ya biashara mpya.

Ndege mpya ya kisasa aina ya B787-8, moja miongoni mwa tisa, iliioletwa na kuanza shughuli mwisho wa mwaka huu wa kifedha, hii imepokewa vizuri sana na wageni wetu ambao hutarajia huduma za haadhi ya kimataifa. Zile mpya aina ya B787 zitawafaidi wageni wetu ikiwa ni pamoja na dirisha zinazoweza kupunguzwa miale ya mwangaza, taa zenye nguvu, vyumba vyenye mwinuko wa chini, na hewa safi vyumbani.

Kenya Airways inajitahidi kufikia kiwango cha juu zaidi cha kimataifa kwenye ukadriaji wa mashirika ya ndege wa Skytrax. Kufanikisha dhamira hii, kundi la kitengo cha mauzo limezindua mradi wa huduma bora kwa wateja. Kundi la kitengo cha uuzaji wanaunga mkono mpango wa humu ujilikanao kama, "Living the Kenya Airways Brand", ambao unatilia mkazo uwasilishaji wa Chapa bora zaidi kwa wageni wetu wa humu na wa nje.

Huduma hizi mpya, pamoja na kumbi, maendeleo mapya katika uwanja wa JKIA - Unit 4, ni ubunifu unaoleta matumaini kwenye safari yote ya mteja na imesababisha maoni yenye matumaini kutoka wateja kutokana na maingiliano na sehemu ya mauzo na utafiti kwa wateja wetu.

Kusherehekea zaidi ya miaka 36 ya chapa ya KQ, kampuni hii ilizindua kampeni ya mauzo ijulikanayo kama "Flight of a Lifetime Campaign" kuupatia umuhimu ndege mpya ya Dreamliner. Kampeni hii ya mauzo ilifanikiwa ilipotekelezwa na ilisababisha ufahamu mkubwa wa bidhaa hii mpya na kusherehekea kuanzishwa kwa ndege chapa mpya kwa jina; the "Great Rift Valley" kwa ndege ya kwanza ya B787. Shughuli zingine mbali mbali kote duniani zinaendelea kutilia nguvu msukumo wa kutangaza huduma mpya za kisasa zinazotolewa na shirika hili la ndege.

Shirika lilishinda tuzo nyingi za humu ikiwa ni pamoja na, tena kwa mara ya pili, zile za "Best Cargo Airline in Africa 2013/14", "Africa Leading Airline - Business Class 2013 World Travel Awards", "Best in Strategy by CEO", na katika muda wa miezi tatu inayofuatana tuzo la, "Best Airline on time performance out of Heathrow".

Uthamini

Kenya Airways hukuza vipawa vya wanamichezo hapa Kenya

Kenya Airways wanaendelea kutoa uthamini wa shughuli mbalimbali za sekta ya michezo na za nchi kwa jumla katika kipindi cha mwaka wa kifedha wa 2013/14. Bila ya shaka Kenya Airways wameonyesha wazi jinsi wanavyoingia mkono ustawi wa michezo hapa Kenya.

Kila mwaka, shirika hili la ndege hutoa ufadhili wa mamilioni ya shilingi kuunga mkono michezo tofauti tofauti. Itifaki ya ufadhili wa michezo, wakichukua jukumu hili kutokana na kuona haja ya kukuza vipawa vilivyojaa tele humu nchini, ikiwa ni pamoja katika Ragbi, Riadha na Mbio za magari.

Taarifa ya Afisa Mkuu Mtendaji

inaendelea

Kwa mujibu wa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kundi - Dakt. Titus Naikuni, shirika linatambua jukumu la kipekee la michezo la kuletea sifa ya taifa la Kenya kutambulika na hivyo basi twajivunia kuwa na fursa ya kuunga mkono ustawi wa michezo hapa nchini.

Ragbi

Kutokana na uthamini wa Kenya Airways kwa Timu ya Ragbi ya Kenya Sevens kama mthamini wake rasmi kwa kipindi cha miaka minne iliyopita, ragbi imestawi zaidi na kuwa moja ya michezo inayopendwa sana humu nchini. Timu hii ambayo imeweza kugeuka kuwa wachezaji wa kulipwa kutoka na uthamini wa Kenya Airways ni moja ya wawakilishi wakubwa wa chapa ya Kenyan.

Kwa ajili ya michezo ya mwaka wa 2013 ya msururu wa michuano ya Ragbi ya kimataifa ya International Rugby Board (IRB) Seven World Series, Shirika hili limeshuhudia kuongezeka kutambulika zaidi ulimwenguni. Kwa sababu hiyo, hivi leo timu ya Kenya ina nafasi yake muhimu katika ulimwengu wa ragbi na iko miongoni mwa timu kumi bora ulimwenguni katika Hongkong and Shanghai Banking Corporation (HSBC) World Sevens Series, ambayo ni moja ya ligi za haadhi ya juu. Mchezo huu umepata mashabiki wengi zaidi wenye uaminifu mkubwa kutokana kwa Wakenya kote ulimwenguni. Ragbi sio mchezo tu, bali sasa umekuwa ni kama utamaduni unaovutia uthamini kutoka mashirika mengine.

Katika kuonyesha kujitolea kwake kuunga mkono kudumisha maendeleo ya mchezo huu wa ragbi, katika kipindi cha mwaka tunaozungumzia, Kenya Airways pia walithamini timu ya shule ya Independent Association of Prep Schools' Under-13 Sevens Rugby kuweza kushirika katika michuano ya Rosslyn Park Prep Schools Tournament, ambayo ndiyo mikubwa zaidi ya ragbi ya wavulana wa shule kote duniani.

Riadha

Shiriki hili lilidhamini mbio za masafa marefu za kila mwaka za Kenya Airways Maasai Mara Marathon kule katika Lemek Conservancy mwaka wa 2013, ambazo zimesaidia wanariadha wengi chipukizi kujiingiza katika riadha ya kulipwa. Mwaka huu, washindi waliongoza katika Maasai Mara Marathon 2013 walishiriki katika mbio za London Marathon.

Mbali na kukuza vipawa vya wanariadha, mbio hizi za Maasai Mara Marathon hutoa fursa ya kusaidia ustawi wa utalii wa spoti hapa Kenya. Mbio za nusu marathon za Kilomita 21 kwa washiriki wa kibinafsi na zile za kilomita 5 za wakimbaji binafsi au timu za mashirika zilivutia washiriki wengi kutoka humu nchini na wa kimataifa, wanaopenda ujasiri wa kuisimua kwa kukimbia mbugani. Mbio hizi za marathon pia zimesaidia kuchangisha pesa kwa miradi mbali mbali ya maendeleo katika maeneo hayo.

Mbio za Magari

Kenya Airways ilitoa udhamini kwa mbio za magari za East Africa Safari Classic Rally, ambazo zilifanyika mnamo Novemba 2013. Mashindano haya ya magari, yalitajwa kama "majaribio makubwa zaidi binadamu na mashini kuwahi kubuniwa katika ulimwengu wa mbio za magari" na jarida la Moring New, yalishuhudia washiriki

walikuja na magari yao ya kisanaa kutoka sehemu zote za dunia kupitia Bahari ya Hindi ili kuja tu kushiriki katika mchezo huu wenye sifa kubwa.

Kenya Airways imefanya ushirikiano na East African Safari Classic Rally tangu mbio za kwanza kufanyika mnamo mwaka wa 2003, katika kutambua urithi mkubwa wa mbio za magari hapa Afrika Mashariki na jukumu lake la kukuza utalii wa spoti kama kivutio cha watalii.

WAFANYIKAZI WETU

Kufikia tarehe 31 Machi 2014, hesabu ya wafanyikazi wote wa Kenya Airways ilitimu 3,989, kukiwa na wafanyi kazi zaidi 517 wanakandarasi kutoka nje, hasa zaidi katika idara za Shughuli za Urubani na Huduma za Uwanjani. Hii haionyeshi kuwoko kwa ongezeko la idadi ya wafanyikazi wa kudumu katika kipindi cha miaka iliyotangulia. Katika juhudi za kuthibiti gharama zinazozidi kuongezeka za wafanyikazi, Kampuni inaangalia kwa makini mahitaji ya ongezeko lolote la wafanyikazi, na kutambua zaidi uwezo wa wafanyikazi waliyoko hivi sasa ili kuhepuka kuajiri wafanyikazi zaidi. Uamuzi ulifanywa wa kutumia wafanyikazi wanakandarasi kutoka nje ya kampuni zaidi inapohitajika.

Usimamizi wa Vipawa

Katika mwaka huu tunaozungumzia, katika kusimamia uwezo wa watu wetu, tulitilia maanani zaidi kusaidia kuunda upya shughuli za biashara katika maeneo muhimu na kuwa na idadi ndogo ya wafanyikazi na hapo hapo kuwasilisha matarajio ya Kampuni hii. Katika mwaka huo, mpango wa kupokezana wadhifa ulifanywa ili kutambua mahitaji muhimu ya maendeleo ya warithi wa nyadhifa muhimu katika kazi hii, na kubuni vipaji na ujuzi kwa kila wadhifa. Katika kukagua kulizingatiwa zaidi kote katika maono na uwezo wakati wa kuajiri upya na hata kwa wafanyikazi walioko sasa, ikli kupatiana wadhifa kwa wafaa na kupatia kipaumbele mipango maridhwa ya maendeleo.

Mafunzo na Maendeleo

Katika mwaka wa 2013/14 kundi hili liliendelea kusaidia katika ustawishaji wa uwezo wa uongozi na utekelezaji wa mipango ambayo tayari imeshawekwa.

Mafunzo ya Shirika

Kutekelezwa kwa mipango ya maendeleo ya uongozi iliyoko hivi sasa kuliendelea katika mwaka wa 2013/14. Itarajiwa kuwa mipango hii, hasa ile ya 'Utendakazi bora wa Binafsi' na ya 'Kujifunza Uongozi' hapo baadaye itajumuishwa kwa wafanyikazi wote wanaochukua wadhifa wa uongozi/ umaneja, ikiwa ni pamoja na marobani wanaopanda vyeo vya uongozi na kuwa Kapteni. Mipango hii inayozungumziwa ili auniwa pia na kozi katika "Usimamizi Binafsi wa Kifedha" uliohudhuriwa na wafanyikazi 172.

Tumejumuisha usimamizi wa Kifedha Binafsi kama kozi asili ili kuwawezesha wafanyikazi wetu kufanya mipango kikamilifu ya fedha zao binafsi. Katika mwaka uliotangulia wa kifedha tuliwapa mafunzo wafanyikazi 322 katika programu hii.

Taarifa ya Afisa Mkuu Mtendaji

inaendelea

Mazoezi na Ushauri

Kuboresha juhudi za kustawisha uongozi, mpango wa mazoezi na ushauri ulianzishwa katika shirika. Matarajio yetu yakiwa ni kukuza utamaduni wa kufundishana katika shirika hili. Tuliandaa wasimamizi wakuu 88 kwa ujuzi wa kufunza na kusauri na kuwapa wafanyakazi watakaokuwa chini yao kujifunza na kushuriwa. Katika mwaka uliopita, idara hii ilifaulu kuwafunza wafanyakazi 111 katika mpango huu. Manufaa makubwa ya mpango huu ni kuwatolea wafanyakazi njia muafaka ya kujumuika pamoja, kujifunza na kujikuza wakiwa katika Kampuni hii wanapoendelea na kazi yao.

Mafunzo ya Kiufundi

Katika mwaka wa kifedha wa 2013/14, shule ya kutoa Mafunzo ya Kiufundi iliendelea kufanya kozi za kuhakikisha kunakuwa na wafanyakazi wenye ujuzi unaoweza kusaidia ukaguzi na urekebishaji wa ndege. Hii ilijumuisha kozi za Uhandisi, kozi za usafiri, pamoja na mafunzo mengine ambayo ni hususan kwa ndege ya E190/170, hasa kukizingatiwa kuendelea kukuwa kwa kundi la ndege zetu.

	Kozi	Idadi ya Waliohudhuria
1	Certificate in Airline Cabin Crew	109
2	Certificate in Airline Passenger Services	117
3	Certificate in Weights and Balance	7
4	Diploma in IATA Tourism and Travel - Foundation	33
5	Diploma in IATA Tourism and Travel - Consultant	25

Katika mwezi wa Mei 2013 KQ ilikuwa kituo cha kwanza cha mafunzo ulimwenguni kuidhinishwa na kuteuliwa na shirika la IATA kutoa vyeti 3 vifuatavyo: Approved Training School for DGR & Cargo, Approved Training Centre & Regional Training Partner. Kuongezea hayo, tulitia saina makubaliano ya kushirikiana na chuo kikuu cha JKUAT ya kutumia kituo chetu cha Pride Centre kwa mafunzo ya shahada ya juu, na kuwapunguzia malipo wafanyakazi wa KQ wanaosomea shahada hiyo ya juu. Chuo hiki cha mafunzo pia kimeanzisha tovuti yake ambayo ni - www.kqpridecentre.com

Uhusiano na Wafanyakazi

Kuboresha uhusiano na wafanyakazi kati ya Kampuni na vyama vya wafanyakazi kulipewa umuhimu mkubwa, Shirika likikubali kutambua chama kipya cha wafanyakazi kilichosajiliwa hivi karibuni, The Kenya Aviation Workers Union (KAWU), ambacho hivi sasa kinawakilisha wengi wa wafanyakazi wanaoweza kuijunga na vyama vya kutetea haki ya wafanyakazi. Vyama vingine kama vile Kenya Airline Pilots Association (KALPA), na National Union of Air Transport Employees (NUATE, Nigeria) bado vingalipo.

Chama cha marubani cha Kenya Airlines Pilots Association (KALPA)

Tulifanya majadiliano na viongozi wa vyama vya wafanyakazi kupitia vikao vya Mkurugenzi Mkuu wa Kundi na KALPA vya mara nne kila mwaka, na vikao vya kamati za Vyao na Upandaji wadhifa, pamoja na mikutano mingine iliyoitishwa kulipohitajika. Marobani wote walipata nyongeza ya 7.5% ya mshahara katika

Katika mwaka huu tunaoukariria tulishuhudia kuweko kwa kozi za kujikumbusha/ za kuendelea kwa wafanyakazi wetu wa ufundi ili kuhakikisha kuwa wanakuwa ni wajuzi wa mambo ya sasa kuambatana na vigezo vya Kenya Civil Aviation Regulations. Vile vile kulikuwa na mafunzo maalum kule Seattle na pia humu nchini, katika kujitayarisha kuingia huduma ya ndege za aina ya B787 Dreamliner.

Jambo muhimu kwa mwaka huu wa kifedha wa 2013/14 ilikuwa kujishughulisha kwenye uanagenzi kwa kuandikisha wale waliokuwa wamepata mafunzo hapo awali katika chuo cha uhandisi cha NYS Engineering College. Tayari wameshachukuliwa na kuajiriwa katika sehemu za uzalishaji za Idara ya Kiufundi ili kupata mafunzo wakiwa kwenye kazi.

Mafunzo ya Utendaji

Kwa maeneo mengine ya utendaji, tulifanya mipango mingine kwa wafanyakazi ambao kwa ujumla wanatarajiwa kuwa watahiniwa wa ajira kutoka nje kama ifuatavyo:

mwaka huo, kutokana na mkataba uliyokuwa umeafikiwa na kutiwa saina katika mwaka wa 2012.

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

Shirika bado liko na kesi katika Korti ya Rufaa kuhusu kupunguza wafanyakazi kulikotekelezwa katika mwaka wa kifedha wa 2012/13 chini ya mpango wa kuleta uwiano kwa wafanyakazi.

Uanachama katika AASWU umepungua sana baada ya kuundwa na kusajiliwa kwa chama kipya cha KAWU.

Chama cha marubani cha Kenya Aviation Workers' Union (KAWU)

Shirika na Chama hiki waliweza kukamilisha maelewano yaliyokuwa yamechelewehwa na kuafikia makubaliano ya pamoja yaani CBA yaliyowatunza wanachama na ongezeko la 5% kwa mwaka la mshahara katika kipindi cha 2012 - 2014. Mikutano ya mara kwa mara ya Wasimamizi na Vyama hufanyika ili kutathmini utenda kazi wa Uongozi wa Chama.

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

Shirika lilifanya majadiliano na chama hiki nchini Nigeria na pande zote mbili kutia saina Mkataba wa mwaka mmoja wa kuongeza mshahara kwa 12% kwa mwaka.

Taarifa ya Afisa Mkuu Mtendaji

inaendelea

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

Shirika lilitambua chama kipya nchini Uganda - the Amalgated Air Transport and General Workers Union, ambacho kimetoa pendekezo la makubaliano ya pamoja yaani CBA ambalo linachunguzwa hivi sasa.

Uganda kuna wafanyikazi 19 waliyo na uwezo wa kujiunga na vyama vya wafanyikazi (H1-H9).

MFUMO WA MAWASILIANO (IS)

Boeing 787 e-Enabling

Mradi uliyo muhimu sana kwa kundi la mfumo wa mawasiliano kupitia internet katika kipindi cha mwaka tunaokariria ilikuwa ule wa Boeing 787 e-Enabling. Mradi huu ulianzishwa mnamo Februari 2013 kutekeleza ulingo wa e-Enabling kama ulivyopendekezwa na Boeing kwa ndege aina ya B787. Madhumuni ya ulingo huu wa e-Enabling ni kuhakikisha uhawilisho kwa njia salama programu za ndege ya B787 kutoka hifadhi-data za Boeing hadi kwa hifadhi-data za Kenya Airways na hatimaye kwa ndege ya B787.

Mradi huu ulihusisha makundi ya wafanyikazi maalum wenye ujuzi anuwai waliokuja kutoka idara inayosimamia mawasiliano kupitia mtandao wa internet, idara za Ufundi na za Shughuli za Urubani. Kituo maalum cha data hususan kwa B787 kilibuniwa katika mwezi wa Oktoba 2013 katika ofisi za KQ. Uwekaji wa programu za Boeing na mfumo wa uwanjani wa e-Enabling ulikamilika katika Disemba 2013 katika kituo msingi cha data. Kituo cha sehemu ya pili cha data kilibuniwa na kuanzishwa katika sehemu ya mbali mnamo Machi 2014.

Chini ya usimamizi wa Boeing, timu ya mradi huu wa e-Enabling iliweza kukamilisha mifumo ya e-Enabling kwa shughuli za biashara. Mifumo hiyo ilikuwa imethibitishwa mnamo January na February 2014 kote katika kituo cha data cha Kenya Airways 787 na kile cha mahabara ya Boeing e-Enabling kule Seattle, USA. Kwa mujibu wa mahitaji ya vigezo vipya vya 787 mifumo hii ya e-Enabling na utaratibu wake viliidhinishwa na Halmshauri ya Kenya Civil Aviation Authority mnamo Februari 2014.

Kupakuliwa kwa program za ndege ya kwanza ya Kenya Airways ya 787 kulifaulu kufanyika katika kituo cha kupokeza cha Boeing na wahandisi wa Boeing pamoja na kundi la Kenya Airways la e-Enabling mnamo tarehe 31 Machi 2014. Hii ikiwa ni kilele cha kazi kubwa na kujitolea kwa kundi la e-Enabling ili kuhakikisha kuweco tayari kwa ulingo wa e-Enabling unaohitajika kuauni shughuli za B787.

Tovuti za KQ Holidays na Pride Center

Katika mwaka tunaouzungumzia, tulianzisha upya tovuti yetu ya www.kqpridecentre.com ili kufanya iwe rahisi kupitia na tukatilia mkazo huduma za wageni wanaofungua tovuti. Ie sehemu ya KQ Holidays katika tovuti pia iliboreshwa na kuzinduliwa na ukuzaji wake unaendelea ili wageni wetu kuagiza sehemu za mapumziko na hoteli katika mtandao wa KQ kote ulimwenguni.

Kile kituo cha mafunzo cha Kenya Airways Training center - Pride Centre kiliwekwa katika ramani ya dunia wakati pale tovuti mpya ya (www.kqpridecentre.com) iliposajiliwa na kuzinduliwa mnamo Januari 2014. Hii imewezesha wageni wetu kuagiza nafasi za kozi katika kituo cha Pride Center moja kwa moja mtandaoni popote walipo.

Upatanisho wa bili ya Uandazi

Kundi la wataalamu wa mawasiliano kupitia mtandao wa internet walibuni mfumo wa kutoa bili ya uandazi chakula ujulikanao kama "iCater system" na ulifaulu kuzinduliwa mnamo Octoba 2013. Mfumo huu umepunguza mpangilio wa kutoa bili kutoka wiki tatu (3) na kupungua hadi siku tatu (3) pekee, nah ii bila shaka inamaanisha kustawi kukubwa kwa utendaji wa shirika hili la ndege.

Huduma za Electronic Miscellaneous Document (EMD) na Airline Ancillary Services (AAS)

Huduma ya Electronic Miscellaneous Document (EMD) ni ya viwango vilivyowekwa na IATA vinavyohitaji mashirika ya ndege kuthibitisha utekelezaji kufikia mwisho wa Disemba 2013. Mpango huu huwezesha upitishaji kutoka nyaraka za karatasi kama vile MCOs (Miscellaneous Charges Orders) na EBTs (tikiti ya mizigo iliyokiuka), ambazo I njia za malipo kama huduma ya ziada kwa abiria (huduma saidizi).

Hii ya Electronic Miscellaneous Document huwezesha huduma saidizi (nafasi ya kunyoosha miguu, dirisha la kutokea, kufikia kumbi, bidhaa,) kugawanywa na kuuzwa kote katika mifumo muhimu ya usambazaji na ulingo hizi ziliwezesha mnamo Januari 2014.

Mfumo wa Market Intelligence Data Tape (MIDT)

Mfumo huu wa MIDT ni kifaa cha kutoa ripoti iliyo na data za mauzo na za shughuli za mauzo za kampuni za ndege washindani wetu ulimwenguni. Mfumo huu uko na data na tarakimu amazo wafanyikazi katika idara ya mauzo wanaweza kutumia ili kufuatilia utekelezaji shuguli wa mashirika ya ndege na mawakala wa usafiri. MIDT hutumiwa na Maneja wa mauzo na Wasimamizi wa mauzo kukagua utendaji kazi wao na kulinganisha na ule wa washindani wengine, ili kuwawezesha kubuni mbinu zitakazowasaidia kuweka malengo mapya na mtazamo wa kuboresha mauzo katika masoko waliyomo.

Programu mbadala za uagizaji tikiti (Alternative ticket payment solutions)

Katika kipindi cha mwaka tunaokariria, shiriki lilianzisha njia ya malipo kupitia simu za mkononi nchini Uganda (Airtel na MTN money), Tanzania (Vodacom Mpesa na Warid pesa) na Cameroon (MTN Money). Hapa Kenya, njia ya kutumia Mpesa kulipia iliwekwa katika mfumo wa kuagiza tikiti wa Altea Reservation system ili kuwezesha ukataji tikiti wa moja kwa moja iwapo mgeni atalipa kupitia Mpesa. Zaidi ya hayo hapa Kenya, malipo ya tikiti kwa kutumia bonga points yalizinduliwa. Katika mwaka huo, njia ya kulipia ya kupitia mtandao ya Paypal iliingizwa kama njia kulipia, hivyo basi kuwapatia wateja njia nyingine mbadala ya kulipia tikiti.

Taarifa ya Afisa Mkuu Mtendaji

inaendelea

Katika mwaka unaokuja, shirika lina mpango wa kuanzisha malipo ya tikiti kupitia Mashini za ATM na Kadi za mkopo (Debit cards).

Mitambo ya SkyTeam

Katika mwaka huo, tuliwasilisha miradi ifuatayo chini mipango ya SkyTeam:

- Mfumo wa SkyTeam Lounge Access Management System (LAMS): Mfumo huu unawawezesha wafanyakazi wa ukumbi kupata maelezo ya mteja kwa wakati halisi kutoka mashirika mengine ya ndege ya SkyTeam kabla ya kuwaruhusu kuingia kwenye eneo la ukumbi Sky Priority lounge katika JKIA.
- Mtambo wa SkyPriority: Mradi huu umewezesha uchapishaji wa pasi za kuingia ndegeni ka mgeni aliye na kadi business card au elite card kuwa na maneno 'SKYPRIORITY' hivyo basi kuwawezesha wafanyakazi wa KQ kuwatambua kwa urahsi wageni wote wa SkyPriority, na kuwatolea huduma zote wanazostahili kulinagna na kiwango hiki cha ugeni wao..

Mfumo wa programu ya usafiri wa wafanyakazi (Staff Travel System)

Katika mwaka huo, mfumo mpya wa program ya kusimamia usafiri wa wafanyakazi ulizinduliwa uitwao "*iSafari*", unawezesha wafanyakazi wote walioko kazini na wale waliostaafu kupanga, kuomba idhini, kuagiza tikiti na kuitisha marupurupu ya usafiri na VISA, yote haya kwa mara moja. Mfumo huu uko na mpangilio wa kazi unaoruhusu wafanyakazi kuomba kupitishwa katika mpangilio maalum wa kuidhinishwa na unaruhusu idhini ya kusafiri kupitia mtandao wakati wowote ule, kutoka mahali popote pale. Mfumo huu unaoana na ule wa kuagiza tikiti wa

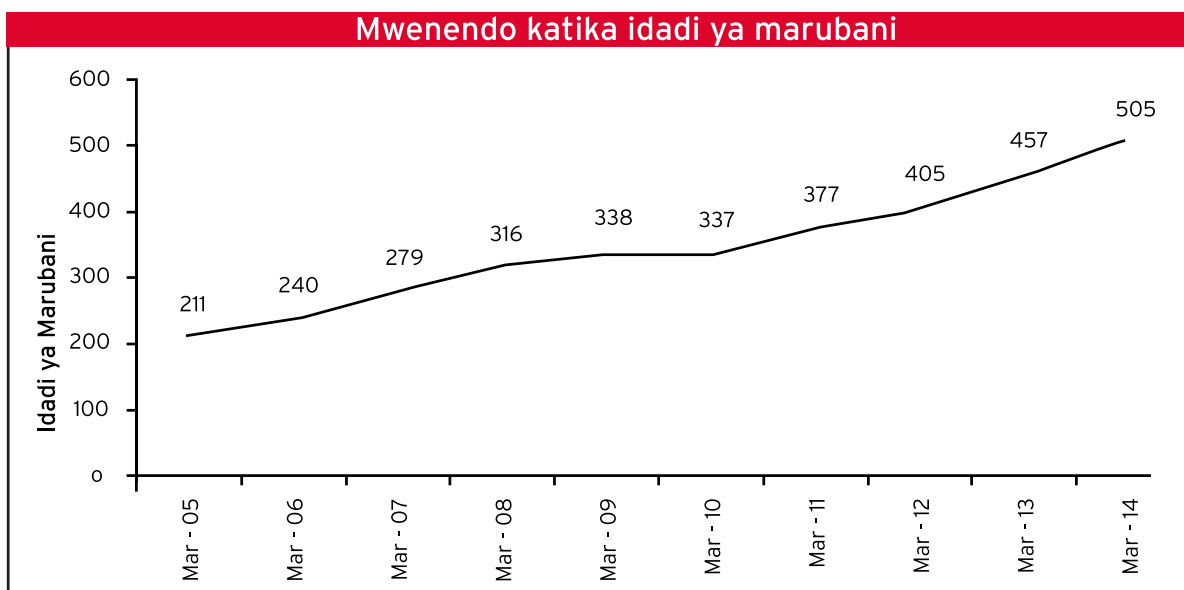
Altea reservation system na unawapatia wafanyakazi nafasi ya kulipa tikiti zao kupitia njia mbali mbali ikiwa ni pamoja na, Mpesa, kadi za mkopo (credit cards) na pia kwenye kaunta za kuuzia.

Usalama wa mfumo wa mawasiliano

Timu ya kusimamia mfumo wa mawasiliano kupitia internet wameendelea kufuatilia mbinu za kuongeza usalama, kudumisha siri, uwazi na kupatikana kwa data za KQ na uwezo wa shirika. Kwa ajili ya haya, mipango miwili muhimu ilianzishwa mwakani ilijumuishwa, utekelezaji wa usimamizi wa Kifaa cha Simu ya mkono, na kuanzishwa kwa Usalama katika mfumo wa mawasiliano katika idara muhimu.

SHUGULI ZA URUBANI

Katika mwaka tunaoukariria, kwa mara ya kwanzaidadi ya marobani ilizidi kile kipimo cha 500 na kufikia idadi ya 505. Jumla ya maafisa 26 wa daraja la kwanza walipandishwa madaraka na kuwa viongozi na kumi na mbili wao (12) makapteni wa kuingia moja kwa moja walijajiriwa kutoka humu Kenya na pia kimataifa. Na zaidi ya hayo, maafisa kumi (10) daraja la pili walijajiriwa kutoka humu nchini katika mwaka huo wa kifedha. Kadeti helathini na tatu (33) wa toka mwanzo walifaulu kumaliza kutahiniwa na wakapatiwa fursa ya kwenda kupata mafunzo ya urubani kule Afrika kusini. Jambo linalostahili kutajwa hapa ni kuwa idadi ya maafisa wa daraja la kwanza wamepata leseni zao za Air Transport Pilots' License (ATPL), hitajio muhimu la kwanza kwa rubani kuweza kupandishwa cheo na kuwa kiongozi katika mwaka unaokuja. Mchoro huu hapa chini unaonyesha mwenendo wa idadi ya marobani katika kipindi cha miaka 10 iliyopita.



Taarifa ya Afisa Mkuu Mtendaji

inaendelea

Tunapoendelea kujitahidi kuwafurahisha wageni wetu mara kwa mara, tuliongeza idadi ya wahudumu katika ndege kwa kuajiri wengine wa nje ya shirika 157 ziada kutoka Kenya na Ghana. Wahudumu hawa wa ndani ya ndege kwanza walipitia ukufunzi wa chini uwanjani na ndani ya ndege kwa muda wa miezi 6.

Ndani ya mwaka huu wa kifedha, tulianzisha mafunzo ya ubadilishaji kwa marubani na wahudumu wa ndani ya ndege katika kuwatayarisha kwa ndege mpya ya B787-8. Jumla ya marobani kumi (10) wawili walifanikiwa kumaliza mafunzo yao ya kutumia chombo cha hali halisi na wahudumu 100 wakiwa pamoja na wahasibu na wale wa ndani ya ndege walimaliza mafunzo yao ya ubadilishaji mwishoni mwa mwezi wa Machi 2014.

Idara hii inaendelea kuthibiti na kusimamia gharama zake kwa kutumia wafanyikazi wa ndege wanaoishi sehemu zao ili kupunguza gharama za hoteli, kwa mfano wafanyikazi wa Thai waliyo katika njia ya Bangkok-Hong Kong, Wafanyikazi wa Ghana wanaoumikia njia ya Accra-Monrovia na Accra-Freetown.

Pia tulifaulu kupunguza jumla yetu ya gharama kwa kila abiria kwa chakula na vinywaji ikijumuisha utoaji gharama ya ndani ya ndege kwa 7% ikilinganishwa na mwaka uliyopita kutokana na kupunguza uharibifu na kuboreshwa kwa usimamizi wa vifaa vya uandazi.

Katika robo ya mwaka huo wa kifedha, matumizi ya Electronic Flight Bag (EFB) Class 3 kwa ndege za Boeing 777 na Boeing 787 yaliidhinishwa na Halmashauri Kenya Civil Aviation Authority. Hii Electronic Flight Bag ni mfumo wa kuonyesha kielektroniki unaodhamiria hasa kutumika katika sehemu ya marobani kuwapa maelezo ya karibu marobani hao, kutoa kifaa cha Aircraft Performance Tool kwa marubani na kuingo kwa wakaguzi wa kuitengeneza ndege. Manufaa yanayotarajiwa kutokana na haya ni pamoja na utendaji kazi bora, matumizi ya shehena kwa njia bora, kuboreshwa kwa maisha ya injini ya ndege na kupunguzwa kwa uzani wa karatasi ndani ya ndege. Kutekelezwa kwa EFB Class 1 katika ndege za Boeing 737 na Embraer hivi sasa kunaendelea.

KUWAJIBIKA KATIKA JAMII (CSR)

Kenya Airways imejitolea kudumisha na kustawisha mazingira tunakoendesha shughuli zetu. Bila shaka, kama Shirika, mchango wetu katika kuhakikisha ustawi imara wa bara letu la Afrika unaendelea kuwa lengo letu muhimu zaidi.

Katika kipindi cha mwaka tunaoukariria, tulizidi kuunga mkono juhudi za kielimu, michezo na idara zingine mbali mbali kwa njia ya kuwatolea tikiti za bure na tikiti zenye kipunguzo cha bei, ufadhili wa pesa pamoja kuhusika kwa wafanyikazi wetu. Shirika hili la ndege pia liliendelea kuwekeza katika kuboresha hali ya maisha ya wanajumuiya katika sehemu mbali mbali tunakotoa huduma zetu.

Kenya Airways inaendesha mpango kabambe wa kuwajibika katika maswala ya kijamii. Tumewekeza katika miradi ya kukuza hali ya elimu, kuboresha njia za kupata maji na huduma za afya, na utunzaji wa mazingira kote katika mtandao unaoendelea kupanuka wa Kenya Airways.

Katika kipindi cha mwaka tunaouzungumzia tuliungana na mashirika mengine yaliyo na maono sawa nasi na kutekeleza baadhi ya mipango ya kijamii. Kwa ajili ya hii, miongoni mwa washirika wetu walikuwa: "Born Free Foundation" na "Hands off Our Elephants" kwa mipango ya ulindaji wanyama pori; pamoja na "Lemek Conservancy Council", katika kuchanga pesa za ujenzi wa muundo-msingi kwa shule na hospitali, kando na kutoa maji safi ya kunywa.

Tunajivunia mipango ya kijamii iliyotimizwa katika mwaka huo wa kifedha na hii inajumuisha ifuatayo:

- Elimu: KQ ilisaidia katika ujenzi wa shule ikiwa ni pamoja na; bweni katika shule ya Esageri ya watoto viziwi kule Baringo County kwa Kshs Milioni 3.5; mahabara ya sayansi katika shule ya upili ya Songeni Mixed kule Makueni County kwa Kshs 3,089,459; madarasa mawili katika shule ya msingi ya Ongora kule Rongo County kwa Kshs 5,000,000; na nyumba ya kulia, mahabara, bweni

katika Shule ya upili ya wasichana ya Namunyak Girls Secondary School kule Narok County kwa Kshs 11,400,000.

- Mazingira Tulifanya mpango wa kupanda miti asilia katika msitu wa Ngong Hills kupitia juhudi za Kenya Airways' "Plant a Future" ambazo zilianza miaka sita iliyopita, zilizoshinda tuzo ya 2008 Eco Challenge award katika mrengo wa makampuni. Hivi sas tuna mpango wa kupanda miti 250,000 zaidi ili kufikia lengo letu la miti milioni 1.
- Kampuni pia ilichanga Kshs Milioni 5 kwa kampeni ya "Hands off Our Elephants".
- KQ ilihusika katika utekelezaji wa mpango wa Carbon Offset Program uliobuniwa kwa ushirikiano na IATA kuwapa wageni fursa ya kuondoa hewa ya Carbon dioxide (CO2) ihusishwayo na urukaji wa ndege.
- Maji: Kampuni hii ilichanga kiasi Kshs 3,000,000 kwa ujenzi wa kisima kule Tala, Mwala County Mashariki mwa Kenya.

Tunaposonga mbele, mipango ya kijamii ya Kenya Airways itaendelea kuwa kiungo muhimu cha vile tutakvyoendesha biashara yetu. Kama shirika linalowajibika na la usafiri wa ndege la haadhi ya kimataifa linaloendesha shuguli zake katika sehemu zaidi ya 60, tutazidi kuchangia na kuwekeza katika mipango ya kuinua hali ya jamii katika sehemu tunapoendesha shuguli zetu.



Dakt. Titus Naikuni

Mkurugenzi Mkuu na Afisa Mkuu mtendaji wa Kundi

Huduma za Kampuni kwa Jamii (CSR)



Dkt. Titus Naikuni akitoa vitabu kwa mwalimu mkuu wa shule ya wasichana ya Namunyak Girls Secondary School kule Narok County. KQ kupitia mchango kutoka mbio za Maasai mara marathon wanajenga ukumbi wa kulia chakula, mahabara na bwani katika shule hii.

Mkurugenzi Msimamizi wa Fedha wa Shirika Alex Mbugua anajiunga kusherehekea na wanafunzi wa shule ya watoto viziwi ya Esageri School for the deaf katika Baringo County baada ya kuzindua rasmi ujenzi wa bwani.



Timu ya Kenya ya Ragbi Kenya Rugby Sevens ikiwa katika mchuano. Kenya Airways inaendelea kudhamini timu hii ya Ragbi 7s kama sehemu ya mpango wa Kampuni hii ya udhamini wa michezo.



Kenya Airways Board of Directors is responsible for the overall governance of the airline and is accountable to the shareholders for ensuring that the company complies with the law and the highest standards of best practices in corporate governance and business ethics.

The Directors are committed to fostering a culture that values ethical behaviour, integrity and respect and the need to conduct the business and operations of the airline and the group in accordance with generally accepted corporate practices. The Directors believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

Board of Directors

The Articles of Association of the Company provide that the business and affairs of the airline are to be managed under the direction of the Board.

The Board clearly understands its role, powers, duties and functions.

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

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

The full Board meets at least five times a year.

The Directors receive all information relevant to the discharge of their obligations in accurate, timely and clear form so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues. In line with good governance practice, the Board has delegated authority for conduct of day-to-day business to the Group Managing Director and Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the airline's overall internal control of financial, operational and compliance issues as well as implementing strategies for the long-term success of the airline.

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

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

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

Dr. Kamau Thugge, Principal Secretary to the National Treasury and Mr. Nduva Muli, Principal Secretary, Ministry of Transport are also members of the Board.

Their contribution is invaluable to the success of the airline.

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

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

Committees of the Board

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

Audit and Risk Management Committee

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

Corporate Governance

continued

Staff and Remuneration Committee

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

Nominations Committee

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

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

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

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

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

Internal Controls

The Group has defined procedures for internal controls to ensure the integrity of the assets of the airline and the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and

that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out to audit and review the activities of the Group. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Weekly meetings are held by executive management to monitor performance and to agree on measures for improvement.

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

Internal Audit

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

External Auditor Relationship

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

Code of Ethics

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

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

Corporate Governance

continued

Communication with Shareholders

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

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

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

Directors Emoluments and loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2013/14 is disclosed in the notes to the financial statements. At no time during the year was there any arrangement to which the company was a party, whereby Directors acquired benefits by means of transactions in the company's shares outside applicable law.

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

There were no Directors' loans at any time during the year. Directors' interests in the shares of the company, the distribution of the company's shareholding and analysis of the ten largest shareholders as at 31 March 2014 were as follows:-

Directors' Interests

Name of Director	Number of Shares
Cabinet Secretary to the National Treasury	445,920,557
Evanson Mwaniki	42,378
Alex Mbugua	25,426
Dinesh Kapila	16,951
Ayisi Makatiani	15,700

Principal Shareholders

The ten largest shareholdings in the Company and the respective number of shares held as at 31 March 2014 are as follows:

Name of shareholder	Number of shares
1. Cabinet Secretary to the National Treasury	445,920,557
2. KLM - Koninklijke Luchtvaart Maatschappij	400,020,026
3. Standard Chartered Nominees Ltd Non Resident A/c KE11752	143,000,000
4. Standard Chartered Nominees Ltd A/c KE 17682	71,116,080
5. Standard Chartered Nominees Ltd A/c 9187	25,536,865
6. Standard Chartered Nominees Ltd A/c 9230	20,630,773
7. Standard Chartered Nominees Ltd A/c 9197	10,369,230
8. Vijay Kumar Ratilal Shah	9,029,660
9. Standard Chartered Nominees Ltd KE14353	8,232,417
10. Mike Maina Kamau	8,003,940
Other shareholders	354,609,487
Total	1,496,469,035

Distribution of shareholders

	Number of shareholders	Number of shares	% Shareholding
Less than 500 shares	32,029	12,667,444	0.85
500 - 5,000 shares	39,961	64,309,033	4.30
5,001 - 10,000 shares	2,788	20,873,999	1.39
10,001 - 100,000 shares	2,702	71,004,480	4.74
100,001 - 1,000,000 shares	306	85,938,723	5.74
Over 1,000,000 shares	51	1,241,675,356	82.97
Total	77,837	1,496,469,035	100

Distribution of shareholders by region:

	Number of shareholders	Number of shares	% Shareholding
Foreign Institutions	21	633,292,257	42.32
Foreign Individuals	534	8,138,841	0.54
Local Institutions	3,266	648,151,642	43.31
Local Individuals	74,016	206,886,295	13.82
Total	77,837	1,496,469,035	100



AUH
Abu Dhabi
our **61st** new
route

BLZ
Blantyre
our **62nd**
new route

ABV
Abuja
our **63rd** new
route

GROWTH



LVI
Livingstone
our **60th** new
route

Beijing
coming soon



Tel aviv
coming
soon



63 *Destinations*

fly to over
1052
destinations
as a **skyteam**
member

Corporate Information

EXECUTIVE DIRECTORS	Dr. T. T. Naikuni - Managing Director A.W. Mbugua - Group Finance Director
NON EXECUTIVE DIRECTORS	E. Mwaniki - Chairman D. Kapila P. Hartman - Retired 13 June 2013 P. Elbers - Appointed 13 June 2013 J. Kinyua - Retired 26 September 2013 R. Schipper A. Makatiani C. Njiru - Retired 30 June 2013 S. Mazrui - Retired 26 September 2013 D. Awori J. Veenstra - Alternate to R. Schipper and P. Elbers V. Rague - Appointed 1 October 2013 K. Thugge - Appointed 1 October 2013 J. Muli - Appointed 4 September 2013
COMPANY SECRETARY	Catherine Musakali, FCPS(K) Dorion Associates ISS Building, Braeside Gardens Nairobi
REGISTERED OFFICE	Kenya Airways Headquarters and Base Airport North Road, Embakasi, Nairobi P. O. Box 19002, 00501 Nairobi, Kenya
REGISTRARS	Custody & Registrars Services Limited 6th Floor Bruce House, Standard Street P O Box 8484, 00100 Nairobi, Kenya
AUDITORS	PricewaterhouseCoopers CPA Certified Public Accountants (Kenya) PwC Tower, Waiyaki Way/ Chiromo Road, Westlands Nairobi, Kenya
PRINCIPAL BANKERS	Barclays Bank of Kenya Limited Barclays Plaza P. O. Box 30120, 00100 Nairobi, Kenya Citibank N A P. O. Box 30711, 00100 Nairobi, Kenya
LEGAL ADVISORS	Kaplan & Stratton Advocates 9th Floor, Williamson House, 4th Ngong Avenue, Upper Hill. P.O. Box 40111 - 00100 Nairobi, Kenya TRIPLEOKLAW Advocates 5th Floor, Block C, ACK Garden House, 1st Ngong' Avenue, off Bishops Road

The Directors' Report For the year ended 31 March 2014

The directors submit their report together with the audited financial statements for the year ended 31 March 2014, in accordance with Section 157 of the Kenyan Companies Act, which discloses the state of affairs of Kenya Airways Limited (the Company) and its subsidiaries (together, the Group).

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 62 destinations in Africa, Middle East, Asia and Europe.

At 31 March 2014, the Group had 47 aircrafts, either owned or on operating leases. These comprised five Boeing 777 wide body jets, One Boeing 787, six Boeing 767 wide body jets, thirteen Boeing 737 narrow body jets, twenty Embraer regional jets and two Boeing 737 freighters; formerly passenger aircraft, one converted to a freighter during the year, while the other was converted in the previous year.

RESULTS AND DIVIDENDS

The net loss for the year of Kshs 3,382 million (2013:Kshs 7,864 million) has been deducted from the retained earnings. The directors do not recommend payment of dividends (2013: nil).

The results for the year are set out fully on pages 68 to 123 in the attached financial statements.

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 64.

AUDITOR

The Company's auditor, PricewaterhouseCoopers, have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 24 June 2014.

By order of the Board



Catherine Musakali

Secretary

24 June 2014

Statement of Directors' Responsibilities For the year ended 31 March 2014

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
- (ii) Selecting and applying appropriate accounting policies;
- (iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and the Company at 31 March 2014 and of the group financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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 the next twelve months from the date of this statement.

Approved by the board of directors on 24 June 2014 and signed on its behalf by:



Evanson Mwaniki
Director



Titus Naikuni
Director



Report of the Independent Auditor to the members of Kenya Airways Limited

Report on the consolidated 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 68 to 123. These financial statements comprise the consolidated statement of financial position at 31 March 2014 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 31 March 2014 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 consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal control, as the directors determine necessary to enable the preparation of consolidated financial statements that are free from material misstatements, 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 31 March 2014 and of the financial performance 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

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

- 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;
- in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- the Company's statement of financial position, income statement and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Richard Njoroge - P/No 1244.

Certified Public Accountants

24 June 2014

Nairobi

Consolidated income statement

For the year ended 31 March 2014

	Notes	2014 Kshs million	2013 Kshs million
Revenue	6	106,009	98,860
Direct costs	7(a)	(75,268)	(77,225)
Fleet ownership costs	7(b)	(12,490)	(11,178)
Overheads	7(c)	(20,972)	(18,643)
Restructuring costs	35	-	(826)
Operating loss		(2,721)	(9,012)
Finance costs	8	(2,424)	(1,907)
Finance income	8	823	1,421
Realised gains on fuel derivatives	9	972	602
Other gains and losses	10	(1,511)	(1,700)
Share of results of associate, net of tax	19(c)	-	(230)
Loss before income tax	11	(4,861)	(10,826)
Income tax credit	12	1,479	2,962
Loss for the year	13	(3,382)	(7,864)
Attributable to:			
Equity holders of the Company		(3,371)	(7,857)
Non-controlling interest		(11)	(7)
		(3,382)	(7,864)
Loss per share attributable to the equity holders of the Company			
- basic and diluted (Kshs per share)	14	2.25	6.35

The notes on pages 75 to 123 are an integral part of these financial statements.

Consolidated statement of comprehensive income For the year ended 31 March 2014

	Notes	2014 Kshs million	2013 Kshs million
Loss for the year	13	(3,382)	(7,864)
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit and loss</i>			
Loss on hedged exchange differences on borrowings	29	(264)	(188)
Gain/(loss) on hedged fuel contracts		838	(1,208)
Deferred taxation on hedges	30	(172)	419
<i>Items that are not subsequently reclassified to profit or loss</i>			
Surplus on revaluation of property, plant and equipment		-	5,081
Deferred taxation on revaluation reserve	30	-	(1,524)
Other comprehensive income for the year, net of tax		402	2,580
Total comprehensive loss for the year		(2,980)	(5,284)
Attributable to:			
Equity holders of the Company		(2,969)	(5,277)
Non-controlling interest	28	(11)	(7)
Total comprehensive loss for the year		(2,980)	(5,284)

The notes on pages 75 to 123 are an integral part of these financial statements.

Consolidated statement of financial position As at 31 March 2014

	Notes	2014 Kshs million	2013 Kshs million
ASSETS			
Non-current assets			
Property, plant and equipment	16	88,389	71,502
Intangible assets	17	1,619	2,029
Leasehold land	18	1,238	1,235
Deferred expenditure	20	182	182
Aircraft deposits	21	27,505	19,095
Fuel derivatives	22	32	19
Deferred income tax	30	56	26
		119,021	94,088
Current assets			
Inventories	23	2,461	2,532
Trade and other receivables	24	13,706	10,413
Current income tax recoverable	12	1,216	1,060
Fuel derivatives	22	1,035	210
Bank and cash balances	25	11,218	14,393
		29,636	28,608
TOTAL ASSETS		148,657	122,696
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	26	7,482	7,482
Share premium		8,670	8,670
Cash flow hedging reserve	27(a)	(1,593)	(1,995)
Revaluation surplus	27(b)	3,557	3,557
Revenue reserves	27(c)	10,070	13,441
		28,186	31,155
Non-controlling interest	28	43	54
Total equity		28,229	31,209
Non-current liabilities			
Borrowings	29	50,120	31,421
Deferred income tax	30	5,084	6,398
Deferred income	31	1,468	1,984
Finance lease obligations	32	-	843
		56,672	40,646
Current liabilities			
Sales in advance of carriage	33	10,786	9,087
Finance lease obligations	32	852	212
Trade and other payables	34	12,150	10,357
Deferred income	31	174	174
Borrowings	29	38,892	30,544
Provision for liabilities and charges	35	902	467
		63,756	50,841
Total liabilities		120,428	91,487
TOTAL EQUITY AND LIABILITIES		148,657	122,696

The financial statements on pages 68 to 123 were approved for issue by the board of directors on 24 June 2014 and signed on its behalf by:

Evanson Mwaniki



Director

Titus Naikuni



Director

The notes on pages 75 to 123 are an integral part of these financial statements.

Company statement of financial position As at 31 March 2014

ASSETS	Notes	2014 Kshs million	2013 Kshs million
Non-current assets			
Property, plant and equipment	16	87,757	70,875
Intangible assets	17	1,556	2,028
Leasehold land	18	1,238	1,235
Investment in subsidiaries	19(a)	435	435
Deferred expenditure	20	182	182
Aircraft deposits	21	27,505	19,095
Fuel derivatives	22	32	19
		118,705	93,869
Current assets			
Inventories	23	2,461	2,532
Trade and other receivables	24	18,229	14,374
Current income tax recoverable	12	1,131	975
Fuel derivatives	22	1,035	210
Bank and cash balances	25	11,114	14,318
		33,970	32,409
TOTAL ASSETS		152,675	126,278
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	26	7,482	7,482
Share Premium		8,670	8,670
Cash flow hedging reserve	27(a)	(996)	(1,398)
Revaluation surplus	27(b)	3,470	3,470
Revenue reserves	27(c)	6,864	10,126
Total equity		25,490	28,350
Liabilities			
Non-current liabilities			
Borrowings	29	50,120	31,421
Deferred income tax	30	5,084	6,398
Deferred income	31	1,468	1,984
Finance lease obligations	32	-	843
		56,672	40,646
Current liabilities			
Sales in advance of carriage	33	10,712	9,087
Finance lease obligations	32	852	212
Trade and other payables	34	19,155	16,919
Deferred income	31	174	174
Borrowings	29	38,892	30,544
Provision for liabilities and charges	35	728	346
		70,513	57,282
Total liabilities		127,185	97,928
TOTAL EQUITY AND LIABILITIES		152,675	126,278

The financial statements on pages 68 to 123 were approved for issue by the board of directors on 24 June 2014 and signed on its behalf by:

Evanson Mwaniki



Director

Titus Naikuni



Director

The notes on pages 75 to 123 are an integral part of these financial statements.

Consolidated statement of changes in equity

		Attributable to equity holders of the company							
		Share capital	Share premium	Cash flow hedging reserve	Revaluation surplus	Revenue reserves	Proposed dividends	Non-controlling interest	Total equity
Notes		Kshs Million	Kshs Million	Kshs Million		Kshs Million	Kshs Million	Kshs Million	Kshs Million
Year ended 31 March 2013									
	At 1 April 2012	2,308	-	(1,018)	-	21,298	374	61	23,023
Comprehensive income/(loss)									
	Loss for the year	-	-	-	-	(7,857)	-	(7)	(7,864)
Other comprehensive income/(loss)									
	Loss on hedged exchange differences on borrowings	29	-	(188)	-	-	-	-	(188)
	Loss on hedged fuel contracts		-	(1,208)	-	-	-	-	(1,208)
	Deferred taxation on cash flow hedges	30	-	419	-	-	-	-	419
	Revaluation surplus of property, plant and equipment	27	-	-	5,081	-	-	-	5,081
	Deferred taxation on revaluation reserve	30	-	-	(1,524)	-	-	-	(1,524)
	Total comprehensive (loss)/income for the year		-	(977)	3,557	(7,857)	-	(7)	(5,284)
Transactions with owners									
	Issue of additional share capital		5,174	8,670	-	-	-	-	13,844
	Dividend:								
	Final for 2012 paid		-	-	-	-	(374)	-	(374)
	Total transactions with owners		5,174	8,670	-	-	(374)	-	13,470
	At 1 April 2013	7,482	8,670	(1,995)	3,557	13,441	-	54	31,209
Year ended 31 March 2014									
	At 1 April 2013	7,482	8,670	(1,995)	3,557	13,441	-	54	31,209
Comprehensive income/(loss)									
	Loss for the year	-	-	-	-	(3,371)	-	(11)	(3,382)
Other comprehensive income/(loss)									
	Loss on hedged exchange differences on borrowings	29	-	(264)	-	-	-	-	(264)
	Gain on hedged fuel contracts		-	838	-	-	-	-	838
	Deferred taxation on cash flow hedges	30	-	(172)	-	-	-	-	(172)
	Total comprehensive (loss)/income for the year		-	402	-	(3,371)	-	(11)	(2,980)
	Total transactions with owners		-	-	-	-	-	-	-
	At 31 March 2014	7,482	8,670	(1,593)	3,557	10,070	-	43	28,229

The notes on pages 75 to 123 are an integral part of these financial statements.

Company statement of changes in equity

	Notes	Share capital Kshs Million	Share premium Kshs Million	Cash flow hedging reserve Kshs Million	Revaluation surplus Kshs Million	Revenue reserves Kshs Million	Proposed dividends Kshs Million	Total equity Kshs Million
Year ended 31 March 2013								
At 1 April 2012		2,308	-	(421)	-	18,042	374	20,303
Comprehensive income / (loss)								
Loss for the year		-	-	-	-	(7,916)	-	(7,916)
Other comprehensive income/ (loss)								
Loss on hedged exchange differences on borrowings	29	-	-	(188)	-	-	-	(188)
Loss on hedged fuel contracts		-	-	(1,208)	-	-	-	(1,208)
Deferred taxation on cash flow hedges	30	-	-	419	-	-	-	419
Revaluation surplus of property, plant and equipment	27	-	-	-	4,957	-	-	4,957
Deferred taxation on revaluation reserve	30	-	-	-	(1,487)	-	-	(1,487)
Total comprehensive (loss) / income for the year		-	-	(977)	3,470	(7,916)	-	(5,423)
Transactions with owners								
Issue of additional share capital		5,174	8,670	-	-	-	-	13,844
Dividend:								
Final for 2012 Paid		-	-	-	-	-	(374)	(374)
Total transactions with owners		5,174	8,670	-	-	-	(374)	13,470
At 31 March 2013		7,482	8,670	(1,398)	3,470	10,126	-	28,350
Year ended 31 March 2014								
At 1 April 2013		7,482	8,670	(1,398)	3,470	10,126	-	28,350
Comprehensive income / (loss)								
Loss for the year		-	-	-	-	(3,262)	-	(3,262)
Other comprehensive income/ (loss)								
Loss on hedged exchange differences on borrowings	29	-	-	(264)	-	-	-	(264)
Gain on hedged fuel contracts		-	-	838	-	-	-	838
Deferred taxation on cash flow hedges	30	-	-	(172)	-	-	-	(172)
Total comprehensive (loss) / income for the year		-	-	402	-	(3,262)	-	(2,860)
Total transactions with owners								
		-	-	-	-	-	-	-
At 31 March 2014		7,482	8,670	(996)	3,470	6,864	-	25,490

The notes on pages 75 to 123 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2014

	Notes	2014 Kshs million	2013 Kshs million
Cash flows from operating activities			
Cash generated from operations	37	4,532	334
Interest received	8	823	1,421
Interest paid	8	(2,424)	(1,907)
Income tax paid	12	(193)	(385)
Net cash generated from/ (used in) operating activities		2,738	(537)
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(22,326)	(22,221)
Proceeds from disposal of property, plant and equipment		28	17
Purchase of intangible assets	17	(225)	(235)
Purchase of Leasehold land	18	(4)	-
Deposits refunds received	21	2,805	50
Deposits paid for aircraft purchases	21	(12,156)	(16,989)
Deferred expenditure	20	-	(88)
Net cash used in investing activities		(31,878)	(39,466)
Cash flows from financing activities			
Proceeds from the rights issue	26	-	14,488
Rights issue costs	26	-	(644)
Borrowings received	29	39,274	42,659
Repayments of borrowings	29	(13,096)	(8,371)
Repayment of finance lease obligations	32	(213)	(202)
Dividends paid to Company's shareholders	15	-	(374)
Net cash generated from financing activities		25,965	47,556
Net (decrease)/ increase in cash and cash equivalents		(3,175)	7,553
Cash and cash equivalents at beginning of year		14,393	6,840
Cash and cash equivalents at end of year	25	11,218	14,393

The notes on pages 75 to 123 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2014

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 Company's shares are listed on the Nairobi Securities 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS.

Basis of measurement

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements are presented in Kenyan Shillings (Kshs), rounded to the nearest million.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates

are significant to the consolidated financial statements are disclosed in Note 3.

Changes in accounting policy and disclosures

(a) Adoption of new and revised standards

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2013 and none of them have a material impact on the company:

IAS 1 (Amendment), Presentation of financial statements

The amendment requires entities to group items of other comprehensive income according to whether or not they will be subsequently reclassified to profit or loss.

IAS 19, Employee Benefits'

'Employee benefits', was amended in June 2011. The main changes will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This amendment has no impact on the Group as it does not have any defined benefit assets.

IFRS 10, 'Consolidated financial statements'

The new standard replaces all the guidances on control and consolidation in IAS 27, Consolidated and separate financial statements and SIC-12, Special purpose entities. IFRS 10 introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

IFRS 12, 'Disclosure of Interests in other entities'

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The impact of this standard is to increase the level of disclosures in the Group Financial statements.

IFRS 13, Fair value measurement:

The new standard defines fair value, set out a framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 applies when other standard require or permit fair value measurements; it does not introduce any new requirements to measure an asset or liability at fair value.

(b) New standards and interpretations that are not yet effective but have been early adopted

The company has applied the revised standard, Amendment to IFRS 9- Financial Instruments, hedge accounting; it replaces parts of IAS 39 - Financial

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations that are not yet effective but have been early adopted (continued)

Instruments, Recognition and Measurement that relate to hedge accounting.

The changes align hedge accounting closely to entity risk management policy, replaces the bright line under IAS 39 for hedge effectiveness and eligibility for hedge accounting, changes what qualifies as a hedged item removing the restrictions under IAS 39 and relaxes the rules on the use of some hedging instruments such as purchased options and non-derivative financial items. The adoption of this standard has had no impact on the amounts recognised in the Financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The directors have early adopted this standard.

(c) New standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the company.

Standard	Title	Applicable for financial years beginning on/after
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The amendment requires entities to group items of other comprehensive income according to whether or not they will be subsequently reclassified to profit or loss.

IFRIC 21 Levies

The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. It also provides guidance on recognition of a liability to pay levies: the liability is recognised either progressively if the obligating event occurs over a period of time, or when the minimum threshold is reached if an obligation is triggered on reaching that minimum threshold

Amendments to IAS 32 titled Offsetting Financial Assets and Financial Liabilities (issued in December 2011) - The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32, mainly by clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. They are effective for annual periods beginning on or after 1 January 2014, with retrospective application.

Amendments to IFRS 10, IFRS 12 and IAS 27 titled Investment Entities (issued in October 2012) - The amendments define "investment entities" and provide them an exemption from the consolidation of subsidiaries; instead, an investment entity is required to measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 / IAS 39 (the exception does not apply to subsidiaries that provide services relating to the investment entity's investment activities). An investment entity is required to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements, and additional disclosures are introduced. The amendments are effective for annual periods beginning on or after 1 January 2014, retrospectively with some transitional provisions. The Directors do not anticipate any effect on the company's consolidated financial statements as the parent company is not an investment entity

(b) Revenue recognition

Passenger ticket sales and revenue from cargo airway bills, net of discounts, are recognised as traffic revenue when the air transport has been carried out. The value

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

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 (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises

any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 the statement of 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.

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.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(c) Consolidation (continued)

(iii) Disposal of subsidiaries

fair value of 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.

(iv) Joint operations

The Company has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified either joint operations or joint ventures. Kenya Airways Limited has assessed the nature of its joint arrangements and determined them to be joint operations.

(v) 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.

Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. 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 is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates.

Unrealised losses are 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 profit or loss.

(d) Functional currency translation

(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 Group'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 related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(d) Functional currency translation (continued)

(ii) Transactions and balances (continued)

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.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (b) income and expenses for each income statement amount are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

(e) Intangible assets

(i) 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.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the

Group, are recognised as intangible assets, when the following criteria have been met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) 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.

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(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.

The estimated monetary liability for employees' accrued leave entitlements at the end of the reporting period is recognised as an expense accrual.

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

(h) Employee entitlements

The estimated monetary liability for employees' accrued leave entitlements at the end of the reporting period is recognised as an expense accrual.

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

(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 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

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(j) Current and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials 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

Land and buildings are carried at fair value and the valuation is performed once in every three years. The rest of property, plant and equipment are carried at cost less accumulated depreciation and any recognised impairment loss. Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs are 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 787, 777, 737-300 & 737-700	5.56
Boeing 767	33.00
Simulator	5.00

Other properties and equipment	%
Ground service equipment	25.00
Motor vehicles	25.00
Communication assets	12.50
Other assets	20-30
Buildings	2.5

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.

Increases in the carrying amount arising on revaluation are credited in other comprehensive income and accumulated in equity in a revaluation reserve. Decreases that offset previous increases of the same asset are charged in other comprehensive income; all other decreases are charged to profit or loss.

(m) 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.

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(n) 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.

(o) 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 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.

(p) 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 where the credit is in effect a discount on the price. Credits relating to delays in delivery are deferred and recognised in profit or loss on delivery of the aircraft.

(q) Financial Instruments

(i) Classification

1. Classification prior to 1 April 2013

The Group and Company classifies its financial assets in the following categories: at fair value through profit or loss (the derivative financial instruments) and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The directors determine the appropriate classification of the financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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,

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(q) Financial Instruments (continued)

Loans and receivables (continued)

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.

II. Classification of financial assets from 1 April 2013

Following the aearly adoption of IFRS 9 (Financial instruments), as from 1 April 2013, the group classifies its financial assets in the following measurement categories: those measured at fair value and those measured at amortised cost.

Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at fair value

The group has no assets measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch but has derivatives which are classified as fair value through profit or loss. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

III. Classification of financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities includes borrowings, finance lease obligations, creditor and other payables and bank overdraft are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. 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.

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(q) Financial Instruments (continued)

The following tables give the financial instruments held by the Group and Company per category as at 31 March 2014 and 31 March 2013:

Group

As at 31 March 2014	Amortised cost	Derivatives used for hedging	Totals
	Kshs million	Kshs million	Kshs million
Assets per balance sheet			
Fuel derivatives	-	1,067	1,067
Bank and cash balances	11,218	-	11,218
Trade and other receivables	11,410	-	11,410
Total	22,628	1,067	23,695
Liabilities per balance sheet			
Borrowings	89,012	-	89,012
Finance lease obligations	852	-	852
Trade and other payables	12,150	-	12,150
Total	102,014	-	102,014

As at 31 March 2013	Amortised cost	Derivatives used for hedging	Totals
	Kshs million	Kshs million	Kshs million
Assets per balance sheet			
Fuel derivatives	-	229	229
Bank and cash balances	14,393	-	14,393
Trade and other receivables	8,707	-	8,707
Total	23,100	229	23,329
Liabilities per balance sheet			
Borrowings	61,965	-	61,965
Finance lease obligations	1,055	-	1,055
Trade and other payables	10,357	-	10,357
Total	73,377	-	73,377

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(q) Financial Instruments (continued)

Company

As at 31 March 2014	Amortised cost	Derivatives used for hedging	Totals
	Kshs million	Kshs million	Kshs million
Assets per balance sheet			
Fuel derivatives	-	1,067	1,067
Bank and cash balances	11,218	-	11,218
Trade and other receivables	16,072	-	16,072
Total	27,290	1,067	28,357
Liabilities per balance sheet			
Borrowings	89,012	-	89,012
Finance lease obligations	852	-	852
Trade and other payables	19,155	-	19,155
Total	109,019	-	109,019
As at 31 March 2013	Amortised cost	Derivatives used for hedging	Totals
	Kshs million	Kshs million	Kshs million
Assets per balance sheet			
Fuel derivatives	-	229	229
Bank and cash balances	14,393	-	14,393
Trade and other receivables	12,684	-	12,684
Total	27,077	229	27,306
Liabilities per balance sheet			
Borrowings	61,965	-	61,965
Finance lease obligations	1,055	-	1,055
Trade and other payables	16,919	-	16,919
Total	79,939	-	79,939

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(q) Financial Instruments (continued)

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets at amortised costs are subsequently carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

The classification and measurement category for each class of financial assets and liabilities at the date of initial application were as follows:

Group

Financial instrument	IAS 39		IFRS 9		Valuation as per IAS 39 as at 1 April 2013	Valuation as per IFRS 9 as at 1 April 2013	Difference in the valuation
	Fair value through profit or loss	value profit	Fair value through profit or loss	value profit	Kshs million	Kshs million	
Assets							
Fuel derivatives					229	229	-
Bank and cash balances	Loans and receivables		Amortised cost		14,393	14,393	-
Trade and other receivables	Loans and receivables		Amortised cost		8,707	8,707	-
Liabilities							
Borrowings	Loans and receivables		Amortised cost		61,965	61,965	-
Finance lease obligations	Loans and receivables		Amortised cost		1,055	1,055	-
Trade and other payables	Loans and receivables		Amortised cost		10,357	10,357	-

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(q) Financial Instruments (continued)

Company

Financial instrument	IAS 39	IFRS 9	Valuation as per	Valuation as per	Difference in the valuation Kshs million
			IAS 39 as at 1 April 2013 Kshs million	IFRS 9 as at 1 April 2013 Kshs million	
Assets					
Fuel derivatives	Fair value through profit or loss	Fair value through profit or loss	229	229	-
Bank and cash balances	Loans and receivables	Amortised cost	14,393	14,393	-
Trade and other receivables	Loans and receivables	Amortised cost	12,684	12,684	-
Liabilities					
Borrowings	Loans and receivables	Amortised cost	61,965	61,965	-
Finance lease obligations	Loans and receivables	Amortised cost	1,055	1,055	-
Trade and other payables	Loans and receivables	Amortised cost	16,919	16,919	-

(iii) Offsetting financial instruments

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

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.

(r) 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.

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(s) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(t) Provisions for liabilities

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

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

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

(u) Frequent flyer programmes

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

(v) 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.

(w) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(x) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(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 to 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's 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

Notes to the financial statements

continued

3 Critical accounting estimates and judgements (continued)

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:

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

In 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 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 management have highlighted the importance of financial risk management as an element of control for the Group. Principal financial risks faced in the normal course of the Group's business are foreign currency rate risk, interest rate risk, credit risk, jet 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 is 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 and borrowings.

Most of the Group's debts are asset related, reflecting the capital intensive nature of the airline industry. The group has a mix of fixed rate interest loans and variable interest loans. The borrowings from Afrexim bank bear a variable interest rate.

Market risk associated with cash portfolio and borrowings under the variable interest rates relates to the potential change in interest income from decreases in interest rates. At 31 March 2014, an increase/decrease of 100 basis points would have resulted in an decrease/increase in consolidated post tax profit of Kshs 175 Million (2013: Kshs 19 Million), mainly as a result of higher/lower interest on variable rate cash deposits and variable rate borrowings.

Notes to the financial statements

continued

4 Financial risk management (Continued)

(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 2014. As at 31 March 2014 the Group had in place fuel hedging contracts for 51 percent of its anticipated fuel requirements for the period up to 31 March 2015 and 27 percent of anticipated fuel requirements for the period to 31 March 2016.

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

	2014		2013	
	Kshs million	Kshs million	Kshs million	Kshs million
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Fuel price				
-1% Movement	398	398	414	414
+1% Movement	(398)	(398)	(414)	(414)

(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	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
	Effect on profit/ equity	Effect on profit/ equity/	Effect on profit/ equity	Effect on profit/ equity
Currency-UK pounds				
+1% Kshs appreciation	(83)	(84)	(82)	(83)
-1% Kshs depreciation	83	84	82	83
Currency-Euro				
+1% Kshs appreciation	(92)	(67)	(91)	(66)
-1% Kshs depreciation	92	67	91	66
Currency-American dollars				
+1% Kshs appreciation	(31)	(10)	(30)	(6)
-1% Kshs depreciation	31	10	30	(6)

Notes to the financial statements

continued

4 Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

Below is a summary of the financial assets and liabilities of the Group denominated in various currencies at their carrying amounts at 31 March 2014:

Closing rate	1	86.5	119	143.5	-	
Currency	Kshs	USD	EUR	GBP	Others	Total
	million	million	million	million	million	million
Financial assets:						
Bank balances	4,635	4,626	183	19	1,755	11,218
Trade and other receivables	531	5,691	321	791	4,076	11,410
Derivative financial instruments	-	1,067	-	-	-	1,067
Total	5,166	11,384	504	810	5,831	23,695
Financial liabilities:						
Trade and other payables	4,022	5,958	503	137	1,530	12,150
Borrowings	-	89,012	-	-	-	89,012
Finance lease obligations	-	852	-	-	-	852
Total	4,022	95,822	503	137	1,530	102,014
Net exposure	1,144	(84,438)	1	673	4,301	(78,319)

Below is a summary of the financial assets and liabilities of the Company denominated in various currencies at their carrying amounts at 31 March 2014:

Closing rate	1	86.5	119	143.5	-	
Currency	KES	USD	EUR	GBP	Others	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	million	million	million	million	million	million
Financial assets:						
Bank balances	4,569	4,588	183	19	1,755	11,114
Trade and other receivables	5,382	5,499	321	791	4,079	16,072
Derivative financial instruments	-	1,067	-	-	-	1,067
Total	9,951	11,154	504	810	5,834	28,253
Financial liabilities:						
Trade and other payables	11,051	5,934	503	137	1,530	19,155
Borrowings	-	89,012	-	-	-	89,012
Finance lease obligations	-	852	-	-	-	852
Total	11,051	95,798	503	137	1,530	109,019
Net exposure	(1,100)	(84,644)	1	673	4,304	(80,766)

Notes to the financial statements

continued

4 Financial risk management (continued)

(a) Market risk (continued)

iii) Foreign currency risk (continued)

Below is a summary of the financial assets and liabilities of the Group denominated in various currencies at their carrying amounts at 31 March 2013:

Closing rate	1	85.6	109.3	129.5	-	
Currency		USD	EUR	GBP	Others	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	million	million	million	million	million	million
Financial assets:						
Bank balances	12,569	(373)	41	39	2,117	14,393
Trade and other receivables	291	6,095	163	659	3,205	10,413
Derivative financial instruments	-	229	-	-	-	229
Total	12,860	5,951	204	698	5,322	25,035
Financial liabilities:						
Trade and other payables	2,594	5,587	899	160	1,117	10,357
Borrowings	-	61,965	-	-	-	61,965
Finance lease obligations	-	1,055	-	-	-	1,055
Total	2,594	68,607	899	160	1,117	73,377
Net exposure	10,266	(62,656)	(695)	538	4,205	(48,342)

Below is a summary of the financial assets and liabilities of the Company denominated in various currencies at their carrying amounts at 31 March 2013:

Closing rate	1	85.6	109.3	129.5	-	
Currency	KES	USD	EUR	GBP	Others	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	million	million	million	million	million	million
Financial assets:						
Bank balances	12,553	(432)	41	39	2,117	14,318
Trade and other receivables	147	10,200	163	659	3,205	14,374
Derivative financial instruments	-	229	-	-	-	229
Total	12,700	9,997	204	698	5,322	28,921
Financial liabilities:						
Trade and other payables	2,196	12,547	899	160	1,117	16,919
Borrowings	-	61,965	-	-	-	61,965
Finance lease obligations	-	1,055	-	-	-	1,055
Total	2,196	75,567	899	160	1,117	79,939
Net exposure	10,504	(65,570)	(695)	538	4,205	(51,018)

Notes to the financial statements

continued

4 Financial risk management (continued)

(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.

Management perform cash flow forecasting and monitor rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn borrowing facilities (Note 29) at all times so that the Group and Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

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:

Group

	Less than 1 year	2 - 5 years	Over 5 years	Total
	Kshs million	Kshs million	Kshs million	Kshs million
31 March 2014				
Borrowings	42,752	36,518	21,083	100,353
Finance lease obligations	864	-	-	864
Trade and other payables	12,103	-	-	12,103
Due to related parties	47	-	-	47
	55,766	36,518	21,083	113,367
31 March 2013				
Borrowings	40,811	29,079	1,088	70,978
Finance lease obligations	246	855	-	1,101
Trade and other payables	10,244	-	-	10,244
Due to related parties	113	-	-	113
	51,414	29,934	1,088	82,436

Notes to the financial statements

continued

4 Financial risk management (continued)

(b) Liquidity risk (continued)

Company	Less than 1 year	2 - 5 years	Over 5 years	Total
31 March 2014	Kshs million	Kshs million	Kshs million	Kshs million
Borrowings	42,752	36,518	21,083	100,353
Finance Lease obligations	864	-	-	864
Trade and other payables	11,733	-	-	11,733
Due to related parties	7,422	-	-	7,422
	62,771	36,518	21,083	120,372

Company	Less than 1 year	2 - 5 years	Over 5 years	Total
31 March 2013	Kshs million	Kshs million	Kshs million	Kshs million
Borrowings	40,811	29,079	1,088	70,978
Finance lease obligations	246	855	-	1,101
Trade and other payables	9,949	-	-	9,949
Due to related parties	6,970	-	-	6,970
	57,976	29,934	1,088	88,998

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

The 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.

Financial instruments whose carrying amounts do not represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in Note 29.

Notes to the financial statements

continued

4 Financial risk management (continued)

(c) Credit risk (continued)

None of the Group or Company' financial assets are either past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced). The trade receivables which were past due but not impaired relate to a number of independent customers for whom there is no history of default. The aging analysis of these trade receivables is as follows:

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Past due but not impaired:				
- by up to 30 days	142	8	138	2
- by 31 to 60 days	58	162	58	159
- by over 61 days	1,096	607	1,095	558
Total past due but not impaired	1,296	777	1,291	719

	Group		Company	
	2013	2013	2013	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Receivables individually determined to be impaired:				
Carrying amount before provision for impairment loss	1,218	1,282	1,825	1,889
Provision for impairment loss	(1,218)	(1,282)	(1,825)	(1,889)
Net carrying amount	-	-	-	-

Notes to the financial statements

continued

4 Financial risk management (continued)

(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 Group'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.
- 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 hierarchy requires the use of observable market data when available. The Group 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 2014				
Financial assets				
Derivative financial instruments	-	1,067	-	1,067
31 March 2013				
Financial assets				
Derivative financial instruments	-	229	-	229

The fair value of the derivative financial instruments rate is calculated as the present value of the estimated future cash flows based on observable yield curves.

See note 16 for IFRS 13 disclosures for the land and buildings that are measured at fair value.

Notes to the financial statements

continued

4 Financial risk management (continued)

(e) 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 2014, Kenya Airways Limited achieved a return on shareholder's equity of -12% (2013: - 25%) in comparison to an effective interest rate of 6.59% incurred (2013: 5.22%) on borrowings.

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

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

	2014	2013
	Kshs	Kshs
	Million	million
Equity*	28,229	31,209
Total borrowings	89,012	61,965
Total finance lease obligations	852	1,055
Less: Bank and cash balances	(11,218)	(14,393)
Net borrowings	78,646	48,627
Net debt to equity ratio	279%	156%

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

	2014	2013
	Kshs	Kshs
	million	million
Equity*	25,490	28,350
Total borrowings	89,012	61,865
Total finance lease obligations	852	1,055
Less: Bank and cash balances	(11,114)	(14,318)
Net borrowings	78,750	48,602
Net debt to equity ratio	309%	171%

*Equity includes all capital and reserves of the Group.

Notes to the financial statements

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5 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 2013.

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

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

The major part of the business of the Group falls under the category of aviation transport with income from other categories comprising less than 4% of total income.

Analysis of turnover according to business segments for the year ended 31 March 2014:

	passenger	Freight and mail	Handling	Others	Total
	Kshs million	Kshs million	Kshs million	Kshs million	Kshs million
Domestic	8,502	1,431	55	1,089	11,077
Foreign	81,677	8,511	1,892	2,852	94,932
	90,179	9,942	1,947	3,941	106,009

Analysis of turnover according to business segments for the year ended 31 March 2013:

	passenger	Freight and mail	Handling	Others	Total
	Kshs million	Kshs million	Kshs million	Kshs million	Kshs million
Domestic	6,184	1,418	47	354	8,003
Foreign	78,915	8,297	1,657	1,988	90,857
	85,099	9,715	1,704	2,342	98,860

Apart from Nairobi - Amsterdam and Nairobi - London routes which contribute 19.3% of turnover in aggregate, no single route contributes more than 10% of the total Group revenues.

Analysis of operating loss per business segments

	31 March	
	2014	2013
Passengers	(2,378)	(7,877)
Freight, mail and others	(343)	(1,135)
	(2,721)	(9,012)

Loss by business segment is only analysed between "Passengers" and "Freight, mail and others".

Notes to the financial statements

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5 Segment information (continued)

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. Since the aircraft fleet is deployed flexibly across the Company's route network, providing information on non-current assets by geographical and business segments is not considered meaningful.

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

6 Revenue

	2014	2013
	Kshs million	Kshs million
Passengers	90,179	85,099
Freight and Mail	9,942	9,715
Handling	1,947	1,704
Others	3,941	2,342
	106,009	98,860

7 Expenses by nature

a) Direct costs

Aircraft fuel and oil	39,848	41,392
Aircraft landing, handling and navigation	10,770	10,837
Aircraft maintenance	8,765	7,822
Passenger services	4,620	5,074
Commissions on sales	2,949	4,278
Aircraft, passenger and cargo insurance	468	584
Crew route expenses	2,456	2,355
Central reservation system and frequent flyer programme	4,170	3,987
Others	1,222	896
	75,268	77,225

b) Fleet ownership costs

Hire of aircraft and engines	7,656	7,272
Depreciation on aircraft and engines	5,158	3,894
Depreciation on rotables	192	186
Aircraft purchase subsidy (Note 31)	(516)	(174)
	12,490	11,178

Notes to the financial statements

continued

7 Expenses by nature (continued)

c) Overheads	2014	2013
	Kshs million	Kshs million
Administration		
Employee costs (Note 7 (d))	15,347	12,972
Legal and professional fees	406	379
Directors' remuneration (Note 38 (c))	117	92
Audit fees	12	12
General expenses	1,754	1,860
	17,636	15,315
Establishment		
General maintenance and supplies	949	918
Depreciation on buildings, vehicles and other equipment	896	935
Amortisation of intangible assets and leasehold	641	519
	2,486	2,372
Selling		
Advertising and publicity	596	554
Bad debts expense	254	402
	850	956
Total overheads	20,972	18,643

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:

Employee Costs	2014	2013
	Kshs million	Kshs million
Wages and salaries	10,923	10,537
Contributions to retirement benefits	817	677
National Social Security Fund	9	9
Movement in leave pay provision	681	(169)
Others	2,917	1,918
	15,347	12,972

	2014	2013
Employee numbers		
Kenya	3,539	3,538
Overseas	450	468
	3,989	4,006

Notes to the financial statements

continued

8 Net finance costs

	2014	2013
	Kshs million	Kshs million
Finance costs		
Interest expense:		
On long term borrowings	(1,991)	(1,427)
On short term facilities	(399)	(439)
On finance leases	(34)	(41)
	(2,424)	(1,907)
Finance income:		
Interest income on short term bank deposits	823	1,421
Net finance costs	(1,601)	(486)

9 Fuel derivatives gains

Realised gains- Net receipts	972	602
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The realised gains on the fuel derivatives represent receipts from counter parties for fuel derivatives that matured during the financial year.

10 Other gains/(losses)

	2014	2013
	Kshs million	Kshs million
Foreign currency exchange losses	(1,328)	(1,530)
Other costs	(183)	(170)
	(1,511)	(1,700)

11 Loss before income tax

The profit before taxation is arrived at after charging/(crediting):		
Employee costs (Note 7 (d))	15,347	12,972
Operating lease rentals	7,656	7,272
Net foreign exchange losses	1,328	1,530
Depreciation of property, plant and equipment (Note 16 (a))	6,246	5,015
Amortisation of intangible assets (Note 17)	640	519
Amortisation of leasehold land (Note 18)	1	-
Auditor's remuneration	12	12
Directors' remuneration (Note 38 (c))		
Fees	14	15
Other emoluments	103	77
Inventories written off	209	-
Manufacturer's compensation on aircraft (Note 31)	(516)	(174)
Loss on disposal of property, plant and equipment	19	34

Notes to the financial statements

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12 Income tax (credit)/ expense

	2014	2013
	Kshs million	Kshs million
Current income tax	37	89
Deferred income tax	(1,516)	(3,051)
	(1,479)	(2,962)

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	
	2014	2013
	Kshs million	Kshs million
Loss before income tax	(4,861)	(10,826)
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2013: 30%)	(1,458)	(3,248)
Tax effect of:		
Share of results of associate recorded net of tax	-	69
Other income not subject to tax	-	(1)
Expenses not deductible for tax purposes	(56)	218
Unrecognised deferred tax asset	35	-
Income tax credit	(1,479)	(2,962)

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Taxation recoverable				
At beginning of year	1,060	764	975	762
Charge for the year	(37)	(89)	-	-
Paid during the year	193	385	156	213
At end of year	1,216	1,060	1,131	975

Tax losses of Kshs 14,203 million have been carried forward from the current year.

13 Loss for the year

The loss for the year amounted to KShs 3,382 million (2013: Kshs 7,864 million) of which Kshs 3,262 million (2013: Kshs 7,916 million) has been dealt with in the accounts of the Company.

Notes to the financial statements

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14 Earnings per share

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

	2014	2013
Loss attributable to equity holders of the Company (Kshs million)	(3,371)	(7,857)
Weighted average number of ordinary shares (million)	1,496	1,238
Basic earnings per share (Kshs)	(2.25)	(6.35)

There were no potentially dilutive shares outstanding as at 31 March 2014 or 2013. Diluted earnings per share are therefore the same as basic earnings per share.

15 Dividends

	At 31 March 2014	At 31 March 2013
Dividends - proposed (Kshs million)	-	-
Number of ordinary shares (million)	1,496	1,496
Dividend per share (Kshs)	-	-

The directors do not recommend payment of a dividend (2013: Nil). This proposal will be presented for formal approval by shareholders' at the forthcoming Annual General Meeting.

Dividend per share is arrived at by dividing the dividends payable by the number of shares in issue at the end of the reporting period. Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-resident shareholders.

The movement in the unclaimed dividends account is as follows:

	2014 Kshs million	2013 Kshs million
At beginning of year	109	109
Declared during the year	-	374
Paid during the year	-	(374)
At the end of year (Note 34)	109	109

Notes to the financial statements

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16 Plant, property and equipment

(a) Group	Freehold land and Buildings Kshs million	Aircraft, engines and rotables Kshs million	Other properties & equipment Kshs million	In-complete projects Kshs million	Total Kshs million
At 31 March 2012					
Cost	4,126	66,347	8,659	855	79,987
Accumulated depreciation	(657)	(23,443)	(6,460)	(54)	(30,614)
Net book value	3,469	42,904	2,199	801	49,373
Year ended 31 March 2013					
Opening net book value	3,469	42,904	2,199	801	49,373
Revaluation surplus (cost)	3,129	-	-	-	3,129
Additions	29	20,126	448	1,618	22,221
Aircraft deposits capitalised	-	2,013	-	-	2,013
Transfer from incomplete projects	10	566	165	(1,631)	(890)
Disposals (cost)	-	(373)	(65)	-	(438)
Depreciation charge	(95)	(4,080)	(840)	-	(5,015)
Disposals (accumulated depreciation)	-	324	63	-	387
Revaluation surplus (accumulated depreciation)	722	-	-	-	722
Closing net book value	7,264	61,480	1,970	788	71,502
At 31 March 2013					
Cost	7,264	88,679	9,207	842	105,992
Accumulated depreciation	-	(27,199)	(7,237)	(54)	(34,490)
Net book value	7,264	61,480	1,970	788	71,502
Year ended 31 March 2014					
Opening net book value	7,264	61,480	1,970	788	71,502
Additions	-	19,669	943	1,714	22,326
Aircraft deposits capitalised	-	859	-	-	859
Transfer from incomplete projects	-	1,056	63	(1,124)	(5)
Disposals (cost)	-	(92)	(44)	-	(136)
Depreciation charge	(205)	(5,350)	(691)	-	(6,246)
Disposals (accumulated depreciation)	-	68	21	-	89
Closing net book value	7,059	77,690	2,262	1,378	88,389
At 31 March 2014					
Cost or Valuation	7,264	110,171	10,169	1432	129,036
Accumulated depreciation	(205)	(32,481)	(7,907)	(54)	(40,647)
Net book value	7,059	77,690	2,262	1,378	88,389

The group freehold land and buildings were valued on 31 March 2013 by an independent valuer, on the basis of open market value. If the freehold land and buildings were stated on the historical cost basis, the carrying values at 31 March 2014 would be as follows; Cost Kshs 4,134 million, accumulated depreciation Kshs 845 million, net book value Kshs 3,289 million. The land and buildings are in level 2 hierarchy of measurement where the inputs are based on observable market data, other than quoted prices. The valuers used the depreciated replacement cost to estimate the fair value.

Notes to the financial statements

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16 Plant, property and equipment (continued)

(b) Company

	Freehold land and Buildings	Aircraft, engines and rotables	Other properties & equipment	In-complete projects	Total
	Kshs million	Kshs million	Kshs million	Kshs million	Kshs million
At 31 March 2012					
Cost	3,623	66,347	8,231	833	79,034
Accumulated depreciation	(493)	(23,443)	(6,164)	(54)	(30,154)
Net book value	3,130	42,904	2,067	779	48,880
Year ended 31 March 2013					
Opening net book value	3,130	42,904	2,067	779	48,880
Revaluation surplus	3,180	-	-	-	3,180
Additions	8	20,126	425	1,617	22,176
Aircraft deposits capitalised	-	2,013	-	-	2,013
Transfer from incomplete projects	-	566	151	(1,607)	(890)
Disposals (cost)	-	(373)	(65)	-	(438)
Depreciation charge	(82)	(4,080)	(818)	-	(4,980)
Disposals (accumulated depreciation)	-	324	63	-	387
Revaluation surplus (accumulated depreciation)	547	-	-	-	547
Closing net book value	6,783	61,480	1,823	789	70,875
At 31 March 2013					
Cost	6,783	88,679	8,742	843	105,047
Accumulated depreciation	-	(27,199)	(6,919)	(54)	(34,172)
Net book value	6,783	61,480	1,823	789	70,875
Year ended 31 March 2014					
Opening net book value	6,783	61,480	1,823	789	70,875
Additions	-	19,641	919	1,714	22,274
Aircraft deposits capitalised	-	859	-	-	859
Transfer from incomplete projects	-	1,056	63	(1,124)	(5)
Disposals (cost)	-	(92)	(44)	-	(136)
Depreciation charge	(189)	(5,349)	(661)	-	(6,199)
Disposals (accumulated depreciation)	-	68	21	-	89
Closing net book value	6,594	77,663	2,121	1,379	87,757
At 31 March 2014					
Cost or Valuation	6,783	110,143	9,680	1,433	128,039
Accumulated depreciation	(189)	(32,480)	(7,559)	(54)	(40,282)
Net book value	6,594	77,663	2,121	1,379	87,757

Notes to the financial statements

continued

17 Intangible assets

	2014	2013	2014	2013
	Kshs	Kshs	Kshs	Kshs
	million	million	million	million
Cost				
At beginning of year	3,980	2,855	3,958	2,833
Additions	225	235	160	235
Transfer from incomplete projects	5	890	5	890
At end of year	4,210	3,980	4,123	3,958
Amortisation				
At beginning of year	1,951	1,432	1,930	1,415
Charge for the year	640	519	637	515
At end of year	2,591	1,951	2,567	1,930
Net book value	1,619	2,029	1,556	2,028

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

18 Leasehold land

	Group and Company	
	2014	2013
	Kshs	Kshs
	million	million
Cost		
At beginning of year	1,235	8
Additions	4	-
Revaluation surplus	-	1,227
At end of year	1,239	1,235
Amortisation		
At beginning of year	-	3
Charge for the year	1	*-
Revaluation surplus	-	(3)
At end of year	1	-
Net book value	1,238	1,235

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

Leasehold land was valued on 31 March 2013 by an independent valuer, on the basis of open market value. If the Leasehold land were stated on the historical cost basis, the carrying values at 31 March 2014 would be as follows; Cost Kshs 8 million, accumulated depreciation Kshs 3 million, net book value Kshs 5 million. The Leasehold land are in level 2 hierarchy of measurement where the inputs are based on observable market data, other than quoted prices. The valuers used the market values of recent transactions involving similar assets in comparable locations.

Costs incurred to acquire interests in leasehold land are carried in the financial statements as long term prepayments and amortised to profit or loss on the straight line basis over the terms of the related buildings.

Notes to the financial statements

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19 Investments

(a) Investment in subsidiaries

Details of investment	Country of incorporation	Activity	2014	2013	2014	2013
			% 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%	51%	51	51
JamboJet 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%	-	-
African Cargo Handling Limited (5,753,822 shares of Kshs 100 each)	Kenya	Cargo handling	100%	100%	384	384
At 31 March					435	435

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

The investment in Kencargo Airlines International Limited is fully provided for since the Company has been inactive, casting doubt on the recoverability and valuation of the investment.

The summarised financial information of the subsidiaries is as below:

	Current assets		Non current assets		Current liabilities		Non current liabilities	
	2014	2013	2014	2013	2014	2013	2014	2013
	Kshs Million	Kshs Million	Kshs Million	Kshs Million	Kshs Million	Kshs Million	Kshs Million	Kshs Million
Kenya Airfreight Handling Limited	87	154	173	183	132	186	40	40
JamboJet Limited	101	-	104	-	881	557	-	-
Kencargo Airlines	-	-	17	17	-	-	61	61
African Cargo Handling Limited	3,161	3,052	475	471	935	857	-	-

Notes to the financial statements

continued

19 Investments (continued)

(a) Investment in subsidiaries (continued)

	Revenues		Profit / (loss) before tax		Total comprehensive income	
	2014	2013	2014	2013	2014	2013
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	Million	Million	Million	Million	Million	Million
Kenya Airfreight Handling Limited	139	136	(32)	(19)	(32)	(19)
JamboJet Limited	-	-	(118)	-	(118)	-
Kencargo Airlines	-	-	-	-	-	-
African Cargo Handling Limited	1,894	1,543	49	186	49	215

(b) Other Investments

	2014	2013
	Kshs	Kshs
	million	million
(i) African Tours and Hotels Limited:		
(100,398 ordinary shares of Kshs 20 each)	2	2
Less: provision for impairment	(2)	(2)
Carrying 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.

(c) Investment in associate

	2014	2013	2014	2013
	Kshs	Kshs	Kshs	Kshs
	million	million	million	million
Precision Air Services Limited:				
At beginning of year	-	230	-	155
Share of results after taxation	-	(230)	-	-
Impairment of investment in associate	-	-	-	(155)
At end of year	-	-	-	-

Notes to the financial statements

continued

19 Investments (continued)

(c) Investment in associate (continued)

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

	2014	2013
	Kshs million	Kshs million
Total assets	13,249	14,947
Total liabilities	(14,284)	(14,659)
Net (liabilities)/ assets	(1,035)	288
Total revenue	7,421	9,557
Loss for the year	(638)	(746)
Group's share of loss of associate	-	(230)

20 Deferred expenditure

	Group and Company	
	2014	2013
	Kshs million	Kshs million
At beginning of year	182	94
Additions	-	88
At end of year	182	182

The deferred expenditure relates to B767 aircraft interiors refurbishment cost. This amount will be capitalised upon delivery of Boeing 777 aircraft in July 2014.

21 Aircraft deposits

	Group and Company	
	2014	2013
	Kshs million	Kshs million
Deposits for aircraft leases under long-term operating leases	782	2,485
Deposits paid towards acquisition of aircraft	26,723	16,610
	27,505	19,095

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

The deposits paid towards acquisition of aircraft represent amounts paid to Boeing Corporation towards acquisition of eight Boeing 787-8 aircraft and Boeing 777-300ER, scheduled for delivery between 2014 and 2015. These deposits do not earn any interest and are carried at amortised cost.

Notes to the financial statements

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21 Aircraft deposits (continued)

	Group and Company	
	2014	2013
	Kshs million	Kshs million
At beginning of year	19,095	4,364
Additions	12,156	16,989
Refunds	(2,805)	(50)
Amortisation*	(33)	(195)
Aircraft deposits capitalised (Note 16)	(859)	(2,013)
Foreign exchange differences	(49)	-
	27,505	19,095

* 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.

22 Fuel derivatives - Group and Company

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

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

	1-6 months	7-9 months	10-12 months	1-2 years	Total
31 March 2014	Kshs million	Kshs million	Kshs million	Kshs million	Kshs million
Options	830	149	56	32	1,067
31 March 2013					
Options	172	13	25	19	229

	Group and Company	
	2014	2013
	Kshs million	Kshs million
b) Derivative asset		
Within one year	1,035	210
Between one and two years	32	19
	1,067	229

23 Inventories

Aircraft consumables inventories	2,040	2,088
Other inventories	421	444
	2,461	2,532

The cost of inventories recognised as an expense and included in the consolidated 'Direct costs' amounted to Kshs 1,754 Million (2013: Kshs 1,418 Million).

Notes to the financial statements

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24 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Trade and other receivables	14,924	11,695	20,054	16,263
Less: Provision for impairment	(1,218)	(1,282)	(1,825)	(1,889)
	13,706	10,413	18,229	14,374
Analysed as :				
Trade - airlines	1,372	1,046	1,272	1,027
Trade - agents	6,304	5,381	6,291	5,233
Trade - others	985	548	941	542
Trade - Government ministries and parastatals	95	30	95	30
Prepayments	2,296	1,706	2,157	1,690
Staff receivables	171	190	171	190
Other receivables	2,322	1,155	2,315	1,144
Due from related parties (Note 38 (b))	161	357	4,987	4,518
	13,706	10,413	18,229	14,374

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

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
At beginning of year	1,282	880	1,889	1,487
Provision in the year	254	402	254	402
Reversals	(318)	-	(318)	-
At end of year	1,218	1,282	1,825	1,889

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group and Company does not hold any collateral as security.

The fair value of trade and other receivables approximates their carrying value.

25 Bank and cash balances

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Cash in hand and at bank	7,136	1,944	7,032	1,869
Short term deposits maturing within 90 days	4,082	12,449	4,082	12,449
	11,218	14,393	11,114	14,318

The effective interest rates on short term deposits ranged from 9% - 12% (2013: 8% - 9%) depending on the country where the deposit has been placed.

Notes to the financial statements

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26 Share capital

Group and Company

	Number of shares (Thousands)	Ordinary shares Kshs million
Group and Company		
Authorised:		
2,000,000,000 ordinary shares of Kshs 5 each	2,000,000	10,000
Issued and fully paid:		
At 1 April 2012: 461,615,484 ordinary shares of Kshs 5 each	461,615	2,308
At 31 March 2013, 31 March 2014: 1,496,469,034 ordinary shares of Kshs 5 each	1,496,469	7,482

27 Reserves

(a) Cash flow hedging reserve, net of tax

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Hedged exchange differences on borrowings	(1,743)	(1,558)	(1,743)	(1,558)
Fuel hedge contracts	747	160	747	160
Share of associate reserves	(597)	(597)	-	-
	(1,593)	(1,995)	(996)	(1,398)

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 551 million (2013: 442 Million) have been transferred from equity into profit or loss during the year.

(b) Revaluation reserve

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Surplus on revaluation of property, plant and equipment	3,851	3,851	3,727	3,727
Surplus on revaluation of Leasehold land	1,230	1,230	1,230	1,230
	5,081	5,081	4,957	4,957
Deferred tax on revaluation reserve	(1,524)	(1,524)	(1,487)	(1,487)
	3,557	3,557	3,470	3,470

The revaluation surplus arose on the revaluation of freehold land and buildings and Leasehold land done in the previous year 2013 and is stated net of deferred tax. The surplus is not distributable.

Notes to the financial statements

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27 Reserves (continued)

(c) Revenue reserves

Group		Company	
2014	2013	2014	2013
Kshs million	Kshs million	Kshs million	Kshs million
10,070	13,441	6,864	10,126

Revenue reserve represents cumulative retained surpluses available for distribution to the shareholders of the Company.

28 Non-controlling interests

	2014	2013
	Kshs million	Kshs million
Stamina Group B.V		
At beginning of year	54	61
Share of loss for the year	(11)	(7)
At end of year	43	54
Represented by:		
Holding in Kenya Airfreight Handling Limited	49%	49%

29 Borrowings

(a) Analysis of interest bearing loans and borrowings:

	2014		Group and Company	
	Average interest rates	Maturities	2014 Kshs million	2013 Kshs million
Barclays Bank PLC - Aircraft loans	4.84%	2005-2017	9,590	12,848
Citibank NA - Aircraft loans	5.36%	2007-2019	4,787	5,541
Citi/JP Morgan - Aircraft loans	3.41%	2014-2026	10,000	-
Afrexim - Aircraft Loans	5.19%	2012-2025	51,008	37,594
Co-operative Bank - Engine loan	4.55%	2012-2016	393	556
Short term facilities	6.59%	2014-2015	13,234	5,426
			89,012	61,965

The loans were obtained for the purpose of funding aircraft acquisition, aircraft spare engines and for pre-delivery payments for ordered aircraft.

For the purpose of holding collateral for the Financiers, the aircraft are registered in the name of special entities whose equity are held by the security trustees on behalf of the respective financiers. The legal title is to be transferred to Kenya Airways Limited once the loans are fully repaid.

Notes to the financial statements

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29 Borrowings (Continued)

(a) Analysis of interest bearing loans and borrowings: (Continued)

The entities are as listed below:

Entity	Bank	Guarantee	Original tenor of the loan
Swara Aircraft Financing Limited	Barclays Bank PLC	Export-Import Bank of the United States of America (Eximbank)	12 years
Ndovu Aircraft Financing Limited			
Nyati Aircraft Financing Limited			
Kifaru Aircraft Financing Limited			
Chui Aircraft Financing Limited	Citibank NA		12 years
Tsavo financing LLC	Citibank N.A and JP Morgan N.A	Export-Import Bank of the United States of America (Eximbank)	12 years
Samburu Limited	African Export and Import Bank in syndication with Standard Chartered Bank.	None	12 years
Aberdare Limited			12 years
Amboseli Limited			12 years

Co-operative Bank financed the acquisition of an Embraer spare engine. The loan is repayable over a period of five years starting June 2012. The short term facilities were draw down from Barclays Bank, Standard Chartered Bank, Kenya Commercial Bank, Commercial Bank of Africa and Ecobank for the financing of pre-delivery payments for ordered aircraft.

Covenants

The Group has signed a number of facilities with African Export-Import Bank (Afrexim) for the purchase of aircraft and funding of pre-delivery deposits for aircraft. One of the facilities, for the purchase of 10 Embraer E190 aircraft, contains some financial covenants, which are monitored against the annual audited financial statements. The Group is in compliance with all the financial covenants.

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

	Group and Company	
	2014	2013
	Kshs million	Kshs million
The borrowings are made up as follows:		
Within one year	38,892	30,544
Between two and five years	31,339	31,152
Later than 5 years	18,781	269
Total borrowings	89,012	61,965

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

	2014	2013
	Kshs million	Kshs million
At beginning of year	61,965	26,869
Additions	39,274	42,659
Repaid in the year	(13,096)	(8,371)
Exchange difference on hedged borrowings	815	630
Exchange difference on non-hedged borrowings	54	178
At end of year	89,012	61,965

Notes to the financial statements

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29 Borrowings (Continued)

The exchange differences have been dealt with as follows:

	Group and Company	
	2014	2013
	Kshs million	Kshsmillion
Total exchange differences on borrowings	(815)	(630)
Realised on settlement of loans	551	442
Net hedge effect	(264)	(188)

The Group has multi-currency credit line facilities with a total value of Kshs 42,422 million (2013: Kshs 33,168 million) with various local and international banks for tenures of one year and renewable. At 31 March 2014, the Group had utilised guarantees amounting to Kshs14,184 million (2013: Kshs 2,837 million) and draw down facilities of Kshs 13,624 million (2013: Kshs 6,222 million). Unutilised facilities total of Kshs 14,614million (2013: Kshs 24,109 million). A corporate guarantee of Kshs1,000 million is in place for the Kenya Airways& Co-operative Bank Ab Initio Programme.

30 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2013: 30%). The deferred income tax liability is made up as follows:

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Deferred tax assets				
Leave pay provision	(413)	(208)	(412)	(208)
Other provisions	(273)	(140)	(218)	(104)
Tax losses	(4,261)	(3,032)	(4,248)	(3,025)
Unrealised exchange losses	(111)	(103)	(110)	(102)
Hedge losses	(747)	(668)	(747)	(668)
	(5,805)	(4,151)	(5,735)	(4,107)
Deferred tax liabilities				
Accelerated capital allowances	8,989	8,931	9,012	8,950
Revaluation reserve	1,524	1,524	1,487	1,487
Hedge gains	320	68	320	68
	10,833	10,523	10,819	10,505
Net deferred tax liability	5,028	6,372	5,084	6,398

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Comprising:				
Deferred tax asset	(56)	(26)	-	-
Deferred tax liability	5,084	6,398	5,084	6,398
Net deferred tax liability	5,028	6,372	5,084	6,398

Notes to the financial statements

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30 Deferred income tax (continued)

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

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
At beginning of year	6,372	8,318	6,398	8,343
Income statement credit (Note 12)	(1,516)	(3,051)	(1,486)	(3,013)
Deferred tax dealt with in other comprehensive income	172	1,105	172	1,068
At end of year	5,028	6,372	5,084	6,398

Deferred tax dealt with in other comprehensive income relates to:

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Cash flow hedges	172	(419)	172	(419)
Surplus on revaluation of property, plant and equipment	-	1,524	-	1,487
	172	1,105	172	1,068

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

Deferred tax asset amounting to Ksh 221 million in relation to JamboJet Limited has not been recognised as the company made losses. The company (trading as Flamingo Airlines) had been dormant since April 2004.

31 Deferred income - compensation from manufacturer

	Group and Company	
	2014	2013
	Kshs million	Kshs million
At beginning of year	2,158	2,332
Released to income	(516)	(174)
At end of year	1,642	2,158

Deferred income comprises;

Amounts due within one year	174	174
Amounts due after one year	1,468	1,984
	1,642	2,158

The deferred income refers to a compensation from the manufacturer for the delivery of a different aircraft from what was originally ordered. The amount is being amortised over the life of the aircraft.

Notes to the financial statements

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32 Finance lease obligations

	Group and Company	
	2014	2013
	Kshs million	Kshs million
At beginning of year	1,055	1,222
Repaid in the year	(213)	(202)
Exchange difference	10	35
At end of year	852	1,055

During the year 2011, the Group acquired two Boeing 737 through finance lease. These leases are repayable over a period of four years.

Finance lease obligations comprise:

	2014	2013
	Kshs million	Kshs million
Amounts due within one year	852	212
Amounts due after one year	-	843
	852	1,055

33 Sales in advance of carriage

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Passengers	10,619	8,847	10,545	8,847
Cargo	167	240	167	240
	10,786	9,087	10,712	9,087

34 Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Trade payables	8,560	8,556	8,255	8,334
Other payables and accruals	2,059	885	1,997	812
Accruals for staff leave entitlements (Note 36)	1,375	694	1,372	694
Due to related parties (Note 38 (b))	47	113	7,422	6,970
Unclaimed dividends	109	109	109	109
	12,150	10,357	19,155	16,919

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

Notes to the financial statements

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35 Provisions for liabilities and charges

	Group		Company			
	Redundancy provision Kshs million	Other provisions Kshs million	Total Kshs million	Redundancy provision Kshs million	Other provisions Kshs million	Total Kshs million
At beginning of year	421	46	467	300	46	346
Net increase charged to income statement	470	24	494	417	24	441
Utilised during the year	(59)	-	(59)	(59)	-	(59)
At end of year	832	70	902	658	70	728

Redundancy provision

The company implemented a staff restructuring program in the prior year aimed at improving operational efficiency. The program affected 599 employees and as at 31 March 2014, a provision of Kshs 832 million was held to cover the redundancy payments. The unionisable staff moved to the Industrial Court to block the restructuring, and the Court ruled in their favour, ordering the reinstatement of affected employees. The Company has appealed against the decision and has obtained a stay of execution order pending determination of the appeal.

Other provisions

Other provisions relate to claims for breach of contracts, including one relating to termination of baggage handling and security services contract in Douala and Yaounde. The Judge verbally pronounced judgment against KQ but did not issue a written judgment. The Airline has appealed against the amounts awarded.

36 Accruals for staff leave entitlements

	Group		Company	
	2014 Kshs million	2013 Kshs million	2014 Kshs million	2013 Kshs million
At beginning of year				
Leave entitlement for the year	694	863	694	863
Amounts utilised during the year	1,047	621	993	589
	(366)	(790)	(315)	(758)
At end of year	1,375	694	1,372	694

Notes to the financial statements

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37 Cash generated from operations

(a) Cash generated from operations

	Group	
	2014	2013
	Kshs	Kshs
	million	million
Loss before income tax	(4,861)	(10,826)
Adjustments for:		
Depreciation (Note 16)	6,246	5,015
Amortisation of intangible assets (Note 17)	640	519
Amortisation of prepaid lease rentals (Note 18)	1	-
Aircraft purchase subsidy released to income (Note 31)	(516)	(174)
Loss on disposal of property, plant and equipment (Note 11)	19	34
Share of results of associate company (Note 19 (c))	-	230
Amortisation of aircraft deposits (Note 21)	33	195
Unrealised exchange differences (Note 32 & Note 29 (c))	113	213
Exchange differences on settlement of loans (Note 29)	551	442
Interest expense (Note 8)	2,424	1,907
Interest income (Note 8)	(823)	(1,421)
Working capital changes:		
Decrease in inventories	71	151
Increase in trade and other receivables	(3,293)	(194)
Increase in sales in advance of carriage	1,699	2,459
Increase in trade and other payables	1,793	1,363
Increase in provision for liabilities and charges	435	421
Cash generated from operations	4,532	334

(b) Cash and cash equivalents

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

	Group	
	2014	2013
	Kshs	Kshs
	million	million
Cash in hand and at bank	7,136	1,944
Short term deposits maturing within 90 days	4,082	12,449
	11,218	14,393

Notes to the financial statements

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38 Related party transactions

(a) Nature of related party transactions

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

KLM Royal Dutch Airlines (KLM)

KLM holds 26.73% equity interest in Kenya Airways Limited, and has a joint operations agreement with Kenya Airways Limited which commenced in November 1997. The agreement allows the two airlines to co-operate in developing schedules and fares and to share generated revenue benefits and costs for the core routes between Nairobi and Amsterdam.

Precision Air Services Limited

Kenya Airways Limited holds 41.23% (2013: 41.23%) equity interest in Precision Air Services Limited with code share on the route between Nairobi and Dar es Salaam.

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

The following transactions were carried out with related parties during the year:

	Company	
	2014	2013
	KShs'	KShs'
	million	million
(i) Transactions involving outflows or depletion of assets or incurrence of liabilities		
African Cargo Handling Limited	128	-
(ii) Transactions involving inflows or enhancement of assets or decreases of liabilities		
African Cargo Handling Limited	608	-

(b) Related companies balances

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

	Group		Company	
	2014	2013	2014	2013
	Kshs	Kshs	Kshs	Kshs
	million	million	million	million
(i) Due from related companies				
Precision Air Services Limited	156	242	156	242
Stamina Group B.V	5	115	-	-
Kenya Airfreight Handling Limited	-	-	116	112
African Cargo Handling Limited	-	-	4,509	4,164
JamboJet	-	-	206	-
	161	357	4,987	4,518

Notes to the financial statements

continued

38 Related party transactions (continued)

(b) Related companies balances (continued)

(ii) Due to related companies

	Group		Company	
	2014	2013	2014	2013
KLM	2	10	-	-
Stamina Group B.V	45	103	-	-
Kenya Airfreight Handling Limited	-	-	48	48
African Cargo Handling Limited	-	-	7,374	6,922
	47	113	7,422	6,970

Amounts due from and due to Kenya Airfreight Handling Limited (KAHL) arise from payments of expenses by Kenya Airways on behalf of KAHL, net of costs apportioned by KAHL for services rendered to Kenya Airways Limited. It also includes an amount of Kshs19.6 million loan secured by KAHL from Kenya Airways Limited. The amounts due to African Cargo Handling Limited represent funds transferred to the parent company for investment.

The amounts due from African Cargo Handling Limited (ACHL) relate to cargo freight collected by ACHL on behalf of Kenya Airways (KQ) and the expenses paid by KQ on behalf of ACHL.

The amounts due to ACHL relate to cash transfers from ACHL to KQ and the ACHL IATA billings.

(c) Remuneration for directors' and key management compensation

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

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
Salaries and other benefits	277	250	268	239
Non-monetary benefits	8	9	7	8
	285	259	275	247

Directors' remuneration (included in key management compensation above):

	Group		Company	
	2014	2013	2014	2013
	Kshs million	Kshs million	Kshs million	Kshs million
As executives	103	77	103	77
As non-executives	14	15	14	15
	117	92	117	92
Non - monetary benefits	4	4	4	4
	121	96	121	96

Notes to the financial statements

continued

39 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	
	2014	2013
	Kshs million	Kshs million
Authorised and contracted for	118,211	121,946
Authorised but not contracted for	6,559	8,187
	124,770	130,133

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

40 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	
	2014	2013
	Kshs million	Kshs million
Within one year	7,105	6,671
After one year but not more than five years	15,862	10,986
More than five years	10,944	1,845
	33,911	19,502

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.

41 Contingencies

a) Contingent liabilities

	Group	
	2014	2013
	Kshs million	Kshs million
Guarantees	27,808	9,059
Litigation	591	567
	28,399	9,626

b) Guarantees

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

Notes to the financial statements

continued

41 Contingencies (Continued)

c) Litigation

i) Douala crash - KQ507

A leased aircraft, Boeing 737-800 (registration mark 5Y-KYA) operating as flight number KQ507 crashed shortly after take-off from Douala airport in Cameroon on 5th May 2007. All the 105 passengers and 9 crew members on board perished in the accident. The investigation of the accident carried out under the auspices of the Cameroon civil aviation authorities is now complete. Kenya Airways Limited is fully insured for any legal obligations arising out of the accident. The case was finalised and closed.

Claims

The claim in connection with the hull of the aircraft was concluded within three weeks of the accident with a direct payment to the aircraft lessor.

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

Site clear up

After the accident there had been concerns locally that the accident site had not been made sufficiently safe and secure. On 30 December 2008, the Cameroon Prime Minister appointed a local committee to oversee a clean-up and restoration of the site of the accident. Kenya Airways was asked to nominate a representative and did so. To our knowledge, there have been no further developments since this date regarding the site clear up. We suspect that given the site is located in a tidal mangrove swamp, it is difficult to access and the nearest habitation is some distance from the site, it will be very difficult for the committee to achieve its aims in any event.

Criminal action in Cameroon

A Criminal investigation into the accident was opened in the Court of First Instance in Ndokoti, Douala, Cameroon in November 2009. This is separate and distinct from the investigation undertaken by the Official Accident Investigation Commission in accordance with Annex 13 Chicago Convention. The purpose of the criminal process is to establish whether there has been any criminal wrongdoing.

A number of hearings took place. Notwithstanding subsequent publication of the official accident report, the Magistrate has indicated that he wishes to continue with his investigations. It is unclear when the next hearing may be and there have been no recent developments.

ii) Abidjan crash - KQ 431

On 30 January 2000, a Kenya Airways Airbus 310 aircraft registration 5Y-BEN on flight KQ431 from Abidjan (Ivory Coast) to Nairobi crashed into the sea. A total of 169 passengers perished in the crash. KQ negotiated and reached agreement in majority of the claims.

A criminal investigation was initiated to establish if there was evidence of wrong doing on the part of the Company that led to the fatal accident. The investigating Magistrate put KQ under investigation on 29 September 2010. Insurers have agreed to meet the cost of any defence (i.e the cost of legal representation in the process). The Court of Appeal in Versailles has said there is no competence for the criminal process in France and that releases/waivers of interest signed to settle claims of those in the process were " final ". The process requires formal closure by the magistrate which we believe is a formality.

iii) Other Material Litigation

Nairobi Industrial Court Cause No. 539 of 2011 (Kenya)- action against the Company by a former employee.

There are other various legal cases brought against the Company which are pending determination by the courts. It is not practicable to determine the timing and ultimate liabilities (if any) that may crystallise upon resolution of the pending cases. However, on grounds of prudence, management has made appropriate provisions in respect of certain cases. Due to the nature and sensitivity of these cases, detailed disclosures have not been made for each case as these may be prejudicial to the position of the Group.

Proxy

Notes 1, 4

I / We _____ of _____

Being a * Member / Members of the above named Company, hereby appoint:

_____ of _____

Or failing him _____ of _____

as *my / our proxy to vote for *me / us on *my / our behalf at the Annual General Meeting of the Company to be held on Friday 21st November 2014 and at any adjournment thereof.

**Strike out as appropriate*

Signature(s) _____

Note 2, 3, 4

Signed this

_____ day _____ 2014

This form is to be used *in favour of / against the resolution. Unless otherwise instructed, the proxy will vote as he thinks fit.

**Strike out as appropriate*

Notes

1. *The address should be that shown in the register of members.*
2. *In the case of a member being a corporation, this form of proxy must be executed either under its common seal or signed on its behalf by an attorney or officer of the corporation duly authorized.*
3. *A person appointed to act as a proxy need not be a member of the Company.*
4. *In case of joint holders, the signature of any holder will be sufficient but the names of all joint holders should be stated.*

Shareholders admission letter

Please complete this letter and note that this admission letter must be produced at the Annual General Meeting by you or your proxy in order to record attendance. Kindly note that only the registered shareholders or their proxy notified to the Company at least 24 hours before the meeting will be admitted to the meeting.

Name _____

Signature _____

Share account number _____

Annual General Meeting of Kenya Airways Limited to be held at the Bomas of Kenya, Off Lang'ata Road, Nairobi, on Friday 21st, November 2014 at 11:00am.

Fomu ya Uwakilishi

Sehemu ya kwanza, nne

Mimi/Sisi _____ wa _____

Kama *mwanachama/wanachama wa shirika lilotajwa hapo juu, *nateuwa.tunateuwa

_____ wa _____

Na akikosa yeye _____ wa _____

Kama mwakilishi *wangu/wetu kunipigia *kura/kutupigia kura katika mkutano mkuu wa kila mwaka wa kampuni utakaofanywa mnamo Ijumaa tarehe 21 Novemba 2014 na wakati wa ahirisho lolote litakalotokea baadaye.

**weka inavyostahili*

Sahihi _____

Sehemu ya pili, tatu, nne

Kama shahidi siku hii

_____ ya _____ 2014

Fomu ni ya kutumia *kuunga mkono/kupinga maazimio. Kama haikuelezewa vingine, inachukuliwa kuwa mwakilishi atapiga kura kama anavyopendelea.

**weka inavyostahili*

Maelezo

1. Sanduku la posta sharti liwe ni kama ilivyo katika rejista ya wanachama.
2. Kama mwanachama ni shirika, fomu ya uwakilishi sharti iwe na muhuri au sahihi ya wakili au ya afisa wa shirika aliyeruhusiwa.
3. Mwakilishi siyo lazima awe mwanachama wa shirika la Kenya Airways.
4. Ikiwa wanachama ni wengi, sahihi ya mmoja wao inatosha lakini majina ya wanachama hao sharti yaandikwe.

Barua ya ualishi ya wenyehisa

Tafadhali jaza barua hii na fahamu kuwa ni sharti itolewe, ni wewe au mwakilishi wako, katika mkutanomkutano mkuu wa kila mwaka ili kutengeneza ratiba ya waliyohudhuria. Tunakujulisha kuwa ni waliyosajiliwa pekee au wawakilishi waliyojulishwa kwa shirika saa 24 kabla ya kuanza mkutano watakaoruhusiwa kuingia mkutanoni.

Jina _____

Sahihi _____

Nambari ya hisa _____

Mkutano mkuu wa kila mwaka wa Kenya Airways Limited utakaofanyika Bomas of Kenya katika barabara ya Langata , Ijumaa tarehe 21 Novemba 2014 saa tano asubuhi.

www.kenya-airways.com

